

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## SCHEDULE 14A

### (RULE 14a-101)

#### INFORMATION REQUIRED IN PROXY STATEMENT

#### SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  
 **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material under §240.14a-12

### BANDWIDTH INC.

(Name of Registrant as Specified In Its Charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

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(2) Aggregate number of securities to which the transaction applies:

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(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:



bandwidth

**BANDWIDTH INC.**

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**NOTICE OF ANNUAL MEETING  
AND  
PROXY STATEMENT**

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**2020 ANNUAL MEETING OF STOCKHOLDERS  
May 21, 2020**



**BANDWIDTH INC.**  
**900 Main Campus Drive, Suite 100**  
**Raleigh, North Carolina 27606**

April 13, 2020

Dear Bandwidth Stockholder:

On behalf of the Board of Directors and management of Bandwidth Inc., I invite you to attend the 2020 Annual Meeting of Stockholders (the “Annual Meeting”).

The Annual Meeting will be held on Thursday, May 21, 2020 at 9:30 a.m. Eastern Time at Bandwidth’s office located at 900 Main Campus Drive, Suite 100, Raleigh, North Carolina 27606. The accompanying Notice of Annual Meeting of Stockholders and Proxy Statement includes details regarding admission to the Annual Meeting and the business to be conducted at the Annual Meeting. We expect that this Notice of Annual Meeting of Stockholders and Proxy Statement will be mailed and made available to stockholders beginning on or about April 13, 2020.

I hope that you will be able to attend the Annual Meeting in person. If you do not plan to come, I strongly encourage you to vote as soon as possible to ensure that your shares are represented at the Annual Meeting. The accompanying Proxy Statement explains more about voting. Please read it carefully.

While we hope you will be able to attend the Annual Meeting, we also are sensitive to the health and safety of our stockholders, directors, officers, employees, and meeting attendees, as well as the general public. We therefore are closely monitoring the potential impact of COVID-19 (coronavirus) on the Annual Meeting. If we decide to change the date, time or location of the Annual Meeting, including the possibility of a virtual meeting instead of, or in conjunction with, a physical meeting, we will promptly supplement the Notice of the Annual Meeting regarding any change without mailing additional materials by:

- Issuing a press release announcing the change;
- Filing the announcement with the Securities and Exchange Commission (the “SEC”) via the SEC’s EDGAR system;
- Posting on our Investor Relations website at <https://investors.bandwidth.com/investor-relations>; and
- Taking other reasonable steps necessary to inform intermediaries in the proxy process, NASDAQ, and other relevant participants, if any, of the change.

We sincerely appreciate your continued support. We also wish you and yours well.

Sincerely,

David A. Morken

*Co-Founder, Chief Executive Officer, President and Chairman of the Board*

**BANDWIDTH INC.**  
900 Main Campus Drive, Suite 100  
Raleigh, North Carolina 27606

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**To Be Held at 9:30 a.m. Eastern Time on Thursday, May 21, 2020**

Dear Stockholders of Bandwidth Inc.:

We cordially invite you to attend the 2020 annual meeting of stockholders (the “**Annual Meeting**”) of Bandwidth Inc., a Delaware corporation, which will be held on Thursday, May 21, 2020 **at 9:30 a.m. Eastern Time at Bandwidth’s office located at 900 Main Campus Drive, Suite 100, Raleigh, North Carolina 27606**, for the following purposes, as more fully described in the accompanying proxy statement:

1. To elect one Class III director to serve until the 2023 annual meeting of stockholders and until his successor is duly elected and qualified;
2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2020;
3. To approve, on an advisory basis, the compensation of the Company’s named executive officers as disclosed in the Proxy Statement;
4. To approve, on an advisory basis, the frequency of shareholder advisory votes on the compensation of the Company’s named executive officers; and
5. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

While we hope you will be able to attend the Annual Meeting, we also are sensitive to the health and safety of our stockholders, directors, officers, employees, and meeting attendees, as well as the general public. We therefore are closely monitoring the potential impact of COVID-19 (coronavirus) on the Annual Meeting. If we decide to change the date, time or location of the Annual Meeting, including the possibility of a virtual meeting instead of, or in conjunction with, a physical meeting, we will promptly supplement this Notice regarding any change without mailing additional materials by:

- Issuing a press release announcing the change;
- Filing the announcement with the Securities and Exchange Commission (the “SEC”) via the SEC’s EDGAR system;
- Posting on our Investor Relations website at <https://investors.bandwidth.com/investor-relations>; and
- Taking other reasonable steps necessary to inform intermediaries in the proxy process, NASDAQ, and other relevant participants, if any, of the change.

Any supplement to this Notice completed in accordance with the foregoing will be deemed incorporated in this Notice by reference.

Our board of directors has fixed the close of business on April 6, 2020 as the record date for the Annual Meeting. Only stockholders of record on April 6, 2020 are entitled to notice of and to vote at the Annual Meeting. Further information regarding voting rights and the matters to be voted upon is presented in the accompanying proxy statement.

**YOUR VOTE IS IMPORTANT. We urge you to submit your vote via the Internet or mail as soon as possible to ensure that your shares are represented, regardless of whether you plan to attend the Annual Meeting. For additional instructions on voting by the Internet, please refer to your proxy card. Returning the proxy does not deprive you of your right to attend the Annual Meeting and to vote your shares at the Annual Meeting.**

We sincerely appreciate your continued support.

By order of the Board of Directors,



W. Christopher Matton  
*Secretary and General Counsel*  
Raleigh, North Carolina

April 13, 2020

## Table of Contents

<b><u>PROCEDURAL MATTERS</u></b>	1
<a href="#">How do I attend the Annual Meeting?</a>	1
<a href="#">Who can vote at the Annual Meeting?</a>	1
<a href="#">What matters am I voting on?</a>	2
<a href="#">How does the board of directors recommend I vote on these proposals?</a>	2
<a href="#">How many votes are needed to approve each proposal?</a>	3
<a href="#">What is a quorum?</a>	3
<a href="#">How do I vote?</a>	3
<a href="#">How many votes do I have?</a>	4
<a href="#">What happens if I do not vote?</a>	4
<a href="#">What if I return a proxy card or otherwise vote but do not make specific choices?</a>	4
<a href="#">Can I change my vote?</a>	4
<a href="#">What do I need to do to attend the Annual Meeting?</a>	5
<a href="#">What is the effect of giving a proxy?</a>	5
<a href="#">How are proxies solicited for the Annual Meeting?</a>	5
<a href="#">Where can I find the voting results of the Annual Meeting?</a>	5
<a href="#">How may I obtain an additional copy of the proxy materials?</a>	6
<a href="#">What is the deadline to propose actions for consideration at next year’s annual meeting of stockholders or to nominate individuals to serve as directors?</a>	6
<b><u>BOARD OF DIRECTORS AND CORPORATE GOVERNANCE</u></b>	8
<a href="#">Nominee for Director</a>	8
<a href="#">Directors Continuing in Office Until the 2021 Annual Meeting</a>	8
<a href="#">Directors Continuing in Office Until the 2022 Annual Meeting</a>	9
<a href="#">Risk Management</a>	9
<a href="#">Director Independence</a>	10
<a href="#">Board Leadership Structure</a>	11
<a href="#">Board Meetings and Committees</a>	11
<a href="#">Identifying and Evaluating Director Nominees</a>	13
<a href="#">Minimum Qualifications</a>	13
<a href="#">Stockholder Recommendations and Nominations to the Board of Directors</a>	14
<a href="#">Stockholder and Other Interested Party Communications</a>	14
<a href="#">Code of Business Conduct and Ethics</a>	14
<a href="#">Compensation Committee Interlocks and Insider Participation</a>	15
<b><u>PROPOSAL NO. 1—ELECTION OF DIRECTORS</u></b>	16
<a href="#">Nominee</a>	16
<a href="#">Vote Required</a>	16

## Table of Contents

<b><u>PROPOSAL NO. 2—RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	17
<u>Fees Paid to the Independent Registered Public Accounting Firm</u>	17
<u>Auditor Independence</u>	17
<u>Audit Committee Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm</u>	18
<u>Vote Required</u>	18
<b><u>REPORT OF THE AUDIT COMMITTEE</u></b>	19
<b><u>PROPOSAL NO. 3—ADVISORY VOTE ON EXECUTIVE COMPENSATION</u></b>	20
<u>Vote Required</u>	20
<b><u>PROPOSAL NO. 4—ADVISORY VOTE ON THE FREQUENCY OF SOLICITATION OF ADVISORY SHAREHOLDER APPROVAL OF EXECUTIVE COMPENSATION</u></b>	21
<u>Vote Required</u>	21
<b><u>EXECUTIVE COMPENSATION</u></b>	22
<u>Compensation Discussion and Analysis</u>	22
<u>Overview</u>	22
<u>Executive Summary</u>	24
<u>Objectives, Philosophy and Elements of Executive Compensation</u>	26
<u>How We Determine Executive Compensation</u>	28
<u>Factors Used in Determining Executive Compensation</u>	31
<u>2019 Executive Compensation Program</u>	31
<u>Employment Agreements with Named Executive Officers</u>	34
<u>Potential Payments Upon Termination or Change in Control</u>	38
<u>Equity Benefit Plans</u>	39
<u>Other Features of Our Executive Compensation Program</u>	39
<u>Tax and Accounting Implications</u>	39
<u>Other Compensation Policies and Practices</u>	40
<u>Analysis of Risks Presented by Our Compensation Policies and Programs</u>	40
<b><u>COMPENSATION COMMITTEE REPORT</u></b>	41
<b><u>EXECUTIVE COMPENSATION INFORMATION</u></b>	42
<u>Summary Compensation Table</u>	42
<u>2019 Grants of Plan-Based Awards</u>	43
<u>Outstanding Equity Awards at 2019 Fiscal Year-End</u>	44
<u>Option Exercises and Stock Vested in 2019</u>	45
<u>2019 Pension Benefits</u>	45
<u>2019 Nonqualified Deferred Compensation</u>	45
<u>CEO Pay Ratio</u>	45
<b><u>DIRECTOR COMPENSATION</u></b>	47
<u>2019 Director Compensation</u>	47
<u>Non-Employee Director Compensation Program</u>	47

---

Table of Contents

<b><u>EQUITY COMPENSATION PLAN INFORMATION</u></b>	49
<b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u></b>	50
<b><u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u></b>	54
<u>Transactions with Republic Wireless</u>	54
<u>Investors' Rights Agreement</u>	56
<u>Indemnification Agreements</u>	56
<u>Executive Compensation and Employment Arrangements</u>	57
<u>Other Transactions</u>	57
<u>Policies and Procedures for Related Party Transactions</u>	57
<b><u>OTHER MATTERS</u></b>	58
<u>Delinquent Section 16(a) Reports</u>	58
<u>2019 Annual Report and SEC Filings</u>	58

**BANDWIDTH INC.**  

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**PROXY STATEMENT  
FOR  
2020 ANNUAL MEETING OF STOCKHOLDERS**  

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**PROCEDURAL MATTERS**

This proxy statement and the enclosed form of proxy are furnished in connection with the solicitation of proxies by our board of directors for use at the 2020 annual meeting of stockholders of Bandwidth Inc., a Delaware corporation (the “**Company**”), and any postponements, adjournments or continuations thereof (the “**Annual Meeting**”). The Annual Meeting will be held on Thursday, May 21, 2020, at 9:30 a.m. Eastern Time at Bandwidth’s office located at 900 Main Campus Drive, Suite 100, Raleigh, North Carolina 27606.

The information provided in the “question and answer” format below is for your convenience only and is merely a summary of the information contained in this proxy statement. You should read this entire proxy statement carefully. Information contained on, or that can be accessed through, our website is not intended to be incorporated by reference into this proxy statement and references to our website address in this proxy statement are inactive textual references only.

**How do I attend the Annual Meeting?**

The meeting will be held on Thursday, May 21, 2020, at 9:30 a.m. Eastern Time at Bandwidth’s office located at 900 Main Campus Drive, Suite 100, Raleigh, North Carolina 27606. Information on how to vote in person at the Annual Meeting is discussed below.

We are closely monitoring the potential impact of COVID-19 (coronavirus) on the Annual Meeting. If we decide to change the date, time or location of the Annual Meeting, including the possibility of a virtual meeting instead of, or in conjunction with, a physical meeting, we will promptly supplement the Notice of the Annual Meeting regarding any change without mailing additional materials by:

- Issuing a press release announcing the change;
- Filing the announcement with the Securities and Exchange Commission (the “**SEC**”) via the SEC’s EDGAR system;
- Posting on our Investor Relations website at <https://investors.bandwidth.com/investor-relations>; and
- Taking other reasonable steps necessary to inform intermediaries in the proxy process, NASDAQ, and other relevant participants, if any, of the change.

**Who can vote at the Annual Meeting?**

Holders of either class of our common stock as of the close of business on April 6, 2020, the record date for the Annual Meeting, may vote at the Annual Meeting. As of the record date, there were 19,206,630 shares of our Class A common stock outstanding and there were 4,427,150 shares of our Class B common stock outstanding. Our Class A common stock and Class B common stock will vote as a single class on all matters described in this proxy statement for which your vote is being solicited. Stockholders are not permitted to cumulate votes with respect to the election of directors. Each share of Class A common stock is entitled to one vote on each proposal and each share of Class B common stock is entitled to 10 votes on each proposal. Our Class A common stock and Class B common stock are collectively referred to in this proxy statement as our “common stock.”



## [Table of Contents](#)

*Registered Stockholders.* If shares of our common stock are registered directly in your name with our transfer agent, you are considered the stockholder of record with respect to those shares. As the stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to vote live at the Annual Meeting. Throughout this proxy statement, we refer to these registered stockholders as “stockholders of record.”

*Street Name Stockholders.* If shares of our common stock are held on your behalf in a brokerage account or by a bank or other nominee, you are considered to be the beneficial owner of shares that are held in “street name,” and your broker or nominee is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker, bank or other nominee as to how to vote your shares. Beneficial owners are also invited to attend the Annual Meeting. However, since a beneficial owner is not the stockholder of record, you may not vote your shares of our common stock live at the Annual Meeting unless you follow your broker’s procedures for obtaining a legal proxy. If you request a printed copy of our proxy materials by mail, your broker, bank or other nominee will provide a voting instruction form for you to use. Throughout this proxy statement, we refer to stockholders who hold their shares through a broker, bank or other nominee as “street name stockholders.”

### **What matters am I voting on?**

You will be voting on:

- The election of one Class III director to serve until the 2023 annual meeting of stockholders and until his successor is duly elected and qualified (“**Proposal No. 1**”);
- A proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2020 (“**Proposal No. 2**”);
- An advisory, non-binding approval of the compensation of our named executive officers, as disclosed in this Proxy Statement, in accordance with the rules of the SEC (“**Proposal No. 3**”);
- An advisory vote on the frequency of shareholder advisory votes on the compensation of our named executive officers (“**Proposal No. 4**”); and
- Any other business as may properly come before the Annual Meeting.

### **How does the board of directors recommend I vote on these proposals?**

Our board of directors recommends a vote:

- “**FOR**” the election of David A. Morken as a Class III director;
- “**FOR**” the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2020;
- “**FOR**” the approval of the compensation of our named executive officers; and
- “**FOR**” the approval of the “one year” frequency of shareholder advisory vote on the compensation of our named executive officers.

## [Table of Contents](#)

### How many votes are needed to approve each proposal?

The following table summarizes the minimum vote needed to approve each proposal and the effect of abstentions and broker non-votes.

Proposal No.	Proposal Description	Vote Required for Approval	Effect of Abstentions	Effect of Broker Non-Votes
1	Election of directors	Directors will be elected by a plurality of the votes cast at the Annual Meeting by the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. The nominee receiving the most "FOR" votes will be elected as directors; withheld votes will have no effect	None	None
2	Ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2020	"FOR" votes from the holders of a majority of shares present in person or represented by proxy and entitled to vote on the subject matter	Against	Not applicable <sup>(1)</sup>
3	Advisory approval of the compensation of our named executive officers	"FOR" votes from the holders of a majority of shares present in person or represented by proxy and entitled to vote on the subject matter	Against	None
4	Advisory vote on the frequency of shareholder advisory votes on executive compensation	The frequency receiving the votes of the holders of a majority of shares present in person or represented by proxy and entitled to vote on the subject matter	None	None

(1) This proposal is considered to be a "routine" matter under NASDAQ rules. Accordingly, if you hold your shares in street name and do not provide voting instructions to your broker, bank or other agent that holds your shares, your broker, bank or other agent has discretionary authority under NASDAQ rules to vote your shares on this proposal.

### What is a quorum?

A quorum is the minimum number of shares required to be present at the Annual Meeting to properly hold an annual meeting of stockholders and conduct business under our second amended and restated bylaws and Delaware law. The presence, in person or represented by proxy, of a majority of the voting power of all issued and outstanding shares of our common stock entitled to vote at the Annual Meeting will constitute a quorum at the Annual Meeting. Abstentions, withhold votes and broker non-votes are counted as shares present and entitled to vote for purposes of determining a quorum.

### How do I vote?

If you are a stockholder of record, there are three ways to vote:

- By Internet at [voteproxy.com](http://voteproxy.com), 24 hours a day, seven days a week, until 11:59 p.m. Eastern Time on May 20, 2020 (have your proxy card in hand when you visit the website);
- By completing and mailing your proxy card (if you received printed proxy materials); or
- By written ballot at the Annual Meeting.

## [Table of Contents](#)

If you plan to attend the Annual Meeting, we recommend that you also vote by proxy so that your vote will be counted if you later decide not to attend the Annual Meeting.

If you are a street name stockholder, you will receive voting instructions from your broker, bank or other nominee. You must follow the voting instructions provided by your broker, bank or other nominee to direct your broker, bank or other nominee on how to vote your shares. Street name stockholders should generally be able to vote by returning a voting instruction form, or by telephone or on the Internet. However, the availability of telephone and Internet voting will depend on the voting process of your broker, bank or other nominee. As discussed above, if you are a street name stockholder, you may not vote your shares in person at the Annual Meeting unless you obtain a legal proxy from your broker, bank or other nominee.

### **How many votes do I have?**

On each matter to be voted upon, you have one vote for each share of Class A common stock you owned as of April 6, 2020 and ten votes for each share of Class B common stock you owned as of April 6, 2020.

### **What happens if I do not vote?**

#### *Stockholder of Record: Shares Registered in Your Name*

If you are a stockholder of record and do not vote online, by completing a proxy card or in person at the Annual Meeting, your shares will not be voted.

#### *Beneficial Owner: Shares Registered in the Name of Broker or Bank*

Brokerage firms and other intermediaries holding shares of our common stock in street name for their customers are generally required to vote such shares in the manner directed by their customers. In the absence of timely directions, your broker will have discretion to vote your shares on our sole “routine” matter: the proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2020. Your broker will not have discretion to vote on any other proposals, which are “non-routine” matters, absent direction from you.

### **What if I return a proxy card or otherwise vote but do not make specific choices?**

If you return a signed and dated proxy card or otherwise vote without marking voting selections, your shares will be voted, as applicable, “For” the election of the nominee for director, “For” the ratification of Ernst & Young LLP as independent auditors for fiscal year 2020, “For” the advisory approval of executive officer compensation, and “For “ONE YEAR” as the preferred frequency of advisory votes to approve executive officer compensation. If any other matter is properly presented at the meeting, your proxy holder (one of the individuals named on your proxy card) will vote your shares using the individual’s best judgment. If you are a street name stockholder and you do not give voting instructions to your broker or nominee, your broker will leave your shares unvoted on this matter.

