PROTECTING THE FRANCHISE

The Strategic Value of Non-Qualified Benefits

An executive-level framework for community banks

Retain the people. Protect the relationships. Preserve the franchise.

TALENT • SUCCESSION • SHAREHOLDER VALUE

Community Bank Executive Presentation

Loyalty, Motivation, and the Establishment of Culture

Invest in people in a way that creates perceived value, strengthens retention and ultimately reinforces the culture of the institution.

Loyal employees create stronger relationships, continuity and long-term institutional value.

Culture is the outcome—not the starting point.

Investment in People □ Motivation □ Retention □ Loyalty □ Relationships & Achievement □ Culture □ Independence

Questions for Contemplation

Four strategic questions linking executive talent, ownership succession and long-term franchise value.

1 TALENT RETENTION

Is talent retention being treated as an HR issue—or as an ownership, succession and franchise-value issue?

2 PRIVATE OWNERSHIP

With approximately 95% of Kentucky-headquartered banks privately held, how prepared is the institution for ownership liquidity, shareholder succession and management succession?

3 FRANCHISE SUSTAINABILITY

Can the bank achieve sufficient scale and competitive shareholder returns without allowing succession or liquidity pressures to become the catalyst for a transaction?

4 CUSTOMER RELATIONSHIPS

Who owns the institution's most important customer relationships—and what is the plan to retain those people over the long term?

The strategic question: Are the people who create franchise value sufficiently tied to the institution's future?

Discussion framework for strategic planning purposes. Statements are intended to prompt consideration rather than prescribe a particular plan design or transaction.

Executive Summary

Non-qualified benefits should be evaluated as a franchise-protection strategy—not simply an employee benefit.

Retain Critical Talent

Create meaningful economic incentives for executives, lenders and future leaders to remain through key career and succession milestones.

Support Succession

Use vesting and benefit design to bridge leadership transitions, develop internal successors and reduce key-person disruption.

Protect Franchise Value

Preserve customer relationships, institutional knowledge, earnings capacity and the strategic option to remain independent.

