

COMPANY X LONG TERM INCENTIVE PLAN

I. PURPOSE OF THE PLAN

The COMPANY X Long-Term Incentive Plan (LTIP) is designed to align the Chief Executive Officer's (CEO's) long-term interests with the sustained growth and profitability of the company. The plan rewards the CEO for delivering cumulative Net Income growth over a three-year period and reinforces a long-term ownership mindset, consistent with COMPANY X's values as a family-owned business.

The plan supports executive retention and value creation by providing a performance-based cash award that vests only after a full three-year service period, ensuring that payouts are earned through continued leadership and measurable company results.

II. ELIGIBILITY AND TARGET LTIP

The COMPANY X Long-Term Incentive Plan (LTIP) is intended to reward key executive leaders for delivering sustained company performance over a multi-year period. As with the current plan cycle, participation is limited to the Chief Executive Officer (CEO); however, COMPANY X may extend eligibility to additional executives in the future at the discretion of the Board of Directors.

- The CEO's **target LTI award** is equal to **10% of cumulative Net Income (NI) growth** over a three-year performance period, beginning on the grant date and ending three years later.
- For future participants (e.g., CFO, COO), awards may be structured at a lower target level (e.g., **5% of NI growth**), subject to Board approval.
- The plan is **cash-settled** and does not involve equity or dilution. All awards are performance-based and contingent upon vesting, company performance, and continued employment.

Commented [KW1]: Or EBITDA...this is just a placeholder

Note: Participation in the plan does not guarantee any award payout unless all performance and service conditions are met.

III. FUNDING AND DISTRIBUTION

The LTIP is funded based on **cumulative Net Income (NI) growth** over a three-year period, beginning on the grant date and ending three years later.

- The CEO's LTI award is calculated as **10% of the company's cumulative Net Income growth** over the performance period.
- For other executives, the standard target is **5% of NI growth**, subject to Board approval.
- **Net Income is defined as the company's total net earnings**, as recorded in audited financial statements and may be adjusted for one-time events, acquisitions, or other items at the discretion of the Board.

Payout Timing:

- Awards will be paid in a single lump sum **only after the full 3-year performance and service period**, contingent on meeting vesting conditions (see Section IV).
- The payout **must happen after the 3-year cliff vesting period ends** and by **March 15** of the **following calendar year** — to comply with IRS Section 409A and avoid deferred compensation penalties.
- The Board reserves the right to **cap total payouts at a maximum of 500% of the intended LTI value**, regardless of performance outcomes.

V. PAYOUT MECHANICS

Under the COMPANY X LTIP, the payout calculation is based on the **cumulative Net Income (NI) growth** over rolling 3-year performance periods. The CEO's award is tracked annually at **10% of annual NI growth** and then **paid in full** at the end of each 3-year vesting cycle, contingent upon continued employment and Board approval.

- Annual Net Income growth is measured by comparing the current year's NI to the prior year's.
- Each year's growth is multiplied by the CEO's target percentage (e.g., 10%) to calculate a **tracked LTI value**.

- After three full years of performance, the tracked values for each year in the cycle are **summed to determine the final award payout**.
- Payouts are **100% cliff-vested** and made in a single lump sum after each 3-year period.
- A new 3-year tracking cycle begins each year, enabling **overlapping rolling awards** if applicable.
- The **maximum payout is capped at 500% of the intended LTI value**, regardless of actual growth.

Refer below for a visual demonstration of how annual growth tracking, cliff vesting, and payout values operate in practice.

Variables to be set by Compensation Committee:

- Percent of Net Income Growth delivered to CEO (and Leadership)
- Maximum multiple of intended LTI value

