



March 6, 2009

Special Inspector General – TARP  
1500 Pennsylvania Avenue, NW  
Suite 1064  
Washington, D.C. 20220

Re: LNB Bancorp, Inc.

Dear Sir:

This submission is provided to the Office of the Special Inspector General for Troubled Asset Relief Program (“SIGTARP”) by LNB Bancorp, Inc. (the “Company”) in response to your request letter dated February 6, 2009 (the “Request Letter”). For your convenience, we have repeated your requests in italics followed by our response.

SIGTARP Request:

- (1) *A narrative response specifically outlining (a) your anticipated use of TARP funds; (b) whether the TARP funds were segregated from other institutional funds; (c) your actual use of TARP funds to date; and (d) your expected use of unspent TARP funds. In your response, please take into consideration your anticipated use of TARP funds at the time that you applied for such funds, or any actions that have taken that you would not have been able to take absent the infusion of TARP funds.*

Company Response:

The Company received \$25,223,000 of funds under the TARP Capital Purchase Program on December 12, 2008. In applying for TARP funds, the Company’s expectation was, and continues to be, to utilize the funds in three ways:

- (1) To continue to grow the Company’s balance sheet through increased lending in the communities that we serve. Without the additional capital provided by the TARP funds, the Company likely would have entered 2009 with the expectation of lending at levels that would have resulted in little or no growth in the Company’s balance sheet in 2009 as compared to 2008.

(2)

**(b) (4)**

- (3) To help ensure that the Company has sufficient capital to withstand the negative impact on its balance sheet of the uncertain economic environment in Northeast Ohio.

In order to be in position to utilize these funds in a timely manner and to be able to react and respond to opportunities, the Company has invested all of the TARP funds it received in relatively liquid investment vehicles. Specifically, the TARP funds have been invested in Fannie Mae Libor Based securities, in which the Company had an investment balance of \$26,240,779 at February 28, 2009. The difference between the Company's investment balance in the securities and the original amount of TARP funds received is solely due to premiums paid on the securities and fees paid by the Company in connection with the investment of the funds. The Company believes that investing the TARP funds in this way provides it with great flexibility in accessing the funds for use, while at the same time providing the Company with a reasonable rate of return until opportunities to deploy the funds arise.

The additional capital provided by the TARP funds has allowed the Company to continue to proactively originate loans in the communities that it serves. The Company does not have specific lending goals that are driven by the receipt of the TARP funds. Instead, the Company intends to balance the need to ensure that it remains well-capitalized in the face of the current challenging economic environment with the Company's desire to lend money and support the growth of local communities.

In order to support the communities that the Company serves through lending, the Company has launched a comprehensive marketing effort built around the theme "We have money to lend." This campaign includes advertisements through radio, newspaper, billboards and direct mail. Examples of these advertisements have been included with this letter and attached as Annex A hereto.

In January 2009, the Company's loan originations were as follows:

**Loan Production**  
**(January 2009)**

Commercial  
Small Business  
Mortgages  
Construction Real Estate  
Preferred Credit Lines  
Direct Loans  
Indirect Loans  
Total

(b) (4)

The Company's ability to engage in this level of activity is a result of the increased capital strength provided by its receipt of TARP funds. Based on its current information, the Company

expects that its pipeline of future loan activity will continue to be strong in several of the above categories.

SIGTARP Request:

- (2) *Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term or deferred forms of executive compensation.*

Company Response:

As noted above, the Company received \$25,223,000 of funds under the TARP Capital Purchase Program on December 12, 2008. The following is a description of the Company's specific plans, and the status of implementation of those plans, for addressing the executive compensation requirements associated with the Company's receipt of funds under the TARP Capital Purchase Program, as such requirements were in effect prior to being amended by the American Recovery and Reinvestment Tax Act of 2009 (the "2009 Stimulus Bill"):

- (1) Identify Senior Executive Officers. In connection with the Company's application for and closing on TARP Capital Purchase Program funds, the Company determined the senior executive officers to whom the requirements in Section 111(b) of the Emergency Economic Stabilization Act of 2008 ("EESA") apply. The Company reviewed its compensation data and analyzed the data in accordance with the requirements of Item 402 of Regulation S-K. Because, at the time of closing, the then-current fiscal year had not yet been completed, the Company made its best efforts based on the data then-available to identify the three most highly compensated executive officers, other than the Chief Executive Officer and the Chief Financial Officer, for the then-current fiscal year. As a result of this analysis, the Company determined that its senior executive officers were Daniel E. Klimas, Sharon L. Churchill, David S. Harnett, Frank A. Soltis and Mary E. Miles. Each of these senior executive officers executed the waiver required by the Department of the Treasury in connection with the receipt of TARP Capital Purchase Program Funds, as well as a consent authorizing the Company to amend its existing compensation arrangements with the senior executive officers for the purpose of complying with Section 111(b) of EESA, copies of which are attached as Annex B hereto.
- (2) Identify Applicable Compensation Arrangements. After identifying the Company's senior executive officers for purposes of Section 111(b) of EESA, the Company reviewed its employment and compensation arrangements with those senior executive officers to determine whether any modifications of those arrangements were required in order to comply with the requirements of Section 111(b) of EESA.

- (3) “Clawback” Requirement. In reviewing its applicable compensation arrangements in connection with the anticipated receipt of TARP funds, the Company identified three existing compensation plans that constituted cash bonus, incentive-based compensation or equity-based compensation plans that were required to be modified in order to comply with the “clawback” requirement provided in Section 111(b)(2)(B) of EESA:
- (i) The 2008 Management Incentive Plan for Key Employees, which contemplates the payment of a cash bonus to participants, which participants include all senior executive officers other than the Chief Executive Officer, based on the Company’s achievement of a specified profitability goal. The Company’s Board of Directors amended this plan, effective as of the closing of the Company’s receipt of TARP funds, to include a “clawback” provision as required by Section 111(b)(2)(B). See the amended plan attached as Annex C hereto. The Company contemplated adopting a similar cash bonus plan for the CEO for 2008, but no such plan was adopted. The Compensation Committee subsequently determined that no cash bonuses will be paid to the senior executive officers for 2008.
  - (ii) The 2006 Stock Incentive Plan, under which stock options to purchase Company common shares were issued to certain senior executive officers prior to the receipt of TARP funds and under which the senior executive officers may be issued equity compensation awards in the future. The Company’s Board of Directors amended this plan, effective as of the closing of the Company’s receipt of TARP funds, to include a “clawback” provision as required by Section 111(b)(2)(B). See the amended plan attached as Annex D hereto.
  - (iii) The Stock Appreciation Rights Plan, under which stock appreciation rights based on the Company’s common shares were issued to certain senior executive officers prior to the receipt of TARP funds and under which the senior executive officers may be issued stock appreciation rights in the future. The Company’s Board of Directors amended this plan, effective as of the closing of the Company’s receipt of TARP funds, to include a “clawback” provision as required by Section 111(b)(2)(B). See the amended plan attached as Annex E hereto.

On February 12, 2009, the Company’s Compensation Committee adopted the 2009 Management Incentive Plan for Key Employees, which contemplates the payment of a cash bonus to participants, which participants include all senior executive officers other than the Chief Executive Officer, based on the Company’s achievement of a specified profitability goal, and which includes a “clawback” provision as required by Section 111(b)(2)(B).

The Company plans to include the required “clawback” provision in any similar compensation arrangements that may be adopted or entered into during the period

that Treasury holds securities in the Company. If the Compensation Committee, in cooperation with the Company's Audit and Finance Committee, subsequently determines that the financial statements and performance metric criteria on which payments under such compensation arrangements during the period that Treasury holds securities in the Company are based were materially inaccurate, the Company expects that it would pursue recovery from its senior executive officers of any applicable payment.

- (4) "Golden Parachute" Prohibition. In reviewing its applicable compensation arrangements in connection with the anticipated receipt of TARP funds, the Company identified two senior executive officers with employment agreements that provide for the payment of amounts to a senior executive officer upon termination of employment, beyond amounts or benefits earned or accrued to the date of termination:
- (i) The Company's employment agreement with Daniel E. Klimas, its CEO, provides for the payment of amounts upon the termination of his employment under certain circumstances which could constitute a "golden parachute" payment under Section 111(b)(2)(C) of EESA. Accordingly, the Company and Mr. Klimas executed an amendment to this agreement, effective as of the closing of the Company's receipt of TARP funds, to include a provision that limits the amounts payable to Mr. Klimas upon termination of his employment to the extent necessary in order to comply with Section 111(b)(2)(C). See the employment agreement, as amended, attached as Annex F hereto.
  - (ii) The Company has an agreement with David S. Harnett, one of the senior executive officers, whereby Mr. Harnett will be entitled to a lump sum cash amount equal to his then effective one-year base salary in the event of a termination of his employment under certain circumstances. In light of the amount that would be payable to Mr. Harnett under this agreement under applicable circumstances, the Company determined that the agreement complied with Section 111(b)(2)(C) without further modification. See the agreement attached as Annex G hereto.

The Company plans to limit the payments to be made upon termination of employment in any similar compensation arrangements that may be adopted or entered into with senior executive officers during the period that Treasury holds securities in the Company to the extent necessary to ensure that no such payments would constitute "golden parachute" payments under Section 111(b)(2)(C) of EESA.

- (5) Limitation on Deduction of Compensation Expense. In accordance with the requirements in Section 111(b)(1) of EESA, the Company will not claim a deduction for federal income tax purposes for compensation to a senior executive officer in excess of \$500,000 for the 2008 taxable year.

The Company does not intend to claim a deduction for federal income tax purposes for compensation to a senior executive officer in excess of \$500,000 for any taxable year during the period that Treasury holds securities in the Company, in accordance with the requirements of Section 111(b)(1) of EESA.

- (6) Limits on “Unnecessary and Excessive Risks”. In accordance with Section 111(b)(2)(A) of EESA, on February 12, 2009 (approximately 60 days after the closing of the Company’s receipt of TARP funds), the Company’s Compensation Committee undertook a review of the Company’s senior executive officer incentive compensation arrangements, which are referenced above, in order to determine whether the arrangements include “limits on compensation that exclude incentives for senior executive officers to take unnecessary and excessive risks that threaten the value” of the Company. The Compensation Committee believes that the existing arrangements incentivize the senior executive officers to achieve profitability and share value over the long-term, which the committee believes mitigates the risk that senior executive officers may have incentives to take “unnecessary” or “excessive” risks to that would threaten the long-term value of the Company.

The Company’s Compensation Committee intends to meet at least once annually with the Company’s senior risk officers to discuss and review the relationship between the Company’s risk management policies and practices and the senior executive officer incentive compensation arrangements, and will certify in the Compensation Discussion and Analysis section of the Company’s annual proxy statement that it has completed the foregoing reviews.

The Company notes that the executive compensation requirements of Section 111(b) of EESA were amended by the 2009 Stimulus Bill, which amended requirements are to be implemented by regulations to be promulgated by the Department of the Treasury. The Company is analyzing the effect of the amendments and intends to revise its plans for addressing the executive compensation requirements in order to comply with such requirements in accordance with Department of Treasury guidelines.

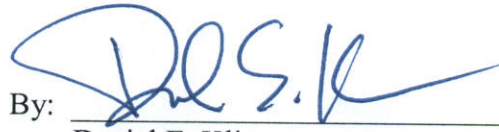
\* \* \* \* \*

The Company acknowledges your comments on page 2 of the Request Letter and has segregated and preserved all Company documents referencing the Company’s use or anticipated use of TARP funds.

Should you require any further information from the Company or if you have any questions concerning any of the matters addressed in this letter, please do not hesitate to contact the undersigned.

Subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001, the undersigned hereby certifies as of the date hereof that all statements, representations and supporting information provided in this submission by the Company in response to the Request Letter are accurate.

LNB BANCORP, INC.



By: \_\_\_\_\_

Daniel E. Klimas

President and Chief Executive Officer





# LNB Has Money to Lend!

And great offers too...