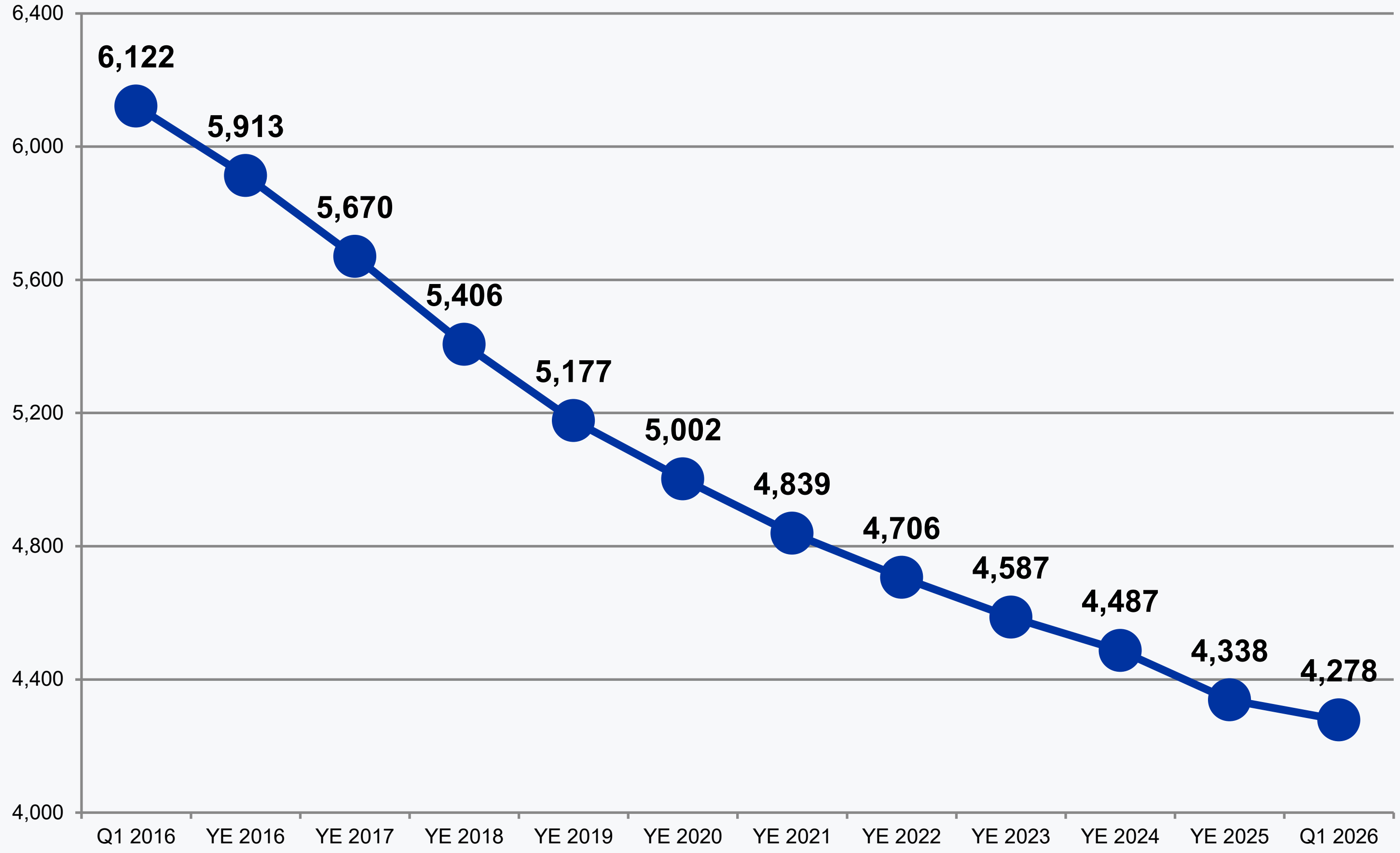
Board lens

The question is not simply "What does the benefit cost?" The better question is "What is the economic value of retaining the people who drive the franchise?"

RECRUIT → RETAIN → REWARD → TRANSITION

The Community Bank Challenge

Consolidation illustrates the increasing economic value of scale—and the importance of preserving strategic flexibility.



30.1%

decline in FDIC-insured institutions
Q1 2016 – Q1 2026

Implication

Scale pressure increases the strategic importance of succession, talent continuity and operating leverage.

Board Objective

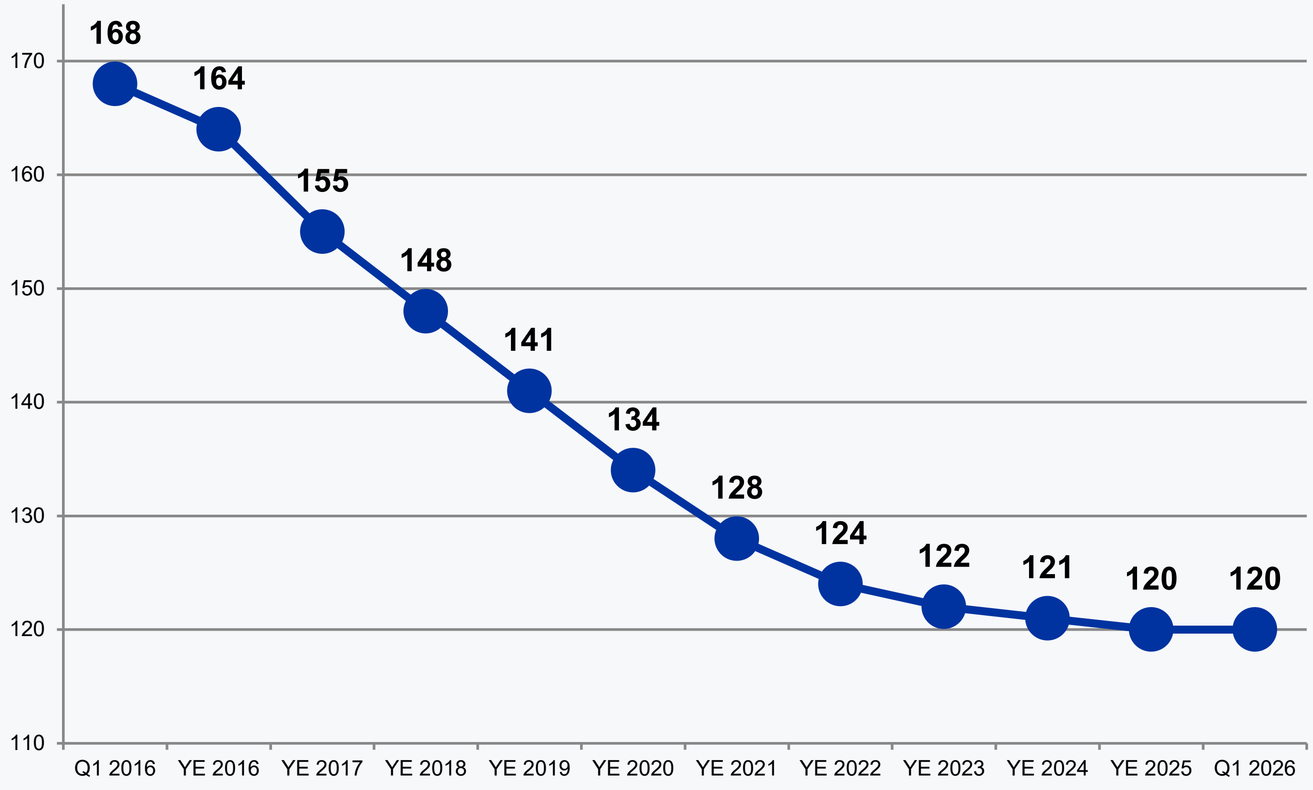
Preserve the bank's ability to choose independence—not be forced into a transaction by preventable talent or succession gaps.

