



June 4, 2012

Top Hat Plan Exemption  
Pension and Welfare Benefits Administration  
Room N-5644  
U.S. Department of Labor  
200 Constitution Ave., NW  
Washington, DC 20210

EBSA/PUBLIC ESCROW  
2012 JUL 10 AM 11:12

Re: Stephenson National Bank and Trust  
Non-Qualified Deferred Compensation Plan

Dear Sir or Madam:

This is to advise you of the establishment of a Non-Qualified Deferred Compensation Plan on behalf of our client, Stephenson National Bank and Trust. The Plan information is as follows:

Employer: Stephenson National Bank and Trust  
Address: 1820 Hall Avenue  
Marinette, WI 54143

FEIN#: 39-0638020

Number of Plans: 1

Number of Participants in the Plan: 1 at present

The Plan has an effective date of May 16, 2012. A copy of the Plan is attached.

Please contact the undersigned if you have any questions.

Very truly yours,

Davis & Kuelthau, s.c.

Bruce B. Deadman

BBD:kjh

Enclosure

cc: Greg A. Salmen

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bdeadman@dkattorneys.com

**STEPHENSON NATIONAL BANK AND TRUST**  
**NON-QUALIFIED DEFERRED COMPENSATION AGREEMENT**  
**EFFECTIVE May 16 2012**

**I. Introduction and Purpose**

Stephenson National Bank and Trust ("the Bank") is a growing, dynamic, changing organization which intends to recognize and reward those executives who continue to make its success possible. To that end, the Bank has established a Non-Qualified Deferred Compensation Agreement for the purposes of:

- Rewarding Participant for contributing to the Bank's success;
- Encouraging Participant to continue to devote his best efforts to the Bank's success;
- Encouraging Participant to remain in the Bank's employ for the duration of his/her working career;
- Protecting the Bank's investment in Participant.

**II. Corporate Approval**

Appropriate members of The Bank's leadership have approved this Agreement.

**III. Definitions**

"Administrator" means any individual or entity designated by the Bank to administer this Agreement.

"Beneficiary" means the person or persons designated as primary and contingent beneficiaries from time to time in writing by Participant on a Beneficiary Designation Form approved by the Bank and filed with the Administrator to receive any benefits upon the death of Participant. If no designation is made, or if the designated beneficiaries are not living upon the death of Participant, the Beneficiary shall be Participant's spouse, if living, otherwise the children of Participant by right of representation, but if none, then the personal representative, executor, or administrator of Participant's estate.

"the Bank" means Stephenson National Bank and Trust

"Change in Control" means:

1. The sale of more than 50% of the operational assets of the Bank in any single transaction or series of related transactions effected within any 12-month period; or the outside acquisition of more than 50% of the Bank's stock.
2. A transfer of ownership of the Bank to family members of the current owners, or to a trust exclusively for the benefit of a current owner and/or family member shall not be considered a Change in Control. "Family" shall be as defined in sec. 267(c)(4) of the Internal Revenue Code to include brothers and sisters (whether by the whole or the half blood), spouse, ancestors, and lineal descendants. However, a transfer to a spouse by virtue of a divorce, legal separation, or the provisions of a Qualified Domestic Relations Order (QDRO) or similar order shall be considered a Change in Control.

In the event of a conflict between this definition and Code Section 409(A) or the regulations and guidance promulgated thereunder, the language of Code Section 409 (A) and the regulations and guidance promulgated thereunder shall control.

"Deferred Compensation Account" means the individual account maintained by the Bank under the terms of Section IV of this Agreement for Participant.

"Disabled" means that Participant:

1. Is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than twelve (12) months; or
2. Is, by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Participant.
3. It may be presumed that Participant is disabled for purposes of this Agreement if he/she is receiving Social Security disability benefits.

"Serious Misconduct" means:

1. Participant's fraud, misappropriation or misrepresentation with respect to the business of the Bank or intentional damage to the property or business of the Bank or any substantial asset;
2. Willful failure by Participant to perform his duties and responsibilities and to carry out his authority;

3. Willful malfeasance or misfeasance or breach of fiduciary duty or misrepresentation to the Bank or its stockholders by Participant;
4. Participant's conviction of a felony.
5. Participant's violation of either the Non-Competition and Non-Solicitation Agreement with the Bank dated August 25, 2009, or the Confidentiality Agreement with the Bank dated August 25, 2009.