## Home Loans



Save \$200 on closing costs

- Purchase
- Refinance

Call

**Doug Rogers**  
440-930-5437

**Pete DiDonato**  
440-244-6000

**Amy Thompson**  
440-934-8746

## Equity Loans

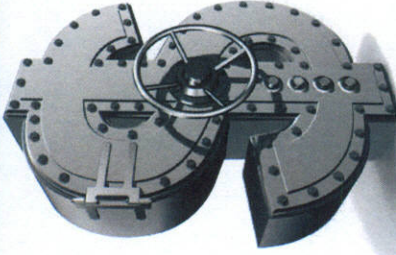


Take 1/2% Off  
Equity Loan Rates

- Terms 5 years – 20 years available
- Plus interest may be tax deductible
- Lock in a fixed rate

Call your local LNB office  
or 440-244-6000 to apply.

## Strength & Stability



- Strong capital position
- Your community bank since 1905



**LORAIN  
NATIONAL  
BANK** Member FDIC



Loans subject to credit application & approval. Equity Loan discount includes 1/4% rate reduction for automatic deduction of payment from a LNB checking. Maximum loan-to-value ratio of 85%. Property, title and/or flood insurance, if applicable, is required. Consult your tax advisor regarding the deductibility of interest. Offers subject to change without notice.

NewsPAPER  
AD

# LNB Has Money to Lend!

## Business Loans



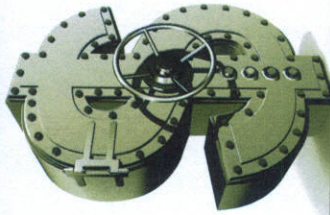
- Commercial Real Estate Loans
- Working Capital Loans
- SBA Loans

## Experienced Bankers



Dave Harnett, Director of  
Commercial Banking  
Adrian Pasquale: 216-520-2171  
Paul Carte: 440-934-8742  
Lisa Shutack: 440-934-8741

## Strength & Stability



- Strong capital position
- Your community bank since 1905

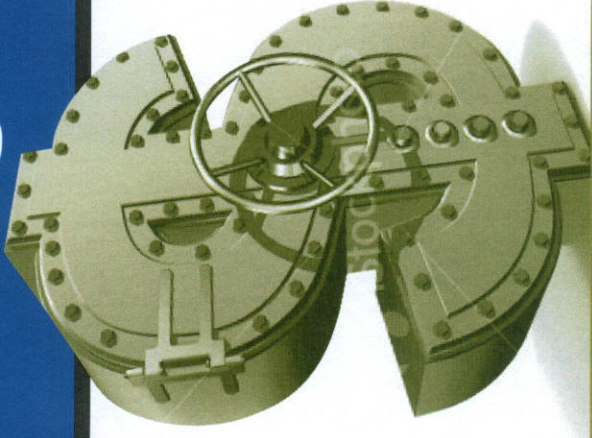


**LORAIN  
NATIONAL  
BANK** Member FDIC



Loans subject to credit approval.

**Strength & Stability Since 1905**



**LNB has money to lend!**

**Equity Loans  
New Lower Rates  
Call 244-6000**



**LORAIN  
NATIONAL  
BANK** Member FDIC



Subject to credit approval

*OUTDOOR BILLBOARD*

**Lorain National Bank**

:30 Second Radio Commercial

Jan 26, 2009

LNB-3003 – “Equity Loans”

THIS IS DAN KLIMAS, PRESIDENT OF LORAIN NATIONAL BANK,  
YOUR COMMUNITY BANK. I WANTED TO LET YOU KNOW THAT  
WE HAVE MONEY TO LEND. A HOME EQUITY LOAN IS  
PERFECT FOR HOME IMPROVEMENTS AND COLLEGE TUITION,  
AND FOR A LIMITED TIME, WE’LL EVEN TAKE AN  
EXTRA HALF PERCENT OFF OUR CURRENT LOAN RATE.  
TERMS FROM 5 TO 20 YEARS ARE AVAILABLE. SO CALL  
440-244-6000 OR STOP BY ANY LORAIN NATIONAL BANK.  
WE CAN HELP. MEMBER FDIC AND AN EQUAL HOUSING  
LENDER PROVIDING STRENGTH AND SECURITY SINCE 1905.



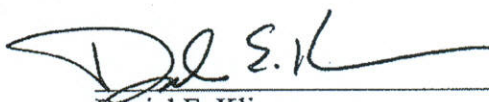
## WAIVER

In consideration for the benefits I will receive as a result of my employer's participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against the United States or my employer for any changes to my compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

I acknowledge that this regulation may require modification of the compensation, bonus, incentive and other benefit plans, arrangements, policies and agreements (including so-called "golden parachute" agreements) that I have with my employer or in which I participate as they relate to the period the United States holds any equity or debt securities of my employer acquired through the TARP Capital Purchase Program.

This waiver includes all claims I may have under the laws of the United States or any state related to the requirements imposed by the aforementioned regulation, including without limitation a claim for any compensation or other payments I would otherwise receive, any challenge to the process by which this regulation was adopted and any tort or constitutional claim about the effect of these regulations on my employment relationship.

Dated: December 12, 2008

A handwritten signature in black ink, appearing to read "D.E. Klimas", written over a horizontal line.

Daniel E. Klimas

## WAIVER

In consideration for the benefits I will receive as a result of my employer's participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against the United States or my employer for any changes to my compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

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Dated: December 12, 2008

  
Sharon L. Churchill

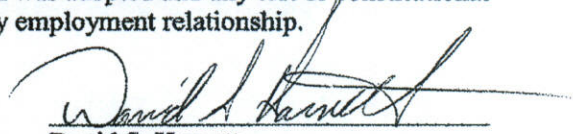
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Dated: December 12, 2008



David S. Harnett



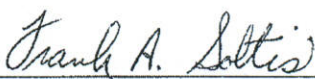
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Dated: December 12, 2008

  
\_\_\_\_\_  
Frank A. Soltis


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Dated: December 12, 2008

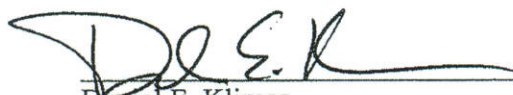
  
Mary E. Miles

LNB BANCORP, INC.

**CAPITAL PURCHASE PROGRAM SENIOR EXECUTIVE OFFICER CONSENT**


The undersigned hereby do consent to the adoption of the amendments to the LNB Bancorp, Inc. 2006 Stock Incentive Plan, the LNB Bancorp, Inc. Stock Appreciation Rights Plan and the LNB Bancorp, Inc. 2008 Management Incentive Plan for Key Employees as described in Exhibit A attached hereto, as and to the extent required by the provisions of Section 111 of the Emergency Economic Stabilization Act of 2008 ("EESA") applicable to participants in the Capital Purchase Program under EESA and the regulations issued by the Department of the Treasury thereunder.

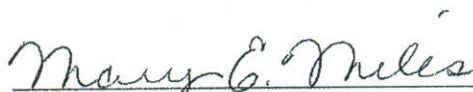
Agreed to and acknowledged  
as of the 12th day of December, 2008:

  
\_\_\_\_\_  
Daniel E. Klimas  
President and Chief Executive Officer

  
\_\_\_\_\_  
Sharon L. Churchill  
Chief Financial Officer

\_\_\_\_\_  
David S. Harnett  
Senior Vice President and Chief Credit Officer

  
\_\_\_\_\_  
Frank A. Soltis  
Senior Vice President — Information Technology  
and Operations

  
\_\_\_\_\_  
Mary E. Miles  
Senior Vice President — Human Resources

**LNB BANCORP, INC.**

**CAPITAL PURCHASE PROGRAM SENIOR EXECUTIVE OFFICER CONSENT**

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Agreed to and acknowledged  
as of the 12th day of December, 2008:

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Daniel E. Klimas  
President and Chief Executive Officer

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Sharon L. Churchill  
Chief Financial Officer



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David S. Harnett  
Senior Vice President and Chief Credit Officer

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Frank A. Soltis  
Senior Vice President — Information Technology  
and Operations

---

Mary E. Miles  
Senior Vice President — Human Resources

Effective as of December 12, 2008, The LNB Bancorp, Inc. 2006 Stock Incentive Plan was amended to add the following new Article 18 to the plan:

ARTICLE 18

Clawback of Plan Payments

Notwithstanding any provision in the Plan to the contrary, in the event that a grant or grants, or payment or payments, are made to "senior executive officer(s)" (as that term is defined in accordance with Section 111(b)(3) of the Emergency Economic Stabilization Act of 2008 ("EESA")) and it is later determined that the grant or grants, or payment or payments, were based on materially inaccurate financial statements or on any other materially inaccurate performance metric criteria, then in such event, to the extent necessary to comply with Section 111(b)(2)(B) of EESA, shall the full amount of any and all payment(s) that have been made to such senior executive officer(s) become immediately due and owing to the Company, and the senior executive officer(s) who received such grant(s) or payment(s) shall forfeit or repay, as applicable, the full amount of such grant(s) or payment(s) to the Company, in accordance with and in a manner that complies with the requirements of Section 111(b)(2)(B) of EESA.

Effective as of December 12, 2008, The LNB Bancorp, Inc. Stock Appreciation Rights Plan was amended to add the following new Article 13 to the plan:

ARTICLE 13

Clawback of Plan Payments

Notwithstanding any provision in the Plan to the contrary, in the event that a grant or grants, or payment or payments, are made to "senior executive officer(s)" (as that term is defined in accordance with Section 111(b)(3) of the Emergency Economic Stabilization Act of 2008 ("EESA")) and it is later determined that the grant or grants, or payment or payments, were based on materially inaccurate financial statements or on any other materially inaccurate performance metric criteria, then in such event, to the extent necessary to comply with Section 111(b)(2)(B) of EESA, shall the full amount of any and all payment(s) that have been made to such senior executive officer(s) become immediately due and owing to the Company, and the senior executive officer(s) who received such grant(s) or payment(s) shall forfeit or repay, as applicable, the full amount of such grant(s) or payment(s) to the Company, in accordance with and in a manner that complies with the requirements of Section 111(b)(2)(B) of EESA.

Effective as of December 12, 2008, The LNB Bancorp, Inc. 2008 Management Incentive Plan for Key Employees was amended to add the following new Section VIII to the plan:

**Section VIII. CLAWBACK OF PLAN PAYMENTS**

Notwithstanding any provision in the Plan to the contrary, in the event that a payment or payments are made to "senior executive officer(s)" (as that term is defined in accordance with Section 111(b)(3) of the Emergency Economic Stabilization Act of 2008 ("EESA")) and it is later determined that the payment or payments were based on materially inaccurate financial statements or on any other materially inaccurate performance metric criteria, then in such event, to the extent necessary to comply with Section 111(b)(2)(B) of EESA, shall the full amount of any and all payment(s) that have been made to such senior executive officer(s) become immediately due and owing to Employer, and the senior executive officer(s) who received such grant(s) or payment(s) shall forfeit or repay, as applicable, the full amount of such grant(s) or payment(s) to Employer, in accordance with and in a manner that complies with the requirements of Section 111(b)(2)(B) of EESA.



**LNB Bancorp, Inc.**

**2008 Management Incentive Plan  
For Key Executives**

(Restated as of December 12, 2008)

**Section I. PURPOSE**

The LNB Bancorp, Inc. 2008 Management Incentive Plan for Key Executives is designed to reward Key Executives with incentive compensation payments for achieving profitability goals and subjective goals.