CEO	Leadership
10.0%	5.0%
500.0%	

LTIP MODEL (\$M) - CEO receives X% of Net Income Growth over 3 year period

	Net Income (\$M)	Annual NI Growth (\$M)	CEO Tracking LTI Value	CEO 3Yr Value	Leadership Tracking LTI Value	Leadership 3Yr Value	Post LTI Net Income (\$M)	Post LTI Net Income Growth (%)	Distribution
2024	\$12.3								
2025	\$13.5								
2026	\$12.8	(\$0.68)	(67,518)	\$ (33,759)	\$ 38,485	\$ 12.9	-4.3%		
2027	\$13.6	\$0.77	76,971	\$ 38,485	\$ 38,485	\$ 13.5	5.1%		
2028	\$15.2	\$1.63	163,178	\$ 81,589	\$ 81,589	\$ 15.0	10.2%		
2029	\$16.8	\$1.52	\$ 152,299	\$ 172,630	\$ 76,150	\$ 86,315	8.5%		
2030	\$19.3	\$2.51	\$ 251,293	\$ 392,447	\$ 125,647	\$ 196,224	18.9	12.8%	
2031	\$19.8	\$0.58	\$ 57,797	\$ 566,770	\$ 28,899	\$ 283,385	\$ 19.8	2.6%	
2032	\$20.4	\$0.60	\$ 59,531	\$ 461,390	\$ 29,766	\$ 230,695	\$ 20.3	2.6%	
2033	\$21.1	\$0.61	\$ 61,317	\$ 368,622	\$ 30,659	\$ 184,311	\$ 21.0	2.6%	
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Tracked Value	-101%	115%	245%	228%	377%	87%	89%		
	2026	2027	2028	2029	2030	2031	2032	2033	
33%	(67,518)	76,971	163,178	\$ 172,630					
33%		76,971	163,178	\$ 152,299	\$ 392,447				
33%			163,178	\$ 152,299	\$ 251,293	\$ 566,770			
33%				\$ 152,299	\$ 251,293	\$ 57,797	\$ 461,390		
33%					\$ 251,293	\$ 57,797	\$ 59,531	\$ 368,622	
Payout Value				\$ 172,630	\$ 392,447	\$ 566,770	\$ 461,390	\$ 368,622	

VI. VESTING AND FORFEITURE

- LTIP awards are subject to a **100% cliff vesting** schedule and will only vest following completion of the full three-year service period.
- If the participant's employment ends **prior to vesting**, all unvested awards will be **forfeited**, unless otherwise determined by the Board.
- In the event of **death, disability, or retirement**, the Board may approve a **prorated payout** based on actual performance and service period completed.
- If terminated **for cause**, the participant will forfeit all rights to any unpaid LTIP awards.

VII. CHANGE IN CONTROL

- In the event of a Change in Control (e.g., merger, acquisition, or sale of a controlling interest), the Board of Directors may, in its sole discretion, accelerate vesting or authorize a prorated payout based on actual performance to date.
- Any decisions related to LTIP treatment in a Change in Control scenario will be subject to Board approval and documented in accordance with applicable law and corporate governance procedures.

VIII. GOVERNANCE AND ADMINISTRATION

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- **Plan Oversight:** This Plan is administered by the Compensation Committee of the Board of Directors, which retains full discretion over all award decisions. All awards are discretionary and subject to final approval by the Board.
 - **Plan Modifications:** COMPANY X may amend, suspend, or terminate the Plan at any time, in whole or in part, subject to Board approval.
 - **Employment Status:** Nothing in this Plan shall be construed to create a contract of employment or guarantee of continued employment. For participants employed on an at-will basis, employment may be terminated at any time, with or without cause or notice, in accordance with applicable law. For participants with a written employment agreement, the terms of that agreement shall govern.
 - **Clawbacks and Overpayments:** In the event of an overpayment, COMPANY X reserves the right to recover excess amounts through payroll deductions or other lawful means, subject to applicable law and Board discretion.
 - **Windfalls and Shortfalls:** The Board retains discretion to adjust LTIP awards to exclude the impact of extraordinary, non-recurring gains or losses (e.g., windfalls or macroeconomic shortfalls) that are not reflective of actual performance.
 - **Tax Treatment:** All payouts will be subject to applicable tax withholding and reporting under IRS rules, including Section 409A compliance for timing.

IX. ACKNOWLEDGEMENT AND SIGNATURE

By signing below, I acknowledge that I have read and understood the terms of the COMPANY X 2026 Long-Term Incentive Plan. I understand this plan does not guarantee payment unless all conditions are met. I also understand that I am encouraged to consult with my personal tax or legal advisor.

Date _____

Participant Signature _____

Board Signature _____