### **Can I change my vote?**

Yes. If you are a stockholder of record, you can change your vote or revoke your proxy any time before the Annual Meeting by:

- Entering a new vote by Internet;
- Completing and returning a later-dated proxy card;
- Notifying W. Christopher Matton, the Corporate Secretary of Bandwidth Inc., in writing, at Bandwidth Inc., 900 Main Campus Drive, Suite 100, Raleigh, NC 27606; or
- Attending and voting at the Annual Meeting (although attendance at the Annual Meeting will not, by itself, revoke a proxy).

If you are a street name stockholder, your broker, bank or other nominee can provide you with instructions on how to change your vote.

**What do I need to do to attend the Annual Meeting in person?**

If you plan to attend the meeting, you must be a holder of shares of our common stock as of the record date of April 6, 2020.

On the day of the meeting, each stockholder will be required to present the following:

- Valid government photo identification, such as a driver's license or passport; and
- Street name stockholders holding their shares through a broker, bank, trustee, or other nominee will need to bring proof of beneficial ownership as of April 6, 2020, the record date, such as their most recent account statement reflecting their stock ownership prior to April 6, 2020, a copy of the voting instruction card provided by their broker, bank, trustee, or other nominee, or similar evidence of ownership.

Seating will begin at 9:00 a.m. and the meeting will begin promptly at 9:30 a.m. Seating is limited and you will be permitted entry on a first-come, first-served basis. You will not be permitted to use cameras, recording devices, computers and other personal electronic devices at the Annual Meeting, as all photography and video are prohibited at the Annual Meeting.

Please allow ample time for check-in. Parking is limited. For security reasons, large bags and packages will not be allowed at the Annual Meeting. Persons may be subject to search.

**What is the effect of giving a proxy?**

Proxies are solicited by and on behalf of our board of directors. Our board of directors has designated David A. Morken, Jeffrey A. Hoffman and W. Christopher Matton as proxy holders. The shares represented by such proxies will be voted at the Annual Meeting in accordance with the instructions of the stockholder when properly dated, executed and returned. If no specific instructions are given, however, the shares will be voted in accordance with the recommendations of our board of directors as described above. If any matters not described in this proxy statement are properly presented at the Annual Meeting, the proxy holders will use their own judgment to determine how to vote the shares. If the Annual Meeting is adjourned, the proxy holders can vote the shares on the new Annual Meeting date as well, unless you have properly revoked your proxy instructions, as described above.

**How are proxies solicited for the Annual Meeting?**

Our board of directors is soliciting proxies for use at the Annual Meeting. All expenses associated with this solicitation will be borne by us. We will reimburse brokers or other nominees for reasonable expenses that they incur in sending our proxy materials to you if a broker, bank or other nominee holds shares of our common stock on your behalf. In addition, our directors and employees may also solicit proxies in person, by telephone or by other means of communication. Our directors and employees will not be paid any additional compensation for soliciting proxies.

**Where can I find the voting results of the Annual Meeting?**

We will announce preliminary voting results at the Annual Meeting. We will also disclose voting results on a Current Report on Form 8-K that we will file with the SEC within four business days after the Annual Meeting. If final voting results are not available to us in time to file a Current Report on Form 8-K within four business days after the Annual Meeting, we will file a Current Report on Form 8-K to publish preliminary results and will provide the final results in an amendment to the Current Report on Form 8-K as soon as they become available.

## [Table of Contents](#)

### **I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?**

We have adopted a procedure called “householding,” which the SEC has approved. Under this procedure, we deliver a single copy of our proxy materials to multiple stockholders who share the same address, unless we have received contrary instructions from one or more of such stockholders. This procedure reduces our printing costs, mailing costs and fees. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, we will deliver promptly a separate copy of our proxy materials to any stockholder at a shared address to which we delivered a single copy of any of these materials. To receive a separate copy, or, if a stockholder is receiving multiple copies, to request that we only send a single copy of our proxy materials, such stockholder may contact us at:

Bandwidth Inc.  
Attention: Investor Relations  
900 Main Campus Drive, Suite 100  
Raleigh, NC 27606  
Phone: (800) 808-5150

Street name stockholders may contact their broker, bank or other nominee to request information about householding.

### **What is the deadline to propose actions for consideration at next year’s annual meeting of stockholders or to nominate individuals to serve as directors?**

#### *Stockholder Proposals*

Stockholders may present proper proposals for inclusion in our proxy statement and for consideration at next year’s annual meeting of stockholders by submitting their proposals in writing to our Corporate Secretary in a timely manner. For a stockholder proposal to be considered for inclusion in our proxy statement for the 2021 annual meeting of stockholders, our Corporate Secretary must receive the written proposal at our principal executive offices not later than December 14, 2020. In addition, stockholder proposals must comply with the requirements of Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Stockholder proposals should be addressed to:

Bandwidth Inc.  
Attention: Investor Relations  
900 Main Campus Drive, Suite 100  
Raleigh, NC 27606

Our second amended and restated bylaws also establish a notice procedure for stockholders who wish to present a proposal before an annual meeting of stockholders but do not intend for the proposal to be included in our proxy statement. Our second amended and restated bylaws provide that the only business that may be conducted at an annual meeting of stockholders is business that is (i) specified in our proxy materials with respect to such annual meeting, (ii) otherwise properly brought before such annual meeting by or at the direction of our board of directors or (iii) properly brought before such meeting by a stockholder of record entitled to vote at such annual meeting who has delivered timely written notice to our Corporate Secretary, which notice must contain the information specified in our second amended and restated bylaws. To be timely for the 2021 annual meeting of stockholders, our Corporate Secretary must receive the written notice at our principal executive offices:

- Not earlier than the close of business on January 28, 2021; and
- Not later than the close of business on February 27, 2021.

If we hold the 2021 annual meeting of stockholders more than 30 days before or more than 60 days after the one-year anniversary of the Annual Meeting, then, for notice by the stockholder to be timely, it must be received

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## [Table of Contents](#)

by the secretary not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting, or the tenth day following the day on which public announcement of the date of such annual meeting is first made.

If a stockholder who has notified us of his, her or its intention to present a proposal at an annual meeting of stockholders does not appear to present his, her or its proposal at such annual meeting, we are not required to present the proposal for a vote at such annual meeting.

### *Nomination of Director Candidates*

Holders of our common stock may propose director candidates for consideration by the independent members of our board of directors. Any such recommendations should include the nominee's name and qualifications for membership on our board of directors and should be directed to our General Counsel or legal department at the address set forth above. For additional information regarding stockholder recommendations for director candidates, see the section titled "Board of Directors and Corporate Governance—Stockholder Recommendations and Nominations to the Board of Directors."

In addition, our second amended and restated bylaws permit stockholders to nominate directors for election at an annual meeting of stockholders. To nominate a director, the stockholder must provide the information required by our second amended and restated bylaws. In addition, the stockholder must give timely notice to our Corporate Secretary in accordance with our second amended and restated bylaws, which, in general, require that the notice be received by our Corporate Secretary within the time periods described above under the section titled "Stockholder Proposals" for stockholder proposals that are not intended to be included in a proxy statement.

### *Availability of Bylaws*

A copy of our second amended and restated bylaws is available via the SEC's website at <http://www.sec.gov>. You may also contact our Corporate Secretary at the address set forth above for a copy of the relevant bylaw provisions regarding the requirements for submitting stockholder proposals and nominating director candidates.

## BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Our business and affairs are managed under the direction of our board of directors. Our board of directors consists of five directors. Our board of directors is divided into three staggered classes of directors. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the class whose term is then expiring. Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, our board of directors has determined that Messrs. Bailey, Roush and Suriano, representing three of our five directors, are “independent” as that term is defined under the applicable rules and regulations of the SEC and the listing requirements and rules of the NASDAQ Global Select Market.

The following table sets forth the names, ages as of March 31, 2020, and certain other information for the member of our board of directors with a term expiring at the Annual Meeting and for each of the continuing members of our board of directors:

	<u>Class</u>	<u>Age</u>	<u>Position</u>	<u>Director Since</u>	<u>Current Term Expires</u>	<u>Expiration of Term For Which Nominated</u>
<b>Director with Term Expiring at the Annual Meeting/Nominee</b>						
David A. Morken	III	50	Co-Founder, Chief Executive Officer, President, Director, and Chairman	2001	2020	2023
<b>Continuing Directors</b>						
Brian D. Bailey <sup>(1)</sup>	I	53	Director	2013	2021	—
Lukas M. Roush <sup>(1)</sup>	I	42	Director	2018	2021	—
John C. Murdock	II	55	Director	2016	2022	—
Douglas A. Suriano <sup>(1)</sup>	II	58	Director	2017	2022	—

(1) Member of the audit and compensation committee

### Nominee for Director

**David A. Morken.** See the section titled “Executive Officers” for Mr. Morken’s biographical information.

### Directors Continuing in Office Until the 2021 Annual Meeting

**Brian D. Bailey** has served as a director since February 2013. Mr. Bailey is a Co-Founder and Managing Partner of Carmichael Partners, a private investment firm based in Charlotte, North Carolina. Prior to forming Carmichael Partners, he worked in private equity at The Carlyle Group in Washington, D.C., Forstmann Little & Co. in New York and Carousel Capital in Charlotte. In addition to his private equity background, Mr. Bailey previously held investment banking positions at Bowles Hollowell Conner & Co. in Charlotte and CS First Boston in New York and served in several government positions in Washington, D.C. including Special Assistant to the President in the Office of the White House Chief of Staff and Director of Strategic Planning and Policy at the U.S. Small Business Administration. Mr. Bailey also currently serves on the board of directors of Bandwidth, Discovery Education, FIBA ClubCo LLC and Republic Wireless, Inc., as well as the North Carolina School of Science and Math Foundation, the TDF Foundation and Linville Resorts, Inc. He has previously served on the board of directors of a number of private, public and nonprofit organizations. Mr. Bailey holds a B.A. degree from the University of North Carolina at Chapel Hill and an M.B.A. degree from the Stanford Graduate School of Business.

Mr. Bailey was selected to serve on our board of directors due to his experience in the private equity industry and as an officer in other businesses.

## [Table of Contents](#)

**Lukas M. Roush** has served as a director since October 2018. Mr. Roush co-founded Sovereign's Capital in 2012 and is a Managing Partner for Sovereign's Capital. Prior to Sovereign's Capital, Mr. Roush served as Vice President for Sales, Marketing, and Business Development at TransEnterix, a medical device company that developed and commercialized a minimally invasive surgical system in the United States, Europe, and Asia. Prior to joining TransEnterix, Mr. Roush served as Chief Operating Officer at Liquidia Technologies, a nanotechnology company focused on biopharmaceutical applications. Mr. Roush previously served as global marketing manager for the neurovascular stroke business at Boston Scientific. Mr. Roush graduated summa cum laude from Duke University, and later earned his M.B.A. from The Fuqua School of Business.

Mr. Roush was selected to serve on our board of directors due to his experience in the private equity industry.

### **Directors Continuing in Office Until the 2022 Annual Meeting**

**John C. Murdock** joined Bandwidth in 2008 and served as President until December 2018. Mr. Murdock previously served as Bandwidth's General Counsel. Additionally, Mr. Murdock serves as a board member of Republic Wireless, Inc. Prior to joining Bandwidth, Mr. Murdock founded a specialized law firm with a national level complex civil litigation practice. As a Marine officer, Mr. Murdock served on active duty, including combat service in Operation Desert Shield/Storm. Mr. Murdock obtained a B.S. in Finance from Miami University of Ohio, with an NROTC scholarship and a J.D. from the University of Notre Dame Law School.

Mr. Murdock was selected to serve on our board of directors due to his knowledge of the Company and our business.

**Douglas A. Suriano** has served as a director of Bandwidth since October 2017. Until September 2019, Mr. Suriano was senior vice president and general manager of Oracle Communications. Mr. Suriano joined Oracle Communications in 2013 as vice president of products following Oracle Communications' acquisition of Tekelec, Inc. At Tekelec, Inc., Mr. Suriano served as chief technology officer and vice president of engineering. Prior to Tekelec, Inc., Mr. Suriano served as the vice president of engineering at dynamicsoft, Inc. and chief information officer for QAD, Inc. Before QAD, Inc., Mr. Suriano managed the information technology division for the United States Marine Corps. Mr. Suriano holds a B.S. degree from the U.S. Naval Academy and an M.S. in information technology from the U.S. Naval Postgraduate School.

Mr. Suriano was selected to serve on our board of directors due to his business experience in the information technology and communications industries.

### **Risk Management**

Risk is inherent with every business, and we face a number of risks, including strategic, financial, business and operational, legal and compliance, and reputational risks. We have designed and implemented processes to manage risk in our operations. Management is responsible for the day-to-day management of risks the Company faces, while our board of directors, as a whole and assisted by its committees, has responsibility for the oversight of risk management. In its risk oversight role, our board of directors has the responsibility of satisfying itself that the risk management processes designed and implemented by management are appropriate and functioning as designed.

Our board of directors believes that open communication between management and our board of directors is essential for effective risk management and oversight. Our board of directors meets with our Chief Executive Officer and other members of the senior management team at quarterly meetings of our board of directors, where, among other topics, they discuss strategy and risks facing the Company, as well as at such other times as they deem appropriate.

While our board of directors is ultimately responsible for risk oversight, our board committees assist our board of directors in fulfilling its oversight responsibilities in certain areas of risk. Our audit committee assists our board



## [Table of Contents](#)

of directors in fulfilling its oversight responsibilities with respect to risk management in the areas of internal control over financial reporting and disclosure controls and procedures and legal and regulatory compliance, and discusses with management and the independent auditor guidelines and policies with respect to risk assessment and risk management. Our audit committee also reviews our major financial risk exposures and the steps management has taken to monitor and control these exposures. Our audit committee also monitors certain key risks on a regular basis throughout the fiscal year, such as risk associated with internal control over financial reporting and liquidity risk. Our compensation committee assesses risks created by the incentives inherent in our compensation policies and determined that our compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

Our full board of directors fulfills its oversight responsibilities with respect to the management of risk associated with board organization, membership and structure, and corporate governance. Our full board of directors reviews strategic and operational risk in the context of reports from the management team, receives reports on all significant committee activities at each regular meeting, and evaluates the risks inherent in significant transactions. On an annual basis, our full board of directors receives an extensive report from the management team that provides: (1) an overview of our enterprise-wide approach to risk assessment, management, and mitigation; (2) a summary of the principal enterprise risks, as determined by our senior management, including the General Counsel; and (3) an assessment of each principal enterprise risk, including a summary of the steps taken by our senior management to manage and mitigate those risks. The principal enterprise risks assessed in the report presented to our full board of directors include: financial and reporting risks; legal risks; operational risks, including employment practices; regulatory risks; security risks; strategic risks; and succession planning. The security-related enterprise risks assessed in the annual report presented to our full board of directors include potential breaches of our network or systems, including potential ransomware attacks, and data privacy, as well as an assessment of the likelihood of security-related events, the impact of security-related events, and the steps taken by our senior management to manage and mitigate security-related risks. Our full board of directors also receives additional reports from the management team, including the General Counsel, regarding some or all of these principal enterprise risks at quarterly meetings of our board of directors.

### **Director Independence**

Our Class A common stock is listed on the NASDAQ Global Select Market. Under the listing requirements and rules of the NASDAQ Global Select Market, independent directors must comprise a majority of our board of directors, subject to specified exceptions. In addition, the rules of the NASDAQ Global Select Market require that, subject to specified exceptions, each member of a listed company's audit and compensation committees be independent.

Audit committee members must also satisfy the additional independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and the listing standards of the NASDAQ Global Select Market. Compensation committee members must also satisfy the additional independence criteria set forth in Rule 10C-1 under the Exchange Act and the listing standards of the NASDAQ Global Select Market.

Our board of directors has undertaken a review of its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, our board of directors has determined that Messrs. Bailey, Roush and Suriano, representing three of our five directors, do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the applicable rules and regulations of the SEC and the listing requirements and rules of the NASDAQ Global Select Market. In making this determination, our board of directors considered the current and prior relationships that each non-employee director has with the Company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

## [Table of Contents](#)

We have received regulatory approval from the Federal Communications Commission (“**FCC**”) and applicable state public utility commissions, which would allow us to become a controlled company in the future. Certain holders of our Class B common stock may either (i) voluntarily convert their shares of Class B common stock to shares of Class A common stock on a one-for-one basis or (ii) otherwise dispose of their shares of Class B common stock, which will result in the automatic conversion of the shares of Class B common stock into shares of Class A common stock upon completion of such dispositions. In either case, the voting power of the remaining holders of Class B common stock (including Mr. Morken, our co-founder, chief executive officer and president) will increase. Over time, Mr. Morken’s relative voting power may increase, which would allow us to become a “controlled company” under the corporate governance rules for NASDAQ-listed companies (the “**Reorganization**”). If the Reorganization is completed, Mr. Morken may control a majority of our outstanding voting power, in which case we would be a “controlled company” under the corporate governance rules of the NASDAQ Global Select Market. Therefore, we may not be required to have a majority of our board of directors be independent, nor would we be required to have a compensation committee or an independent nominating function.

### **Board Leadership Structure**

Mr. Morken currently serves as both the Chairman of our board of directors and as our Chief Executive Officer and President. Our non-management directors bring experience, oversight and expertise from outside of the Company, while Mr. Morken brings Company-specific experience and expertise. Due to Mr. Murdock’s prior service as our President and General Counsel, Mr. Murdock also brings Company-specific experience and expertise. As our co-founder, Chief Executive Officer and President, Mr. Morken is best positioned to identify strategic priorities, lead critical discussion and execute our business plans. We believe that the structure of our board of directors and committees of our board of directors provides effective independent oversight of management while Mr. Morken’s combined role enables strong leadership, creates clear accountability and enhances our ability to communicate our message and strategy clearly and consistently to stockholders.

We do not have a lead independent director. Rather, our independent directors provide strong independent leadership for our audit committee and compensation committee. Our independent directors meet in executive session after meetings of the board of directors; the presiding director for the executive session rotates among our independent directors.

### **Board Meetings and Committees**

Our board of directors may establish the authorized number of directors from time to time by resolution. Our board of directors currently consists of five members.

During our fiscal year ended December 31, 2019, our board of directors held eight meetings (including regularly scheduled and special meetings), and each director attended at least 75% of the aggregate of (i) the total number of meetings of our board of directors held during the period for which he had been a director and (ii) the total number of meetings held by all committees of our board of directors on which he served during the periods that he served.

We do not have a formal policy regarding attendance by members of our board of directors at annual meetings of stockholders. We nonetheless encourage, but do not require, our directors to attend. Other than Mr. Roush, each of our directors attended our annual meeting of stockholders held on May 16, 2019.

Our board of directors has established an audit committee and a compensation committee. The composition and responsibilities of each of the committees of our board of directors are described below. Members serve on these committees until their resignation or until as otherwise determined by our board of directors.

### **Audit Committee**

Our audit committee consists of Mr. Bailey, who is the chair of the committee, and Messrs. Roush and Suriano. Our board of directors has determined that all members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the NASDAQ Global Select Market. Our board of directors has determined Mr. Bailey is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933, as amended (the “**Securities Act**”), and Rule 10A-3 of the Exchange Act. The NASDAQ rules require us to have an audit committee composed entirely of independent directors. Our board of directors has affirmatively determined that Messrs. Bailey, Roush, and Suriano meet the definition of “independent director” for purposes of serving on an audit committee under Rule 10A-3 under the Exchange Act and the NASDAQ rules.