"Termination of Employment" means:

Participant's cessation of services to the Bank. Participant will not be considered to provide services to the Bank under this Agreement if his pay for a calendar year is less than twenty (20) per cent of his average pay over the last three (3) years of employment; or if Participant provides services to the Bank other than as an employee, if Participant's annual pay is less than fifty (50) per cent of his average pay over the last three (3) years of employment. However, the preceding sentence shall not apply to decreases in pay due to statutory leave such as FMLA or USERRA, other approved leaves less than six (6) months' duration, or disability leave of less than twenty nine (29) months where there is a reasonable expectation that Participant will return to The Bank's employ.

"Year" means the calendar year.

#### **IV. Crediting and Management of Deferred Compensation Account**

The Participant's Deferred Compensation Account will be established in accordance with the formulas set forth in the attached Exhibit A.

Participant's Deferred Compensation Account shall be segregated from other accounts on the books and records of the Bank as a contingent liability of the Bank to the Participant.

#### **V. Vesting Schedule**

Amounts credited to Participant's Deferred Compensation Account shall be fully vested at all times.

#### **VI. General Creditor Status**

1. Participant shall be regarded as a general unsecured creditor of the Bank with respect to any rights derived by Participant from the existence of this Agreement or the existence or amount of Participant's Deferred Compensation Account.
2. Title to and beneficial ownership of any assets, whether cash, investment, life insurance policies, or other assets which the Bank may earmark or set aside to pay

contingent deferred compensation under this agreement shall at all times remain with the Bank. Participant and/or Participant's Beneficiary shall not have any property interest whatsoever in any specific assets of the Bank.

3. Notwithstanding the foregoing to the contrary, the Deferred Compensation Account shall be subject to the claims of general creditors of the Bank under federal and state laws and shall be subject to cessation of payment of Participant's benefits in the event the Bank is insolvent.

#### **VII. Payment of Deferred Compensation**

Participant's Deferred Compensation Account shall be paid to Participant upon termination of employment for any reason, including death or disability, in accordance with the attached Exhibit A

In the event of a Change in Control, the Bank shall, within 90 days of the date of the Change in Control, make a lump sum payment to the Participant or Beneficiary, as the case may be, of any remaining payments due under the terms of Exhibit A as if the upper level Retention Measurements in Exhibit A had been achieved.

#### **VIII. Repayment; Cessation of Payment**

To the extent that Participant has been paid a distribution and subsequently engages in Serious Misconduct to the detriment of the Bank, or in the event that previous Serious Misconduct is discovered by the Bank, Participant or his Beneficiaries shall within (10) days of receipt of written demand by the Bank return to the Bank all payments made to him under this Agreement and Participant or his Beneficiaries shall not have the right to any future payments hereunder.

#### **IX. Liability of the Bank**

Nothing in this Agreement shall constitute the creation of a trust fiduciary relationship between the Bank and Participant or between the Bank and the Beneficiary or any other person. The Bank shall not be considered a trustee by reason of this Agreement. Nothing in this Agreement shall be construed as a contract of employment between the Bank and Participant, or as a right of Participant to be continued in the employment of the Bank, or as a limitation on the right of the Bank to discharge Participant, with or without cause.

#### **X. Assignment**

The rights of Participant or any other person to the payment of benefits under the Agreement shall not be assigned, transferred, pledged, encumbered, attached or subject to claims of Participant's creditors, except that Participant may designate a Beneficiary(ies) by completing a Beneficiary Designation Form. Beneficiary(ies) may be changed from time to time at the option of Participant.

#### **XI. Binding Agreement**

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs, personal representatives, executors, administrators and legatees.

## **XII. Amendment or Termination**

This Agreement may be modified, altered, amended or terminated only by prior written approval and consent of the Bank.

## **XIII. Withholding and Tax Consequences**

The Bank shall withhold the appropriate payroll and income taxes from any distributions made under this Agreement as required by law. While the Agreement is designed to allow the deferral of Participant's income in compliance with all applicable laws, the Bank makes no guarantees or representations to Participant regarding the tax consequences to him, his estate or beneficiary as a result of this Agreement.

## **XIV. Effect upon Other Plans**

Any payments payable under this Agreement shall not be deemed salary or other compensation to Participant for purposes of any qualified retirement plans maintained by the Bank, or for purposes of any other fringe benefit obligations of the Bank.

## **XV. Claims Submission and Review Procedure**

In the event that any claim for benefits, which must initially be submitted in writing to the Bank is denied (in whole or in part) hereunder, Participant shall receive from the Bank notice in writing, written in a manner calculated to be understood by Participant, setting forth the specific reasons for denial, with specific reference to pertinent provision of this Agreement. The interpretations and construction hereof by the Bank shall be binding and conclusive on all persons and for all purposes. Any disagreements about such interpretations and applications shall be submitted to an Arbitrator subject to the rules and procedures established by the American Arbitration Association. The Arbitrator's authority shall be limited to whether the Bank acted arbitrarily and capriciously when it interpreted and applied the terms of the Agreement. Any costs associated with arbitration will be shared equally between the Bank and Participant. Arbitration decisions will be final and binding.

