**2016 LGS LLC INCENTIVE COMPENSATION PLAN (ICP)**

The LGS Innovations LLC Incentive Compensation Plan (ICP) is designed to offer incentive compensation to executives and organizational/technical leaders by rewarding the achievement of Company goals and specifically measured individual goals that are consistent with and support overall Company objectives. The Incentive Plan creates an environment that focuses eligible employees on the achievement of the company’s defined objectives in a given fiscal year. Since cooperation between departments and employees is required to achieve Company objectives the plan provides that a significant portion of the ICP -is based on achievement of Company goals. Therefore the Plan is designed to foster improved teamwork and a more cohesive management team.

# Purpose of the Incentive Compensation Plan

The LGS Innovations LLC Incentive Compensation Plan (the "ICP") is designed to:

* Provide an incentive program to achieve overall Company objectives and to enhance the company’s value;
* Reward those individuals who significantly impact Company results; and
* Encourage increased teamwork among all disciplines within the Company.

# Plan Governance

The ICP is governed by the Board of Directors. The CEO of LGS Innovations is responsible for administration of the Plan. The Board of Directors is responsible for approving ICP based or discretionary incentive awards to ICP eligible employees. The board will set prior to year end a fixed pool amount that will be paid to the participants of the ICP. A discretionary pool amount may be paid upon approval by the Board by the end of February of the following year.

**Plan Funding**

The bonus pool is accrued during the plan year to fund the expected bonus payouts scheduled for Q1 the following year. During the year, the accrual of ICP bonuses is monitored by the CFO and presented periodically, during the year to the CEO and Board of Directors to ensure accruals are appropriate. During the year the Board of Directors may direct the CFO to alter this accrual schedule (up or down) based on forecasted and year to date recorded company performance.

# Eligibility

Employees who are in a business development job function or whose jobs are leveled at a 400 and above are eligible to participate in the plan. Participants included in the plan for a partial year will be paid out pro-rata for the number of months they have been in the plan. In addition, the participant must have a Successful rating on the most recent performance review and not be on a Performance Improvement Plan at the time bonus determinations are made.

# Form of Incentive Award Payments

Incentive Compensation Plan award payments are made in cash. The plan does not address equity compensation.

# Company and Individual Performance

Prior to the beginning of the Plan year the CEO will present to the Board of Directors a list of the overall company objectives for the coming year, which are subject to approval by the Board. Approved company objectives will determine and result in a projected profitability measured in Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) and will become the Company goal of all plan participants.

In addition to the Company goals, each plan participant, with the exception of corporate executives (CEO, COO, CFO, Group Presidents, EVPs), will have an individual goal component to the ICP. Managers of participants in the plan will develop a list of Key Individual Objectives in support of the company’s goals to be approved by their responsible executive sponsor. Goals will be S.M.A.R.T (Specific, Measureable, Achievable, Relevant and Time Bound).

ICP incentive awards for eligible participants not classified as a corporate executive are based on the achievement of annual Company and individual objectives that have been approved as indicated above.

The relative weight between Company and individual performance factors varies based on the individual's role, pay grade, or scope within the organization. The weighting will be reviewed annually and may be adjusted as necessary or appropriate.

If all of the Key Objectives are achieved (as described above), the weighting for the Plan is as noted on the following page.

| **Role/Position** | **Company** | **Individual** |
| --- | --- | --- |
| Director SME (Individual Contributor) | 25% | 75% |

Note: The Company must achieve at least 80% of its Company EBITDA goal for individual objectives to factor into the bonus payout.

# Additionally, employees who participate in a sales incentive plan are ineligible to participate in the Incentive Compensation Plan.

At the beginning of each calendar year a Target Incentive Level is established for each participant based on position level as shown below:

|  |  |
| --- | --- |
| **Position** | **Target Incentive Level** |
| Director SME – Individual Contributor (400-17) | 10% |

The target incentive is a percentage of base salary as reflected in the HRIS system of record as of December 31 of each year.

The target incentive level is equal to the actual award multiplier used at year-end in situations where Company and individual objectives have been met for the year at the 100% attainment level.

# Performance Measurement

The LGS Innovations ICP is a performance based incentive plan. As such, the performance of the Company, as a whole, as well as individual contributions (excluding corporate executives) is used to determine incentive compensation payments each year.

Determination of the Company performance award multiplier is approved by the Board of Directors at the end of each plan year. The same payment multiplier for the Company component of each participant's annual award is also used for all plan participants in any given year.