Our audit committee provides oversight of our accounting and financial reporting process, the audit of our consolidated financial statements and our internal control function. Among other matters, the audit committee assists the board of directors in oversight of the independent auditors’ qualifications, independence and performance; is responsible for the engagement, retention and compensation of the independent auditors; reviews the scope of the annual audit; reviews and discusses with management and the independent auditors the results of the annual audit and the review of our quarterly consolidated financial statements including the disclosures in our annual and quarterly reports filed with the SEC; reviews our risk assessment and risk management processes; establishes procedures for receiving, retaining and investigating complaints received by us regarding accounting, internal accounting controls or audit matters; approves audit and permissible non-audit services provided by our independent auditor; and reviews and approves related party transactions under Item 404 of Regulation S-K. In addition, our audit committee oversees our internal audit function.

Our audit committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the listing standards of the NASDAQ Global Select Market. A copy of the charter of our audit committee is available on our website at <https://investors.bandwidth.com/>.

Our audit committee held five meetings during fiscal year 2019.

### **Compensation Committee**

Our compensation committee consists of Mr. Bailey, who is the chair of the committee, and Messrs. Roush and Suriano. All members of our compensation committee are independent under the applicable rules and regulations of the SEC, the NASDAQ Global Select Market, and Section 16 of the Exchange Act.

Our compensation committee adopts and administers the compensation policies, plans and benefit programs for our executive officers and all other members of our executive team. In addition, among other things, our compensation committee annually evaluates, in consultation with the board of directors and our Chief People Officer, the performance of our CEO, reviews and approves corporate goals and objectives relevant to compensation of our CEO and other executives and evaluates the performance of these executives in light of those goals and objectives. Our compensation committee also adopts and administers our equity compensation plans.

Our compensation committee has the authority to retain or obtain the advice of compensation consultants, legal counsel and other advisors (independent or otherwise) to assist in carrying out its responsibilities and may delegate its authority under its charter to one or more subcommittees as it deems appropriate from time to time. Our compensation committee receives and relies upon reports from Radford. Radford is a part of Aon plc and serves as the Company’s executive compensation consulting firm. The Company’s management engaged Radford on behalf of the Company until September 2019; our compensation committee retained Radford as our compensation committee’s independent compensation consultant in September 2019. The Company’s management directed Radford, while serving as the Company’s compensation consultant, to evaluate the Company’s executive compensation and equity compensation practices, including an analysis of the Company’s

## [Table of Contents](#)

compensation practices relative to its peer group, and to otherwise provide advice to the Company. Radford did not provide services to the Company other than consulting services related to the compensation and benefits of our directors, officers and employees. Our compensation committee analyzed in 2019 whether the work of Radford as our compensation consultant raised any conflict of interest, taking into account relevant factors in accordance with SEC guidelines. Based on its analysis, our compensation committee determined that the work of Radford and the individual compensation advisors employed by Radford does not create any conflict of interest pursuant to the SEC rules and NASDAQ listing standards.

Our compensation committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the listing standards of the NASDAQ Global Select Market. A copy of the charter of our compensation committee is available on our website <https://investors.bandwidth.com/>.

Pursuant to our 2017 Incentive Award Plan, our board of directors may delegate to one or more committees of our directors and/or officers, subject to the limitations imposed under the 2017 Incentive Award Plan, Section 16 of the Exchange Act, stock exchange rules and other applicable laws, all or part of its authority to approve certain grants of equity awards to certain individuals. Our board of directors has delegated such authority to our compensation committee. Pursuant to its charter, our compensation committee may further delegate any or all of its responsibilities to a subcommittee of the Committee.

Our compensation committee held five meetings during fiscal year 2019.

### **Director Nominations**

We do not have a standing nominating committee. In accordance with Rule 5605(e) of the NASDAQ rules, a majority of the independent directors may recommend a director nominee for selection by our board of directors. Our board of directors believes that the independent directors can satisfactorily carry out the responsibility of properly selecting or approving director nominees without the formation of a standing nominating committee. The directors who will participate in the consideration and recommendation of director nominees are Messrs. Bailey, Roush, and Suriano. If the Reorganization is completed, we may become a “controlled company” within the meaning of NASDAQ’s corporate governance standards, and at such time we would be exempt from the requirement that director nominees be selected by our independent directors and would instead be decided by our full board of directors.

### **Identifying and Evaluating Director Nominees**

The independent members of our board of directors have the responsibility to identify suitable candidates for nomination to the board of directors (including candidates to fill any vacancies that may occur) and to assess their qualifications. Such board members may gather information about the candidates through interviews, detailed questionnaires, comprehensive background checks or any other means that they deem to be appropriate in the evaluation process.

Our board of directors then meets as a group to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and considering the overall composition and needs of our board of directors. Based on the results of the evaluation process, our board approves director nominees for election to the board of directors.

### **Minimum Qualifications**

The independent members of our board of directors use a variety of methods for identifying and evaluating director nominees and will consider all facts and circumstances that they deem appropriate or advisable. In their identification and evaluation of director candidates, our board of directors will consider the current size and composition of our board of directors and the needs of our board of directors and the respective committees of our board of directors. Some of the qualifications they consider include, without limitation, issues of character,

## [Table of Contents](#)

ethics, integrity, judgment, diversity of experience, independence, skills, education, expertise, business acumen, length of service, understanding of our business and industry, potential conflicts of interest and other commitments. Nominees must also have proven achievement and competence in their field, the ability to offer advice and guidance to our management team, the ability to make significant contributions to our success, and an understanding of the fiduciary responsibilities that are required of a director. Director candidates must have sufficient time available in the judgment of our board of directors to perform all board of director and committee responsibilities. Members of our board of directors are expected to prepare for, attend, and participate in all board of director and applicable committee meetings. Other than the foregoing, there are no stated minimum criteria for director nominees, although our board of directors may also consider such other factors as it may deem, from time to time, are in our and our stockholders' best interests.

Although our board of directors does not maintain a specific policy with respect to board diversity, our board of directors believes that our board of directors should be a diverse body, and our independent members of our board of directors consider a broad range of backgrounds and experiences. In making determinations regarding nominations of directors, our independent members of our board of directors may take into account the benefits of diverse viewpoints.

### **Stockholder Recommendations and Nominations to the Board of Directors**

Stockholders may submit recommendations for director candidates to the independent members of our board of directors by sending the individual's name and qualifications to our General Counsel at Bandwidth Inc., 900 Main Campus Drive, Suite 100, Raleigh, North Carolina 27606. Our General Counsel will forward all recommendations to the independent members of our board of directors. The independent members of our board of directors will evaluate any candidates recommended by stockholders against the same criteria and pursuant to the same policies and procedures applicable to the evaluation of candidates proposed by directors or management. Alternatively, stockholders who would like to nominate a candidate for director (in lieu of making a recommendation to the independent members of our board of directors) must comply with the requirements described in this proxy statement and our second amended and restated bylaws.

### **Stockholder and Other Interested Party Communications**

Our board of directors provides to every stockholder and any other interested parties the ability to communicate with the board of directors, as a whole, and with individual directors on the board of directors through an established process for stockholder communication. For a stockholder communication directed to the board of directors as a whole, stockholders and other interested parties may send such communication to our General Counsel via U.S. Mail or Expedited Delivery Service to: Bandwidth Inc., 900 Main Campus Drive, Suite 100, Raleigh, North Carolina 27606, Attn: Board of Directors c/o General Counsel.

For a stockholder or other interested party communication directed to an individual director in his capacity as a member of the board of directors, stockholders and other interested parties may send such communication to the attention of the individual director via U.S. Mail or Expedited Delivery Service to: Bandwidth Inc., 900 Main Campus Drive, Suite 100, Raleigh, North Carolina 27606, Attn: [Name of Individual Director].

Our General Counsel, in consultation with appropriate members of our board of directors, as necessary, will review all incoming communications and, if appropriate, all such communications will be forwarded to the appropriate member or members of our board of directors, or if none is specified, to the Chairman of our board of directors.

### **Code of Business Conduct and Ethics**

Our board of directors has adopted a code of business conduct and ethics that applies to all our employees, officers and directors including our Chief Executive Officer, President, Chief Financial Officer, and other

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[Table of Contents](#)

executive and senior financial officers. A copy of our Code of Business Conduct and Ethics is available on our Internet website at <https://investors.bandwidth.com> and may also be obtained without charge by contacting our Corporate Secretary at Bandwidth Inc., 900 Main Campus Drive, Suite 100, Raleigh, North Carolina 27606. We intend to disclose any amendments to our code of business conduct and ethics, or waivers of its requirements, on our website or in filings under the Exchange Act, as required by the applicable rules and exchange requirements. During fiscal year 2019, no waivers were granted from any provision of the Code of Business Conduct and Ethics.

### **Compensation Committee Interlocks and Insider Participation**

None of the members of our compensation committee is or has at any time during the past year been one of our officers or employees. None of our executive officers currently serves or in the past year has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee. See the section titled “Certain Relationships and Related Party Transactions” for information about related party transactions involving members of our compensation committee or their affiliates.

## **PROPOSAL NO. 1 ELECTION OF DIRECTORS**

Our board of directors is currently composed of five members. In accordance with our second amended and restated certificate of incorporation, our board of directors is divided into three staggered classes of directors. At the Annual Meeting, one Class III director will be elected for a three-year term to succeed the same class whose term is then expiring.

Each director's term continues until the election and qualification of his or her successor, or such director's earlier death, resignation or removal. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors. This classification of our board of directors may have the effect of delaying or preventing changes in the control of the Company.

### **Nominee**

Our board of directors has approved David A. Morken as the nominee for election as a Class III director at the Annual Meeting. If elected, Mr. Morken will serve as Class III director until the 2023 annual meeting of stockholders and until his successor is duly elected and qualified. Mr. Morken is currently a director of the Company. For information concerning the nominees, please see the section titled "Board of Directors and Corporate Governance."

If you are a stockholder of record and you sign your proxy card or vote over the Internet but do not give instructions with respect to the voting of directors, your shares will be voted "FOR" the election of Mr. Morken. We expect that Mr. Morken will accept such nomination; however, if a director nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee designated by our board of directors to fill such vacancy. If you are a street name stockholder and you do not give voting instructions to your broker or nominee, your broker will leave your shares unvoted on this matter.

### **Vote Required**

The election of directors requires a plurality of the voting power of the shares of our common stock be present in person or represented by proxy at the Annual Meeting and entitled to vote thereon to be approved. Broker non-votes will have no effect on this proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE NOMINEE NAMED ABOVE.**

## PROPOSAL NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our audit committee has appointed Ernst & Young LLP (“E&Y”), an independent registered public accounting firm, to audit our consolidated financial statements for our fiscal year ending December 31, 2020. During our fiscal year ended December 31, 2019, E&Y served as our independent registered public accounting firm.

Notwithstanding the appointment of E&Y, and even if our stockholders ratify the appointment, our audit committee, in its discretion, may appoint another independent registered public accounting firm at any time during our fiscal year if our audit committee believes that such a change would be in the best interests of the Company and our stockholders. At the Annual Meeting, our stockholders are being asked to ratify the appointment of E&Y as our independent registered public accounting firm for our fiscal year ending December 31, 2020. Our audit committee is submitting the appointment of E&Y to our stockholders because we value our stockholders’ views on our independent registered public accounting firm and as a matter of good corporate governance. Representatives of E&Y will be present at the Annual Meeting, and they will have an opportunity to make a statement and will be available to respond to appropriate questions from our stockholders.

If our stockholders do not ratify the appointment of E&Y, our board of directors may reconsider the appointment.

### Fees Paid to the Independent Registered Public Accounting Firm

The following table presents fees for professional audit services and other services rendered to the Company by E&Y for our fiscal years ended December 31, 2018 and 2019.

Name	2018	2019
Audit Fees <sup>(1)</sup>	\$ 969,673	\$ 1,294,819
Audit-Related Fees	\$ 55,200	—
Tax Fees <sup>(2)</sup>	\$ 74,862	—
All Other Fees <sup>(3)</sup>	—	\$ 135,004
<b>Total Fees</b>	<b>\$ 1,099,735</b>	<b>\$ 1,429,823</b>

- (1) Audit Fees consist of professional services rendered in connection with the audit of our annual consolidated financial statements, including audited financial statements presented in our Annual Report on Form 10-K and services that are normally provided by the independent registered public accountants in connection with statutory and regulatory filings or engagements for those fiscal years.
- (2) Tax Fees consist of fees for professional services for tax compliance, tax advice and tax planning. These services include consultation on tax matters and assistance regarding federal, state and international tax compliance.
- (3) Fees for fiscal 2018 and 2019 included professional services rendered in connection with our Registration Statements related to the public offering of our Class A common stock completed in March 2019.

### Auditor Independence

In our fiscal year ended December 31, 2019, there were no other professional services provided by E&Y, other than those listed above, that would have required our audit committee to consider their compatibility with maintaining the independence of E&Y.



## **Audit Committee Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm**

Our audit committee established a policy governing our use of the services of our independent registered public accounting firm. Under this policy, our audit committee is required to pre-approve all audit, internal control-related services and permissible non-audit services performed by our independent registered public accounting firm to ensure that the provision of such services does not impair the public accountants' independence. Our audit committee has pre-approved all services performed by E&Y since the adoption of our pre-approval policy.

### **Vote Required**

The ratification of the appointment of E&Y as our independent registered public accounting firm for our fiscal year ending December 31, 2020 requires the affirmative vote of a majority of the voting power of the shares of our common stock present in person or represented by proxy at the Annual Meeting and entitled to vote thereon. Abstentions and broker non-votes, if any, will have the effect of a vote against this proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

## REPORT OF THE AUDIT COMMITTEE

The audit committee is a committee of the board of directors that meets the listing standards of the NASDAQ Global Select Market and the rules and regulations of the SEC. The audit committee operates under a written charter that satisfies the applicable rules and regulations of the SEC and the listing standards of the NASDAQ Global Select Market. A copy of the charter of the audit committee is available on our website at <https://investors.bandwidth.com/>. The composition of the audit committee, the attributes of its members and the responsibilities of the audit committee, as reflected in its charter, are intended to be in accordance with applicable requirements for corporate audit committees. The audit committee reviews and assesses the adequacy of its charter and the audit committee's performance on an annual basis.

The audit committee provides oversight of our accounting and financial reporting process, the audit of our consolidated financial statements, and our internal control function. With respect to our financial reporting process, our management establishes and maintains internal controls and prepares our consolidated financial statements. Our independent registered public accounting firm, E&Y, performs an independent audit of our consolidated financial statements. The audit committee oversees these activities. The audit committee does not prepare our financial statements, which is the responsibility of management.

Consistent with the audit committee's oversight function, the audit committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2019 with the Company's management. The audit committee has discussed with E&Y the matters required to be discussed by *Auditing Standard No. 16, Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board ("PCAOB"). The audit committee also has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountants' communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm the accounting firm's independence.

Based on the audit committee's review and discussions with management and E&Y, the audit committee recommended to the board of directors that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 for filing with the SEC.

Respectfully submitted by the members of the audit committee of the board of directors:

Brian D. Bailey, Chairman  
Lukas M. Roush  
Douglas A. Suriano

*This report of the audit committee is required by the SEC and, in accordance with the SEC's rules, will not be deemed to be part of or incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act or under the Exchange Act, except to the extent that we specifically incorporate this information by reference, and will not otherwise be deemed "soliciting material" or "filed" under either the Securities Act or the Exchange Act.*

## **PROPOSAL No. 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION**

Our board of directors recognizes the interests our investors have in the compensation of our named executive officers. In recognition of that interest and as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act and Rule 14a-21 under the Exchange Act, we are providing our stockholders with the opportunity to vote to approve, on an advisory and non-binding basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with SEC rules.

This proposal, commonly known as a “say-on-pay” proposal, gives our stockholders the opportunity to express their views on our named executive officers’ compensation as a whole. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. The compensation of our named executive officers subject to the vote is disclosed in the Compensation Discussion and Analysis, the compensation tables, and the related narrative disclosure contained in this Proxy Statement. As discussed in those disclosures, we believe that our compensation policies and decisions are based on principles that reflect a “pay-for-performance” philosophy and are strongly aligned with our stockholders’ interests and consistent with current market practices. Compensation of our named executive officers is designed to enable us to attract and retain talented and experienced executives to lead us successfully in a competitive environment.

Accordingly, our board of directors is asking our stockholders to indicate their support for the compensation of our named executive officers as described in this Proxy Statement by casting a non-binding advisory vote “FOR” the following resolution:

“RESOLVED, that the compensation paid to the Company’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby approved.”

Because the vote is advisory, the result will not be binding on our board of directors or compensation committee. Nevertheless, the views expressed by our stockholders, whether through this say-on-pay vote or otherwise, are important to management, our board of directors and our compensation committee, and, accordingly, our board of directors and our compensation committee intend to consider the results of this vote in making determinations in the future regarding executive compensation arrangements.

### **Vote Required**

Advisory (non-binding) approval of Proposal No. 3 requires the approval of the holders of a majority of shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE ADVISORY APPROVAL OF THE COMPENSATION PAID TO THE COMPANY’S NAMED EXECUTIVE OFFICERS.**

## **PROPOSAL NO. 4**

### **ADVISORY VOTE ON THE FREQUENCY OF SOLICITATION OF ADVISORY SHAREHOLDER APPROVAL OF EXECUTIVE COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act and Rule 14a-21 under the Exchange Act also enable our stockholders, at least once every six years, to indicate their preference regarding how frequently we should solicit a non-binding advisory vote on the compensation of our named executive officers, as disclosed pursuant to the SEC's compensation disclosure rules, such as Proposal No. 3 above. By voting on this Proposal No. 4, stockholders may indicate whether they would prefer a non-binding vote on named executive officer compensation once every one, two or three years.

After considering the benefits and consequences of each alternative, the board of directors recommends that the advisory vote on the compensation of our named executive officers be submitted to stockholders each year.

Our board of directors believes that an annual advisory vote on the compensation of our named executive officers is the most appropriate policy for us at this time. While our executive compensation program is designed to promote the creation of stockholder value over the long term, the board of directors recognizes that executive compensation disclosures are made annually, and holding an annual advisory vote on the compensation of our named executive officers provides us with more direct and immediate feedback on our executive compensation program, policies and disclosures. However, stockholders should note that because a proposed annual advisory vote would occur well after the beginning of the compensation year, and because the different elements of our executive compensation programs are designed to operate in an integrated manner and to complement one another, in many cases it may not be appropriate or feasible to change our compensation plans and arrangements for our executive officers in consideration of any single year's advisory vote by the time of the following year's annual meeting of stockholders. We believe, however, that an annual advisory vote on the compensation of our named executive officers is consistent with our practice of seeking input and engaging in dialogue with our stockholders on corporate governance matters.

#### **Vote Required**

While our board of directors believes that its recommendation is appropriate at this time, the stockholders are not voting to approve or disapprove that recommendation, but are instead asked to indicate their preferences, on an advisory basis, as to whether the non-binding advisory vote on the approval of our executive officer compensation practices should be held every year, every other year or every three years. The option among those choices that receives the votes of the holders of a majority of shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be deemed to be the frequency preferred by the stockholders.

Our board of directors and our compensation committee value the opinions of the stockholders in this matter and, to the extent there is any significant vote in favor of one frequency over the other options, even if less than a majority, the board of directors will consider the stockholders' concerns and evaluate any appropriate next steps. However, because this vote is advisory and, therefore, not binding on our board of directors or us, our board of directors may decide that it is in the best interests of the stockholders that we hold an advisory vote on executive compensation more or less frequently than the option preferred by the stockholders. The vote will not be construed to create or imply any change or addition to the fiduciary duties of the Company or our board of directors.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF "ONE YEAR" FOR THE ADVISORY STOCKHOLDER APPROVAL OF EXECUTIVE COMPENSATION.**

## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

#### Overview

We became a public company in November 2017. We have filed our proxy statements since that time under the scaled executive compensation disclosure requirements generally available to emerging growth companies. As of January 1, 2020, we ceased to be an emerging growth company. This year's Proxy Statement, therefore, includes additional detail regarding executive compensation that was previously not required. This additional detail includes:

- This Compensation Discussion and Analysis;
- Additional compensation tables that provide disclosure on, among other things, "Grants of Plan-Based Awards," "Option Exercises and Stock Vested in 2019" and "Potential Payments upon Termination or Change in Control";
- An advisory vote on the compensation of our named executive officers, which is included as Proposal No. 3 in this Proxy Statement; and
- An advisory vote on the preferred frequency of advisory shareholder votes on the compensation of our named executive officers, which is included as Proposal No. 4 in this Proxy Statement.