**Section II. DEFINITIONS**

The following terms, as used in this Plan, shall mean:

- A. **Committee**. The Compensation Committee of the Board of Directors of LNB Bancorp, Inc., or such other committee as such Board may designate.
- B. **Employer** or **Lorain National Bank**. LNB Bancorp, Inc., its subsidiaries and affiliates.
- C. **Plan year**. January 1, 2008 through December 31, 2008.
- D. **Employee/Key Executive**. The participants selected to participate in this Plan as described in Section III below.
- E. **Plan**. The LNB Bancorp, Inc. 2008 Management Incentive Plan for Key Executives.
- F. **Incentive Payment**. Cash payment earned by Employee on the Incentive Payment Date, as determined in accordance with Section IV and the other terms of this Plan.
- G. **Incentive Payment Date**. The date on which an Incentive Payment to Employee is paid, which shall be as soon as reasonably practicable after such payment is calculated and authorized by the Committee but not later than two and one-half months following the end of the Plan year.
- H. **Profitability**. Profitability is defined as net income after tax of LNB Bancorp, Inc. and its consolidated subsidiaries for the Plan year, as determined by the Committee. The Committee has the discretion to adjust for any unforeseen occurrences which may affect the profitability number.
- I. **Profitability Goal**. An amount of Profitability established as a goal by the Committee in its discretion and solely for purposes of this Plan, based on the Employer's annual budget as determined by its Audit and Finance Committee. This goal will be communicated to each Key Executive when the Key Executive is selected to participate in this Plan.



### **Section III. ELIGIBILITY**

Employees of Lorain National Bank, other than the CEO, are eligible to participate in this Plan. Based upon CEO recommendations, the Committee has the authority, in its discretion, to designate the Employees who will participate in this Plan during the Plan year.

### **Section IV. AMOUNT OF INCENTIVE PAYMENT**

Subject to the other terms of this Plan, the amount of the Incentive Payment earned by an Employee under this Plan will be determined, based on Employer's actual Profitability achievement for the Plan year relative to the percentage of the Profitability Goal, a percentage of Employee's base salary, and on other terms as determined, interpreted and established in the sole discretion of the Committee.

### **Section V. OTHER INCENTIVE PAYMENT TERMS**

#### **A. Payments and Deductions/Withholding Taxes.**

Employer will pay an Employee the Incentive Payment on the Incentive Payment Date provided the Employee is an active employee of Employer on that date. The amount of the Incentive Payment, if any, shall be calculated as provided in Section IV of this Plan. Deductions may also be made at the discretion of Employer and in accordance with applicable law for any amounts the employee owes to Employer.

Employer may withhold from any amounts payable under or in connection with this Plan all federal, state, local and other taxes as may be required to be withheld by Employer under applicable law or governmental regulation or ruling.

#### **B. Incentive Payment Calculation.**

The Committee will have the sole authority and discretion to evaluate all aspects of the Employer's incentive compensation awards and to determine performance and the total pool money available to all Employees in the aggregate. Generally, subject in all cases to terms as determined, interpreted and established in the sole discretion of the Committee, the total pool of money available to all Employees will be based upon whether the Employer achieves actual Profitability for the Plan year that falls within a range of specified minimum, target and maximum percentages of the Profitability Goal, and will be zero if the Employer does not achieve actual Profitability for the Plan year that is equal to at least the specified minimum percentage of the Profitability Goal. The CEO will determine the distribution to the Key Executives, subject to Committee approval in its sole discretion.

The Committee retains the right and authority (in addition to any other rights or remedies of Employer) not to pay all or any part of an Incentive Payment to any Employee based on operational wrongdoing or misconduct of the Employee, as determined by the Committee in its sole discretion. The Employer must document all such exceptions to this Plan, including but not limited to, forfeiture of payments.

#### **D. Special Circumstances.**

1. Conflicts with Law. If any provision of this Plan violates local, state or federal law, the applicable law shall control.
2. Voluntary or Involuntary Termination. If Employee's employment is voluntarily or involuntarily terminated before the Incentive Payment Date, Employee is not entitled to receive and will forfeit the Incentive Payment. Employee must be employed on the Incentive Payment Date to be entitled to the Incentive Payment.
3. Transfer. If an Employee transfers to another position within Employer that does not participate under this Plan before the Incentive Payment Date, the Employee is not entitled to receive and will forfeit the Incentive Payment. A payment of a pro-rated amount of the Incentive Payment may be awarded in the Committee's sole discretion.
4. Leave of Absence. Incentive Payments will be pro-rated based on months of active employment as determined by the Committee in its sole discretion. An Employee on a leave of absence must be employed on the Incentive Payment Date to receive an Incentive Payment.
5. Death. In the event of the Employee's death before the Incentive Payment Date, the Employee's estate is not entitled to receive and will forfeit the Incentive Payment. A payment of a pro-rated or full amount of the Incentive Payment may be awarded in the Committee's sole discretion.

#### **Section VI. NON-SOLICITATION AND CONFIDENTIALITY**

##### **A. Non-Solicitation.**

In consideration of Employee's participation in this Plan, Employee agrees that during the term of Employee's employment and for one year after Employee's voluntary termination of employment or termination of employment for cause, Employee will not, directly or indirectly: (1) influence or advise any other person to employ or solicit for employment anyone who is employed by Employer on the date of Employee's separation; (2) influence or advise any person who is or shall be in the service of Employer to leave the service of Employer; (3) use any of the information or business secrets used by Employer, except in accordance with Employer's policies in the regular course of Employee's duties for Employer; (4) disclose the proprietary methods of conducting the business of Employer, except in accordance with Employer's policies in the regular course of Employee's duties for Employer; (5) make any statement or take any actions that may interfere with Employer's customers, except in accordance with Employer's policies in the regular course of Employee's duties for Employer; or (6) attempt to divert any of the business of Employer or any business which Employer has a reasonable expectation of obtaining by soliciting, contacting, or communicating with any customers and/or potential customers which have been derived from leads or lists developed and delivered to Employee by Employer.

## **B. Confidentiality.**

In consideration of Employee's participation in this Plan, Employee agrees that during and following termination of employment with Employer, Employee will hold in strictest confidence and will not disclose to anyone, except in accordance with Employer's policies in the regular course of Employee's duties for Employer, any information concerning:

1. The business or affairs of, or nonpublic information concerning, a current, past or prospective customer of Lorain National Bank.
2. The development of any product, device, method or invention of Lorain National Bank.
3. Any information concerning Lorain National Bank or its operations not readily available to the public, unless expressly authorized by the President or any Vice President of Lorain National Bank.

Employee further agrees that all rights, title and interest to any product, device, invention, or enhancement to a product or service, developed during his or her employment with Employer and using Employer resources or know-how, shall belong exclusively to Lorain National Bank. Employee agrees to execute any documents necessary to reflect Lorain National Bank's exclusive ownership in such items.

Upon termination of employment with Employer, Employee will deliver to Lorain National Bank all documents, notes, materials and all copies thereof, relating to the operations or the business of Lorain National Bank and its customers.

## **B. Related Provisions**

1. Prior Agreements. This Section VI does not supercede any prior agreements or understandings between Employer and Employee to the extent that such prior agreement or understanding is more favorable with respect to Employer.

2. Equitable Relief. Employee acknowledges and agrees that the covenants contained in this Section VI are of a special nature and that any breach, violation or evasion by Employee of the terms of Section VI will result in immediate and irreparable injury and harm to Employer, for which there is no adequate remedy at law, and will cause damage to Employer in amounts difficult to ascertain. Accordingly, Employer shall be entitled to the remedy of injunction, as well as to all other legal or equitable remedies to which Employer may be entitled (including, without limitation, the right to seek monetary damages), for any breach, violation or evasion by Employee of the terms of Section VI.

## **Section VII. GENERAL PROVISIONS**

1. Administration. The Plan shall be administered by the Committee. The Committee has the sole and exclusive authority, subject to any limitations specifically set forth in this Plan, to: adopt, amend, alter and repeal this Plan at any time as it deems advisable in its sole discretion from time to time; construe, interpret, administer and implement the terms and provisions of this Plan; and otherwise supervise the administration of this Plan. Notwithstanding the foregoing, all decisions

made by the Committee pursuant to the provisions of this Plan are final and binding on all persons, including Employee, but may be made by their terms subject to ratification or approval by the Board of Directors of LNB Bancorp, Inc. or another committee of the Board of Directors.

2. No Implied Rights to Employment. Neither this Plan nor any Incentive Payment hereunder shall be construed as giving any individual any right to continued employment or any particular level of salary or benefits with Employer. This Plan does not constitute a contract of employment, and Employer expressly reserves the right at any time to terminate any Employee free from liability or any claim.

3. Other Compensation Plans. Nothing contained in this Plan prevents Employer from adopting or modifying other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

4. Successors; Amendments. All obligations of Employer with respect to Incentive Payments under this Plan are binding on any successor to Employer, whether as a result of a direct or indirect purchase, merger, consolidation or otherwise of all or substantially all of the business and/or assets of Employer. Employee may not assign any rights or obligations under this Plan without the written consent of Employer. Subject to the Committee's rights under Section VII.1. above, none of the terms of Section VI may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, and is signed by Employee and by an authorized officer of Employer.

5. Validity. The invalidity or unenforceability of any provision or provisions of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect. In the event that any provision of Section VI is found by a court of competent jurisdiction to be invalid or unenforceable as against public policy, such court shall exercise its discretion in reforming such provision to the end that Employee shall be subject to such restrictions and obligations as are reasonable under the circumstances and enforceable by Employer.

6. Governing Law; Interpretation. This Plan shall be construed in accordance with and governed by the laws of the State of Ohio, without giving effect to the conflict of law principles of such State. This Plan is not intended to be governed by the Employee Retirement Income Security Act and shall be so construed and administered. The headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Plan.

7. Entire Agreement. This Plan embodies the entire agreement and understanding between Employer and Employee with respect to the subject matter hereof, and supercedes all prior agreements and understandings relating hereto, except as expressly stated herein.

## **Section VIII. CLAWBACK OF PLAN PAYMENTS**

Notwithstanding any provision in the Plan to the contrary, in the event that a payment or payments are made to "senior executive officer(s)" (as that term is defined in accordance with Section 111(b)(3) of the Emergency Economic Stabilization Act of 2008 ("EESA")) and it is later determined that the payment or payments were based on materially inaccurate financial statements or on any other materially inaccurate performance metric criteria, then in such event,

to the extent necessary to comply with Section 111(b)(2)(B) of EESA, shall the full amount of any and all payment(s) that have been made to such senior executive officer(s) become immediately due and owing to Employer, and the senior executive officer(s) who received such grant(s) or payment(s) shall forfeit or repay, as applicable, the full amount of such grant(s) or payment(s) to Employer, in accordance with and in a manner that complies with the requirements of Section 111(b)(2)(B) of EESA.

**Annex D**

**LNB BANCORP, INC.**  
**2006 STOCK INCENTIVE PLAN**

(Restated as of December 12, 2008)

ARTICLE 1

General Purpose of Plan; Definitions

1.1 *Name and Purposes.* The name of this Plan is the LNB Bancorp, Inc. 2006 Stock Incentive Plan. The purpose of this Plan is to enable LNB Bancorp, Inc. and its Affiliates to: (i) attract and retain skilled and qualified officers and key employees who are expected to contribute to the Company's success by providing long-term incentive compensation opportunities competitive with those made available by other companies; (ii) motivate participants to achieve the long-term success and growth of the Company; (iii) facilitate ownership of shares of the Company; and (iv) align the interests of the participants with those of the Company's shareholders.

1.2 *Certain Definitions.* Unless the context otherwise indicates, the following words used herein shall have the following meanings whenever used in this instrument:

(a) "Affiliate" means any corporation, partnership, joint venture or other entity, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Company, as determined by the Board of Directors in its discretion.

(b) "Award" means any grant under this Plan of a Stock Option, Stock Appreciation Right, Restricted Share, Restricted Share Unit or Performance Share to any Plan participant.

(c) "Board of Directors" mean the Board of Directors of the Company, as constituted from time to time.

(d) "Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations or guidance promulgated thereunder. Whenever reference is made to a specific Internal Revenue Code section, such reference shall be deemed to be a reference to any successor Internal Revenue Code section or sections with the same or similar purpose.

(e) "Committee" means the committee administering this Plan as provided in Section 2.1.

(f) "Common Shares" mean the common shares, \$1.00 par value per share, of the Company.

(g) "Company" means LNB Bancorp, Inc., a corporation organized under the laws of the State of Ohio and, except for purposes of determining whether a Change in Control has occurred, any corporation or entity that is a successor to LNB Bancorp, Inc. or substantially all of the

assets of LNB Bancorp, Inc. and that assumes the obligations of LNB Bancorp, Inc. under this Plan by operation of law or otherwise.