## **XVI. Miscellaneous**

The expenses and costs in connection with the establishment and operation of the Agreement shall be borne by the Bank. This Agreement shall be construed in accordance with and governed by the law of the State of Wisconsin, without reference to the principles of conflicts of law, except as such laws may be superseded by any Federal law.

This document contains all the terms of the understanding between the Bank and Participant on

its subject matter, and there are no other agreements, representations and/or rights or obligations other than those set forth in this document concerning the subject matter contained in it.

**Stephenson National Bank and Trust**

By: John K. Kempe  
President

Dated: May 16, 2012

By: Stephen J. Alber  
Participant

Dated: May 16, 2012

EXHIBIT A

Definitions

Fee Income – Trust Department recurring annual fee income from all accounts attributed to having been sold by Steve Albers, or partially sold by Steve Albers if Steve's portion of the sale was 50% or higher. Non-recurring Trust Department fee income, and income from sales/referrals made in other Bank Departments, shall not be counted for purposes of this agreement.

Baseline Fee Measurement – The Baseline Fee Measurement shall be computed as the actual Fee Income collected by SNBT in the month prior to the month of Steve Albers' retirement from SNBT. This is anticipated to be December of 2015, as his retirement is planned for January of 2016. However, these are only anticipated dates, and the actual Baseline Fee Measurement date shall be computed as of the month prior to the month of Steve Albers' actual retirement from SNBT. It is agreed that the date of Steve Albers' retirement from SNBT will not be later than January 31, 2016.

Retention Measurement #1 – The first Retention Measurement shall occur 12 months after the Baseline Fee Measurement and shall include the actual Fee Income collected by SNBT from all of the accounts included in the Baseline Fee Measurement.

Retention Measurement #2 – The second Retention Measurement shall occur 24 months after the Baseline Fee Measurement and shall include the actual Fee Income collected by SNBT from all of the accounts included in the Baseline Fee Measurement.

Retention Measurement #3 – The third Retention Measurement shall occur 36 months after the Baseline Fee Measurement and shall include the actual Fee Income collected by SNBT from all of the accounts included in the Baseline Fee Measurement.

Agreement

If Retention Measurement #1 is 95%, or greater, of the Baseline Fee Measurement, SNBT will pay a gross payment of \$15,000 to Steve Albers the following month. If Retention Measurement #1 is at least 90% but less than 95% of the Baseline Fee Measurement, SNBT will pay a gross payment of \$10,000 to Steve Albers the following month. If Retention Measurement #2 is 90%, or greater, of the Baseline Fee Measurement, SNBT will pay a gross payment of \$15,000 to Steve Albers the following month. . If Retention Measurement #2 is at least 85% but less than 90% of the Baseline Fee Measurement, SNBT will pay a gross payment of \$10,000 to Steve Albers the following month. If Retention Measurement #3 is 90%, or greater, of the Baseline Fee Measurement, SNBT will pay a gross payment of \$15,000 to Steve Albers the following month. . If Retention Measurement #3 is at least 85% but less than 90% of the Baseline Fee Measurement, SNBT will pay a gross payment of \$10,000 to Steve Albers the following month.

In computing the Retention Measurements #1-#3, SNBT agrees to adjust the calculation for any deaths of clients where the result was the distribution of the assets to outside beneficiaries, thus not penalizing Steve for an event that is out of our ability to control. Additionally, SNBT agrees to adjust the calculation for any major stock or bond market downturns (defined as -10% from the levels on the day of the Baseline Measurement), and Steve agrees to adjust the calculation for any major stock market gains (defined as +20% from the level on the day of the Baseline Measurement), so as to not penalize or reward Steve for changes in fee income that were substantially due to market movements in either direction.

Dated: May 16, 2012

Stephen J. Albers  
Steve Albers

John K. Renick  
For SNBT

# NON-QUALIFIED PLAN DESIGNATION OF BENEFICIARY

Plan Name: Stephenson National Bank and Trust Non-Qualified Deferred Compensation Plan

## PARTICIPANT INFORMATION

Name: Stephen J. Albers Social Security Number: \_\_\_\_\_  
Address: 3216 16<sup>th</sup> Street Date of Birth: \_\_\_\_\_  
City/State/Zip: Menominee, MI, 49858 Home Phone: 906-863-8869

- I Am Not Married. I hereby certify that I am not married at this time. I understand that if I become married in the future, my spouse will be my Primary Beneficiary unless I complete a new Designation of Beneficiary form and my spouse consents to my designation.
- I Am Married. I understand that as a married participant, I may designate someone other than my spouse to receive benefits payable upon my death. I understand if I designate a Primary Beneficiary other than my spouse, my spouse's consent must be in writing and witnessed by a Notary Public or Plan Representative, unless I certify that I cannot locate my spouse.