This Compensation Discussion and Analysis summarizes our executive compensation philosophy and objectives, discusses our executive compensation policies and describes how and why our compensation committee arrived at specific compensation decisions for 2019 for the individuals who served as our principal executive officer, our principal financial officer and our three other most highly compensated executive officers as of December 31, 2019, referred to as our "named executive officers."

Our named executive officers for 2019 were:

Name	Position(s)
David A. Morken	Chief Executive Officer, President and Director ( <i>principal executive officer</i> )
Jeffrey A. Hoffman	Chief Financial Officer ( <i>principal financial officer</i> )
W. Christopher Matton	General Counsel and Secretary
Rebecca Bottorff	Chief People Officer
Noreen Allen	Chief Marketing Officer

**David A. Morken** is the Co-Founder, Chairman and CEO of Bandwidth. Mr. Morken is also the Co-Founder, Chairman of the board of directors, and former CEO of Republic Wireless, Inc. Mr. Morken is the Co-Founder of Durham Cares. Prior to founding Bandwidth in 1999, Mr. Morken served on active duty in the Marine Corps as a Judge Advocate and Headquarters Company Commander. Mr. Morken received a B.A. in Political Science from Oral Roberts University and a J.D. from the University of Notre Dame Law School. Additionally, Mr. Morken serves as a board member of Republic Wireless, Inc.

Mr. Morken was selected to serve on our board of directors as our Co-Founder and due to his knowledge of the Company and our business.

**Jeffrey A. Hoffman** joined Bandwidth in 2011 and serves as Chief Financial Officer. Mr. Hoffman oversees all financial operations for Bandwidth, including accounting, treasury, tax, financial analysis and reporting and is responsible for developing and implementing financial systems and reporting structures. Mr. Hoffman brings more than 18 years of financial management experience and has held senior positions with public and leading private equity sponsored companies. Before joining Bandwidth, he served as Vice President of Financial

## [Table of Contents](#)

Planning & Analysis for Hawaiian Telcom where he led the company's budgeting, financial modeling and management reporting functions. In addition, Mr. Hoffman was a key contributor to Hawaiian Telcom's capital restructuring and listing on NASDAQ in 2010. Prior to Hawaiian Telcom, Mr. Hoffman served as the Director of Finance and Planning for Madison River Communications where he was instrumental in many mergers and acquisitions throughout the company's history including its eventual acquisition by CenturyLink in 2007. Mr. Hoffman earned a B.A. in Economics and International Relations from the University of Wisconsin at Madison and an MBA from the Kellogg Graduate School of Management at Northwestern University.

**W. Christopher Matton** has served as General Counsel of Bandwidth since 2010. As General Counsel, Mr. Matton provides support and counsel for corporate, human resources, intellectual property, legal and regulatory matters. Prior to joining Bandwidth, Mr. Matton was a partner at Kilpatrick Stockton LLP. Mr. Matton also previously served on the founding team and board of managers of Veritas Collaborative, an eating disorder treatment hospital system. Mr. Matton has worked with companies ranging from early stage to publicly traded companies and has represented clients in venture capital financings, private equity financings, mergers and acquisitions, public and private offerings of securities and other corporate matters. Mr. Matton earned a B.S. in Economics from the Wharton School of the University of Pennsylvania and a J.D. from Wake Forest University, where he also served as the Executive Editor of the Wake Forest Law Review.

**Rebecca Bottorff** has served as Chief People Officer of Bandwidth since 2010. As Chief People Officer, Ms. Bottorff leads our People Services team and helps shape Bandwidth's corporate culture. Prior to joining Bandwidth, Ms. Bottorff served as President of Venture Savvy Consulting Group, an executive coaching and management consulting firm. Prior to Venture Savvy Consulting Group, Ms. Bottorff served as the Vice President of Human Resources of Motricity where she was instrumental in the scaling of the company's business operations. Prior to Motricity, Ms. Bottorff served as the Vice President of Human Resources of Konover Property Trust, a publicly traded real estate investment trust. Ms. Bottorff earned a B.A. in Behavioral Science from the University of Cincinnati.

**Noreen Allen** has served as Chief Marketing Officer of Bandwidth since 2012. As Chief Marketing Officer, Ms. Allen leads our Marketing team and coordinates closely with our Business Development and Sales teams to help drive Bandwidth's revenue growth. Prior to joining Bandwidth, Ms. Allen served as Vice President of Global Marketing of ChannelAdvisor, a publicly traded e-commerce platform company. Prior to ChannelAdvisor, Ms. Allen served as Vice President of Marketing of Hosted Solutions, a private equity backed managed hosting provider, where she helped drive the company's growth through its successful acquisition. Prior to Hosted Solutions, Ms. Allen served as Vice President of Marketing of Motricity. Prior to Motricity, Ms. Allen served as Vice President of Marketing of Spectrasite Communications, a publicly traded wireless tower company, until its successful acquisition. Ms. Allen earned a B.A. in Public Relations from Rider University.

## Executive Summary

### Summary of 2019 Performance

For our fiscal year ended December 31, 2019, we achieved strong growth and financial results that provide context for stockholders reviewing our executive compensation disclosures, including:

- CPaaS revenue increased 20% to \$197.9 million in 2019 from \$164.4 million in 2018. CPaaS revenue increased 25% to \$164.4 million in 2018 from \$131.6 million in 2017.
- Revenue increased 14% to \$232.6 million in 2019 from \$204.1 million in 2018. Revenue increased 25% to \$204.1 million in 2018 from \$163.0 million in 2017.
- Gross profit was \$107.6 million in 2019, \$96.0 million in 2018, and \$73.7 million in 2017. Non-GAAP gross profit (as defined below) was \$114.4 million in 2019, \$100.6 million in 2018, and \$78.1 million in 2017. Non-GAAP gross margin (as defined below) was 49% in 2019, 49% in 2018, and 48% in 2017.
- Net income was \$2.5 million in 2019, \$17.9 million in 2018, and \$6.0 million in 2017. Non-GAAP net (loss) income (as defined below) was \$(5.3) million in 2019, \$9.0 million in 2018, and \$9.5 million in 2017.
- Adjusted EBITDA (as defined below), a Non-GAAP measurement of operating performance, was \$(1.1) million in 2019, \$16.1 million in 2018, and \$22.2 million in 2017.
- Free cash flow (as defined below) of \$(27.0) million in 2019, \$10.2 million in 2018, and \$6.7 million in 2017.

CPaaS revenue, revenue, Non-GAAP gross margin, Non-GAAP net (loss) income, and free cash flow each is an element of our cash incentive compensation plan for 2019.

Non-GAAP gross profit, Non-GAAP gross margin, Non-GAAP net (loss) income, and Adjusted EBITDA each is a Non-GAAP financial measure that is prepared as a complement to our financial results prepared in accordance with United States generally accepted accounting principles (“GAAP”).

We define Non-GAAP gross profit as gross profit after adding back depreciation and amortization and stock-based compensation. We add back depreciation and amortization and stock-based compensation because they are non-cash items. We eliminate the impact of these non-cash items because we do not consider them indicative of our core operating performance. Their exclusion facilitates comparisons of our operating performance on a period-to-period basis. Therefore, we believe that gross margin, as adjusted to remove the impact of these non-cash expenses, such as depreciation, amortization, and stock-based compensation, is helpful to assess our gross profit and gross margin performance. We calculate Non-GAAP gross margin by dividing adjusted gross profit by revenue, expressed as a percentage of revenue.

We define Non-GAAP net (loss) income as net income (loss) adjusted for certain items affecting period to period comparability. Non-GAAP net (loss) income excludes stock-based compensation, amortization of acquired intangible assets related to our February 2011 acquisition of Dash Carrier Services, LLC, impairment charges of intangible assets, loss (gain) on disposal of property and equipment, estimated tax impact of these adjustments, income tax benefit resulting from excess tax benefits associated with the exercise of stock options and vested restricted stock, and benefit resulting from the release of the valuation allowance on our deferred tax assets (“DTA”).

We define Adjusted EBITDA as net income (loss) adjusted to reflect the addition or elimination of certain statement of operations items, including, but not limited to: income tax provision (benefit), interest income, net, depreciation and amortization expense, stock-based compensation expense, impairment of intangible assets, and

loss (gain) from disposal of property and equipment. Adjusted EBITDA is a key measure used by our management and board of directors to understand and evaluate our core operating performance, generate future operating plans, and make strategic decisions regarding the allocation of capital. In particular, we believe that the exclusion of certain items in calculating Adjusted EBITDA can produce a useful measure for period-to-period comparisons of our business.

Please see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on February 21, 2020, for a more detailed discussion of our 2019 financial results and, beginning on page 56 in the “Management’s Discussion and Analysis” section of that Annual Report on Form 10-K, a discussion regarding, and reconciliation of, our Non-GAAP to GAAP financial measures.

## 2019 Executive Compensation Highlights

The important features of our executive compensation program for 2019 included the following:

- **We tie a substantial portion of executive pay to performance.** We believe that a substantial portion of our named executive officers’ compensation should be variable, at risk, and tied directly to our measurable performance. For 2019, 82% of our Chief Executive Officer’s target total compensation, which includes equity compensation, and an average of 67% of our other named executive officers’ target total compensation was linked to performance.
- **We generally target our executive compensation levels at or above the midpoints of market ranges.** We design our executive compensation program to provide competitive pay levels to attract, motivate, and retain talented executives. Our 2019 cash and equity compensation levels are generally competitive with the 50<sup>th</sup> percentile among our peer companies and other companies surveyed by our compensation consultant.
- **We link executive bonuses to corporate objectives.** Our annual performance-based bonus opportunities for all of our named executive officers depend on our achievement of annual corporate objectives we establish each year and the individual executive officer’s contributions towards our achievement of these annual corporate objectives.
- **We emphasize long-term equity incentives.** Equity awards are fundamental to our executive compensation program. Equity awards comprise the primary “at-risk” portion of our named executive officer compensation package. Prior to our November 2017 initial public offering, we historically granted equity awards in the form of stock options. We utilized stock options because they provided value only if our equity value increased, and which vested only if the executive officer continued in our employment. As of our November 2017 initial public offering, substantially all stock options awarded to our named executive officers had vested fully. Beginning in January 2018, we began granting restricted stock unit awards subject to vesting dependent on the executive officer’s continued employment. We believe stock option awards and restricted stock unit awards align our executive officers’ interests with those of our stockholders by providing a continuing financial incentive to maximize long-term value for our stockholders and by encouraging our executive officers to remain in our long-term employ.
- **Our equity awards granted to our executive officers generally have multiple-year vesting requirements,** consistent with our retention objectives, although we have provided time-based vesting on a quarterly basis of less than one year with some equity awards to our executive officers.
- **We do not provide our executive officers with any special health or welfare benefits.** Our executive officers participate in broad-based company-sponsored health and welfare benefits programs on the same basis as our other full-time, salaried employees.
- **We generally do not provide executive fringe benefits or perquisites** to our executives, such as car allowances or tax reimbursement payments. Our executives can utilize certain financial advice services that we make available to all employees.



- **Our compensation committee retained an independent third-party compensation consultant in September 2019** for guidance in making compensation decisions. The compensation consultant advises the compensation committee on market practices, including identifying a peer group of companies and their compensation practices. The compensation consultant helps our compensation committee regularly assess the Company's individual and total compensation programs against these peer companies, the general marketplace, and other industry data points.
- **We prohibit hedging and pledging of Company stock.**

#### **Objectives, Philosophy and Elements of Executive Compensation**

Our mission is to develop and deliver the power to communicate. Our customers utilize our voice calling, text messaging, and 911 solutions utilizing the software and communications network that we develop and deliver. We seek to grow, expand our geographical footprint, and create new solutions for our customers.

Our executive compensation program supports the achievement of our mission by:

- Attracting, motivating, incentivizing and retaining employees at the executive level who contribute to our long-term success;
- Providing compensation packages to our executives that are competitive and reward the achievement of our business objectives and effectively align their interests with those of our stockholders; and
- Effectively aligning our executives' interests with those of our stockholders by awarding a significant portion of compensation in the form of long-term equity incentives that provide value based on the growth of sustainable long-term value for our stockholders.

## [Table of Contents](#)

Our executive compensation program primarily consists of base salary, annual performance-based bonuses, and long-term equity incentive compensation. We also provide our executive officers with benefits available to all our employees, including retirement benefits under our 401(k) plan and participation in employee benefit plans. This chart summarizes the three main elements of our executive compensation program, as well as their respective objectives and key features.

<b>Element of Compensation</b>	<b>Objectives</b>	<b>Key Features</b>
<b>Annual Base Salary (fixed cash)</b>	Provides financial stability and security through a fixed amount of cash for performing job responsibilities.	We establish fixed cash compensation, which we periodically review and adjust if and when appropriate. We determine each executive officer's fixed cash compensation based on a variety of factors, including the executive officer's performance, experience, skills, position, and responsibility, as well as the competitive marketplace for executive talent specific to our industry. We also consider our performance and the market data provided by our independent compensation consultant.
<b>Annual Performance Bonus (at-risk cash)</b>	Motivates and rewards the achievement of our annual corporate objectives and individual contributions.	We establish target bonus amounts, which we periodically review and adjust if and when appropriate, unless established by an employment agreement. Our compensation committee determines each executive officer's target bonus based upon a variety of factors, including the executive officer's anticipated impact on our company and our achievement of our corporate objectives, the individual performance objectives that relate to the officer's role and expected contribution toward reaching our corporate goals, and competitive bonus opportunities in our industry. We generally communicate each executive officer's target bonus at the beginning of the year, unless established by an employment agreement. Our compensation committee determines each executive officer's actual bonus amounts after the end of the year, considering the achievement of our annual corporate and individual performance objectives.
<b>Long-Term Equity Incentive (at-risk equity incentives)</b>	<p>Motivates and rewards the achievement of our long-term corporate objectives and performance.</p> <p>Aligns our executives' interests with our stockholders' interest in the growth of sustainable long-term value.</p> <p>Attracts and retains highly qualified executives and encourages their continued employment over the long term.</p>	<p>We generally review equity incentives annually for existing executives. We also generally review equity incentives as appropriate during the year for new hires, promotions, or other special circumstances. These equity incentives stimulate executive retention and periodically reward significant achievement.</p> <p>We determine individual awards based on a variety of factors, including current corporate and individual performance and market data provided by our independent compensation consultant.</p> <p>Prior to our November 2017 initial public offering, we historically provided equity incentives in the form of stock options. Since January 2018 we have awarded restricted stock units.</p>

We believe that we provide competitive compensation to each of our executive officers that offers significant short- and long-term incentives for the achievement of measurable corporate objectives. We believe that our approach appropriately blends short-term and long-term incentives to maximize stockholder value.

We do not have formal policies for allocating compensation among salary, annual performance bonus awards, and equity grants, among short-term and long-term compensation, or among cash and non-cash compensation. Our compensation committee establishes a total compensation program for each named executive officer that

## [Table of Contents](#)

balances current, short-term, and long-term incentive compensation, and cash and non-cash compensation, which our compensation committee believes will allow our executive compensation program to appropriately support the achievement of our corporate objectives. Our compensation committee generally has structured a substantial portion of the named executive officers' total target compensation to consist of annual performance-based bonus opportunities and long-term equity awards to align the executive officers' incentives with our corporate objectives and our stockholders' interest in the growth of sustainable long-term value.

### **How We Determine Executive Compensation**

#### *Role of our Compensation Committee, Management and the Board*

Our executive compensation program is administered by our compensation committee, in consultation with our board of directors, including with respect to the Company's compensation policies, plans and programs, administration of Company equity plans and its responsibilities related to the compensation of the Company's executive officers, directors, and senior management, as appropriate. For more information about the compensation committee's oversight of the executive compensation program, see the section titled "Board Meetings and Committees—Compensation Committee" beginning on page 12 of this Proxy Statement. Our compensation committee consists solely of independent members of our board of directors.

Our compensation committee meets periodically throughout the year to manage and evaluate our executive compensation program, and generally determines, which may be subject to final board approval, the principal components of compensation (base salary, performance bonus and equity awards) for our executive officers on an annual basis. Our compensation committee also may make decisions throughout the year for new hires, promotions, or other special circumstances as our compensation committee determines appropriate. In particular, our compensation committee determines appropriate target levels and performance measures and the allocation between short-term and long-term compensation and between cash and equity-based awards, in order to establish an overall compensation program it believes is appropriate for each named executive officer. Our compensation committee does not delegate authority to approve executive officer compensation. Our compensation committee does not maintain a formal policy regarding the timing of equity awards to our executive officers. Nonetheless, our compensation committee generally grants equity awards at a regularly scheduled meeting or by written consent consistent with discussion at a prior regularly scheduled meeting.

Our compensation committee works with and receives information and analyses from management, including members of our Finance, Legal, and People Services departments. Our compensation committee considers and evaluates this information and analyses to determine the structure and amount of compensation to be paid to our executive officers, including our named executive officers. Our compensation committee also works with and receives information from our Chief Executive Officer. Our Chief Executive Officer evaluates and provides to the compensation committee executive officer performance assessments and management's recommendations and proposals regarding executive officer compensation programs and decisions affecting base salaries, performance bonuses, equity compensation, and other compensation-related matters outside of the presence of any other named executive officers. Our compensation committee retains the final authority to set compensation for all named executive officers. Our Chief Executive Officer discusses his recommendations with the compensation committee, but he does not participate in the deliberations concerning, or the determination of, his compensation. In order to determine our Chief Executive Officer's compensation, our compensation committee reviews the performance of the Chief Executive Officer and meets in executive session without him to evaluate the Chief Executive Officer's performance.

From time to time, our compensation committee may invite members of management, other employees, and outside advisors or consultants to make presentations, provide financial or other background information or advice, or otherwise participate in compensation committee meetings. Members of management, including our Chief Executive Officer, may attend portions of our compensation committee's meetings.

## [Table of Contents](#)

Our Finance, Legal, and People Services departments work closely with our Chief Executive Officer to design and develop recommended executive compensation for our named executive officers and other senior executives, to recommend changes to existing compensation programs, to recommend financial and other performance targets to be achieved under those programs, to prepare analyses of financial data, to prepare peer data comparisons and other briefing materials, and ultimately to implement the decisions of the compensation committee.

### *Role of Compensation Consultant*

Prior to and during 2019, our compensation committee received and relied upon reports from Radford. Radford is a part of Aon plc and served as the Company's executive compensation consulting firm. Our management engaged Radford on behalf of the Company. Our management directed Radford to evaluate the Company's executive compensation and equity compensation practices, including an analysis of the Company's compensation practices relative to its peer group, and to otherwise provide advice to the Company. Radford did not provide services to the Company other than consulting services related to the compensation and benefits of our directors, officers and employees.

Radford developed a group of peer companies to use as a reference in making executive compensation decisions, evaluating current executive pay practices, and considering different compensation programs. The information provided by Radford aided the compensation committee to make executive compensation decisions in 2019. Radford also conducted market research and analysis to develop executive compensation, including appropriate salaries, target bonus amounts and equity awards for our executives, including the named executive officers. Radford also conducted a review of our director compensation policies and practices.