(h) “Date of Grant” means the date on which the Committee grants an Award.

(i) “Director” means a member of the Board of Directors.

(j) “Eligible Employee” is defined in Article 4.

(k) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and any lawful regulations or guidance promulgated thereunder.

(l) “Exercise Price” means the purchase price of a Share pursuant to a Stock Option, or the exercise price per Share related to a Stock Appreciation Right.

(m) “Fair Market Value” means the closing price of a Share as reported on The Nasdaq Stock Market, or, if applicable, on any national securities exchange or automated quotation system on which the Common Shares are principally traded, on the date for which the determination of Fair Market Value is made, or, if there are no sales of Common Shares on such date, then on the most recent immediately preceding date on which there were any sales of Common Shares. If the Common Shares are not, or cease to be, traded on The Nasdaq Stock Market or any national securities exchange or automated quotation system, the “Fair Market Value” of Common Shares shall be determined pursuant to a reasonable valuation method prescribed by the Committee. Notwithstanding the foregoing, as of any date, the “Fair Market Value” of Common Shares shall be determined in a manner consistent with Code Section 409A and the guidance then-existing thereunder. In addition, “Fair Market Value” with respect to ISOs and related SARs shall be determined in accordance with Section 6.2(f).

(n) “Incentive Stock Option” and “ISO” mean a Stock Option that is identified as such and which meets the requirements of Section 422 of the Code.

(o) “Non-Qualified Stock Option” and “NQSO” mean a Stock Option that: (i) is governed by Section 83 of the Code; and (ii) does not meet the requirements of Section 422 of the Code.

(p) “Outside Director” means a Director who meets the definitions of the terms “outside director” set forth in Section 162(m) of the Code, “independent director” set forth in The Nasdaq Stock Market, Inc. rules, and “non-employee director” set forth in Rule 16b-3, or any successor definitions adopted by the Internal Revenue Service, The Nasdaq Stock Market, Inc. and Securities and Exchange Commission, respectively, and similar requirements under any other applicable laws and regulations.

(q) “Parent” means any corporation which qualifies as a “parent corporation” of the Company under Section 424(e) of the Code.

(r) “Performance Shares” is defined in Article 9.

(s) “Performance Period” is defined in Section 9.2.



(t) “Plan” means this LNB Bancorp, Inc. 2006 Stock Incentive Plan, as amended from time to time.

(u) “Restricted Share Units” is defined in Article 8.

(v) “Restricted Shares” is defined in Article 8.

(w) “Rule 16b-3” is defined in Article 16.

(x) “Section 162(m) Person” means, for any taxable year, a person who is a “covered employee” within the meaning of Section 162(m)(3) of the Code.

(y) “Share” or “Shares” mean one or more of the Common Shares.

(z) “Shareholder” means an individual or entity that owns one or more Shares.

(aa) “Stock Appreciation Rights” and “SARs” mean any right to receive the appreciation in Fair Market Value of a specified number of Shares over a specified Exercise Price pursuant to an Award granted under Article 7.

(bb) “Stock Option” means any right to purchase a specified number of Shares at a specified price which is granted pursuant to Article 5 and may be an Incentive Stock Option or a Non-Qualified Stock Option.

(cc) “Stock Power” means a power of attorney executed by a participant and delivered to the Company which authorizes the Company to transfer ownership of Restricted Shares, Performance Shares or Common Shares from the participant to the Company or a third party.

(dd) “Subsidiary” means any corporation which qualifies as a “subsidiary corporation” of the Company under Section 424(f) of the Code.

(ee) “Vested” means, with respect to a Stock Option, that the time has been reached when the option to purchase Shares first becomes exercisable; and with respect to a Stock Appreciation Right, when the Stock Appreciation Right first becomes exercisable for payment; with respect to Restricted Shares, when the Shares are no longer subject to forfeiture and restrictions on transferability; with respect to Restricted Share Units and Performance Shares, when the units or Shares are no longer subject to forfeiture and are convertible to Shares. The words “Vest” and “Vesting” have meanings correlative to the foregoing.

## ARTICLE 2

### Administration

#### *2.1 Authority and Duties of the Committee.*

(a) The Plan shall be administered by a Committee of at least three Directors who are appointed by the Board of Directors. Unless otherwise determined by the Board of Directors, the

Compensation Committee of the Board of Directors (or any subcommittee thereof) shall serve as the Committee, and all of the members of the Committee shall be Outside Directors. Notwithstanding the requirement that the Committee consist exclusively of Outside Directors, no action or determination by the Committee or an individual then considered to be an Outside Director shall be deemed void because a member of the Committee or such individual fails to satisfy the requirements for being an Outside Director, except to the extent required by applicable law.

(b) The Committee has the power and authority to grant Awards pursuant to the terms of this Plan to Eligible Employees.

(c) The Committee has the sole and exclusive authority, subject to any limitations specifically set forth in this Plan, to:

- (i) select the Eligible Employees to whom Awards are granted;
- (ii) determine the types of Awards granted and the timing of such Awards;
- (iii) determine the number of Shares to be covered by each Award granted hereunder;
- (iv) determine whether an Award is, or is intended to be, “performance-based compensation” within the meaning of Section 162(m) of the Code;
- (v) determine the other terms and conditions, not inconsistent with the terms of this Plan, of any Award granted hereunder; such terms and conditions include, but are not limited to, the Exercise Price, the time or times when Options or Stock Appreciation Rights may be exercised (which may be based on performance objectives), any Vesting, acceleration or waiver of forfeiture restrictions, any performance criteria (including any performance criteria as described in Section 162(m)(4)(C) of the Code) applicable to an Award, and any restriction or limitation regarding any Option or Stock Appreciation Right or the Common Shares relating thereto, based in each case on such factors as the Committee, in its sole discretion, shall determine;
- (vi) determine whether any conditions or objectives related to Awards have been met, including any such determination required for compliance with Section 162(m) of the Code;
- (vii) subsequently modify or waive any terms and conditions of Awards, not inconsistent with the terms of this Plan;
- (viii) adopt, alter and repeal such administrative rules, guidelines and practices governing this Plan as it deems advisable from time to time;
- (ix) promulgate such administrative forms as it from time to time deems necessary or appropriate for administration of the Plan;
- (x) construe, interpret, administer and implement the terms and provisions of this Plan,

any Award and any related agreements;

- (xi) correct any defect, supply any omission and reconcile any inconsistency in or between the Plan, any Award and any related agreements;
- (xii) prescribe any legends to be affixed to certificates representing Shares or other interests granted or issued under the Plan; and
- (xiii) otherwise supervise the administration of this Plan.

(d) All decisions made by the Committee pursuant to the provisions of this Plan are final and binding on all persons, including the Company, its shareholders and participants, but may be made by their terms subject to ratification or approval by, the Board of Directors, another committee of the Board of Directors or shareholders.

(e) The Company shall furnish the Committee with such clerical and other assistance as is necessary for the performance of the Committee's duties under the Plan.

*2.2 Delegation of Duties.* The Committee may delegate ministerial duties to any other person or persons, and it may employ attorneys, consultants, accountants or other professional advisers for purposes of plan administration at the expense of the Company.

*2.3 Limitation of Liability.* Members of the Board of Directors, members of the Committee and Company employees who are their designees acting under this Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur no liability except for gross or willful misconduct in the performance of their duties hereunder.

## ARTICLE 3

### Stock Subject to Plan

*3.1 Total Shares Limitation.* Subject to the provisions of this Article, the maximum number of Shares that may be issued or transferred (a) upon the exercise of Stock Options or Stock Appreciation Rights, (b) as Restricted Shares and released from a substantial risk of forfeiture thereof, (c) in payment of Restricted Share Units, (d) in payment of Performance Shares that have been earned, or (e) in payment of any other Award granted under this Plan, shall not exceed in the aggregate 600,000 Common Shares, which may be treasury or authorized but unissued Shares.

#### *3.2 Other Limitations.*

(a) *Stock Option Limitations.* The maximum number of Shares that may be issued with respect to all Stock Options (whether Incentive Stock Options or Non-Qualified Stock Options) granted in the aggregate under this Plan is 400,000 Shares.

(b) *Restricted Share, Restricted Share Unit and Performance Share Limitations.* The maximum number of Shares that may be issued (i) as Restricted Shares and released from a

substantial risk of forfeiture thereof and (ii) in payment of Restricted Share Units or Performance Shares that have been earned under this Plan, shall not exceed in the aggregate 200,000 Shares.

(c) *Participant Limitation.* The aggregate number of Shares underlying Awards granted under this Plan to any participant in any fiscal year (including but not limited to Awards of Stock Options and SARs), regardless of whether such Awards are thereafter canceled, forfeited or terminated, shall not exceed 60,000 Shares. The foregoing annual limitation is intended to include the grant of all Awards, including but not limited to, Awards representing “performance-based compensation” as described in Section 162(m)(4)(C) of the Code.

3.3 *Awards Not Exercised; Effect of Receipt of Shares.* If any outstanding Award, or portion thereof, expires, or is terminated, canceled or forfeited, the Shares that would otherwise be issuable or released from restrictions with respect to the unexercised or non-Vested portion of such expired, terminated, canceled or forfeited Award shall be available for subsequent Awards under this Plan. If the Exercise Price of an Award is paid in Shares, the Shares received by the Company in connection therewith shall not be added to the maximum aggregate number of Shares which may be issued under Section 3.1.

3.4 *Dilution and Other Adjustments.* In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, redesignation, reclassification, merger, consolidation, liquidation, split-up, reverse split, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan, then the Committee may, in such manner as it deems equitable, adjust any or all of (i) the number and type of Shares (or other securities or other property) which thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or other property) subject to outstanding Awards, (iii) the limitations set forth above and (iv) the purchase or exercise price or any performance objective with respect to any Award; provided, however, that the number of Shares or other securities covered by any Award or to which such Award relates is always a whole number. Notwithstanding the foregoing, the foregoing adjustments shall be made in compliance with: (i) Sections 422 and 424 of the Code with respect to ISOs; (ii) Treasury Department Regulation Section 1.424-1 (and any successor) with respect to NQSOs, applied as if the NQSOs were ISOs; (iii) Section 409A of the Code, to the extent necessary to avoid its application or avoid adverse tax consequences thereunder; and (iv) Section 162(m) of the Code with respect to Awards granted to Section 162(m) Persons that are intended to be “performance-based compensation,” unless specifically determined otherwise by the Committee.

## ARTICLE 4

### Participants

4.1 *Eligibility.* Officers and all other key employees of the Company or any of its Affiliates (each an “Eligible Employee”) who are selected by the Committee in its sole discretion are eligible to participate in this Plan.

4.2 *Plan Agreements.* Awards are contingent upon the participant’s execution of a written agreement in a form prescribed by the Committee. Execution of a plan agreement shall constitute the participant’s irrevocable agreement to, and acceptance of, the terms and conditions of the Award set forth in such agreement and of the terms and conditions of the Plan applicable to such Award. Plan agreements may differ from time to time and from participant to participant.

## ARTICLE 5

### Stock Option Awards

5.1 *Option Grant.* Each Stock Option granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by a written agreement dated as of the Date of Grant and executed by the Company and by the appropriate participant.

5.2 *Terms and Conditions of Grants.* Stock Options granted under this Plan are subject to the following terms and conditions and may contain such additional terms, conditions, restrictions and contingencies with respect to exercisability and/or with respect to the Shares acquired upon exercise as may be provided in the relevant agreement evidencing the Stock Options, so long as such terms and conditions are not inconsistent with the terms of this Plan, as the Committee deems desirable:

(a) *Exercise Price.* Subject to Section 3.4, the Exercise Price will never be less than 100% of the Fair Market Value of the Shares on the Date of Grant. If a variable Exercise Price is specified at the time of grant, the Exercise Price may vary pursuant to a formula or other method established by the Committee; *provided, however,* that such formula or method will provide for a minimum Exercise Price equal to the Fair Market Value of the Shares on the Date of Grant. Except as otherwise provided in Section 3.4, no subsequent amendment of an outstanding Stock Option may reduce the Exercise Price to less than 100% of the Fair Market Value of the Shares on the Date of Grant. Nothing in this Section 5.2(a) shall be construed as limiting the Committee’s authority to grant premium price Stock Options which do not become exercisable until the Fair Market Value of the underlying Shares exceeds a specified percentage (*e.g.*, 110%) of the Exercise Price; *provided, however,* that such percentage will never be less than 100%.