Source: FDIC Quarterly Banking Profile / Statistics at a Glance. Q1 2016 = 6,122; Q1 2026 = 4,278.

Why This Matters in Kentucky

Kentucky remains a community-bank market where ownership, leadership and customer relationships are often closely intertwined.

Kentucky Bank Consolidation



~95% of the Kentucky bank universe is estimated to be privately held under the ownership framework developed for this analysis.

Ownership + Succession

Closely held ownership can make shareholder liquidity, board succession and management succession part of the same strategic discussion.

Talent Scarcity

Replacing proven community-bank leaders and relationship officers can be especially difficult in smaller or rural labor markets.

Sources: FDIC state-level data; ownership classification developed from FDIC/SEC review. Ownership residual should be validated institution-by-institution before external publication.

Primary Catalysts of a Community Bank Sale

A transaction is often driven by strategic constraints—not financial distress.

SUCCESSION	SCALE	TALENT	SHAREHOLDER VALUE
Management and ownership transition	Technology, compliance and fixed-cost leverage	Ability to attract, retain and develop leaders	Growth, earnings, liquidity and acquisition economics

SALE / MERGER

Non-qualified benefits directly address two of the four core catalysts: TALENT and SUCCESSION.

Non-Qualified Benefit Plans — Value Proposition

A strategic tool to retain leadership, strengthen succession and align executive rewards with long-term bank performance.

For community banks, long-term success increasingly depends on maintaining a unified, high-performing leadership team and developing the next generation of executives.

1 RETAIN

Existing Leadership

Create meaningful long-term incentives that encourage key executives to remain with the bank.

2 RECRUIT & DEVELOP

Future Leadership

Strengthen the bank's ability to attract, develop and retain the next generation of executive talent.

3 REWARD

Long-Term Performance

Provide a customized compensation structure that recognizes sustained service and long-term value creation.

A properly designed non-qualified benefit plan can connect executive compensation to retention, succession and the bank's long-term strategic objectives.

Board perspective: People are a strategic asset — compensation design can help protect continuity and franchise value.

Non-Qualified Benefit Plans — General Overview

A strategic compensation tool designed to reward, retain and align key leadership talent.

DEFINITION	A tax-deferred, employer-sponsored arrangement outside the scope of ERISA qualified plan requirements.
PURPOSE	Generally maintained for a select group of management or highly compensated employees whose qualified plan benefits are limited by IRS rules.
HOW IT WORKS	Compensation is deferred during the accumulation period and distributed at specified future dates or upon defined plan triggers.
TAX TREATMENT	Employers generally recognize expense when benefits are paid, while participants defer taxation until receipt.
REGULATORY FRAMEWORK	IRC §409A governs timing, elections, distributions and restrictions on changes to benefit payment schedules.

Board perspective: Non-qualified benefit plans provide flexibility to address leadership retention, succession and long-term incentive objectives.

Key Components of an Overall Compensation Package

A competitive executive package combines current compensation, core benefits and long-term retention incentives.