Our compensation committee has the authority to retain compensation consultants to assist in its evaluation of executive compensation, including the authority to approve the consultant's reasonable fees and other retention terms. In September 2019, our compensation committee retained Radford as our compensation committee's independent compensation consultant. Radford's work following our compensation committee's retention of Radford included a compensation risk assessment, review of director compensation, and the development of a new peer group to be used for 2020 executive and director compensation.

Our compensation committee analyzed in 2019 whether the work of Radford as our compensation consultant raised any conflict of interest, taking into account relevant factors in accordance with SEC guidelines. Based on its analysis, our compensation committee determined that the work of Radford and the individual compensation advisors employed by Radford does not create any conflict of interest pursuant to the SEC rules and NASDAQ listing standards.

### *Use of Competitive Market Compensation Data*

Our compensation committee believes that it is important when making its compensation decisions to be informed as to the current practices of comparable public companies with which we compete for top talent. To this end, our compensation committee directed Radford to develop a proposed list of our peer group companies to be used in connection with assessing the compensation practices of the publicly traded companies with whom we compete for top talent.

## [Table of Contents](#)

As directed by our compensation committee, Radford developed our peer group in consultation with our management team and our compensation committee. Radford then proposed, and the compensation committee subsequently approved, a group of companies that would be appropriate peers based on our industry focus and size (based on employee headcount, revenues and market capitalization). The peer group used by our compensation committee in making executive pay decisions for 2019 was as follows:

8x8	A10 Networks	Alarm.com Holdings	Appian
Boingo Wireless	Brightcove	Calix	Carbonite
ChannelAdvisor	Control4	Everbridge	Five9
Instructure	Leaf Group	MobileIron	Model N
Ooma	Quantenna Communications	QuinStreet	RingCentral
SendGrid	Shutterstock	Twilio	Upland Software

Using data compiled from the public filings of these peer companies and data from Radford's national survey of companies similar to us, which we refer to as peer data, Radford completed an assessment of our executive compensation to inform our compensation committee's determinations regarding executive compensation for 2019. Radford prepared, and the compensation committee reviewed, a range of market data reference points (generally at the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles of the market data) with respect to base salary, performance bonuses, equity compensation (valued based both on an approximation of grant date fair value and as well as ownership percentage), total target cash compensation (base salary and the annual target performance bonus) and total direct compensation (total target cash compensation and equity compensation) with respect to each of our executive officers. The compensation committee did not target pay to fall at any particular percentile of the market data, although we generally target our executive compensation levels at or above the midpoints of market ranges. The compensation committee nonetheless viewed this market data as a helpful reference point to make 2019 compensation decisions. Our compensation committee considers market data as only one factor when making compensation decisions. Our compensation committee considers other factors as described below under "Factors Used in Determining Executive Compensation."

### *Consideration of Advisory Votes*

Because of our status as an emerging growth company through December 31, 2019, we did not, and were not required to, hold "say-on-pay" or "say-on-frequency" votes at our 2019 Annual Meeting. As such, our compensation committee did not consider advisory votes in determining the Company's executive officer compensation. As discussed in more detail in Proposal No. 3 above, our board of directors has recommended that stockholders vote, on a non-binding, advisory basis, to approve the compensation of the named executive officers as described in this proxy statement. The compensation committee will review stockholder votes on our executive compensation and determine whether to make changes to the program accordingly.

### Factors Used in Determining Executive Compensation

Our compensation committee sets the compensation of our executive officers at levels it determines to be competitive and appropriate for each executive officer, using the professional experience and judgment of our compensation committee members. Our compensation committee does not make compensation decisions by using a formulaic approach or benchmarks. Our compensation committee believes executive compensation decisions require consideration of a multitude of factors that vary from year to year. Our compensation committee generally takes into consideration the following factors when making executive compensation decisions:

- Ø Company performance and existing business needs;
- Ø Each named executive officer's individual performance, scope of job function and the criticality of the skill set of the named executive officer to the Company's future performance;
- Ø The need to attract new talent to our executive team and retain existing talent in a highly competitive industry where we compete for top talent;
- Ø Alignment of named executive officer compensation with short-term and long-term Company performance;
- Ø Recommendations of the Company's Chief Executive Officer, other than with respect to his own compensation;
- Ø A range of market data reference points, as described above under "Use of Competitive Market Compensation Data"; and
- Ø Recommendations, data and analyses from our compensation committee's independent compensation consultant on compensation policy determinations for our executive officers.

### 2019 Executive Compensation Program

#### *Base Salary*

The base salaries of our named executive officers are an important part of their total compensation package, and are intended to reflect their respective positions, duties and responsibilities and to provide a fixed base of cash compensation. Base salary is a visible and stable fixed component of our compensation program. Our compensation committee may adjust base salaries based on a number of factors, including experience, responsibilities, individual contributions, number of years in the position and competitive data. In addition, our compensation committee may evaluate our named executive officers' base salaries, together with other components of their compensation, to ensure that the executive's total compensation is consistent with our overall compensation philosophy and market practices of our compensation peer group.

In November 2018, our compensation committee reviewed the base salaries of our executive officers, including the named executive officers. With respect to our named executive officers, the compensation committee determined that base salary levels would be increased or remain unchanged as follows:

<u>Executive</u>	<u>2018 Base Salary (\$)</u>	<u>2019 Base Salary (\$)</u>	<u>Percentage Increase in Base Salary from December 31, 2018 (%)</u>
David A. Morken	375,000	375,000	0
Jeffrey A. Hoffman	364,800	364,800	0
W. Christopher Matton	304,000	304,000	0
Rebecca Bottorff	260,400	280,451	7.7
Noreen Allen	278,100	278,100	0

The compensation committee made the determination to increase the base salary of Ms. Bottorff, effective as of January 1, 2019, due to the augmented scope of her role due to the continued growth of the Company, as well as her performance while executing her heightened responsibilities.

## [Table of Contents](#)

### *Annual Performance Bonus*

Our compensation committee believes that the payment of annual incentive compensation provides motivation necessary to retain the named executive officers and reward them for short-term company performance. On January 28, 2019, our compensation committee approved the adoption of our 2019 “Management by Objective” Bonus Plan (the “2019 MBO Bonus Plan”) for our executive officers, including the named executive officers. The 2019 MBO Bonus Plan is designed to encourage named executive officers to contribute to the profitability, growth and increased value of the Company.

Amounts payable under our 2019 MBO Bonus Plan are determined as follows:

- A target incentive compensation amount is set for each named executive officer.
- Our compensation committee established CPaaS revenue, revenue, Non-GAAP gross margin, Non-GAAP net (loss) income, and free cash flow objectives as the corporate performance goals under the 2019 MBO Bonus Plan, as well as the target performance levels and the respective weighting of each corporate objective and each executive officer’s individual objectives. Ninety percent (90%) of each executive officer’s individual objectives is generally based on individual functional objectives based on the executive officer’s role and the role’s relationship with our strategic business imperatives, such as improving efficiencies, increasing customer opportunities and satisfaction, developing and managing a talented workforce, and managing compliance; the remaining ten percent (10%) of each executive officer’s individual objectives is generally based on individual professional development objectives based on the executive officer’s role, such as the ongoing development of the executive officer’s individual expertise and leadership skills. These percentages may change based on our Chief Executive Officer’s evaluation under particular circumstances.
- After the end of the 2019 year, our compensation committee determined our achievement of our CPaaS revenue, revenue, Non-GAAP gross margin, Non-GAAP net (loss) income, and free cash flow objectives previously established by our compensation committee for 2019 based upon an assessment of our financial results for 2019 and the respective weighting of each corporate objective. Our compensation committee’s determination would be expressed as a percentage of the applicable performance goal (the “Corporate Achievement Percentage”).
- Following its assessment of our financial results for 2019, our compensation committee also determined each executive officer’s achievement of the executive officer’s individual functional objectives and individual professional development objectives, expressed as a percentage of the applicable performance goal (the “Individual Achievement Percentage”). Our Chief Executive Officer evaluated and provided to our compensation committee executive officer performance assessments and management’s recommendations and proposals regarding the Individual Achievement Percentage (except as to his own performance).
- Each executive officer’s individual bonus then would be calculated as follows:
  - o The executive officer’s individual target bonus, multiplied by
  - o The Corporate Achievement Percentage, multiplied by
  - o The executive officer’s Individual Achievement Percentage.

The annual cash bonus targets under the 2019 MBO Bonus Plan for the named executive officers were set as follows:

<u>Executive</u>	<u>Target Bonus (\$)</u>
David A. Morken	375,000
Jeffrey A. Hoffman	237,120
W. Christopher Matton	152,000
Rebecca Bottorff	140,226
Noreen Allen	139,050

## [Table of Contents](#)

### *Performance Achievement*

After 2019, our compensation committee assessed our financial results for 2019, including our achievement of our CPaaS revenue, revenue, Non-GAAP gross margin, Non-GAAP net (loss) income, and free cash flow objectives previously established by our compensation committee for 2019. Our compensation committee determined that the Corporate Achievement Percentage for 2019 was 97.11%. Our compensation committee then determined the Individual Achievement Percentage for each of Messrs. Morken, Hoffman, and Matton, Ms. Bottorff, and Ms. Allen. The Corporate Achievement Percentage and Individual Achievement Percentage yielded bonuses under the 2019 MBO Bonus Plan as follows:

<b>Executive</b>	<b>Bonus Amount Paid(\$)</b>
David A. Morken	364,149
Jeffrey A. Hoffman	230,258
W. Christopher Matton	147,601
Rebecca Bottorff	143,963
Noreen Allen	126,384

The annual cash incentive awards earned by our named executive officers for fiscal 2019 performance are also set forth in the 2019 Summary Compensation Table below.

### *Equity Awards*

Prior to our November 2017 initial public offering, we historically granted equity awards in the form of stock options. We utilized stock options because they provided value only if our equity value increased, and the stock options only vested if the executive officer continued in our employment. As of our November 2017 initial public offering, substantially all stock options awarded to our named executive officers had vested fully. Beginning in January 2018, we began granting restricted stock unit awards as the equity award component of our compensation program. These awards were subject to vesting dependent on the executive officer's continued employment. We determined that it was advisable to utilize restricted stock unit awards to align with peer company practices. In addition to aligning with market practice, we believe that the use of restricted stock unit awards improves the balance and risk profile of our compensation program to include a form of award that does not rely solely on stock price appreciation in order to provide value.

During 2019, our compensation committee did not have any formal policy for determining the number or type of equity-based awards to grant to named executive officers. Rather, the annual equity grants to our named executive officers are evaluated and approved by our compensation committee in the context of each named executive officer's total compensation and take into account the market data provided by compensation consultants in addition to the individual officer's responsibilities and performance. The compensation committee also takes into account the recommendations of the Chief Executive Officer (except as to his own award of equity-based compensation) with respect to appropriate grants and any particular individual circumstances.

In January 2019, our compensation committee approved equity grants consisting of restricted stock unit awards for our named executive officers. Except for one award to Mr. Hoffman as described below, each of the restricted stock unit awards granted in January 2019 vests as follows: (1) 12.5% quarterly on each of March 31, 2019, June 30, 2019, September 30, 2019, and December 31, 2019; and (2) approximately 16.7% annually thereafter on January 2, 2021, January 2, 2022, and January 2, 2023, in each case subject to the officer's continued service with us through the applicable vesting date. Our compensation committee also approved an additional equity grant consisting of restricted stock units for Mr. Hoffman, which vests in four equal annual installments, with the first such installment occurring on January 2, 2020.

In April 2019, our compensation committee also approved an additional equity grant consisting of restricted stock units for Mr. Morken. The restricted stock unit award granted during April 2019 vests in four equal annual installments, with the first such installment occurring on April 25, 2020.



## [Table of Contents](#)

In June 2019, our compensation committee also approved an additional equity grant consisting of restricted stock unit awards for Ms. Bottorff. The restricted stock unit award granted during June 2019 vests in four equal annual installments, with the first such installment occurring on June 3, 2020.

Refer to the 2019 Grants of Plan-Based Awards table below for additional information regarding the equity awards issued to our named executive officers in 2019.

The following table summarizes the equity grants made to the named executive officers during 2019, which were generally subject to the vesting schedules described above:

<u>Executive</u>	<u>January 2019 Awards (# of restricted stock units)</u>	<u>April 2019 and June 2019 Awards (# of restricted stock units)</u>	<u>Total 2019 Awards (# of restricted stock units)</u>
David A. Morken	14,521	10,245	24,766
Jeffrey A. Hoffman	14,567	—	14,567
W. Christopher Matton	8,829	—	8,829
Rebecca Bottorff	8,143	3,548	11,691
Noreen Allen	8,076	—	8,076

## Employment Agreements with Named Executive Officers

### *David A. Morken*

We entered into an employment agreement with David A. Morken as of January 1, 2015 (as amended on March 9, 2017), which has a current term that will expire on January 1, 2021 and which will automatically renew for additional one-year periods unless either Mr. Morken or we give at least 60 days' notice of non-renewal to the other party.

This agreement entitles Mr. Morken to receive an initial base salary of \$375,000 and the opportunity to earn an annual performance-based bonus, with a target of 100% of base salary, subject to the achievement of individual and company performance goals to be mutually agreed by our board of directors and Mr. Morken at the beginning of each calendar year. Upon a liquidity event in which there is a change of control of the Company with a value of at least \$750 million (calculated on an enterprise basis) and the transaction commences during the term of the employment agreement and closes on or prior to December 31, 2023, Mr. Morken will additionally be entitled to receive a liquidity bonus as shown in the table below (the "**Liquidity Bonus**"), subject to Mr. Morken's continued employment through the date of such liquidity event (or his earlier termination by us for any reason or his resignation for "Good Reason" (as defined in his employment agreement) following the commencement of negotiations regarding the potential transaction).

<u>Value Calculated on Enterprise Basis Liquidity Bonus</u>	
\$750,000,000—\$999,999,999	\$ 5,000,000
\$1,000,000,000—\$1,249,999,999	\$ 10,000,000
\$1,250,000,000—\$1,499,999,999	\$ 12,500,000
\$1,500,000,000—\$1,749,999,999	\$ 15,000,000
\$1,750,000,000—\$1,999,999,999	\$ 17,500,000
\$2,000,000,000 or more	\$ 20,000,000

If payments to Mr. Morken from us would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, and would be subject to the excise tax imposed by Section 4999 of the Code, then such payments (including the Liquidity Bonus) would be reduced to the extent necessary to avoid the payment of any excess parachute payments and to avoid Mr. Morken being subject to the excise tax imposed by Section 4999 of the Code.

The employment agreement with Mr. Morken provides that any then outstanding and unvested stock options or shares of restricted stock will immediately vest, and the options will be exercisable for the remainder of their full

## [Table of Contents](#)

original term, upon the earliest of (i) Mr. Morken's death during the term of the agreement, (ii) a change in control of the Company, or (iii) the termination of Mr. Morken's employment by us other than for "Cause" (as defined in his employment agreement and including our decision to not renew the term of the employment agreement) or by Mr. Morken for Good Reason. If Mr. Morken's employment is terminated (i) by us other than for "Cause", (ii) by Mr. Morken for "Good Reason" (as such capitalized terms are defined in his employment agreement), or (iii) by Mr. Morken for any reason within 12 months following a change of control of the Company that is not approved by at least a majority of our board of directors, then, subject to his execution of a general release of claims in our favor, Mr. Morken is entitled to receive 150% of his then-current base salary plus 150% of his target bonus for the year of termination, payable over an 18 month period following the termination. If Mr. Morken is terminated by us other than for Cause, he will also be entitled to receive company-paid basic medical insurance premiums for 18 months following his termination and a lump sum equal to 18 months of premiums for the term life insurance coverage then in effect. Mr. Morken has agreed to refrain from disclosing our confidential information during or at any time following his employment with us and from competing with us or soliciting our employees or customers during his employment and for 12 months following termination of his employment.

### ***Jeffrey A. Hoffman***

We entered into an employment agreement with Jeffrey A. Hoffman as of April 10, 2019, which has a current term that will expire on December 31, 2020 and which will automatically renew for additional one-year periods unless either Mr. Hoffman or we give at least 60 days' notice of non-renewal to the other party. This agreement superseded his prior employment agreement.

This agreement entitles Mr. Hoffman to receive an initial base salary of \$364,800 and the opportunity to earn an annual performance-based bonus, with a target of 65% of base salary, subject to the achievement of individual and company performance goals established by our Board of Directors upon the recommendation of our Chief Executive Officer at the beginning of each calendar year.

The employment agreement with Mr. Hoffman provides that any then outstanding and unvested stock options or shares of restricted stock will immediately vest, and the options will be exercisable for the remainder of their full original term, upon the earliest of (i) Mr. Hoffman's death during the term of the agreement or (ii) a change in control of the Company. If Mr. Hoffman's employment is terminated (i) by us other than for "Cause" (which includes our decision to not renew the term of the employment agreement), (ii) by Mr. Hoffman for "Good Reason" (as such capitalized terms are defined in his employment agreement), or (iii) by Mr. Hoffman for any reason within 12 months following a change of control of the Company that is not approved by at least a majority of our board of directors, then, subject to his execution of a general release of claims in our favor, Mr. Hoffman is entitled to receive 100% of his then-current base salary plus 100% of his target bonus for the year of termination, payable over a 12 month period following the termination. If Mr. Hoffman is terminated by us other than for Cause, he will also be entitled to receive company-paid basic medical insurance premiums for 12 months following his termination and a lump sum equal to 12 months of premiums for the term life insurance coverage then in effect. Mr. Hoffman has agreed to refrain from disclosing our confidential information during or at any time following his employment with us and from competing with us or soliciting our employees or customers during his employment and for 12 months following termination of his employment.

If payments to Mr. Hoffman from us would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, and would be subject to the excise tax imposed by Section 4999 of the Code, then such payments would be reduced to the extent necessary to avoid the payment of any excess parachute payments and to avoid Mr. Hoffman being subject to the excise tax imposed by Section 4999 of the Code.

### ***W. Christopher Matton***

We entered into an employment agreement with W. Christopher Matton as of December 6, 2019, which has a current term that will expire on December 31, 2020 and which will automatically renew for additional one-year periods unless either Mr. Matton or we give at least 60 days' notice of non-renewal to the other party. This agreement superseded his prior employment agreement.

## [Table of Contents](#)

This agreement entitles Mr. Matton to receive an initial base salary of \$304,000 and the opportunity to earn an annual performance-based bonus, with a target of 50% of base salary, subject to the achievement of individual and company performance goals established by our Board of Directors upon the recommendation of our Chief Executive Officer at the beginning of each calendar year.

The employment agreement with Mr. Matton provides that any then outstanding and unvested stock options or shares of restricted stock will immediately vest, and the options will be exercisable for the remainder of their full original term, upon the earliest of (i) Mr. Matton's death during the term of the agreement or (ii) a change in control of the Company. If Mr. Matton's employment is terminated (i) by us other than for "Cause" (which includes our decision to not renew the term of the employment agreement), (ii) by Mr. Matton for "Good Reason" (as such capitalized terms are defined in his employment agreement), or (iii) by Mr. Matton for any reason within 12 months following a change of control of the Company that is not approved by at least a majority of our board of directors, then, subject to his execution of a general release of claims in our favor, Mr. Matton is entitled to receive 100% of his then-current base salary plus 100% of his target bonus for the year of termination, payable over a 12 month period following the termination. If Mr. Matton is terminated by us other than for Cause, he will also be entitled to receive company-paid basic medical insurance premiums for 12 months following his termination and a lump sum equal to 12 months of premiums for the term life insurance coverage then in effect. Mr. Matton has agreed to refrain from disclosing our confidential information during or at any time following his employment with us and from competing with us or soliciting our employees or customers during his employment and for 12 months following termination of his employment.