(b) *Option Term.* Any unexercised portion of a Stock Option granted hereunder shall expire at the end of the stated term of the Stock Option. The Committee shall determine the term of each Stock Option at the time of grant, which term shall not exceed 10 years from the Date of Grant. The Committee may extend the term of a Stock Option, in its discretion, but not beyond the date immediately prior to the tenth anniversary of the original Date of Grant. If a definite

term is not specified by the Committee at the time of grant, then the term is deemed to be 10 years. Nothing in this Section 5.2(b) shall be construed as limiting the Committee's authority to grant Stock Options with a term shorter than 10 years.

(c) *Vesting.* Stock Options, or portions thereof, are exercisable at such time or times as determined by the Committee in its discretion at or after grant. The Committee may provide that a vesting schedule shall be specified in a plan agreement. If the Committee provides that any Stock Option becomes Vested over a period of time, in full or in installments, the Committee may waive or accelerate such Vesting provisions at any time.

(d) *Method of Exercise.* Vested portions of any Stock Option may be exercised in whole or in part at any time during the option term by giving written notice of exercise to the Company specifying the number of Shares to be purchased. The notice must be given by or on behalf of a person entitled to exercise the Stock Option, accompanied by payment in full of the Exercise Price, along with any tax withholding pursuant to Article 15. Subject to the approval of the Committee, the Exercise Price may be paid:

- (i) in cash in any manner satisfactory to the Committee;
- (ii) by tendering (by either actual delivery of Shares or by attestation) unrestricted Shares that are owned on the date of exercise by the person entitled to exercise the Stock Option having an aggregate Fair Market Value on the date of exercise equal to the Exercise Price applicable to such Stock Option exercise, and, with respect to the exercise of NQSOs, including restricted Shares;
- (iii) by a combination of cash and unrestricted Shares that are owned on the date of exercise by the person entitled to exercise the Stock Option; and
- (iv) by another method permitted by law and affirmatively approved by the Committee which assures full and immediate payment or satisfaction of the Exercise Price.

The Committee may withhold its approval for any method of payment for any reason, in its sole discretion, including but not limited to concerns that the proposed method of payment will result in adverse financial accounting treatment, adverse tax treatment for the Company or a participant or a violation of the Sarbanes-Oxley Act of 2002, as amended from time to time, and related regulations and guidance.

If the Exercise Price of an NQSO is paid by tendering Restricted Shares, then the Shares received upon the exercise will contain identical restrictions as the Restricted Shares so tendered.

(e) *Limitation on Gain.* Nothing in this Article 5 shall be construed as prohibiting the Committee from granting Stock Options subject to a limit on the gain that may be realized upon exercise of such Stock Options. Any such limit shall be explicitly provided for in the relevant plan agreement.

(f) *Form.* Unless the grant of a Stock Option is designated at the time of grant as an ISO, it is deemed to be an NQSO. ISOs are subject to the additional terms and conditions in Article 6.

(g) *Special Limitations on Stock Option Awards.* Unless an Award agreement approved by the Committee provides otherwise, Stock Options awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and all Stock Option Awards shall be construed and administered accordingly.

5.3 *Termination of Grants Prior to Expiration.* Subject to Article 6 with respect to ISOs, if the employment of an optionee with the Company or its Affiliates terminates for any reason, all unexercised Stock Options may be exercised only in accordance with rules established by the Committee or as specified in the relevant agreement evidencing the Stock Options. Such rules may provide, as the Committee deems appropriate, for the expiration, continuation, or acceleration of the vesting of all or part of the Stock Options.

## ARTICLE 6

### Special Rules Applicable to Incentive Stock Options

6.1 *Eligibility.* Notwithstanding any other provision of this Plan to the contrary, an ISO may only be granted to full or part-time employees (including officers) of the Company or of an Affiliate, provided that the Affiliate is a Parent or Subsidiary.

#### 6.2 *Special ISO Rules.*

(a) *Term.* No ISO may be exercisable on or after the tenth anniversary of the Date of Grant, and no ISO may be granted under this Plan on or after the tenth anniversary of the effective date of this Plan.

(b) *Ten Percent Shareholder.* No grantee may receive an ISO under this Plan if such grantee, at the time the Award is granted, owns (after application of the rules contained in Section 424(d) of the Code) equity securities possessing more than 10% of the total combined voting power of all classes of equity securities of the Company, its Parent or any Subsidiary, unless (i) the option price for such ISO is at least 110% of the Fair Market Value of the Shares as of the Date of Grant, and (ii) such ISO is not exercisable on or after the fifth anniversary of the Date of Grant.

(c) *Limitation on Grants.* The aggregate Fair Market Value (determined with respect to each ISO at the time of grant) of the Shares with respect to which ISOs are exercisable for the first time by a grantee during any calendar year (under this Plan or any other plan adopted by the Company or its Parent or its Subsidiary) shall not exceed \$100,000. If such aggregate Fair Market Value shall exceed \$100,000, such number of ISOs as shall have an aggregate Fair Market Value equal to the amount in excess of \$100,000 shall be treated as NQSOs.

(d) *Non-Transferability.* Notwithstanding any other provision herein to the contrary, no ISO granted hereunder (and, if applicable, related Stock Appreciation Right) may be transferred except by will or by the laws of descent and distribution, nor may such ISO (or related Stock Appreciation Right) be exercisable during a grantee's lifetime other than by him (or his guardian or legal representative to the extent permitted by applicable law).

(e) *Termination of Employment.* No ISO may be exercised more than three months following termination of employment for any reason (including retirement) other than death or disability, nor more than one year following termination of employment for the reason of death or disability (as defined in Section 422 of the Code), or such option will no longer qualify as an ISO and shall thereafter be, and receive the tax treatment applicable to, an NQSO. For this purpose, a termination of employment is cessation of employment such that no employment relationship exists between the participant and the Company, a Parent or a Subsidiary.

(f) *Fair Market Value.* For purposes of any ISO granted hereunder (or, if applicable, related Stock Appreciation Right), the Fair Market Value of Shares shall be determined in the manner required by Section 422 of the Code.

6.3 *Subject to Code Amendments.* The foregoing limitations are designed to comply with the requirements of Section 422 of the Code and shall be automatically amended or modified to comply with amendments or modifications to Section 422 of the Code. Any ISO which fails to comply with Section 422 of the Code is automatically treated as an NQSO appropriately granted under this Plan provided it otherwise meets the Plan's requirements for NQSOs.

## ARTICLE 7

### Stock Appreciation Rights

7.1 *SAR Grant and Agreement.* Stock Appreciation Rights may be granted under this Plan, either independently or in conjunction with the grant of a Stock Option. Each SAR granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written

consent without a meeting, of the Committee and by a written agreement dated as of the Date of Grant and executed by the Company and by the appropriate participant.

7.2 *SARs Granted in Conjunction with Option.* Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option granted under this Plan, either at the same time or after the grant of the Stock Option, and will be subject to the following terms and conditions:

(a) *Term.* Each Stock Appreciation Right, or applicable portion thereof, granted with respect to a given Stock Option or portion thereof terminates and is no longer exercisable upon the termination or exercise of the related Stock Option, or applicable portion thereof.

(b) *Exercisability.* A Stock Appreciation Right is exercisable only at such time or times and to the extent that the Stock Option to which it relates is Vested and exercisable in accordance with the provisions of Article 5 or otherwise as the Committee may determine at or after the time of grant.

(c) *Method of Exercise.* A Stock Appreciation Right may be exercised by the surrender of the applicable portion of the related Stock Option. Stock Options which have been so surrendered, in whole or in part, are no longer exercisable to the extent the related Stock Appreciation Rights have been exercised and are deemed to have been exercised for the purpose of the limitation set forth in Article 3 on the number of Shares to be issued under this Plan, but



only to the extent of the number of Shares actually issued under the Stock Appreciation Right at the time of exercise. Upon the exercise of a Stock Appreciation Right, subject to satisfaction of the tax withholding requirements pursuant to Article 15, the holder of the Stock Appreciation Right is entitled to receive Shares or cash (as determined in the Award agreement) equal in value to the excess of the Fair Market Value of a Share on the exercise date over the Exercise Price per Share specified in the related Stock Option, multiplied by the number of Shares in respect of which the Stock Appreciation Right is exercised. At any time the Exercise Price per Share of the related Stock Option exceeds the Fair Market Value of one Share, the holder of the Stock Appreciation Right shall not be permitted to exercise such right.

*7.3 Independent SARs.* Stock Appreciation Rights may be granted without related Stock Options, and independent Stock Appreciation Rights will be subject to the following terms and conditions:

(a) *Term.* Any unexercised portion of an independent Stock Appreciation Right granted hereunder shall expire at the end of the stated term of the Stock Appreciation Right. The Committee shall determine the term of each Stock Appreciation Right at the time of grant, which term shall not exceed ten years from the Date of Grant. The Committee may extend the term of a Stock Appreciation Right, in its discretion, but not beyond the date immediately prior to the tenth anniversary of the original Date of Grant. If a definite term is not specified by the Committee at the time of grant, then the term is deemed to be ten years.

(b) *Exercisability.* A Stock Appreciation Right is exercisable, in whole or in part, at such time or times as determined by the Committee at or after the time of grant.

(c) *Exercise Price.* Subject to Section 3.4, the Exercise Price of an independent Stock Appreciation Right will never be less than 100% of the Fair Market Value of the related Shares on the Date of Grant. If a variable Exercise Price is specified at the time of grant, the Exercise Price may vary pursuant to a formula or other method established by the Committee; *provided, however,* that such formula or method will provide for a minimum Exercise Price equal to the Fair Market Value of the Shares on the Date of Grant. Except as otherwise provided in Section 3.4, no subsequent amendment of an outstanding Stock Appreciation Right may reduce the Exercise Price to less than 100% of the Fair Market Value of the Shares on the Date of Grant. Nothing in this Section 7.3(c) shall be construed as limiting the Committee's authority to grant premium price Stock Appreciation Rights which do not become exercisable until the Fair Market Value of the related Shares exceeds a specified percentage (*e.g.*, 110%) of the Exercise Price; *provided, however,* that such percentage will never be less than 100%.

(d) *Method of Exercise.* A Stock Appreciation Right may be exercised in whole or in part during the term by giving written notice of exercise to the Company specifying the number of Shares in respect of which the Stock Appreciation Right is being exercised. The notice must be given by or on behalf of a person entitled to exercise the Stock Appreciation Right. Upon the exercise of a Stock Appreciation Right, subject to satisfaction of the tax withholding requirements pursuant to Article 15, the holder of the Stock Appreciation Right is entitled to receive Shares or cash (as determined in the Award agreement) equal in value to the excess of the Fair Market Value of a Share on the exercise date over the Exercise Price of the SAR multiplied by the number of Stock Appreciation Rights being exercised. At any time the Fair

Market Value of a Share on a proposed exercise date does not exceed the Exercise Price of the SAR, the holder of the Stock Appreciation Right shall not be permitted to exercise such right.

(e) *Early Termination Prior to Expiration.* If the employment of an optionee with the Company or its Affiliates terminates for any reason, all unexercised independent Stock Appreciation Rights may be exercised only in accordance with rules established by the Committee or as specified in the relevant agreement evidencing such Stock Appreciation Rights. Such rules may provide, as the Committee deems appropriate, for the expiration, continuation, or acceleration of the vesting of all or part of such Stock Appreciation Rights.

7.4 *Other Terms and Conditions of SAR Grants.* Stock Appreciation Rights are subject to such other terms and conditions, not inconsistent with the provisions of this Plan, as are determined from time to time by the Committee.