The Company awards multiplier will be determined by calculating the percentage of achieved profitability as measured by EBITDA. If less than 80% of EBITDA was achieved during the year no bonus payments will be paid during that year unless the Board of Directors determines there were extenuating circumstances that warrant some payout. Overachievement of the Company plan will also be recognized up to a maximum Company awards multiplier of 150% unless additional consideration is approved by the Board of Directors.

The following table provides the award multiplier based on the level of Company profitability:

|  |  |
| --- | --- |
| **EBITDA**  **(% of Company Objective)** | **Company Award Multiplier** |
| 135% or Above | 150% |
| 116-134% | 1.0% for every 1.0% above 115% up to 134% |
| 101-115% | 2.0% for every 1.0% above 100% up to 115% |
| 81-100% | 1.0% for every 1.0% above 80% up to 100% |
| 80% | 80% |
| Below 80% | 0% |

Individual performance will be reviewed, approved and measured by the participant’s direct manager using the S.M.A.R.T. goals established and recorded at the beginning of the year. The following table will be used as a guideline for evaluating individual performance:

|  |  |  |
| --- | --- | --- |
|  | **Performance Category** | **Award Multiplier** |
| 1. | The stated objective(s) were met or exceeded | 100% - 150% |
| 2. | The stated objective(s) were largely met but fell short of full achievement | 50% - 95% |
| 3. | The stated objective(s) were partially met but fell significantly short of meeting the stated objective(s) | 25% - 50% |
| 4. | The stated objective was not met | 0% |

In instances where a specific objective was not met due to company/organizational reprioritization/customer need, assessing managers may also incorporate the fulfillment of equivalent impact and previously documented unplanned projects as a weight in measuring overall organizational impact and objective achievement.

# Calculation of Cash Incentive Award

The example on the following page shows sample cash incentive award calculations under the LGS Innovations ICP. First, a total target award is calculated by multiplying the participant’s base salary by the target award multiplier. This dollar figure is then divided between its Company component and its individual component based on the performance factor mix for that specific position. This calculation establishes specific dollar target awards for the performance period for both the individual and Company components of the award.

At the end of the performance period, Company and individual award multipliers are established using the criteria described above. The Company award multiplier, which is based on overall Company performance, is used to calculate Company performance awards for all plan participants. This is accomplished by multiplying the target Company incentive established for each individual at the beginning of the performance period by the actual award multiplier as determined by the Board of Directors. The individual award multiplier, which is based on an individual's performance against objectives, is used in the same way to calculate the actual individual performance award.

**Example:**

**Cash Award Calculation**

Position: Sr. Vice President

Base Salary: $150,000

Target award multiplier: 30%

Target award dollars: $ 45,000

**Target Award Components** (based on performance factor mix)

Target award based on Company performance (75%): $ 33,750

Target award based on individual performance (25%): $ 11,250

**Actual Incentive Award Calculation**

Assumed payment multipliers based on assessment of Company and individual performance:

Company multiplier 85.0% (85% of EBITDA target was achieved)

Individual multiplier 125.0% (performance exceeded objectives)

**Cash Incentive Award**

Company component $ 28,688 ($33,750 x 85%)

Individual component $ 14,063 ($11,250 x 125%)

Total award $ 42,751

# Payment of the Incentive Award

Annual ICP performance reviews for ICP Plan participants are completed after the completion of the annual financial audit following each plan year. Payment of incentive awards is made in Q1 following the completion of the financial audit.

# Termination

A plan participant, whose employment terminates voluntarily prior to the payment of the incentive award, will not be eligible to receive an incentive award. If a participant's employment is terminated involuntarily and not for cause during the calendar year, or prior to payment of awards, it will be at the absolute discretion of the Company whether or not an award payment is made.

# Company's Absolute Right to Alter or Abolish the Plan

LGS Innovations LLC reserves the right in its absolute discretion to abolish the Plan at any time or to alter the terms and conditions under which incentive compensation will be paid. Such discretion may be exercised any time prior to or during the completion of the Plan year. No participant shall have any vested right to receive any compensation hereunder until the Board of Directors or the Compensation Committee of the Board approves payment of such compensation.

# Employment Duration/Employment Relationship

This Plan does not, and LGS Innovations LLC’s policies and practices in administering this Plan, do not constitute a contract or other agreement concerning the duration of any participant's employment with the Company. The employment relationship of each participant is "at will" and may be terminated at any time by LGS Innovations or by the participant, with or without cause.

# Confidentiality

Participation in the ICP is limited to those employees in a business development job function or in a level 400 and above. As such, all participants in the ICP are required to maintain ***strict confidentiality*** concerning the Plan’s contents and any payments received.