If payments to Mr. Matton from us would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, and would be subject to the excise tax imposed by Section 4999 of the Code, then such payments would be reduced to the extent necessary to avoid the payment of any excess parachute payments and to avoid Mr. Matton being subject to the excise tax imposed by Section 4999 of the Code.

### ***Rebecca Bottorff***

We entered into an employment agreement with Rebecca Bottorff as of December 6, 2019, which has a current term that will expire on December 31, 2020 and which will automatically renew for additional one-year periods unless either Ms. Bottorff or we give at least 60 days' notice of non-renewal to the other party.

This agreement entitles Ms. Bottorff to receive an initial base salary of \$280,450 and the opportunity to earn an annual performance-based bonus, with a target of 50% of base salary, subject to the achievement of individual and company performance goals established by our Board of Directors upon the recommendation of our Chief Executive Officer at the beginning of each calendar year.

The employment agreement with Ms. Bottorff provides that any then outstanding and unvested stock options or shares of restricted stock will immediately vest, and the options will be exercisable for the remainder of their full original term, upon the earliest of (i) Ms. Bottorff's death during the term of the agreement or (ii) a change in control of the Company. If Ms. Bottorff's employment is terminated (i) by us other than for "Cause" (which includes our decision to not renew the term of the employment agreement), (ii) by Ms. Bottorff for "Good Reason" (as such capitalized terms are defined in her employment agreement), or (iii) by Ms. Bottorff for any reason within 12 months following a change of control of the Company that is not approved by at least a majority of our board of directors, then, subject to her execution of a general release of claims in our favor, Ms. Bottorff is entitled to receive 100% of her then-current base salary plus 100% of her target bonus for the year of termination, payable over a 12 month period following the termination. If Ms. Bottorff is terminated by us other than for Cause, she will also be entitled to receive company-paid basic medical insurance premiums for 12 months following her termination and a lump sum equal to 12 months of premiums for the term life insurance coverage then in effect. Ms. Bottorff has agreed to refrain from disclosing our confidential information during or at any time following her employment with us and from competing with us or soliciting our employees or customers during her employment and for 12 months following termination of her employment.

## [Table of Contents](#)

If payments to Ms. Bottorff from us would constitute an “excess parachute payment” within the meaning of Section 280G of the Code, and would be subject to the excise tax imposed by Section 4999 of the Code, then such payments would be reduced to the extent necessary to avoid the payment of any excess parachute payments and to avoid Ms. Bottorff being subject to the excise tax imposed by Section 4999 of the Code.

### ***Noreen Allen***

We entered into an employment agreement with Noreen Allen as of December 6, 2019, which has a current term that will expire on December 31, 2020 and which will automatically renew for additional one-year periods unless either Ms. Allen or we give at least 60 days’ notice of non-renewal to the other party.

This agreement entitles Ms. Allen to receive an initial base salary of \$278,100 and the opportunity to earn an annual performance-based bonus, with a target of 50% of base salary, subject to the achievement of individual and company performance goals established by our Board of Directors upon the recommendation of our Chief Executive Officer at the beginning of each calendar year.

The employment agreement with Ms. Allen provides that any then outstanding and unvested stock options or shares of restricted stock will immediately vest, and the options will be exercisable for the remainder of their full original term, upon the earliest of (i) Ms. Allen’s death during the term of the agreement or (ii) a change in control of the Company. If Ms. Allen’s employment is terminated (i) by us other than for “Cause”, (ii) by Ms. Allen for “Good Reason” (as such capitalized terms are defined in her employment agreement), or (iii) by Ms. Allen for any reason within 12 months following a change of control of the Company that is not approved by at least a majority of our board of directors, then, subject to her execution of a general release of claims in our favor, Ms. Allen is entitled to receive 100% of her then-current base salary plus 100% of her target bonus for the year of termination, payable over a 12 month period following the termination. If Ms. Allen is terminated by us other than for Cause, she will also be entitled to receive company-paid basic medical insurance premiums for 12 months following her termination and a lump sum equal to 12 months of premiums for the term life insurance coverage then in effect. Ms. Allen has agreed to refrain from disclosing our confidential information during or at any time following her employment with us and from competing with us or soliciting our employees or customers during her employment and for 12 months following termination of her employment.

If payments to Ms. Allen from us would constitute an “excess parachute payment” within the meaning of Section 280G of the Code, and would be subject to the excise tax imposed by Section 4999 of the Code, then such payments would be reduced to the extent necessary to avoid the payment of any excess parachute payments and to avoid Ms. Allen being subject to the excise tax imposed by Section 4999 of the Code.

## [Table of Contents](#)

### Potential Payments Upon Termination or Change in Control

#### *Potential Payments upon Death or a Change of Control*

The following table provides an estimate of the value of the compensation and benefits due to each of our named executive officers assuming a termination due to death or a change in control, effective as of December 31, 2019, under our agreements with each of our named executive officers as described above. The actual amounts to be paid can only be determined at the time of such event.

Name	Cash Payment (\$)	Benefit Continuation (\$)	Value of Accelerated Equity Awards <sup>(1)</sup> (\$)		Total (\$)
			Restricted Stock Units	Options	
David A. Morken	—	—	2,317,713	—	2,317,713
Jeffrey A. Hoffman	—	—	1,519,971	—	1,519,971
W. Christopher Matton	—	—	1,010,133	—	1,010,133
Rebecca Bottorff	—	—	1,111,139	—	1,111,139
Noreen Allen	—	—	924,049	—	924,049

- (1) The value of the vesting acceleration of restricted stock unit awards is based on the closing price of our common stock on December 31, 2019, which was \$64.05.

#### *Potential Payments upon Termination in Connection with a Change of Control*

The following table provides an estimate of the value of the compensation and benefits due to each of our named executive officers assuming a termination without cause, effective as of December 31, 2019, in connection with a change of control, under our agreement with each of our named executive officers as described above. The actual amounts to be paid can only be determined at the time of such event.

Name	Cash Payment (\$)	Benefit Continuation (\$)	Total (\$)
David A. Morken	1,125,000	33,939	1,158,939
Jeffrey A. Hoffman	601,920	22,626	624,546
W. Christopher Matton	456,000	22,626	478,626
Rebecca Bottorff	420,675	22,579	443,254
Noreen Allen	417,150	6,083	423,233

#### *Potential Payments upon Resignation for Good Reason or Resignation within 12 months following Unapproved Change in Control*

The following table provides an estimate of the value of the compensation and benefits due to each of our named executive officers assuming a resignation for good reason or resignation for any reason within 12 months following a change of control of the Company that is not approved by at least a majority of our board of directors, in either case, effective as of December 31, 2019, under our agreements with each of our named executive officers as described above. The actual amounts to be paid can only be determined at the time of such event.

Name	Cash Payment (\$)	Benefit Continuation (\$)	Total (\$)
David A. Morken	1,125,000	33,939	1,158,939
Jeffrey A. Hoffman	601,920	22,626	624,546
W. Christopher Matton	456,000	22,626	478,626
Rebecca Bottorff	420,675	22,579	443,254
Noreen Allen	417,150	6,083	423,233

## **Equity Benefit Plans**

For more information on our current equity compensation program and decisions regarding the grants of equity awards in fiscal 2019 for our named executive officers, see “Compensation Discussion and Analysis – 2019 Executive Compensation Program – Annual Performance Bonus” and “Compensation Discussion and Analysis – 2019 Executive Compensation Program – Equity Awards.”

## **Other Features of Our Executive Compensation Program**

### *401(k) Plan, Welfare and Health Benefits*

We maintain a tax-qualified retirement plan that provides eligible U.S. employees, including our named executive officers, with an opportunity to save for retirement on a tax-advantaged basis. Eligible employees may make voluntary contributions from their eligible pay, up to certain applicable annual limits set by the Internal Revenue Code of 1986, as amended (the “Code”). In 2019, we matched 100% of employee contributions, up to 3% of earnings with an annual maximum company matching contribution of \$8,400 in matching contributions per calendar year for each employee. Such employee contributions are immediately and fully vested; Company matching contributions vest over three years ratably. The 401(k) plan is intended to be qualified under Section 401(a) of the Code with the 401(k) plan’s related trust intended to be tax exempt under Section 501(a) of the Code.

In addition, we provide other benefits to our executive officers, including the named executive officers, on the same basis as to all of our full-time employees. These benefits include, but are not limited to, medical, dental, vision, group life, disability and accidental death and dismemberment insurance plans.

We design our employee benefits programs to be affordable and competitive in relation to the market, as well as compliant with applicable laws and practices. We adjust our employee benefits programs as needed based upon regular monitoring of applicable laws and practices and the competitive market.

### *Perquisites and Other Personal Benefits*

We do not currently view perquisites or other personal benefits as a significant component of our executive compensation program. We do not generally provide perquisites or other personal benefits to our executive officers, including the named executive officers, except in situations where we believe it is appropriate to assist an individual in the performance of his or her duties, to make our executive officers more efficient and effective, and for recruitment and retention purposes. However, we pay the premiums for term life insurance and disability insurance, subject to certain limitations, for all of our full-time employees, including our named executive officers.

In the future, we may provide perquisites or other personal benefits in limited circumstances. All future practices with respect to perquisites or other personal benefits will be approved and subject to periodic review by the compensation committee.

## **Tax and Accounting Implications**

### *Accounting for Stock-Based Compensation*

Under Financial Accounting Standard Board ASC Topic 718 (“ASC 718”), we are required to estimate and record an expense for each award of equity compensation over the vesting period of the award. We record share-based compensation expense on an ongoing basis according to ASC 718.

### *Deductibility of Executive Compensation*

Section 162(m) of the Code has historically limited companies to a deduction for federal income tax purposes of not more than \$1 million of compensation paid to certain executive officers in a calendar year, subject to certain

## [Table of Contents](#)

exceptions. Under a transition rule that applies to newly-public companies, we are currently exempt from this limitation. Prior to the Tax Cuts and Jobs Act of 2017 (“TCJA”), the deduction limit did not apply to “performance-based compensation” which satisfied the requirements of Section 162(m). The TCJA eliminated the performance-based compensation exemption, although compensation paid pursuant to a written binding contract which was in effect on November 2, 2017 may be “grandfathered” and still qualify for the performance-based compensation exception under certain circumstances. In determining the form and amount of compensation for our named executive officers, our compensation committee may continue to consider all elements of the cost of such compensation. While our compensation committee considers the deductibility of awards as one factor in determining executive compensation, our compensation committee may also look at other factors in making its decisions, and retains the flexibility to award compensation that it determines to be consistent with the goals of our executive compensation program even if the compensation is not deductible by us for tax purposes.

### **Other Compensation Policies and Practices**

#### *Clawback Policy*

As a public company, if we are required to restate our financial results due to our material noncompliance with any financial reporting requirements under the federal securities laws as a result of misconduct, our Chief Executive Officer and Chief Financial Officer may be legally required to reimburse us for any bonus or other incentive-based or equity-based compensation they receive in accordance with the provisions of Section 304 of the Sarbanes-Oxley Act of 2002. Our compensation committee has not adopted a compensation recovery, or “clawback,” policy pursuant to which the board of directors may, following the occurrence of certain accounting restatements triggered by misconduct of an executive officer or officers, recover any incentive compensation determined to have been erroneously paid to such executive officer or officers. We will comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and will make any necessary updates to the policy once the SEC adopts final regulations on the subject.

#### *Policy Prohibiting Hedging and Pledging of Our Equity Securities*

Our insider trading policy prohibits our employees, including our executive officers and directors, from engaging in short sales, hedging of stock ownership positions, and transactions involving derivative securities relating to our common stock. In addition, our directors and executive officers and any person required to comply with the blackout periods or pre-clearance requirements under our insider trading policy are prohibited from pledging company securities as collateral for loans and may not hold company securities in margin accounts.

### **ANALYSIS OF RISKS PRESENTED BY OUR COMPENSATION POLICIES AND PROGRAMS**

The compensation committee has reviewed our compensation policies and practices, in consultation with Radford, to assess whether they encourage employees to take inappropriate risks. After reviewing and assessing our compensation philosophy, terms and practices, including the mix of fixed and variable, short and long-term incentives and overall pay, incentive plan structures, and the checks and balances built into, and oversight of, each plan and practice, our compensation committee determined that any risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on our Company as a whole. Our compensation committee believes that the mix and design of the elements of executive compensation do not encourage management to assume excessive risks; rather, it believes the mix of short-term compensation (in the form of salary and annual bonus, if any, which is based on a variety of performance factors) and long-term compensation (in the form of stock options or restricted stock unit grants) prevents undue focus on short-term results and helps align the interests of our executive officers with the interests of our stockholders. Our insider trading policy and prohibition against hedging and pledging of our stock also protect against short-term decision making. Our compensation committee intends to conduct an annual review of our compensation-related risk profile to ensure that our compensation programs do not encourage excessive or inappropriate risk-taking and that the level of risk that they do encourage is not reasonably likely to have a material adverse effect on the Company.

## COMPENSATION COMMITTEE REPORT

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with members of management. Based on such review and discussion, the compensation committee has recommended to the board of directors that the section titled "Executive Compensation" be included in this proxy statement.

Respectfully submitted by the members of the compensation committee of the board of directors:

*Compensation Committee*

Brian D. Bailey, Chairman

Lukas M. Roush

Douglas A. Suriano



## EXECUTIVE COMPENSATION INFORMATION

### Summary Compensation Table

The following table sets forth information regarding compensation awarded to, earned by or paid to the following individuals during the years ended December 31, 2019, 2018 and 2017: (i) David A. Morken, our Chief Executive Officer and President; (ii) Jeffrey A. Hoffman, our Chief Financial Officer and (iii) W. Christopher Matton, Rebecca Bottorff, and Noreen Allen, our three other most highly compensated executive officers other than the Chief Executive Officer and Chief Financial Officer who were serving as officers at the end of our fiscal year ended December 31, 2019. These individuals are referred to throughout this Proxy Statement as our named executive officers.

**2019 Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
David A. Morken	2019	375,000	150,000	1,349,941	—	364,149	8,400	2,247,491
<i>Chief Executive Officer and President</i>	2018	375,000	—	600,010	—	430,500	9,350	1,414,860
	2017	375,000	750,000	—	—	378,750	10,007	1,513,757
Jeffrey A. Hoffman	2019	364,800	100,000	601,908	—	230,258	8,400	1,305,367
<i>Chief Financial Officer</i>	2018	364,800	—	481,511	—	280,040	12,598	1,138,949
	2017	309,067	—	—	—	310,684	14,536	634,288
W. Christopher Matton	2019	304,000	87,000	364,814	—	147,601	8,400	911,816
<i>General Counsel and Secretary</i>								
Rebecca Bottorff	2019	280,451	—	586,460	—	143,963	8,400	1,019,275
<i>Chief People Officer</i>								
Noreen Allen	2019	278,100	—	333,700	—	126,384	8,400	746,584
<i>Chief Marketing Officer</i>								

- (1) Amounts shown for 2019 represent discretionary cash bonuses paid based on our March 2019 follow-on equity offering. Amounts shown for 2017 represent a cash bonus that Mr. Morken received pursuant to his employment agreement in connection with our November 2017 initial public offering.
- (2) Amounts in this column reflect the aggregate grant date fair value of the shares underlying restricted stock unit award and option awards granted in the applicable year, computed in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718 for stock-based compensation transactions. Unlike the calculations contained in our financial statements, this calculation does not give effect to any estimate of forfeitures related to service-based vesting, but assumes that the named executive officer will perform the requisite service for the award to vest in full. The assumptions we used in valuing these equity awards are described in Note 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed with the SEC on February 21, 2020 and do not necessarily correspond to the actual economic value recognized or that may be recognized by the named executive officers.
- (3) Amounts in this column for each fiscal year represent amounts earned by the named executive officers during that fiscal year pursuant to our MBO Bonus Plan, but paid in in the subsequent fiscal year (pursuant to the terms of the MBO Bonus Plan). See “Compensation Discussion and Analysis – 2019 Executive Compensation Program – Annual Performance Bonus” for further information regarding the amounts in this column.
- (4) Amounts in this column represent matching contributions to our 401(k) savings plan made by the Company on the named executive officer’s behalf. See “Compensation Discussion and Analysis – Other Features of Our Executive Compensation Program – 401(k) Plan, Welfare and Health Benefits” for more information on matching contributions to our 401(k) savings plan.

[Table of Contents](#)

**2019 Grants of Plan-Based Awards**

The following table shows certain information regarding grants of plan-based awards during the fiscal year ended December 31, 2019 to our named executive officers.

**Grants of Plan-Based Awards in Fiscal 2019**

Name	Grant Type	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(2)</sup>	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(3)</sup>
			Threshold (\$)	Target (\$)	Maximum (\$)				
David A. Morken	MBO Bonus Plan	—	—	375,000	—	—	—	—	
	RSU Grant	1/2/19	—	—	—	14,521	—	600,008	
	RSU Grant	4/25/19	—	—	—	10,245	—	749,934	
Jeffrey A. Hoffman	MBO Bonus Plan	—	—	237,120	—	—	—	—	
	RSU Grant	1/2/19	—	—	—	14,567	—	601,908	
W. Christopher Matton	MBO Bonus Plan	—	—	152,000	—	—	—	—	
	RSU Grant	1/2/19	—	—	—	8,829	—	364,814	
Rebecca Bottorff	MBO Bonus Plan	—	—	140,225	—	—	—	—	
	RSU Grant	1/2/19	—	—	—	8,143	—	336,469	
	RSU Grant	6/3/19	—	—	—	3,548	—	249,992	
Noreen Allen	MBO Bonus Plan	—	—	139,050	—	—	—	—	
	RSU Grant	1/2/19	—	—	—	8,076	—	333,700	

- (1) We do not establish thresholds or maximum annual performance bonus amounts under our 2019 MBO Bonus Plan. The amounts set forth in these columns represent the target bonus amounts for each named executive officer for fiscal 2019 under our 2019 MBO Bonus Plan, and do not represent either additional or actual compensation earned by the named executive officers for the year ended December 31, 2019. The dollar value of the actual payments for these awards are included in the “Non-Equity Incentive Plan Compensation” column of the “Summary Compensation Table” above. For more information about our 2019 MBO Bonus Plan, see “Compensation Discussion and Analysis – 2019 Executive Compensation Program – Annual Performance Bonus.”
- (2) The restricted stock unit awards were granted pursuant to our 2017 Incentive Award Plan (the “2017 Plan”). Except for one award to Mr. Hoffman as described below, each of the restricted stock unit awards granted in January 2019 vests as follows: (1) 12.5% quarterly on each of March 31, 2019, June 30, 2019, September 30, 2019, and December 31, 2019; and (2) approximately 16.7% annually thereafter on January 2, 2021, January 2, 2022, and January 2, 2023, in each case subject to the officer’s continued service with us through the applicable vesting date. Our compensation committee also approved an additional equity grant consisting of restricted stock units for Mr. Hoffman, which vests in four equal annual installments, with the first such installment occurring on January 2, 2020. See “Compensation Discussion and Analysis – 2017 Executive Compensation Program – Equity Awards.”
- (3) The dollar amounts in this column represent the aggregate grant date fair value of each option award and restricted stock unit award, as applicable, granted to the named executive officers in fiscal 2019. These amounts have been calculated in accordance with ASC 718. The grant date fair value of each option award is calculated using the Black-Scholes option-pricing model and excluding the effect of estimated forfeitures. The assumptions we used in valuing these awards are described in Note 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed with the SEC on February 21, 2020 and do not necessarily correspond to the actual economic value recognized or that may be recognized by our named executive officers.