7.5 *Special Limitations on SAR Awards.* Unless an Award agreement approved by the Committee provides otherwise, Stock Appreciation Rights awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and all Stock Appreciation Rights Awards shall be construed and administered accordingly.

## ARTICLE 8

### Restricted Share and Restricted Share Unit Awards

8.1 *Restricted Share Grants and Agreements.* Restricted Share Awards consist of Shares which are issued by the Company to a participant at no cost or at a purchase price determined by the Committee which may be below their Fair Market Value but which are subject to forfeiture and restrictions on their sale or other transfer by the participant. Each Restricted Share Award granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by a written agreement dated as of the Date of Grant and executed by the Company and by the participant. The timing of Restricted Share Awards and the number of Shares to be issued (subject to Section 3.2) are to be determined by the Committee in its discretion. By accepting a grant of Restricted Shares, the participant consents to any tax withholding as provided in Article 15.

8.2 *Terms and Conditions of Restricted Share Grants.* Restricted Shares granted under this Plan are subject to the following terms and conditions, which, except as otherwise provided herein, need not be the same for each participant, and may contain such additional terms, conditions, restrictions and contingencies not inconsistent with the terms of this Plan and any operative employment or other agreement, as the Committee deems desirable:

(a) *Purchase Price.* The Committee shall determine the prices, if any, at which Restricted Shares are to be issued to a participant, which may vary from time to time and from participant to participant and which may be below the Fair Market Value of such Restricted Shares at the Date of Grant.

(b) *Restrictions.* All Restricted Shares issued under this Plan will be subject to such restrictions as the Committee may determine, which may include, without limitation, the following:

- (i) a prohibition against the sale, transfer, pledge or other encumbrance of the Restricted Shares, such prohibition to lapse at such time or times as the Committee determines (whether in installments or otherwise, but subject to the Change in Control provisions in Article 11);
- (ii) a requirement that the participant forfeit such Restricted Shares in the event of termination of the participant's employment with the Company or its Affiliates prior to Vesting;
- (iii) a prohibition against employment or retention of the participant by any competitor of the Company or its Affiliates, or against dissemination by the participant of any secret or confidential information belonging to the Company or an Affiliate;
- (iv) any applicable requirements arising under the Securities Act of 1933, as amended, other securities laws, the rules and regulations of The Nasdaq Stock Market or any other stock exchange or transaction reporting system upon which such Restricted Shares are then listed or quoted and any state laws, rules and regulations, including "blue sky" laws; and
- (v) such additional restrictions as are required to avoid adverse tax consequences under Code Section 409A.

The Committee may at any time waive such restrictions or accelerate the date or dates on which the restrictions will lapse. However, if the Committee determines that restrictions lapse upon the attainment of specified performance objectives, then the provisions of Sections 9.2 and 9.3 will apply. If the written agreement governing an Award to a Section 162(m) Person provides that such Award is intended to be "performance-based compensation," the provisions of Section 9.4(d) will also apply.

(c) *Delivery of Shares.* Restricted Shares will be registered in the name of the participant and deposited, together with a Stock Power, with the Company. Each such certificate will bear a legend in substantially the following form:

"The transferability of this certificate and the Common Shares represented by it are subject to the terms and conditions (including conditions of forfeiture) contained in the LNB Bancorp, Inc. 2006 Stock Incentive Plan and an agreement entered into between the registered owner and the Company. A copy of this Plan and agreement are on file in the office of the Secretary of the Company."

At the end of any time period during which the Restricted Shares are subject to forfeiture and restrictions on transfer, and after any tax withholding, such Shares will be delivered free of all restrictions (except for any pursuant to Article 14) to the participant or other appropriate person and with the foregoing legend removed.

(d) *Forfeiture of Shares.* If a participant who holds Restricted Shares fails to satisfy the restrictions, vesting requirements and other conditions relating to the Restricted Shares prior to the lapse, satisfaction or waiver of such restrictions and conditions, except as may otherwise be determined by the Committee, the participant shall forfeit the Shares and transfer them back to the Company in exchange for a refund of any consideration paid by the participant or such other amount which may be specifically set forth in the Award agreement. A participant shall execute and deliver to the Company one or more Stock Powers with respect to Restricted Shares granted to such participant.

(e) *Voting and Other Rights.* Except as otherwise required for compliance with Section 162(m) of the Code and the terms of the applicable Restricted Share Agreement, during any period in which Restricted Shares are subject to forfeiture and restrictions on transfer, the participant holding such Restricted Shares shall have all the rights of a Shareholder with respect to such Shares, including, without limitation, the right to vote such Shares and the right to receive any dividends paid with respect to such Shares.

8.3 *Restricted Share Unit Awards and Agreements.* Restricted Share Unit Awards consist of Shares that will be issued to a participant at a future time or times at no cost or at a purchase price determined by the Committee which may be below their Fair Market Value if continued employment and/or other terms and conditions specified by the Committee are satisfied. Each Restricted Share Unit Award granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by a written agreement dated as of the Date of Grant and executed by the Company and the Plan participant. The timing of Restricted Share Unit Awards and the number of Restricted Share Units to be awarded (subject to Section 3.2) are to be determined by the Committee in its sole discretion. By accepting a Restricted Share Unit Award, the participant agrees to remit to the Company when due any tax withholding as provided in Article 15.

8.4 *Terms and Conditions of Restricted Share Unit Awards.* Restricted Share Unit Awards are subject to the following terms and conditions, which, except as otherwise provided herein, need not be the same for each participant, and may contain such additional terms, conditions, restrictions and contingencies not inconsistent with the terms of this Plan and any operative employment or other agreement, as the Committee deems desirable:

(a) *Purchase Price.* The Committee shall determine the prices, if any, at which Shares are to be issued to a participant after Vesting of Restricted Share Units, which may vary from time to time and among participants and which may be below the Fair Market Value of Shares at the Date of Grant.

(b) *Restrictions.* All Restricted Share Units awarded under this Plan will be subject to such restrictions as the Committee may determine, which may include, without limitation, the following:

- (i) a prohibition against the sale, transfer, pledge or other encumbrance of the Restricted Share Unit;
- (ii) a requirement that the participant forfeit such Restricted Share Unit in the event of

termination of the participant's employment with the Company or its Affiliates prior to Vesting;

- (iii) a prohibition against employment of the participant by, or provision of services by the participant to, any competitor of the Company or its Affiliates, or against dissemination by the participant of any secret or confidential information belonging to the Company or an Affiliate;
- (iv) any applicable requirements arising under the Securities Act of 1933, as amended, other securities laws, the rules and regulations of The Nasdaq Stock Market or any other stock exchange or transaction reporting system upon which the Common Shares are then listed or quoted and any state laws, rules and interpretations, including "blue sky" laws; and
- (v) such additional restrictions as are required to avoid adverse tax consequences under Code Section 409A.

The Committee may at any time waive such restrictions or accelerate the date or dates on which the restrictions will lapse.

(c) *Performance-Based Restrictions.* The Committee may, in its sole discretion, provide restrictions that lapse upon the attainment of specified performance objectives. In such case, the provisions of Sections 9.2 and 9.3 will apply (including, but not limited to, the enumerated performance objectives). If the written agreement governing an Award to a Section 162(m) Person provides that such Award is intended to be "performance-based compensation," the provisions of Section 9.4(d) will also apply.

(d) *Voting and Other Rights.* A participant holding Restricted Share Units shall not be deemed to be a Shareholder solely because of such units. Such participant shall have no rights of a Shareholder with respect to such units; *provided, however,* that an Award agreement may provide for payment of an amount of money (or Shares with a Fair Market Value equivalent to such amount) equal to the dividends paid from time to time on the number of Common Shares that would become payable upon vesting of a Restricted Share Unit Award.

(e) *Lapse of Restrictions.* If a participant who holds Restricted Share Units satisfies the restrictions and other conditions relating to the Restricted Share Units prior to the lapse or waiver of such restrictions and conditions, the Restricted Share Units shall be converted to, or replaced with, Shares which are free of all restrictions except for any restrictions pursuant to Article 14.

(f) *Forfeiture of Restricted Share Units.* If a participant who holds Restricted Share Units fails to satisfy the restrictions, Vesting requirements and other conditions relating to the Restricted Share Units prior to the lapse, satisfaction or waiver of such restrictions and conditions, except as may otherwise be determined by the Committee, the participant shall forfeit the Restricted Share Units.

(g) *Termination.* A Restricted Share Unit Award or unearned portion thereof will terminate without the issuance of Shares on the termination date specified on the Date of Grant or upon the termination of employment of the participant during the time period or periods specified by the

Committee during which any performance objectives must be met (the “Performance Period”). If a participant’s employment with the Company or its Affiliates terminates by reason of his or her death, disability or retirement, the Committee in its discretion at or after the Date of Grant may determine that the participant (or the heir, legatee or legal representative of the participant’s estate) will receive a distribution of Shares in an amount which is not more than the number of Shares which would have been earned by the participant if 100% of the performance objectives for the current Performance Period had been achieved prorated based on the ratio of the number of months of active employment in the Performance Period to the total number of months in the Performance Period. However, with respect to Awards intended to be performance-based compensation (as described in Section 9.4(d)), distribution of the Shares shall not be made prior to attainment of the relevant performance objectives.

(h) *Special Limitations on Restricted Share Unit Awards.* Unless an Award agreement approved by the Committee provides otherwise, Restricted Share Units awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and all Restricted Share Unit Awards shall be construed and administered accordingly.

8.5 *Time Vesting of Restricted Share and Restricted Share Unit Awards.* Restricted Shares or Restricted Share Units, or portions thereof, are exercisable at such time or times as determined by the Committee in its discretion at or after grant, subject to the restrictions on time Vesting set forth in this Section. If the Committee provides that any Restricted Shares or Restricted Share Unit Awards become Vested over time (with or without a performance component), the Committee may waive or accelerate such Vesting provisions at any time, subject to the restrictions on time Vesting set forth in this Section.

## ARTICLE 9

### Performance Share Awards

9.1 *Performance Share Awards and Agreements.* A Performance Share Award is a right to receive Shares in the future conditioned upon the attainment of specified performance objectives and such other conditions, restrictions and contingencies as the Committee may determine. Each Performance Share Award granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by a written agreement dated as of the Date of Grant and executed by the Company and by the Plan participant. The timing of Performance Share Awards and the number of Shares covered by each Award (subject to Section 3.2) are to be determined by the Committee in its discretion. By accepting a grant of Performance Shares, the participant agrees to remit to the Company when due any tax withholding as provided in Article 15.

9.2 *Performance Objectives.* At the time of grant of a Performance Share Award, the Committee will specify the performance objectives which, depending on the extent to which they are met, will determine the number of Shares that will be distributed to the participant. The Committee will also specify the time period or periods (the “Performance Period”) during which the performance objectives must be met. With respect to awards to Section 162(m) Persons intended to be “performance based compensation,” the Committee may use performance

objectives based on one or more of the following: earnings per share, total revenue, net interest income, non-interest income, net income, net income before tax, non-interest expense, efficiency ratio, return on equity, return on assets, economic profit added, loans, deposits, tangible equity, assets, net charge-offs, new market growth, product line developments, and nonperforming assets. The Committee may designate a single goal criterion or multiple goal criteria for performance measurement purposes. Performance measurement may be described in terms of objectives that are related to the performance by the Company, by any Subsidiary, or by any employee or group of employees in connection with services performed by that employee or those employees for the Company, a Subsidiary, or one or more subunits of the Company or of any Subsidiary. The performance objectives may be made relative to the performance of other companies. The performance objectives and periods need not be the same for each participant nor for each Award.

*9.3 Adjustment of Performance Objectives.* The Committee may modify, amend or otherwise adjust the performance objectives specified for outstanding Performance Share Awards if it determines that an adjustment would be consistent with the objectives of this Plan and taking into account the interests of the participants and the public Shareholders of the Company and such adjustment complies with the requirements of Section 162(m) of the Code for Section 162(m) Persons, to the extent applicable, unless the Committee indicates a contrary intention. The types of events which could cause an adjustment in the performance objectives include, without limitation, accounting changes which substantially affect the determination of performance objectives, changes in applicable laws or regulations which affect the performance objectives, and divisive corporate reorganizations, including spin-offs and other distributions of property or stock.

