

APPENDIX A

ABC Inc. Compensation Recoupment Policy Effective XX/XX/XXX

The Board of Directors of ABC, Inc. (the “Company”) believes it is the best interests of the Company and its shareholders to maintain a culture focused on financial accuracy, responsible management and that discourages excessive risk-taking that would be harmful or detrimental to the Company’s sustainable growth. Therefore, to enhance the Company’s culture, it may be appropriate for the Company to recover periodic, annual and/or long-term bonus, incentive payments, and/or equity-based awards (“Incentive Compensation”) paid to certain members of the Company’s executive team in the event of a restatement of the Company’s financial results. In the event of such a restatement, a committee consisting of the non-management members of the Board of Directors (the “Independent Director Committee”) shall review such Incentive Compensation and remedies sought by the Company. In light of these concerns and to set an example to employees throughout the Company, the Board of Directors has adopted the ABC Inc. Compensation Recovery Policy (the “Policy”) effective as of XX/XX/XXXX (the “Effective Date”).

The terms of the Policy are as follows:

1. Covered Executives and Administration of the Policy: It applies to Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”), all other executive management officers of the Company (as determined from time to time by the Board of Directors), the corporate controller and such other employees who may from time to time be deemed subject to the Policy by the Board of Directors (collectively, the “Covered Executives”). Policy will be administered by the Independent Committee, unless the Board of Directors determines to administer the Policy itself (the Committee or Board of Directors, as applicable, in its role administering the Policy is the “Administrator”). The Administrator may delegate ministerial administrative duties employee(s) of the Company. Covered Executives also includes former Covered Executives.
2. Covered Securities: includes: (1) awards involving actual issuance of stock (“Direct Equity”), incentive stock options and/or non-qualified stock options (“Options”), and stock appreciation rights and/or phantom stock plans (“Deferred Compensation”); and (2) any profits realized from securities that were not directly awarded by the Company.
3. Escrow Account: The Company may choose to deposit all or portions of a Covered Executive’s incentive compensation into an escrow account where it is held until the risk of recoupment or forfeiture has expired (“Forfeiture Period”). The Forfeiture Period and release of funds will be on a rolling basis, as determined by the Board of Directors. After the Forfeiture Period has expired, funds will be realized then released to the Covered Executive with interest. If a forfeiture is triggered during the Forfeiture Period, the Company shall recover from the escrow account.
4. Erroneously Awarded Compensation: means any incentive compensation received by a Covered Executive where the payment or award was predicated upon achieving certain financial results that were subsequently restated causing a defective financial statement as required by the Securities and Exchange Commission and United States securities laws which a lower payment would have been made to the Covered Executive based upon the restated financial results (“Excess Compensation”).
5. Trigger and Recovery: If a Covered Executive received Erroneously Awarded Compensation, then, to the fullest extent of the law, the Company **shall require** for the benefit of the Company the after-tax portion of the difference between the awarded compensation and the actual compensation (such difference, the “Excess Compensation”). Such Covered Executive must:

(a) reimburse the Company for all Incentive Compensation received within 36 months preceding such Erroneously Awarded Compensation; and (b) remit to the Company any profits realized by such Covered Executive from the sale of Covered Securities within 36 months following Erroneously Awarded Compensation.

6. After Tax Portion of Excess Compensation: In determining the after-tax portion of the Excess Compensation, the Administrator shall take into account its good faith estimate of the value of any tax deduction given or available to the Covered Executive in respect of such repayment.
7. Covered Period: In cases of Erroneously Awarded Compensation, the 36-month period applicable to the compensation to be recovered will commence with filing with the United States Securities and Exchange Commission (whichever first occurs) of the financial document embodying the reporting requirement that gives rise to the restatement.
8. The Board of Directors intends this Policy be applied to the fullest extent of the law. The Administrator may also determine any equity award agreement, employment agreement or similar agreement entered into or amended after the Effective Date shall, as a condition to the grant of any benefit covered by such agreement, require a Covered Executive to contractually agree to accept the terms of this Policy. The adoption of this Policy replaces and supersedes any recoupment or similar policies in any equity award agreement, employment agreement or similar agreement in effect prior to the Effective Date.
9. Arbitration: In the event a dispute shall arise between the Company and Covered Executive to this Policy, it is hereby agreed that the dispute shall be resolved by neutral binding arbitration by the American Arbitration Association, under the applicable Arbitration Rules then in effect. The arbitrator's decision shall be final and legally binding and judgment may be entered thereon. Each party shall be responsible for its share of the arbitration fees in accordance with the applicable Rules of Arbitration. In the event a party fails to proceed with arbitration, unsuccessfully challenges the arbitrator's decision, or fails to comply with the arbitrator's award, the other party is entitled to costs of suit, including a reasonable attorney's fee for having to defend or compel arbitration or enforce the award.
10. Due Process Rights: Before the Administrator determines to seek recoupment and after investigation pursuant to this Policy, it shall provide to the Covered Executive written notice and the opportunity to be heard, at a meeting of the Independent Committee.

I acknowledge receipt of the ABC Inc. Compensation Recoupment Policy and agree to abide by the terms and conditions thereof so long as I am a Covered Executive.

Signature

Printed Name

Date