## DESIGNATION OF PRIMARY BENEFICIARY(IES) \*

Pursuant to the provisions of the Plan permitting the designation of a beneficiary or beneficiaries by a participant, I designate the following person(s) as the primary beneficiary(ies) of my account balance under the Plan payable due to my death.

Name	<u>Jeanine M. Albers</u>	Social Security #	_____	irthdate	_____	enefit %	<u>100 %</u>	Relationship	<u>wife</u>
Name	_____	Social Security #	_____	Birthdate	_____	Benefit %	_____ %	Relationship	_____
Name	_____	Social Security #	_____	Birthdate	_____	Benefit %	_____ %	Relationship	_____

- Check here if you wish to designate additional Primary Beneficiaries. Attach a list in the format used above and insert total number of primary beneficiaries: \_\_\_\_\_.

## DESIGNATION OF CONTINGENT BENEFICIARY(IES) \*

In the event all the primary beneficiaries designated above predecease me, I designate the following person(s) as the contingent beneficiary(ies) of my account balance under the Plan payable due to my death.

Name	<u>Erin Floeter</u>	Social Security #	_____	irthdate	_____	Benefit %	<u>50 %</u>	Relationship	<u>daughter</u>
Name	<u>Jodi Albers</u>	Social Security #	_____	irthdate	_____	Benefit %	<u>50 %</u>	Relationship	<u>daughter</u>
Name	_____	Social Security #	_____	irthdate	_____	Benefit %	_____ %	Relationship	_____

- Check here if you wish to designate additional Contingent Beneficiaries. Attach a list in the format used above and insert total number of contingent beneficiaries: \_\_\_\_\_.

## \* MULTIPLE BENEFICIARY ELECTION

If I have designated more than one person as primary or contingent (secondary) beneficiary, and if one or more, but not all, fail to survive me, then the shares of those designated person(s) who do not survive me shall be paid or payable as follows.

- To their respective children then living, by right of representation.  To those designated persons who do survive me, share and share alike.  Not applicable.

## PARTICIPANT SIGNATURE

I reserve the right to revoke or change my beneficiary designation and hereby revoke all prior beneficiary designations. I understand that if I am now married and I later divorce and remarry, this designation automatically will be void. If I designate a beneficiary other than my new spouse, I must have my new spouse's consent. If I am now single and I later marry, this designation will become invalid and my surviving spouse will be my beneficiary unless he or she consents to a different beneficiary designation. The trustee will pay all sums payable under the Plan by reason of my death to the primary beneficiary, if he or she survives me, and if no primary beneficiary survives me, then to the contingent beneficiary, and if no beneficiary survives me, then the Trustee will pay all amounts in accordance with the terms of the Plan.

x Stephen J. Albers \_\_\_\_\_ 5-16-2012  
Participant's Signature Date of this Designation

NOTE: If you have not named your spouse as your sole primary beneficiary, you must complete either the CONSENT OF SPOUSE below, or the statement of non-marriage at the top of this form. Failure to complete one of these statements will result in an invalid Designation of Beneficiary form.

## CONSENT OF SPOUSE

I am the spouse of the Participant named above. I understand that I have the right to all of my spouse's vested account balance under the Plan after my spouse dies. I agree to give up the right to any share of my spouse's account balance as designated in the beneficiary designation above. I understand that my spouse cannot change the name of any beneficiary in the future unless I agree to that change. I understand that by signing this consent, I may receive less money than I would have received if I had not signed this agreement and I may receive nothing from the Plan after my spouse dies. I understand that I do not have to sign this consent and I am signing voluntarily. I understand that if I do not sign this consent, then I will receive my spouse's entire vested account balance under the Plan when my spouse dies. In order to be valid, an authorized plan representative or a notary public must witness this consent.

x \_\_\_\_\_  
Signature of Participant's Spouse Date of execution of this Consent

## AFFIRMATION of NOTARY PUBLIC or PLAN REPRESENTATIVE

I affirm that Stephen J. Albers personally appeared, known to me to be the person who executed the above Spousal Consent, this 16<sup>th</sup> day of May, 2012.  
Paul K. Allen \_\_\_\_\_  
Signature of Notary Public or Signature of Plan Representative

County and State of: Menominee City, Wisconsin  
My Commission Expires: March 3, 2014