**Outstanding Equity Awards at 2019 Fiscal Year-End**

The following table sets forth certain information about outstanding and unexercised stock options and outstanding restricted stock unit awards that have not vested for each named executive officer as of December 31, 2019.

**Outstanding Equity Awards at December 31, 2019**

Name	Grant Date	Option Awards			Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares of Units of Stock that Have Not Vested (\$) <sup>(4)</sup>
		Number of Securities Underlying Unexercised Options Exercisable(#) <sup>(2)</sup>	Option Exercise Price (\$) <sup>(3)</sup>	Option Expiration Date		
David A. Morken	2/21/2018 <sup>(5)</sup>	—	—	—	18,680	1,196,454
	1/2/2019 <sup>(6)</sup>	—	—	—	7,261	465,067
	4/25/2019 <sup>(7)</sup>	—	—	—	10,245	656,192
Jeffrey A. Hoffman	6/4/2014	20,415	9.16	6/4/2024	—	—
	2/21/2018 <sup>(5)</sup>	—	—	—	14,991	960,174
	1/2/2019 <sup>(6)</sup>	—	—	—	5,827	373,219
W. Christopher Matton	1/2/2019 <sup>(8)</sup>	—	—	—	2,913	186,578
	3/15/2011	60,000	5.80	3/15/2021	—	—
	2/21/2018 <sup>(5)</sup>	—	—	—	11,357	727,416
Rebecca Bottorff	1/2/2019 <sup>(6)</sup>	—	—	—	4,414	282,717
	11/4/2015	13,375	9.57	11/4/2025	—	—
	2/21/2018 <sup>(5)</sup>	—	—	—	9,729	623,142
Noreen Allen	1/2/2019 <sup>(6)</sup>	—	—	—	4,071	260,748
	6/3/2019 <sup>(9)</sup>	—	—	—	3,548	227,249
	2/21/2018 <sup>(5)</sup>	—	—	—	10,389	665,415
	1/2/2019 <sup>(6)</sup>	—	—	—	4,038	258,634

- (1) Option awards listed in the table above were fully vested as of December 31, 2019. All of the option awards listed in the table above were granted prior to the completion of our initial public offering in November 2017 under our 2010 Plan.
- (2) With respect to options granted to our named executive officers that are immediately exercisable, this column reflects the number of options held by our named executive officers that were exercisable and vested as of December 31, 2019.
- (3) All of the option awards listed in the table above were granted with a per share exercise price equal to the fair market value of one share of our common stock on the date of grant. Prior to the completion of our initial public offering, the fair market value of one share of common stock was determined in good faith by our board of directors with the assistance of a third party valuation expert. We have not granted any option awards since January 2018.
- (4) The value of the restricted stock units shown in the table was calculated using the closing price of our common stock as reported on the Nasdaq Global Select Market on December 31, 2019, which was \$64.05.
- (5) The restricted stock unit awards vest in equal annual installments over a four-year period, with the first such installment occurring on February 21, 2019, in each case subject to the officer's continued service with us through the applicable vesting date.
- (6) The restricted stock unit awards vest as follows: (1) 12.5% quarterly on each of March 31, 2019, June 30, 2019, September 30, 2019, and December 31, 2019; and (2) approximately 16.7% annually thereafter on January 2, 2021, January 2, 2022, and January 2, 2023, in each case subject to the officer's continued service with us through the applicable vesting date.

## [Table of Contents](#)

- (7) The restricted stock unit awards vest in equal annual installments over a four-year period, with the first such installment occurring on April 25, 2020, subject to Mr. Morken's continued service with us through the applicable vesting date.
- (8) The restricted stock unit awards vest in equal annual installments over a four-year period, with the first such installment occurring on January 2, 2020, subject to Mr. Hoffman's continued service with us through the applicable vesting date.
- (9) The restricted stock unit awards vest in equal annual installments over a four-year period, with the first such installment occurring on June 3, 2020, subject to Ms. Bottorff's continued service with us through the applicable vesting date.

### Option Exercises and Stock Vested in 2019

The following table shows the number of shares of our common stock acquired upon the exercise of stock options and the aggregate value realized upon the exercise of stock options for the named executive officers during the fiscal year ended December 31, 2019. The restricted stock awards granted to our named executive officers have not vested as of December 31, 2019.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(2)</sup>
David A. Morken	337,500	11,997,438	9,066	817,480
Jeffrey A. Hoffman	58,525	3,278,948	15,895	1,256,026
W. Christopher Matton	67,500	4,672,694	6,743	497,082
Rebecca Bottorff	66,750	3,800,743	5,486	445,467
Noreen Allen	46,452	3,110,659	5,842	454,654

- (1) The value realized on exercise of the stock options is based on the difference between the closing price of the shares of our common stock on the date of exercise and the applicable exercise price of those options, and does not represent actual amounts received by the named executive officers as a result of the option exercises.
- (2) The value realized on vesting of the stock awards is calculated by multiplying the number of shares vested by the closing price of our common stock as reported on the Nasdaq Global Select Market on the given vesting dates.

### 2019 Pension Benefits

None of our named executive officers participated in any defined benefit pension plans in 2019.

### 2019 Nonqualified Deferred Compensation

None of our named executive officers participated in any non-qualified deferred compensation plans in 2019.

### CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K ("Item 402(u)"), we are providing the following information regarding the ratio of the annual total compensation of our median employee (as described below) to that of our Chief Executive Officer.

## [Table of Contents](#)

Below is (i) the 2019 annual total compensation of our CEO, (ii) the 2019 annual total compensation of our median employee; (iii) the ratio of the annual total compensation of our CEO to that of our median employee; and (iv) the methodology we used to calculate our CEO pay ratio:

CEO Annual Total Compensation*	\$ 2,247,491
Median Employee Annual Total Compensation	\$ 86,926
CEO to Median Employee Pay Ratio	26:1

\* This annual total compensation is the Summary Compensation Table amount.

### *Methodology*

The SEC's rules for identifying the median employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices. As a result, the pay ratio reported by other companies may not be comparable to the pay ratio reported below, as other companies have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

Our CEO pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules. Our methodology and process is explained below:

- *Determined Employee Population.* We began with our global employee population as of December 31, 2019, including full-time, part-time, and seasonal or temporary workers, employed by our company or consolidated subsidiaries, but excluding our CEO. We also excluded third-party contractors and consultants in accordance with SEC rules.
- *Identified the Median Employee.* We calculated compensation for each employee using annual base salary as of December 31, 2019, plus performance year 2019 cash incentives (paid in February 2020), equity awards granted in 2019, and any commission or short-term incentive payments earned in 2019. We estimated total compensation using a method similar to the Summary Compensation Table rules, and excluded employer health insurance contributions and the value of other benefits. Using this methodology, we identified the median employee.
- *Calculated CEO Pay Ratio.* We calculated our median employee's annual total compensation for 2019 according to the SEC's instructions for preparing the Summary Compensation Table. Our CEO's annual total compensation was \$2,247,491, which is equal to the amount reported in the 2019 Summary Compensation Table.

Our Whole Person Promise, which we make to all our team members, includes our continued investment in our employees at all levels through performance-based compensation that balances risk and reward, supports professional growth and development, and offers affordable benefits and programs that meet the diverse needs of our employees and their families.

## DIRECTOR COMPENSATION

The following table sets forth information regarding the compensation earned for service on our Board by our non-employee directors during the year ended December 31, 2019. Mr. Morken serves as our Chief Executive Officer and President in addition to being a director, but does not receive any additional compensation for his service as a director.

### 2019 Director Compensation

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)(2)	All Other Compensation (\$)	Total (\$)
Brian D. Bailey	65,000	75,000	—	140,000
John C. Murdock	50,000	75,000	—	125,000
Lukas Roush	57,500	75,000	—	132,500
Douglas A. Suriano	57,500	75,000	—	132,500

- (1) This column reflects the aggregate grant date fair value of all restricted stock units granted during fiscal 2019 computed in accordance with ASC Topic 718 as stock-based compensation transactions. The grant date fair value of each restricted stock unit is measured based on the closing price of our shares of our common stock as reported on the Nasdaq Global Select Market on the date of grant. Unlike the calculations contained in our financial statements, this calculation does not give effect to any estimate of forfeitures related to service-based vesting, but assumes that the director will perform the requisite service for the award to vest in full. The assumptions we used in valuing restricted stock units are described in Note 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed with the SEC on February 21, 2020.
- (2) The table below shows the aggregate number of stock awards and option awards outstanding for each of our non-employee directors as of December 31, 2019:

Name	Stock Awards (#)	Option Awards (#)
Brian D. Bailey	—	—
John C. Murdock	—	190,000
Lukas Roush	—	—
Douglas A. Suriano	—	—

### Non-Employee Director Compensation Program

#### Overview

Our directors play a critical role in guiding our strategic direction and overseeing management. The compensation committee reviews pay levels for non-employee directors on an annual basis with assistance from its compensation consultant, Radford, which prepares a comprehensive assessment of our non-employee director compensation program. Such assessment includes benchmarking of our current director compensation against the same peer group used for executive compensation purposes and an update on recent trends in director compensation. Following such review, our board of directors, upon recommendation of the compensation committee, approves any updates to the non-employee director compensation for the ensuing calendar year.

#### 2020 Non-Employee Director Compensation

Our board of directors has adopted director compensation program for non-employee directors, which was most recently updated by our board of directors in January 2020 upon recommendation by the compensation committee. Non-employee directors receive a combination of cash and equity compensation. Employee directors will receive no additional compensation for their service as a director.

## [Table of Contents](#)

### *Cash Compensation*

For service during 2019, each non-employee director was eligible to receive an annual board service retainer of \$50,000. The members of our compensation committee (other than the chairman) were eligible to receive an annual service retainer of \$2,500, and the members of our audit Committee (other than the chairman) were eligible to receive an annual service retainer of \$5,000. The chairman of our audit committee and our compensation committee were eligible to receive an annual committee chair service retainer of \$10,000 and \$5,000, respectively.

As updated in January 2020, each non-employee director will receive an annual board service retainer of \$50,000. The members of our compensation committee (other than the chairman) will receive an annual service retainer of \$7,500, and the members of our audit Committee (other than the chairman) will receive an annual service retainer of \$10,000. The chairman of our audit committee and our compensation committee will receive an annual committee chair service retainer of \$20,000 and \$15,000, respectively.

The annual cash compensation amounts set forth above are payable in equal quarterly installments, payable in arrears during the first 30 days of the first month following the end of each calendar quarter in which the board service occurs. If the director joins our board of directors at a time other than the first day of a calendar quarter, he or she will be entitled to the cash compensation set forth above beginning with the calendar quarter following the date he or she joins our board of directors.

We reimburse all reasonable out-of-pocket expenses incurred by directors for their attendance at meetings of our board of directors or any committee thereof.

### *Equity Compensation*

In addition to cash compensation, each non-employee director is eligible to receive restricted stock unit awards under our 2017 Incentive Award Plan. For 2019, each non-employee director was eligible to receive an annual grant of RSUs with a fair market value of \$75,000. As updated in January 2020, each non-employee director will receive an annual grant of RSUs with a fair market value of \$150,000. The number of the RSUs for the annual grant is determined by dividing \$150,000 (or, for 2019, \$75,000) by the fair market value of one share of the Company's Class A common stock on the date of grant. The annual grant vests in equal quarterly installments over the one year following the grant date on each of March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup> and December 31<sup>st</sup>. Vesting schedules for equity awards are subject to the non-employee director's continuous service on each applicable vesting date. For each non-employee director who remains in continuous service with the Company until immediately prior to the closing of a change in control, his or her then-outstanding equity awards that were granted will become fully vested immediately prior to the closing of such change in control.

Each non-employee director who is newly elected or appointed to our board of directors also may be eligible to receive an initial grant of restricted stock units under our 2017 Incentive Award Plan. We have not adopted a current program applicable to a newly elected or appointed non-employee director, however. The number of the RSUs for the initial grant, if any, would be determined by dividing a determined cash amount by the fair market value of one share of the Company's Class A common stock on the date of grant. The vesting schedule of such initial award, if any, would be in our board's discretion. Vesting schedules for equity awards are subject to the non-employee director's continuous service on each applicable vesting date. For each non-employee director who remains in continuous service with the Company until immediately prior to the closing of a change in control, his or her then-outstanding equity awards that were granted will become fully vested immediately prior to the closing of such change in control.

## EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2019 with respect to the shares of our common stock that may be issued under our existing equity compensation plans.

<u>Plan Category</u>	<u>(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</u>
Equity compensation plans approved by stockholders <sup>(1)</sup>	853,399 <sup>(2)</sup>	\$ 8.07 <sup>(3)</sup>	1,310,354 <sup>(4)</sup>
Equity compensation plans not approved by stockholders	—	—	—
<b>Total</b>	<u>853,399</u>	<u>\$ 8.07</u>	<u>1,310,354</u>

- (1) Includes the following plans: our 2001 Stock Option Plan, as amended (“**2001 Plan**”), our 2010 Equity Compensation Plan, as amended (“**2010 Plan**”), and our 2017 Incentive Award Plan (“**2017 Plan**”).
- (2) Excludes 392,351 shares that may be issued under outstanding RSUs as of December 31, 2019.
- (3) Excludes 392,351 shares that may be issued under outstanding RSUs as of December 31, 2019 since such shares subject to RSU awards have no exercise price.
- (4) As of December 31, 2019, a total of 1,719,255 shares of our Class A common stock have been reserved for issuance pursuant to the 2017 Plan. The 2017 Plan provides that the number of shares reserved and available for issuance under the 2017 Plan will automatically increase each January 1, beginning on January 1, 2018, by 5% of the outstanding number of shares of our Class A common stock on the immediately preceding December 31 or such lesser number of shares as determined by our compensation committee. This number will be subject to adjustment in the event of a stock split, stock dividend or other change in our capitalization. The shares of Class A common stock underlying any awards that are forfeited, cancelled, held back upon exercise or settlement of an award to satisfy the exercise price or tax withholding, reacquired by us prior to vesting, satisfied without the issuance of stock, expire or are otherwise terminated, other than by exercise, under the 2001 Plan and the 2010 Plan will be added back to the shares of Class A common stock available for issuance under the 2017 Plan. The Company no longer makes grants under either the 2001 Plan or the 2010 Plan.



## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information available to us with respect to the beneficial ownership of our capital stock as of March 31, 2020, for:

- each of our named executive officers;
- each of our directors;
- all our current directors and executive officers as a group; and
- each person known by us to be the beneficial owner of more than 5% of the outstanding shares of our Class A or Class B common stock.

We have determined beneficial ownership in accordance with the rules of the SEC, and thus it represents sole or shared voting or investment power with respect to our securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially owned, subject to community property laws where applicable.

We have based our calculation of percentage ownership of our common stock on 19,194,750 shares of our Class A common stock and 4,427,150 shares of our Class B common stock outstanding on March 31, 2020. We have deemed shares of our capital stock subject to stock options that are currently exercisable or exercisable within 60 days of March 31, 2020 to be outstanding and to be beneficially owned by the person holding the stock option for the purpose of computing the percentage ownership of that person. We have deemed shares of our capital stock subject to restricted stock units for which the service condition has been satisfied or would be satisfied within 60 days of March 31, 2020 to be outstanding and to be beneficially owned by the person holding the restricted stock units for the purpose of computing the percentage ownership of that person. However, we did not deem these shares subject to stock options or restricted stock units outstanding for the purpose of computing the percentage ownership of any other person.

## Table of Contents

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Bandwidth Inc., 900 Main Campus Drive, Suite 100, Raleigh, North Carolina 27606.

Name of Beneficial Owner	Shares Beneficially Owned					
	Class A		Class B		Voting% <sup>†</sup>	Ownership%
	Shares	%	Shares	%		
<b>Named Executive Officers and Directors:</b>						
David A. Morken <sup>(1)</sup>	1,936	*	2,000,480	45.2	31.5	8.5
Jeffrey A. Hoffman <sup>(2)</sup>	31,781	*	—	*	*	*
W. Christopher Matton <sup>(3)</sup>	68,556	*	1,825	*	*	*
Rebecca Bottorff <sup>(4)</sup>	23,575	*	—	*	*	*
Noreen Allen <sup>(5)</sup>	10,478	*	—	*	*	*
Brian D. Bailey <sup>(6)</sup>	41,924	*	8,750	*	*	*
John C. Murdock <sup>(7)</sup>	239,592	*	174,673	3.9	3.1	1.8
Lukas M. Roush <sup>(8)</sup>	2,580	*	—	*	*	*
Douglas A. Suriano <sup>(9)</sup>	6,275	*	—	*	*	*
<b>All executive officers and directors as a group (9 persons):</b>	<b>426,697</b>	<b>2.2</b>	<b>2,185,728</b>	<b>49.4</b>	<b>35.1</b>	<b>11.1</b>
<b>5% Stockholders:</b>						
Henry R. Kaestner <sup>(10)</sup>	165,000	*	1,306,902	29.5	20.7	5.8
James A. Bowen and Related Entities <sup>(11)</sup>	13,126	*	904,004	20.4	14.3	3.9
Wellington Management Group <sup>(12)</sup>	1,908,061	10.0	—	*	3.0	8.1
BlackRock, Inc. <sup>(13)</sup>	1,628,700	8.5	—	*	2.6	6.9
The Bank of New York Mellon Corporation and Related Entities <sup>(14)</sup>	1,355,372	7.1	—	*	2.1	5.7
Capital Research Global Investors <sup>(15)</sup>	1,316,801	6.9	—	*	2.1	5.6
The Vanguard Group <sup>(16)</sup>	1,274,540	6.7	—	*	2.0	5.4

\* Represents beneficial ownership of less than one percent (1%) of the outstanding shares.

† Percentage of total voting power represents voting power with respect to all shares of our Class A common stock and Class B common stock, as a single class. The holders of our Class A common stock are entitled to one vote per share, and holders of our Class B common stock are entitled to ten votes per share.

- (1) Consists of (i) 843,740 shares of Class B common stock held of record by Mr. Morken, (ii) 1,156,740 of shares of Class B common stock held of record by Mr. Morken, as manager of Hazel-Rah II, LLC and Hazel-Rah III, LLC, (iii) 1,936 shares of Class A common stock, and (iv) no shares of Class A common issuable upon the settlement of RSUs releasable to Mr. Morken within 60 days of March 31, 2020.
- (2) Consists of (i) 11,366 shares of Class A common stock; (ii) 20,415 shares of Class A common stock subject to outstanding options that are exercisable within 60 days of March 31, 2020, and (iii) no shares of Class A common stock issuable upon the settlement of RSUs releasable to Mr. Hoffman within 60 days of March 31, 2020.
- (3) Consists of (i) 8,556 shares of Class A common stock; (ii) 1,825 shares of Class B common stock, (iii) 60,000 shares of Class A common stock subject to outstanding options that are exercisable within 60 days of March 31, 2020, and (iv) no shares of Class A common stock issuable upon the settlement of RSUs releasable to Mr. Matton within 60 days of March 31, 2020.
- (4) Consists of (i) 10,200 shares of Class A common stock; (ii) 13,375 shares of Class A common stock subject to outstanding options that are exercisable within 60 days of March 31, 2020, and (iii) no shares of Class A common stock issuable upon the settlement of RSUs releasable to Ms. Bottorff within 60 days of March 31, 2020.