Base Salary

- Market-based fixed pay
- Role & responsibility
- Internal equity

FOUNDATION

Cash Incentives

- Annual incentive / bonus
- Performance metrics
- Short-term results

PAY FOR PERFORMANCE

Qualified Plans

- 401(k) / profit sharing
- Employer match
- Broad-based benefits

RETIREMENT CORE

Benefits & Perks

- Health & welfare
- Paid time off
- Executive perquisites

TOTAL REWARDS

Equity / Ownership

- Stock / options
- Phantom equity
- Long-term value creation

OWNER ALIGNMENT

Non-Qualified Plans

- SERP / deferred comp.
- Retention & succession
- Customized incentives

RETENTION LEVER

Board takeaway: Non-qualified plans fill the gap where traditional compensation and qualified benefits may be insufficient to recruit, retain and reward key leadership.

The Compensation Gap

Qualified retirement programs are designed for broad employee populations and may not replace an equivalent percentage of income for senior executives.

QUALIFIED BENEFITS

- Subject to statutory contribution / benefit limits
- Broad-based nondiscrimination requirements
- Limited ability to selectively reward key executives
- May create a retirement-income replacement gap

NON-QUALIFIED BENEFITS

- Selective participation
- Flexible benefit formulas
- Vesting tied to tenure or strategic milestones
- Can address retirement, survivor and retention objectives

Design principle: solve the bank's strategic problem first—then select the plan structure.

Cash Bonus vs. Non-Qualified Benefit

Immediate compensation provides liquidity; a non-qualified benefit can combine executive reward with long-term retention and strategic alignment.

CASH BONUS	
PRIMARY OBJECTIVE	Reward current performance
EXECUTIVE TAXATION	Generally taxable when paid
RETENTION VALUE	Limited after payment
CASH FLOW	Immediate liquidity
RETIREMENT FOCUS	Executive must save / invest the bonus
STRATEGIC LEVERAGE	Little continuing leverage after payment

NON-QUALIFIED BENEFIT PLAN	
PRIMARY OBJECTIVE	Reward and retain key executives over time
EXECUTIVE TAXATION	Generally deferred until benefits are paid*
RETENTION VALUE	Vesting and forfeiture provisions can create meaningful retention
CASH FLOW	Deferred benefit
RETIREMENT FOCUS	Designed to supplement retirement income
STRATEGIC LEVERAGE	Can support succession, continuity and long-term performance objectives

Cash bonus rewards value already created.
A properly designed non-qualified benefit can also help protect future franchise value.

* Subject to applicable plan structure, tax rules and timing requirements. Non-qualified benefits may expose the executive to the employer's unsecured-credit risk.

Prevalence of Non-Qualified Plans

Industry prevalence is difficult to quantify because most institutions are not subject to public reporting. The following statistics are derived from The Pangburn Group (TPG), a third-party recordkeeper serving 800+ bank clients.

Plan Prevalence & Type

56.61%	of clients sponsor some form of Non-Qualified Benefit Plan
69.82%	of NQBP sponsors use a non-account balance / defined benefit plan
45.59%	of NQBP sponsors use an account balance / defined contribution plan
51.83%	of clients sponsor some form of Split Dollar Plan

57.61% of Split Dollar Plan clients limit the benefit period to active service only.

Benefit as % of Final Compensation

21.03%	target up to 20% of final compensation
15.17%	target 21%–40% of final compensation
35.67%	target 41%–60% of final compensation
28.13%	target greater than 61% of final compensation

Applies to non-account balance / defined benefit plans using a % of compensation design.

Source: The Pangburn Group, “Market Analysis,” June 2026 (All Financial Institution Records)

Executive Leadership Transition Is on the Horizon

Succession risk is widespread — but formal transition planning remains limited.

36%

EXPECT CEO DEPARTURE

Expect their CEO to depart or retire within the next five years.

42%

CANDIDATE IDENTIFIED

Have identified one or more succession candidates, but have no timeline or action plan.

9%

FORMAL PLAN IN PLACE

Have identified a CEO succession candidate and established both a timeline and plan of action.

Board implication: Leadership continuity requires more than identifying a successor — banks need a defined timeline, development strategy and retention plan.

Source: Bank Director, 2026 Compensation & Talent Survey, June 2026.

Questions for Board Contemplation

Succession planning begins with clarity around independence, leadership timelines and the depth of the executive talent pipeline.