*9.4 Other Terms and Conditions.* Performance Share Awards granted under this Plan are subject to the following terms and conditions and may contain such additional terms, conditions, restrictions and contingencies not inconsistent with the terms of this Plan and any operative employment or other agreement as the Committee deems desirable:

(a) *Delivery of Shares.* As soon as practicable after the applicable Performance Period has ended, the participant will receive a distribution of the number of Shares earned during the Performance Period, depending upon the extent to which the applicable performance objectives were achieved. Such Shares will be registered in the name of the participant and will be free of all restrictions except for any restrictions pursuant to Article 14.

(b) *Termination.* A Performance Share Award or unearned portion thereof will terminate without the issuance of Shares on the termination date specified at the time of grant or upon the termination of employment of the participant during the Performance Period. If a participant's employment with the Company or its Affiliates terminates by reason of his or her death, disability or retirement (except with respect to Section 162(m) Persons), the Committee in its discretion at or after the time of grant may determine, notwithstanding any Vesting requirements, that the participant (or the heir, legatee or legal representative of the participant's estate) will receive a distribution of a portion of the participant's then-outstanding Performance Share Awards in an amount which is not more than the number of shares which would have been earned by the participant if 100% of the performance objectives for the current Performance Period had been achieved prorated based on the ratio of the number of months of active

employment in the Performance Period to the total number of months in the Performance Period. However, with respect to Awards intended to be “performance-based compensation” (as described in Section 9.4(d)), distribution of the Shares shall not be made prior to attainment of the relevant performance objective.

(c) *Voting and Other Rights.* Awards of Performance Shares do not provide the participant with voting rights or rights to dividends prior to the participant becoming the holder of record of Shares issued pursuant to an Award; *provided, however*, that an Award agreement may provide for payment of an amount of money (or Shares with a Fair Market Value equivalent to such amount) equal to the dividends paid from time to time on the number of Common Shares that would become payable upon vesting of a Performance Share Award. Prior to the issuance of Shares, Performance Share Awards may not be sold, transferred, pledged, assigned or otherwise encumbered.

(d) *Performance-Based Compensation.* The Committee may designate Performance Share Awards as being “remuneration payable solely on account of the attainment of one or more performance goals” as described in Section 162(m)(4)(C) of the Code. Such Awards shall be automatically amended or modified to comply with amendments to Section 162 of the Code to the extent applicable, unless the Committee indicates a contrary intention.

9.5 *Time Vesting of Performance Share Awards.* Performance Share Awards, or portions thereof, are exercisable at such time or times as determined by the Committee in its discretion at or after grant, subject to the restrictions on time Vesting set forth in this Section. If the Committee provides that any Performance Shares become Vested over time (accelerated by a performance component), the Committee may waive or accelerate such Vesting provisions at any time, subject to the restrictions on time Vesting set forth in this Section.

9.6 *Special Limitations on Performance Share Awards.* Unless an Award agreement approved by the Committee provides otherwise, Performance Shares awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and all Performance Share Awards shall be construed and administered accordingly.

## ARTICLE 10

### Transfers and Leaves of Absence

10.1 *Transfer of Participant.* For purposes of this Plan, the transfer of a participant among the Company and its Affiliates is deemed not to be a termination of employment.

10.2 *Effect of Leaves of Absence.* For purposes of this Plan, the following leaves of absence are deemed not to be a termination of employment:

(a) a leave of absence, approved in writing by the Company, for military service, sickness or any other purpose approved by the Company, if the period of such leave does not exceed 90 days;



(b) a leave of absence in excess of 90 days, approved in writing by the Company, but only if the employee's right to reemployment is guaranteed either by a statute or by contract, and provided that, in the case of any such leave of absence, the employee returns to work within 30 days after the end of such leave; and

(c) any other absence determined by the Committee in its discretion not to constitute a termination of employment.

## ARTICLE 11

### Effect of Change in Control

11.1 *Change in Control Defined.* "Change in Control" means the occurrence of any of the following:

(a) If individuals who, on the effective date of this Plan, constitute the Board of Directors (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that:

- (i) any person becoming a director subsequent to the effective date of this Plan, whose election or nomination for election was approved by a vote of at least two-thirds (2/3) of the Incumbent Directors then on the Board of Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection by such Incumbent Directors to such nomination), shall be deemed to be an Incumbent Director, and
- (ii) no individual elected or nominated as a director of the Company initially as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board of Directors shall be deemed to be an Incumbent Director;

(b) If any "person" (as such term is defined in Section 3(a)(9) of the Exchange Act, and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then-outstanding securities eligible to vote for the election of the Board of Directors (the "Company Voting Securities"); provided, however, that the events described in this paragraph (b) shall not be deemed to be a Change in Control by virtue of any of the following acquisitions of Company Voting Securities:

- (i) by the Company or any Subsidiary,
- (ii) by any employee benefit plan sponsored or maintained by the Company or any Subsidiary or by any employee stock benefit trust created by the Company or any Subsidiary,

- (iii) by any underwriter temporarily holding securities pursuant to an offering of such securities,
- (iv) pursuant to a Non-Qualifying Transaction (as defined in paragraph (c), below), or
- (v) a transaction (other than one described in paragraph (c), below) in which Company Voting Securities are acquired from the Company, if a majority of the Incumbent Directors approves a resolution providing expressly that the acquisition pursuant to this subparagraph (v) does not constitute a Change in Control under this paragraph (b);

(c) The consummation of a merger, consolidation, share exchange or similar form of corporate transaction involving the Company or any of its Subsidiaries that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination:

- (i) more than fifty percent (50%) of the total voting power of either (x) the corporation resulting from the consummation of such Business Combination (the "Surviving Corporation") or, if applicable, (y) the ultimate parent corporation that directly or indirectly has beneficial ownership of one hundred percent (100%) of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation") is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination,
- (ii) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation or any employee stock benefit trust created by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and
- (iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) were Incumbent Directors at the time of the Board of Director's approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (i), (ii) and (iii) of this Section 11.1(c) shall be deemed to be a "Non-Qualifying Transaction"); or

(d) If the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or a sale of all or substantially all of the Company's assets but only

if, pursuant to such liquidation or sale, the assets of the Company are transferred to an entity not owned (directly or indirectly) by the Company's shareholders.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than twenty percent (20%) of Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided, however, that if (after such acquisition by the Company) such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control shall then occur.

11.2 *Effect of Change in Control.* In the event of a Change in Control of the Company, the Committee shall have the right, in its sole discretion, to:

(a) accelerate the exercisability of any or all Stock Options or SARs, notwithstanding any limitations set forth in the Plan or Award agreement;

(b) accelerate the Vesting of Restricted Shares, notwithstanding any limitations set forth in the Plan or Award agreement;

(c) accelerate the Vesting of Restricted Share Units and Performance Shares, notwithstanding any limitations set forth in the Plan or Award agreement;

(d) cancel any or all outstanding Stock Options, SARs, Restricted Share Units and Performance Shares in exchange for the kind and amount of shares of the surviving or new corporation, cash, securities, evidences of indebtedness, other property or any combination thereof receivable in respect of one Share upon consummation of the transaction in question (the "Acquisition Consideration") that the holder of the Stock Option, SAR, Restricted Share Unit or Performance Share would have received had the Stock Option, SAR, Restricted Share Unit or Performance Share been exercised or converted into Shares, as applicable, prior to such transaction, less the applicable exercise or purchase price therefor;

(e) cause the holders of any or all Stock Options, SARs, Restricted Share Units and Performance Shares to have the right thereafter and during the term of the Stock Option, SAR, Restricted Share Unit or Performance Share to receive upon exercise thereof the Acquisition Consideration receivable upon the consummation of such transaction by a holder of the number of Common Shares which might have been obtained upon exercise or conversion of all or any portion thereof, less the applicable exercise or purchase price therefor, or to convert such Stock Option, SAR, Restricted Share Unit or Performance Share into a stock option, appreciation right, restricted share unit or performance share relating to the surviving or new corporation in the transaction; or

(f) take such other action as it deems appropriate to preserve the value of the Award to the Participant.

The Committee may provide for any of the foregoing in an Award agreement governing an Award in advance, may provide for any of the foregoing in connection with a Change in Control, or do both. Alternatively, the Committee shall also have the right to require any purchaser of the

Company's assets or stock, as the case may be, to take any of the actions set forth in the preceding sentence as such purchaser may determine to be appropriate or desirable.

The manner of application and interpretation of the foregoing provisions of this Section 11.2 shall be determined by the Committee in its sole and absolute discretion.

11.3 *Code Section 409A*. Unless an Award agreement approved by the Committee provides otherwise, each Award granted under this Plan is intended to meet the requirements for exclusion from coverage under Code Section 409A. If the Committee provides that an Award shall be subject to Code Section 409A, then, notwithstanding the other provisions of this Article 11, the Committee may provide in the Award agreement for such changes to the definition of Change in Control from the definition set forth in this Article 11, and for such changes to the Committee's rights upon a Change in Control, as the Committee may deem necessary in order for such Award to comply with Code Section 409A.

## ARTICLE 12

### Transferability of Awards

12.1 *Awards Are Non-Transferable*. Except as provided in Sections 12.2 and 12.3, Awards are non-transferable and any attempts to assign, pledge, hypothecate or otherwise alienate or encumber (whether by operation of law or otherwise) any Award shall be null and void.

12.2 *Inter-Vivos Exercise of Awards*. During a participant's lifetime, Awards are exercisable only by the participant or, as permitted by applicable law and notwithstanding Section 12.1 to the contrary, the participant's guardian or other legal representative.

12.3 *Limited Transferability of Certain Awards*. Notwithstanding Section 12.1 to the contrary, Awards may be transferred by will and by the laws of descent and distribution. Moreover, the Committee, in its discretion, may allow at or after the time of grant the transferability of Awards which are Vested, provided that the permitted transfer is made (a) if the Award is an Incentive Stock Option, the transfer is consistent with Section 422 of the Code; (b) to the Company (for example in the case of forfeiture of Restricted Shares), an Affiliate or a person acting as the agent of the foregoing or which is otherwise determined by the Committee to be in the interests of the Company; or (c) by the participant for no consideration to Immediate Family Members or to a bona fide trust, partnership or other entity controlled by and for the benefit of one or more Immediate Family Members. "Immediate Family Members" means the participant's spouse, children, stepchildren, parents, stepparents, siblings (including half brothers and sisters), in-laws and other individuals who have a relationship to the participant arising because of a legal adoption. No transfer may be made to the extent that transferability would cause Form S-8 or any successor form thereto not to be available to register Shares related to an Award. The Committee in its discretion may impose additional terms and conditions upon transferability.

## ARTICLE 13

### Amendment and Discontinuation

13.1 *Amendment or Discontinuation of this Plan.* The Board of Directors may amend, alter, or discontinue this Plan at any time, provided that no amendment, alteration, or discontinuance may be made:

(a) which would materially and adversely affect the rights of a participant under any Award granted prior to the date such action is adopted by the Board of Directors without the participant's written consent thereto; and

(b) without shareholder approval, if shareholder approval is required under applicable laws, regulations or exchange requirements (including Section 422 of the Code with respect to ISOs, and for the purpose of qualification as "performance-based compensation" under Section 162(m) of the Code).

Notwithstanding the foregoing, this Plan may be amended without affecting participants' consent to: (i) comply with any law; (ii) preserve any intended favorable tax effects for the Company, the Plan or participants; or (iii) avoid any unintended unfavorable tax effects for the Company, the Plan or participants.

13.2 *Amendment of Grants.* The Committee may amend, prospectively or retroactively, the terms of any outstanding Award, provided that no such amendment may be inconsistent with the terms of this Plan (specifically including the prohibition on granting Stock Options or SARs with an Exercise Price less than 100% of the Fair Market Value of the Common Shares on the Date of Grant) or would materially and adversely affect the rights of any holder without his or her written consent.