## Table of Contents

- (5) Consists of (i) 10,478 shares of Class A common stock; and (ii) no shares of Class A common stock issuable upon the settlement of RSUs releasable to Ms. Allen within 60 days of March 31, 2020.
- (6) Consists of (i) 1,517 shares of Class A common stock held by Carmichael Investment Partners, LLC, (ii) 908 shares of Class A common stock held by Carmichael Investment Partners II, LLC (“CIP II”), (iii) 608 shares of Class A common stock held by Carmichael Investment Partners III, LLC (“CIP III” and, together with CIP II, the “Carmichael Entities”), (iv) 8,750 shares of Class B common stock held by Carmichael Partners LLC, (v) 31,250 shares of Class A common stock subject to outstanding options that are exercisable within 60 days of March 31, 2020, which are held personally by Kevin J. Martin, but the economic value of which will transfer to Carmichael Partners LLC, (vi) 7,641 shares of Class A common stock held of record by Mr. Bailey, and (vii) no shares of Class A common stock issuable upon the settlement of RSUs releasable to Mr. Bailey within 60 days of March 31, 2020. Carmichael Bandwidth LLC is the managing member of each of the Carmichael Entities. The address for each of the Carmichael Entities and Carmichael Partners LLC is c/o Carmichael Investment Partners LLC, 4725 Piedmont Row Drive, Suite 210, Charlotte, NC 28210.
- (7) Consists of (i) 122,264 shares of Class B common stock held of record by Mr. Murdock, (ii) 52,409 shares of Class B common stock held of record by Mr. Murdock, as trustee of the John C. Murdock Family Line Trust, (iii) 49,592 shares of Class A common stock; (iv) 190,000 shares of Class A common stock subject to outstanding options that are exercisable within 60 days of March 31, 2020, and (v) no shares of Class A common stock issuable upon the settlement of RSUs releasable to Mr. Murdock within 60 days of March 31, 2020.
- (8) Consists of (i) 2,580 shares of Class A common stock; and (ii) no shares of Class A common stock issuable upon the settlement of RSUs releasable to Mr. Roush within 60 days of March 31, 2020.
- (9) Consists of (i) 6,275 shares of Class A common stock; and (ii) no shares of Class A common stock issuable upon the settlement of RSUs releasable to Mr. Suriano within 60 days of March 31, 2020.
- (10) Consists of (i) 65,000 shares of Class A common stock held by Mr. Kaestner; (2) 100,000 shares of Class A common stock held by AMDG 3, LLC; and (3) 1,306,902 shares of Class B common stock held by Mr. Kaestner. Based on information reported by Henry R. Kaestner on Schedule 13G filed with the SEC on February 10, 2020. Mr. Kaestner listed his address as 900 Main Campus Drive, Suite 500, Raleigh, NC 27606.
- (11) Based on information reported by James A. Bowen, First Trust Capital Partners LLC, FT Bandwidth Ventures, LLC, and FT Bandwidth Ventures II, LLC on Schedule 13G filed with the SEC on February 13, 2020. Each of Mr. Bowen, First Trust Capital Partners LLC, FT Bandwidth Ventures, LLC, and FT Bandwidth Ventures II, LLC listed his or its address as 120 East Liberty Drive, Suite 400, Wheaton, IL 60187.
- (12) Based on information reported by Wellington Management Group LLP, Wellington Group Holdings LLP, Wellington Investment Advisors Holdings LLP, and Wellington Management Company, LLP (collectively, the “Wellington Entities”) on Schedule 13G filed with the SEC on February 10, 2020. Of the shares of Class A common stock beneficially owned, each of Wellington Management Group LLP, Wellington Group Holdings LLP, and Wellington Investment Advisors Holdings LLP reported that it has shared dispositive power with respect to 1,908,061 shares and shared voting power with respect to 1,792,574 shares. Of the shares of Class A common stock beneficially owned, Wellington Management Company, LLP reported that it has shared dispositive power with respect to 1,825,290 shares and shared voting power with respect to 1,770,991 shares. The Wellington Entities listed their address as 280 Congress Street, Boston, MA 02110.
- (13) Based on information reported by BlackRock, Inc. (“BlackRock”) on Schedule 13G filed with the SEC on February 7, 2020. Of the shares of Class A common stock beneficially owned, BlackRock reported that it has sole dispositive power with respect to 1,628,700 shares and sole voting power with respect to 1,595,387 shares. BlackRock listed its address as 55 East 52<sup>nd</sup> Street, New York, NY 10055.
- (14) Based on information reported by The Bank of New York Mellon Corporation, BNY Mellon IHC, LLC, MBC Investments Corporation, and BNY Mellon Investment Adviser, Inc. (collectively, the “Bank of New York Entities”) on Schedule 13G filed with the SEC on February 3, 2020. Of the shares of Class A

## [Table of Contents](#)

common stock beneficially owned, The Bank of New York Mellon Corporation reported that it has sole dispositive power with respect to 1,338,177 shares, shared dispositive power with respect to 17,195 shares, sole voting power with respect to 1,305,019 shares, and shared voting power with respect to 100 shares; BNY Mellon IHC, LLC reported that it has sole dispositive power with respect to 1,238,555 shares, shared dispositive power with respect to 15,865 shares, and sole voting power with respect to 1,204,268 shares; MBC Investments Corporation reported that it has sole dispositive power with respect to 1,238,555 shares, shared dispositive power with respect to 15,865 shares, and sole voting power with respect to 1,204,268 shares, and BNY Mellon Investment Adviser, Inc. reported that it has sole dispositive power with respect to 963,008 shares, shared dispositive power with respect to 15,865 shares, and sole voting power with respect to 978,873 shares. The Bank of New York Entities listed their address as 240 Greenwich Street, New York, NY 10286.

- (15) Based on information reported by Capital Research Global Investors on Schedule 13G filed with the SEC on February 14, 2020. Of the shares of Class A common stock beneficially owned, Capital Research Global Investors reported that it has sole dispositive power with respect to 1,316,801 shares and sole voting power with respect to 1,316,801 shares. Capital Research Global Investors listed its address as 333 South Hope Street, Los Angeles, CA 90071.
- (16) Based on information reported by The Vanguard Group (“**Vanguard**”) on Schedule 13G filed with the SEC on February 11, 2020. Of the shares of Class A common stock beneficially owned, Vanguard reported that it has sole dispositive power with respect to 1,244,758 shares, shared dispositive power with respect to 29,782 shares, sole voting power with respect to 30,286 shares, and shared voting power with respect to 1,157 shares. Vanguard listed its address as 100 Vanguard Boulevard, Malvern, PA 19355.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements, including employment, termination of employment and change in control arrangements, discussed in the section titled “Executive Compensation” the following is a description of each transaction since the beginning of our last fiscal year, and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amount involved exceeded or exceeds \$120,000; and
- any of our directors, executive officers, or holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

### Transactions with Republic Wireless

On November 30, 2016, we completed a pro-rata distribution of the common stock of Republic Wireless, Inc. (“**Republic Wireless**”) to our stockholders of record as of the close of business (the “**Spin-Off**”).

#### **Reorganization Agreement**

In connection with the Spin-Off, we and Republic Wireless entered into a Reorganization Agreement (the “**Reorganization Agreement**”) to provide for, among other things, the principal corporate transactions (including the internal restructuring) required to effect the Spin-Off, certain conditions to the Spin-Off and provisions governing the relationship between us and Republic Wireless with respect to and resulting from the Spin-Off.

The Reorganization Agreement provides for mutual indemnification obligations, which are designed to make Republic Wireless financially responsible for substantially all of the liabilities that existed relating to the Republic Wireless business at the time of the Spin-Off together with certain other specified liabilities, as well as for all liabilities incurred by Republic Wireless after the Spin-Off, and to make us financially responsible for all potential liabilities of Republic Wireless which are not related to the Republic Wireless business, including, for example, any liabilities arising as a result of Republic Wireless having been a division of Bandwidth, together with certain other specified liabilities. These indemnification obligations exclude any matters relating to taxes, employee matters and other intercompany agreements. For a description of the allocation of tax-related obligations, please see “—Tax Sharing Agreement” below.

In addition, the Reorganization Agreement provided for each of Republic Wireless and us to preserve the confidentiality of all confidential or proprietary information of the other party for five years following the Spin-Off, subject to customary exceptions, including disclosures required by law, court order or government regulation.

#### **Tax Sharing Agreement**

We entered into a Tax Sharing Agreement with Republic Wireless that governs our and Republic Wireless’ respective rights, responsibilities and obligations with respect to taxes and tax benefits, the filing of tax returns, the control of audits and other tax matters. References in this summary (i) to the terms “tax” or “taxes” mean U.S. federal, state, local and foreign taxes as well as any interest, penalties, additions to tax or additional amounts in respect of such taxes and (ii) to the term “Tax-related losses” refer to losses arising from the failure of the Spin-Off and related restructuring transactions to be tax-free.

Under the Tax Sharing Agreement, except as described below, (i) we are allocated all taxes attributable to Bandwidth (excluding Republic Wireless) and all taxes attributable to Republic Wireless for a pre-Spin-Off period, that are reported on any consolidated, combined or unitary tax return, and (ii) each of Bandwidth and

## [Table of Contents](#)

Republic Wireless is allocated all taxes attributable to it that are reported on any tax return (including any consolidated, combined or unitary tax return) that includes only itself or any of its respective affiliates and subsidiaries. Special rules apply, however, as follows:

- We are allocated any taxes and Tax-related losses that result from the Spin-Off and related restructuring transactions, except that Republic Wireless is allocated any such taxes or Tax-related losses that (i) result primarily from, individually or in the aggregate, a breach by Republic Wireless of any of its covenants relating to the Spin-Off and related restructuring transactions, or (ii) result from the application of Section 355(e) of the Code to the Spin-Off as a result of the treatment of the Spin-Off as part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, a 50% or greater interest in the stock of Republic Wireless; and
- We and Republic Wireless are each allocated 50% of any transfer taxes arising from the Spin-Off and related restructuring transactions.

We and Republic Wireless are restricted by certain covenants related to the Spin-Off and related restructuring transactions. These restrictive covenants require that neither we, Republic Wireless nor any member of our or their respective group take, or fail to take, any action if such action, or failure to act:

- would be inconsistent with or prohibit certain restructuring transactions related to the Spin-Off from qualifying for tax-free treatment for U.S. federal income tax purposes to us and our subsidiaries;
- would be inconsistent with or prohibit the Spin-Off from qualifying as a tax-free transaction under Section 355, Section 368(a)(1)(D) and related provisions of the Code to us, our subsidiaries and our stockholders; or
- would be inconsistent with, or otherwise cause any person to be in breach of, any representation, covenant, or material statement made in connection with the tax opinion delivered to us relating to the qualification of the Spin-Off as a tax-free transaction under Section 355, Section 368(a)(1)(D) and related provisions of the Code.

Further, each party is restricted from taking any position for tax purposes that is inconsistent with the tax opinion obtained in connection with the Spin-Off. The parties must indemnify each other for taxes and losses allocated to them under the Tax Sharing Agreement and for taxes and losses arising from a breach by them of their respective covenants and obligations under the Tax Sharing Agreement.

### ***Facilities Sharing Agreement***

In connection with the Spin-Off, we entered into a Facilities Sharing Agreement (the “**Facilities Sharing Agreement**”) with Republic Wireless pursuant to which Republic Wireless shares our office facilities located at 940 Main Campus Drive, Raleigh, North Carolina through May 2022. Republic Wireless pays a sharing fee for use of the office facilities based on the amounts paid by us to our landlord and sublandlord, respectively, and an estimate of the usage of the office facilities by or on behalf of Republic Wireless. On May 29, 2019, we amended the Facilities Sharing Agreement to reduce the square footage that we shared with Republic Wireless from 40,657 square feet to 17,073 square feet. For the twelve months ended December 31, 2019, Republic Wireless paid us \$747,000 pursuant to the Facilities Sharing Agreement. The Facilities Sharing Agreement will continue in effect until May 2022, unless earlier terminated (1) by us upon written notice to Republic Wireless following a default by Republic Wireless of any of its material obligations under the Facilities Sharing Agreement, which default remains unremedied for 30 days after written notice of such default is provided, (2) by Republic Wireless upon written notice to us, following certain changes in control of us or our being the subject of certain bankruptcy or insolvency-related events or (3) by us upon written notice to Republic Wireless, following certain changes in control of Republic Wireless or Republic Wireless being the subject of certain bankruptcy or insolvency-related events.

### **Employee Matters Agreement**

In connection with the Spin-Off, we entered into an Employee Matters Agreement (the “**Employee Matters Agreement**”) with Republic Wireless. The Employee Matters Agreement addresses customary matters associated with the transition of employees from employment with us to employment with Republic Wireless, including health, welfare and other similar benefits provided to such employees prior to and following the Spin-Off.

### **Master Services Agreement**

In connection with the Spin-Off, we entered into a Master Services Agreement (the “**Master Services Agreement**”) with Republic Wireless pursuant to which, on a month-to-month basis, we provide Republic Wireless with certain telecommunications services. These telecommunications services include inbound calling, outbound calling, text messaging and 911 services. The Master Services Agreement, as well as the related service order form, rate sheet, and terms and conditions each is consistent with the terms and conditions we make available to our other customers and prospective customers. We provide Republic Wireless with these telecommunications services pursuant to the Master Services Agreement at fair market value. On February 19, 2019, we amended our current services arrangement with Republic Wireless. Pursuant to the terms of the amended agreement, which became effective on April 1, 2019, Republic receives reduced pricing on its messaging services. All other terms and conditions of the existing agreement remain the same. For the twelve months ended December 31, 2019, Republic Wireless paid (or was obligated to pay) us \$2.6 million pursuant to the Master Services Agreement. Republic Wireless can choose to terminate the Master Services Agreement at any time.

### **Services Agreement**

On September 30, 2019, we entered into a Services Agreement (the “**Services Agreement**”) with Republic Wireless. Pursuant to the Services Agreement, Republic Wireless receives services performed by our legal department, effective September 30, 2019. We are compensated by Republic Wireless for these services based on costs incurred by us. For the twelve months ended December 31, 2019, Republic Wireless paid (or was obligated to pay) us \$31,000 pursuant to the Services Agreement. Republic Wireless can choose to terminate the Services Agreement at any time.

### **Investors’ Rights Agreement**

We are party to an Investors’ Rights Agreement that provides, among other things, that certain holders of our capital stock have the right to demand that we file a registration statement or request that their shares of our capital stock be covered by a registration statement that we are otherwise filing. The parties to the Investors’ Rights Agreement include James Bowen individually and entities affiliated with James Bowen.

### **Indemnification Agreements**

Our second amended and restated certificate of incorporation provides that we will indemnify our directors and officers to the fullest extent permitted by law. In addition, we have entered into indemnification agreements with all our directors and executive officers.

We also have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured and/or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

## **Executive Compensation and Employment Arrangements**

For a description of the compensation arrangements we have with our executive officers, please read the section titled “Executive Compensation.”

### **Other Transactions**

We have granted stock options and RSUs to our named executive officers and certain of our directors. See the section titled “Executive Compensation—Outstanding Equity Awards at Fiscal 2019 Year-End Table” for a description of these stock options and RSUs.

We have entered into severance and change in control agreements with certain of our executive officers pursuant to offer letters and/or employment agreements that, among other things, provide for certain severance and change in control benefits. See the section titled “Executive Compensation—Employment Arrangements with Named Executive Officers.”

Other than as described above under this section titled “Certain Relationships and Related Party Transactions,” since January 1, 2019, we have not entered into any transactions, nor are there any currently proposed transactions, between us and a related party where the amount involved exceeds, or would exceed, \$120,000, and in which any related person had or will have a direct or indirect material interest. We believe the terms of the transactions described above were comparable to terms we could have obtained in arm’s-length dealings with unrelated third parties.

### **Policies and Procedures for Related Party Transactions**

Our audit committee has the primary responsibility for reviewing and approving or disapproving “related party transactions,” which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed \$120,000 and in which a related person has or will have a direct or indirect material interest. Our policy regarding transactions between us and related persons provides that a related person is defined as a director, executive officer, nominee for director or greater than 5% beneficial owner of our Class A and Class B common stock, in each case since the beginning of the most recently completed year, and any of their immediate family members. Our audit committee charter provides that our audit committee shall review and approve or disapprove any related party transactions.



## OTHER MATTERS

### Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that our executive officers and directors, and persons who own more than 10% of our common stock, file reports of ownership and changes of ownership with the SEC. Such directors, executive officers and 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

SEC regulations require us to identify in this proxy statement anyone who filed a required report late during the most recent year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during 2019, all Section 16(a) filing requirements were satisfied on a timely basis.

### 2019 Annual Report and SEC Filings

Our financial statements for the year ended December 31, 2019 are included in our annual report on Form 10-K, which we will make available to stockholders at the same time as this proxy statement. **Our annual report and this proxy statement are posted on our website at <https://investors.bandwidth.com> and are available from the SEC at its website at [www.sec.gov](http://www.sec.gov). You may also obtain a copy of our annual report without charge by sending a written request to Investor Relations, Bandwidth Inc., 900 Main Campus Drive, Suite 100, Raleigh, North Carolina 27606.**

\* \* \*

The board of directors does not know of any other matters to be presented at the Annual Meeting. If any additional matters are properly presented at the Annual Meeting, the persons named in the enclosed proxy card will have discretion to vote shares they represent in accordance with their own judgment on such matters.

It is important that your shares be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to vote by using the Internet as instructed on the enclosed proxy card or execute and return, at your earliest convenience, the enclosed proxy card in the envelope that has also been provided.

**THE BOARD OF DIRECTORS**

**Raleigh, North Carolina**

**April 13, 2020**

ANNUAL MEETING OF STOCKHOLDERS OF

**BANDWIDTH INC.**

May 21, 2020

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your proxy card in the  
envelope provided as soon  
as possible.

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR THE NOMINEE" IN PROPOSAL 1, "FOR" PROPOSALS 2 AND 3, AND "ONE YEAR" IN PROPOSAL 4. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE

1. Election of Class III Director:

FOR THE NOMINEE      **NOMINEE:**       David A. Morken      Class III director  
 WITHHOLD AUTHORITY FOR THE NOMINEE

2. RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2020.      FOR       AGAINST       ABSTAIN

3. APPROVAL, ON ADVISORY BASIS, OF NAMED EXECUTIVE OFFICER COMPENSATION IN 2020.      FOR       AGAINST       ABSTAIN

4. APPROVAL, ON ADVISORY BASIS, OF FREQUENCY OF ADVISORY VOTES ON NAMED EXECUTIVE OFFICER COMPENSATION.      1 YEAR       2 YEARS       3 YEARS       ABSTAIN

In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Annual Meeting. This proxy when properly executed will be voted as directed herein by the undersigned stockholder. **If no direction is made, this proxy will be voted FOR THE NOMINEE in Proposal 1, FOR Proposals 2 and 3, and ONE YEAR in Proposal 4.**

MARK "X" HERE IF YOU PLAN TO ATTEND THE MEETING.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder \_\_\_\_\_ Date: \_\_\_\_\_ Signature of Stockholder \_\_\_\_\_ Date: \_\_\_\_\_

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

**BANDWIDTH INC.****Proxy for Annual Meeting of Shareholders on May 21, 2020****Solicited on Behalf of the Board of Directors**

The undersigned hereby appoints David A. Morken, Jeffrey A. Hoffman and W. Christopher Matton, and each of them, with full power of substitution and power to act alone, as proxies to vote all the shares of Class A common stock and/or Class B common stock which the undersigned would be entitled to vote if personally present and acting at the Annual Meeting of Stockholders of Bandwidth Inc., to be held May 21, 2020 at Bandwidth's offices located at 900 Main Campus Drive, Raleigh, North Carolina 27606, and at any adjournments or postponements thereof, as follows:

**(Continued and to be signed on the reverse side.)**