1. Has the Board established a clear view regarding the Bank's long-term independence and strategic direction?
2. Is there a shared understanding of the anticipated retirement or transition timing for key executives — CEO, CFO, COO, CLO, HR and other critical leaders?
3. Have primary and secondary internal succession candidates been identified for each critical executive role?
4. Have expectations been communicated to potential successors regarding the role, development requirements and anticipated transition timeline?
5. Has the Bank identified external talent that could be recruited for critical executive roles, either now or as part of a future succession strategy?

Board objective: Move from identifying successors to building a deliberate leadership transition plan.

Questions for Board Contemplation — Contingency Planning

Unexpected leadership or ownership events can quickly become strategic events. The Board should understand the Bank's exposure before a disruption occurs.

Leadership Continuity

If the CEO or another critical executive were unexpectedly unable to serve, who could assume the role immediately — and for how long?

Ownership & Independence

If the CEO or largest shareholder were to pass away, how could the event affect ownership stability, liquidity needs and the Bank's ability to remain independent?

Competitive Talent Risk

What would the financial, customer and cultural impact be if a key revenue-producing executive — such as the CLO — left for a competitor?

CONTINGENCY READINESS

- Named emergency successors for critical roles
- Retention strategy for high-impact executives
- Ownership / liquidity implications understood
- Communication and transition responsibilities defined

Key question for the Board

What is the cost of being unprepared?

Lost talent • disrupted relationships • succession uncertainty • pressure on independence

Talent Retention Is Franchise Protection

The people who own the relationships often represent a meaningful portion of the bank's intangible franchise value.

DON'T LET YOUR BEST TALENT WALK OUT THE DOOR

Relationship Revenue

Commercial lenders, deposit officers and wealth professionals can carry customer relationships that took years to build.

Institutional Knowledge

Experienced leaders understand credit culture, local markets, customers and the bank's operating history.

Succession Pipeline

Retention gives the board time to develop internal successors rather than react to an unexpected departure.

Strategic Independence

A credible next generation of leadership supports the board's option to remain independent.

Talent retention is not simply an HR issue—it is an ownership, succession and franchise-value issue.

Retention Cost vs. Replacement Cost

The economic cost of losing a proven executive can extend far beyond salary and recruiting fees.

COST OF RETENTION

- Supplemental retirement benefit
- Deferred compensation credits
- Survivor benefit
- Long-term incentive / vesting value
- Administrative and accounting cost

COST OF REPLACEMENT

- Search / recruiting expense
- Compensation premium for replacement
- Lost production during transition
- Customer and deposit attrition
- Lost institutional knowledge
- Succession and strategic disruption

Board question: What is the economic value of retaining a proven executive versus replacing that individual?

Perspective Value of a Non-Qualified Plan

A well-designed non-qualified benefit plan can address executive retirement needs while providing the institution with a flexible retention, succession and compensation tool.

The Executive's Perspective

RETIREMENT — **Restore income shortfalls**
Supplement Social Security and qualified-plan income

REWARD — **Recognize leadership**
Reward successful service and contributions

PROTECTION — **Enhance security**
Change-in-control, death and disability protection

Additional Executive Value

- Deferral of federal, state and local income tax until distribution
- Better alignment of retirement income with final salary and executive rank

The Bank's Perspective

RETENTION — **Golden handcuff**
Specified vesting requirements support retention and succession

FLEXIBILITY — **Selective participation**
Exempt from qualified-plan nondiscrimination and top-heavy testing

ALIGNMENT — **Long-term incentive**
Align Board and executive interests without ownership dilution

Additional Institutional Value

- Recruitment and supplemental non-compete tool
- Customizable plan design by participant
- Balanced compensation strategy and alternative to short-term cash
- Potential DTA during active service and deductible benefit distributions

Executive financial security + Institutional retention and alignment

Illustrative overview. The specific value, tax treatment, accounting treatment and protections associated with a non-qualified plan depend upon plan design and applicable requirements.

Begin with the End in Mind

Start with the desired outcome—then work backward to the compensation and benefit strategy that best supports it.

What does a successful outcome look like—for the executive, the shareholders and the institution?

EXECUTIVE

- Adequate retirement income
- Financial security
- Reward for long-term contribution

INSTITUTION

- Retain key leadership
- Preserve customer relationships
- Support management succession

SHAREHOLDERS

- Leadership continuity
- Orderly ownership succession
- Preserve long-term franchise value

Define the destination first. Then work backward.

Desired Outcome → Retention & Succession Objectives → Plan Design → Funding / Economics

Concept adapted from Stephen R. Covey, Habit 2, “Begin with the End in Mind,” The 7 Habits of Highly Effective People.

