

Insert Your Company Logo Here

Company Name is awarding to certain of its key employees a Stock Appreciation Right (SAR) desires to provide those employees with an incentive to achieve long-term corporate objectives upon the terms and conditions set forth herein.

1. **Effective Date.** The effective date of this Plan shall be **XX,XX,XXXX**.
2. **Grant of Stock Appreciation Right.** **Company Name** desires to grant to key employee, **Employee Name**, additional compensation in the form of a Stock Appreciation Right (SAR) with respect to **XXX** membership units of **Company Name** issued and outstanding, as of the date the SAR is granted. The SAR is the right to receive an amount equal to the difference between the fair market value of the stated units on the effective date of this Agreement and on the exercise date. The SAR's exercise price may never be less than the company's fair market value on the date the SAR is granted. The SAR shall not constitute nor be considered a security or a secured interest in **Company Name**, but rather, an unsecured contingent debt of **Company Name**. A grant of Stock Appreciation Right to a qualified employee shall be in the sole and exclusive discretion of **Company Name's Owner or Board of Directors**.
3. **Definitions.** The following terms shall have the meanings set forth herein:
 - a) **"Fair Market Value of the Stated Units"** The fair market value of the unit price is calculated by using the current valuation of the company divided by the number of units. The unit value at the date of grant is **\$XXX** per share.
 - a. **"Exercise date"** shall mean, for purposes of this Plan, the date on which the Company shall receive written notice by the employee by his or her intention to exercise the SAR granted hereunder.
4. **Administration.** This Agreement shall be administered by **Company Name's** owner. The owner shall have the sole and exclusive discretion and authority to interpret, construe, and implement the provisions of this Agreement and may take all steps and make all determinations in connection with this Agreement as it may deem necessary or advisable. All determinations of the owner shall be final and binding on the Corporation, as well as on the employee.
5. **Contractual Right.** This Plan shall confer no contractual right whatsoever upon the employee, and **Company Name's** owner shall have the sole exclusive discretion and authority to grant Stock Appreciation to qualified employees.
6. **Exercise of SAR.** Any SAR granted hereunder shall entitle the employee to exercise the SAR at the earliest five (5) years after the grant date. The employee shall give **Company Name** written notification of an intent to exercise the SAR. If the SAR is exercised before five (5) years from the grant date, the following vesting schedule will apply: In the event of the sale of more than 50% of the outstanding ownership units of **Company Name**, the SAR will become fully vested, automatically.

Fiscal Year Ending	Grant %
Year 2	25%
Year 3	50%
Year 4	75%
Year 5	100%

7. Any employee granted SAR according to the terms of this Plan must continue to be an employee of **Company Name**, at its exercise date, notwithstanding the grant date. The employee shall not be entitled to exercise less than the full amount of the SAR granted hereunder, upon the employee having invoked its intent to exercise the SAR. If the employment of the employee is terminated (other than by reason of death), any SAR granted to such employee hereunder must be exercised within three (3) months from such termination of employment or such SAR will lapse, becoming void, with no legal effect. In the event of the employee's death, the executor of the employer's estate must exercise the SAR within three (3) months following such executor's court appointment. Otherwise, the SAR will automatically lapse becoming void and with no legal effect. However, if death occurs within the three (3) month period following termination of employment, such SAR must be exercised by the employee's executor by date not later than three (3) months following the employee's termination of employment. Otherwise, the SAR will lapse becoming void with no legal effect.

8. **Payment of SAR.** The exercise price of the SAR shall be payable by **Company Name** to the employee over a 60 month amortization period, without interest. **Company Name** shall have the sole discretion to prepay the outstanding balance at any time.

9. **Assignability.** During the life of the employee, the SAR is exercisable only by the employee or the employee's guardian or legal representative. Upon the employee's death, the SAR granted hereunder shall be assignable or transferable by and through the employee's estate and only be testamentary bequest or by the laws of decent and distribution of the state of residence of the state of residence of the employee.

10. **Withholding Taxes.** Any payment of the employee under this SAR plan shall be subject to federal, state and local withholding tax requirements.

13. **Governing Law.** This SAR plan has been executed in the State of Minnesota and shall be governed and construed in accordance with the laws of the State of Minnesota.

14. **Approvals.** All of the shareholders of **Company Name** have duly consented pursuant to a plan in writing in lieu of a meeting.

15. **No Employment Contract.** Any **Company Name** employee's receipt of SAR shall not be construed as an employment contract, nor shall this SAR plan itself be construed as a contractual agreement between **Company Name** and the employee. This SAR confers no contractual rights upon the receiving employee.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in its corporate name by its duly authorized officers, and the Participant has executed this Agreement as of the date first above written.

Company Name

By: **OWNER NAME**
 Date:
 Its: **OWNER TITLE**

PARTICIPANT:

Employee Name *Date*