Key Points of Consideration

Executive talent strategy is increasingly linked to succession, independence, culture and long-term franchise value.

1 Talent Expectations Have Changed

Post-pandemic shifts in employee expectations and motivations require community banks to reassess traditional compensation and recruiting approaches.

2 Competition for Leadership Is Intense

Retaining and securing executive talent remains challenging — but banks that address it proactively can create a meaningful strategic advantage.

3 People Are the Keystone

Retention and recruiting decisions should reflect the long-term financial and cultural value created by key executives.

4 Non-Qualified Plans Fill a Strategic Gap

For decades, non-qualified benefit plans have helped banks recruit, retain and reward leaders — particularly institutions with limited ability to provide meaningful equity awards.

Core premise: A non-qualified benefit plan is an investment in executive leadership — designed to reward long-term service and align key leaders with the value they help create.

Key Points of Consideration — Plan Design

The market has evolved toward broader participation, more flexible benefit timing and more individualized plan design.

1 Broader Participation

Plans increasingly extend beyond incumbent executives to other key leaders and identified successors.

2 More Flexible Benefit Timing

Designs increasingly contemplate distributions during active service, rather than relying solely on retirement-based benefits.

Perceived Value

Design benefits participants understand and value.

Cost / Benefit

Balance immediate cost with long-term financial and cultural value.

Vesting

Use deliberate vesting to reinforce long-term service objectives.

Documentation

Maintain clear, concise and compliant plan documentation.

Timing

Consider implementation timing — including the cost of waiting.

Participants

Select participants deliberately based on strategic importance.

Successful plans are customized: the right participants, meaningful benefits, disciplined vesting and a structure aligned with the bank's objectives.

Retirement Income Shortfall Analysis

Illustrative retirement-income replacement at age 65, showing projected income from Social Security and a 401(k) plan and the resulting income shortfall.

The Gap Widens Quickly

6.5% → 41.0% Shortfall

Projected shortfall rises sharply as compensation increases.

Why it Happens

Social Security and qualified-plan limits constrain replacement income as compensation rises.

Planning Implication

Nonqualified benefits can be targeted to the portion of income the qualified system does not replace.

^ The 401k Plan offset assumes a 45-year-old participant that; (i) has an existing 401k balance equal to 1.5x their current gross salary; (ii) contributes the lesser of 10% of salary OR the 401k contribution limit* to the plan for 20 years; (iii) receives annual salary increases of 3% (iv) receives an employer match of 3% **; (v) earns a 7% annual return on the 401(k) balance, and (vi) takes equal, annual distributions for 20 years

^^ The Social Security offset is estimated and is based upon the SSA calculator (https://www.ssa.gov/OACT/quickcalc/)

* The assumed 401k contribution limit is $24,500 for 2026. The limit (and contribution, if applicable) is assumed to increase by $500 a year in all future years. “Catch up” contributions are NOT taken into consideration.

** The assumed 401k match is limited to a percentage of a maximum amount of compensation of $360,000 for 2026 The max compensation (and the associated match, if applicable) is assumed to increase by $5,000 in all future years.

For illustrative planning purposes only; actual benefits and investment results will vary.

Undergraduate Cost Analysis

Illustrative estimate of anticipated four-year undergraduate costs for three children, using current College Board data and a 4.0% annual cost-increase assumption.

Projected Four-Year Cost by Child

Age of Child	Public, In-State	Public, Out-of-State	Private, Nonprofit
Ten (10)	$207,212 Tuition: $79,903	$340,472 Tuition: $213,163	$437,760 Tuition: $300,889
Eight (8)	$228,451 Tuition: $88,093	$375,371 Tuition: $235,012	$482,630 Tuition: $331,730
Six (6)	$251,868 Tuition: $97,122	$413,846 Tuition: $259,101	$532,100 Tuition: $365,732

Primary figures represent the projected total student budget; tuition and fees are shown beneath each amount.

Total Cost for Three Children

$687,531 — PUBLIC, IN-STATE
$265,118 tuition & fees

$1,129,690 — PUBLIC, OUT-OF-STATE
$707,276 tuition & fees

$1,452,490 — PRIVATE, NONPROFIT
$998,351 tuition & fees

Totals reflect all three children and the projected four-year student budget.

Source: College Board, “Trends in College Pricing and Student Aid 2025,” enrollment-weighted by sector, 2025–26.
Assumption: student budget includes tuition and fees, room and board, books and supplies, transportation and other expenses; projected at 4.00% annual cost growth.

Non-Qualified Benefit Structures

Different tools solve different retention, retirement and survivor-benefit objectives.

SERP / Defined Benefit

Promises a targeted retirement benefit, often based on compensation, service or a replacement-ratio objective.

Defined Contribution SERP

Credits annual or periodic amounts to a notional account; can support retention through vesting.

Deferred Compensation

Allows eligible executives to defer compensation under a structured payment framework.

Split-Dollar Life Insurance

Can provide executive survivor / retirement value while aligning economics with bank-owned life insurance.

Supplemental Life Benefit

Provides enhanced survivor protection for selected executives or key employees.

Performance / Tenure Award

Links value to continued service, performance, succession milestones or other defined objectives.

Plan design should be coordinated with §409A, ERISA, tax, accounting, regulatory and employment-law considerations.

Sample Plan Design #1 — Defined Benefit Plan

A predictable executive benefit structure based upon a defined formula or target benefit.

Defined Benefit Structure

Provides selected executives or directors with a predetermined tax-deferred benefit based on a fixed amount or prescribed formula.

Benefit Determination

Common methodologies include final salary, average salary, years of service or other defined benefit formulas.

Bank Accounting Impact

Bank expense is generally more predictable as the liability is accrued over the service period under applicable accounting guidance.

Design Flexibility

Vesting provisions and benefit formulas can be structured to support retention and long-term service objectives.

Common Designs: Fixed Dollar • Target Benefit with Offsets • Percentage of Compensation • Service-Based Formula

Defined Benefit Plan – Case Study

Illustrative SERP arrangement designed to retain key executives, reward long-term service and replace a terminated pension plan.

Client Profile

ENTITY TYPE	S&L Association
OWNERSHIP	MHC / Public
PARTICIPANTS	3

Strategic Objective

Retain executives with a benefit arrangement based upon salary and service.

Plan Design & Key Terms

2.00%	**Benefit accrual rate** Final salary × total years of service
40%	**Maximum annual benefit** 20-year service cap
15 yrs	**Benefit payout period** Normal commencement at age 65

Annual benefit = 2.00% × final salary × years of service (maximum 20 years / 40% of final salary)

Vesting

The plan uses a pro-rata vesting schedule from plan implementation through age 65.

Accounting Treatment

The Bank accrues to the net present value of the future benefit obligation prior to age 65 under ASC 710 and recognizes the interest component of expense during the payout period.

Illustrative case study. Actual benefit formulas, vesting, distribution provisions, discount-rate assumptions and accounting treatment are governed by the applicable plan document and requirements.

Sample Plan Design #2 — Defined Contribution Plan

A flexible arrangement where the future benefit is based upon accumulated contributions and credited growth.

Contributions

Benefits may be funded through executive deferrals, employer contributions, or performance-based contributions.

Account Growth

Growth may be tied to an index, interest rate, bank performance measure or other prescribed methodology.

Timing & Payout

Plans can specify contribution periods, distribution elections and payout timing.

Predictability

Participant benefit and bank expense are generally less predictable than a defined benefit arrangement.

Defined Contribution Plan – Case Study

Illustrative long-term incentive arrangement designed to retain key executives and share corporate profits based upon growth, profitability and performance.

Client Profile

ENTITY TYPE	Commercial Bank
OWNERSHIP	Private Company
PARTICIPANTS	2

Strategic Objective

Retain the executive team and reward prior and future service through a performance-based long-term incentive plan.

Plan Design & Key Terms

35% — Maximum annual contribution
Based on a pre-defined tiered scale of actual salary

4 — Performance measures
ROA • Loan Growth • Deposit Growth • Executive Performance

15 yrs — Benefit payout period
Following the later of age 65 or separation from service

Annual contribution = salary-based tier × weighted achievement of the four specified performance goals

Interest Crediting

Interest is credited during payout only at the greater of the Wall Street Journal Prime Rate immediately preceding the applicable quarterly crediting date or 3.00%.

Vesting & Accounting

Vesting is pro-rata from plan implementation to age 65. Periodic accruals are based on year-to-year employer contributions and, during payout, interest credited to the account balance.

Illustrative case study. Actual plan terms, performance metrics, vesting, interest-crediting methodology, distribution provisions and accounting treatment are governed by the applicable plan document and requirements.

Sample Plan Design #3 — Phantom Stock Plan

A defined contribution arrangement designed to align executive rewards with growth in shareholder value.

Synthetic Equity

Provides participants with a benefit tied to appreciation in book or market value without issuing actual ownership.

Alignment

Creates a direct connection between executive rewards and long-term bank performance.

No Dilution

Existing shareholders retain ownership while participants share economically in value creation.

Key Benefit

Rewards leadership contribution without requiring employee investment or issuing equity.

Phantom Stock Plan – Case Study

Illustrative full-value phantom stock design intended to align executive retention and rewards with incremental shareholder value.

Client Profile

ENTITY TYPE	Commercial Bank
OWNERSHIP	Private Company
PARTICIPANTS	10

Strategic Objective

Retain key executives and share corporate profits based upon incremental shareholder value.

Plan Design & Economics

5.00%	**Initial shares issued** 50,000 phantom shares
$100	**Initial value / share** $5.0 million initial value
20%	**Annual vesting** 5-year pro-rata schedule

100,000 outstanding shares × 5.00% = 50,000 initial phantom shares

Award Mechanics

Additional phantom shares may be awarded by the Board based on actual dividends declared and allocated using the same participant allocation percentages.

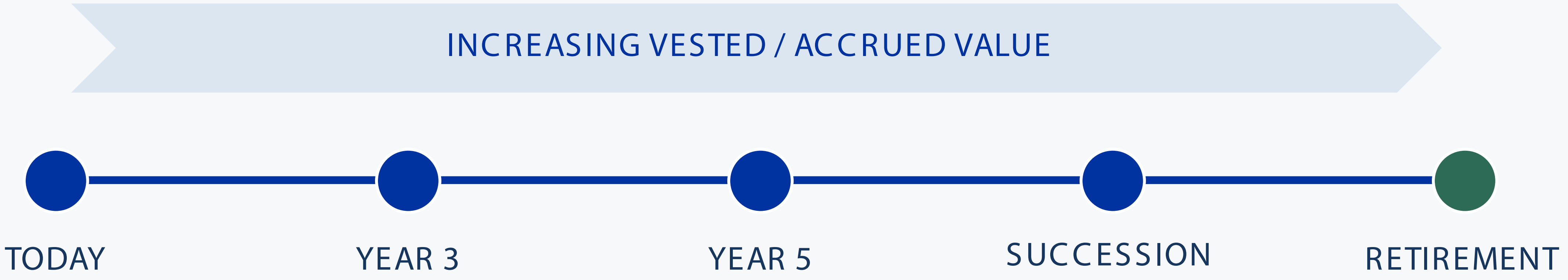
Distribution & Accounting

Benefits may commence after the 5-year anniversary of a share grant, including during active employment. Periodic accruals reflect shares awarded, cumulative share value and each participant's vested percentage.

Illustrative case study. Plan terms, valuation methodology, vesting, distribution timing and accounting treatment should be evaluated based on the specific plan document and applicable requirements.

Creating Retention Value Over Time

The benefit becomes more valuable as the executive approaches the bank's desired service or succession milestone.



Continued Service

Benefit may be conditioned on remaining employed through specified dates.

Performance

Credits or vesting can reflect defined performance objectives where appropriate.

Succession

Design can encourage an orderly transition and knowledge transfer.

Change in Control

Treatment can be defined in advance to align executive and shareholder interests.

Board Governance & Decision Framework

A disciplined process keeps the strategy focused on business objectives, economics and governance.

1 **WHO?**

Which executives or future leaders materially affect franchise value?

2 **WHY?**

What retention, retirement, survivor or succession problem are we solving?

3 **HOW MUCH?**

What benefit level is competitive, reasonable and economically supportable?

4 **WHEN?**

What vesting and payment timing best aligns executive and shareholder interests?

5 **HOW FINANCED?**

Will the obligation be supported by cash flow, BOLI or another general-asset strategy?

6 **HOW GOVERNED?**

Are §409A, ERISA, tax, accounting, regulatory and employment-law considerations addressed?

A successful program should be strategic, selective, measurable and periodically reviewed by the board.

RETAIN THE PEOPLE.

PROTECT THE RELATIONSHIPS.

PRESERVE THE FRANCHISE.

A well-designed non-qualified benefit program is not simply executive compensation—it is an investment in succession, continuity and long-term shareholder value.

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