## ARTICLE 14

### Issuance of Shares and Share Certificates

14.1 *Issuance of Shares.* The Company will issue or cause to be issued Shares as soon as practicable upon exercise or conversion of an Award that is payable in Shares. No Shares will be issued until full payment has been made, to the extent payment is required. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Shares, notwithstanding the exercise or conversion of the Award payable in shares.

14.2 *Delivery of Share Certificates.* The Company is not required to issue or deliver any certificates for Shares issuable with respect to Awards under this Plan prior to the fulfillment of all of the following conditions:

(a) payment in full for the Shares and for any tax withholding (See Article 15);

(b) completion of any registration or other qualification of such Shares under any Federal or state laws or under the rulings or regulations of the Securities and Exchange Commission or any other regulating body which the Committee in its discretion deems necessary or advisable;

(c) admission of such Shares to listing on The Nasdaq Stock Market or any stock exchange on which the Shares are listed;

(d) in the event the Shares are not registered under the Securities Act of 1933, qualification as a private placement under said Act;

(e) obtaining of any approval or other clearance from any Federal or state governmental agency which the Committee in its discretion determines to be necessary or advisable; and

(f) the Committee is fully satisfied that the issuance and delivery of Shares under this Plan is in compliance with applicable Federal, state or local law, rule, regulation or ordinance or any rule or regulation of any other regulating body, for which the Committee may seek approval of counsel for the Company.

14.3 *Applicable Restrictions on Shares.* Shares issued with respect to Awards may be subject to such stock transfer orders and other restrictions as the Committee may determine necessary or advisable under any applicable Federal or state securities law rules, regulations and other requirements, the rules, regulations and other requirements of The Nasdaq Stock Market or any stock exchange upon which the Shares are then-listed, and any other applicable Federal or state law and will include any restrictive legends the Committee may deem appropriate to include.

14.4 *Book Entry.* In lieu of the issuance of stock certificates evidencing Shares, the Company may use a “book entry” system in which a computerized or manual entry is made in the records of the Company to evidence the issuance of such Shares. Such Company records are, absent manifest error, binding on all parties.

## ARTICLE 15

### Satisfaction of Tax Liabilities

15.1 *In General.* The Company shall withhold any taxes which the Committee determines the Company is required by law or required by the terms of this Plan to withhold in connection with any payments incident to this Plan. The participant or other recipient shall provide the Committee with such additional information or documentation as may be necessary for the Company to discharge its obligations under this Section. The Company may withhold: (a) cash, (b) subject to any limitations under Rule 16b-3, Common Shares to be issued, or (c) any combination thereof, in an amount equal to the amount which the Committee determines is necessary to satisfy the obligation of the Company, a Subsidiary or a Parent to withhold federal, state and local income taxes or other amounts incurred by reason of the grant or exercise of an Award, its disposition, or the disposition of the underlying Common Shares. Alternatively, the Company may require the holder to pay to the Company such amounts, in cash, promptly upon demand.

15.2 *Withholding from Share Distributions.* With respect to a distribution in Shares pursuant to Restricted Share, Restricted Share Unit or Performance Share Award under the Plan, the Committee may cause the Company to sell the fewest number of such Shares for the proceeds of such sale to equal (or exceed by not more than that actual sale price of a single Share) the Company's required tax withholding relating to such distribution. The Committee may withhold the proceeds of such sale for purposes of satisfying such tax withholding obligation.

## ARTICLE 16

### General Provisions

16.1 *No Implied Rights to Awards or Employment.* No potential participant has any claim or right to be granted an Award under this Plan, and there is no obligation of uniformity of treatment of participants under this Plan. Neither this Plan nor any Award thereunder shall be construed as giving any individual any right to continued employment with the Company or any Affiliate. The Plan does not constitute a contract of employment, and the Company and each Affiliate expressly reserve the right at any time to terminate employees free from liability, or any claim, under this Plan, except as may be specifically provided in this Plan or in an Award agreement.

16.2 *Other Compensation Plans.* Nothing contained in this Plan prevents the Board of Directors from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.

16.3 *Rule 16b-3 Compliance.* The Plan is intended to comply with all applicable conditions of Rule 16b-3 of the Exchange Act, as such rule may be amended from time to time ("Rule 16b-3"). All transactions involving any participant subject to Section 16(a) of the Exchange Act shall be subject to the conditions set forth in Rule 16b-3, regardless of whether such conditions are expressly set forth in this Plan. Any provision of this Plan that is contrary to Rule 16b-3 does not apply to such participants.

16.4 *Code Section 162(m) Compliance.* The Plan is intended to comply with all applicable requirements of Section 162(m) of the Code with respect to "performance-based compensation" for Section 162(m) Persons. Unless the Committee expressly determines otherwise, any provision of this Plan that is contrary to such requirements does not apply to such "performance-based compensation."

16.5 *Successors.* All obligations of the Company with respect to Awards granted under this Plan are binding on any successor to the Company, whether as a result of a direct or indirect purchase, merger, consolidation or otherwise of all or substantially all of the business and/or assets of the Company.

16.6 *Severability.* In the event any provision of this Plan, or the application thereof to any person or circumstances, is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, or other applications, and this Plan is to be construed and enforced as if the illegal or invalid provision had not been included.

16.7 *Governing Law.* To the extent not preempted by Federal law, this Plan and all Award agreements pursuant thereto are construed in accordance with and governed by the laws of the State of Ohio. This Plan is not intended to be governed by the Employee Retirement Income Security Act and shall be so construed and administered.

16.8 *Legal Requirements.* No Awards shall be granted and the Company shall have no obligation to make any payment under the Plan, whether in Shares, cash, or a combination thereof, unless such payment is, without further action by the Committee, in compliance with all applicable Federal and state laws and regulations, including, without limitation, the Code and Federal and state securities laws.

## ARTICLE 17

### Effective Date and Term

17.1 *Effective Date.* The effective date of this LNB Bancorp, Inc. 2006 Stock Incentive Plan is the date on which the shareholders of the Company approve it at a duly held shareholders' meeting.

17.2 *Termination Date.* This Plan will continue in effect until midnight on the day before the tenth anniversary of the effective date specified in Section 17.1; provided, however, that Awards granted on or before that date may extend beyond that date.

## ARTICLE 18

### Clawback of Plan Payments

Notwithstanding any provision in the Plan to the contrary, in the event that a grant or grants, or payment or payments, are made to "senior executive officer(s)" (as that term is defined in accordance with Section 111(b)(3) of the Emergency Economic Stabilization Act of 2008 ("EESA")) and it is later determined that the grant or grants, or payment or payments, were based on materially inaccurate financial statements or on any other materially inaccurate performance metric criteria, then in such event, to the extent necessary to comply with Section 111(b)(2)(B) of EESA, shall the full amount of any and all payment(s) that have been made to such senior executive officer(s) become immediately due and owing to the Company, and the senior executive officer(s) who received such grant(s) or payment(s) shall forfeit or repay, as applicable, the full amount of such grant(s) or payment(s) to the Company, in accordance with and in a manner that complies with the requirements of Section 111(b)(2)(B) of EESA.



**Annex E**

**LNB BANCORP, INC.**  
**STOCK APPRECIATION RIGHTS PLAN**

(Restated as of December 12, 2008)

ARTICLE 1

General Purpose of Plan; Definitions

1.1 *Name and Purposes.* The name of this Plan is the LNB Bancorp, Inc. Stock Appreciation Rights Plan. The purpose of this Plan is to enable LNB Bancorp, Inc. and its Affiliates to: (i) attract and retain skilled and qualified officers and key employees who are expected to contribute to the Company's success by providing long-term incentive compensation opportunities; (ii) motivate participants to achieve the long-term success and growth of the Company; and (iii) align the interests of the participants with those of the Company's shareholders. In order to achieve this purpose, this Plan provides for the grant of stock appreciation rights related to the Company's Common Shares.

1.2 *Certain Definitions.* Unless the context otherwise indicates, the following words used herein shall have the following meanings whenever used in this instrument:

(a) "Affiliate" means any corporation, partnership, joint venture or other entity, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Company, as determined by the Board of Directors in its discretion.

(b) "Board of Directors" mean the Board of Directors of the Company, as constituted from time to time.

(c) "Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations or guidance promulgated thereunder. Whenever reference is made to a specific Internal Revenue Code section, such reference shall be deemed to be a reference to any successor Internal Revenue Code section or sections with the same or similar purpose.

(d) "Committee" means the committee administering this Plan as provided in Section 2.1.

(e) "Common Shares" mean the common shares, \$1.00 par value per share, of the Company.

(f) "Company" means LNB Bancorp, Inc., a corporation organized under the laws of the State of Ohio and, except for purposes of determining whether a Change in Control has occurred, any corporation or entity that is a successor to LNB Bancorp, Inc. or substantially all of the assets of LNB Bancorp, Inc. and that assumes the obligations of LNB Bancorp, Inc. under this Plan by operation of law or otherwise.

(g) "Date of Grant" means the date on which the Committee grants an SAR.

(h) "Director" means a member of the Board of Directors.

(i) “Eligible Employee” is defined in Article 4.

(j) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and any lawful regulations or guidance promulgated thereunder.

(k) “Exercise Price” means the exercise price per Share related to a Stock Appreciation Right.

(l) “Fair Market Value” means the closing price of a Share as reported on The Nasdaq Stock Market, or, if applicable, on any national securities exchange or automated quotation system on which the Common Shares are principally traded, on the date for which the determination of Fair Market Value is made, or, if there are no sales of Common Shares on such date, then on the most recent immediately preceding date on which there were any sales of Common Shares. If the Common Shares are not, or cease to be, traded on The Nasdaq Stock Market or any national securities exchange or automated quotation system, the “Fair Market Value” of Common Shares shall be determined pursuant to a reasonable valuation method prescribed by the Committee. Notwithstanding the foregoing, as of any date, the “Fair Market Value” of Common Shares shall be determined in a manner consistent with Code Section 409A and the guidance then-existing thereunder.

(m) “Independent Director” means a Director who meets the definitions of the terms “independent director” set forth in The Nasdaq Stock Market, Inc. rules and “non-employee director” set forth in Rule 16b-3, or any successor definitions adopted by The Nasdaq Stock Market, Inc. and Securities and Exchange Commission, respectively, and similar requirements under any other applicable laws and regulations.

(n) “Plan” means this LNB Bancorp, Inc. Stock Appreciation Rights Plan, as amended from time to time.

(o) “Rule 16b-3” is defined in Article 11.

(p) “Share” or “Shares” mean one or more of the Common Shares.

(q) “Stock Appreciation Rights” and “SARs” mean any right to receive the appreciation in Fair Market Value of a specified number of Shares over a specified Exercise Price pursuant to an award granted under this Plan.

(r) “Vested” means when the Stock Appreciation Right first becomes exercisable for payment. The words “Vest” and “Vesting” have meanings correlative to the foregoing.

## ARTICLE 2

### Administration

#### *2.1 Authority and Duties of the Committee.*

(a) The Plan shall be administered by a Committee of at least three Directors who are appointed by the Board of Directors. Unless otherwise determined by the Board of Directors, the Compensation and Governance Committee shall serve as the Committee, and all of the members of the Committee shall be Independent Directors. Notwithstanding the requirement that the Committee consist exclusively of Independent Directors, no action or determination by the Committee or an individual then considered to be an Independent Director shall be deemed void because a member of the Committee or such individual fails to satisfy the requirements for being an Independent Director, except to the extent required by applicable law.

(b) The Committee has the power and authority to grant SARs pursuant to the terms of this Plan to Eligible Employees.

(c) The Committee has the sole and exclusive authority, subject to any limitations specifically set forth in this Plan, to:

- (i) select the Eligible Employees to whom SARs are granted;
- (ii) determine the timing of SARs granted;
- (iii) determine the number of Shares relating to each SAR granted hereunder;
- (iv) determine the other terms and conditions, not inconsistent with the terms of this Plan, of any SAR granted hereunder; such terms and conditions include, but are not limited to, the Exercise Price, the time or times when Stock Appreciation Rights may be exercised (which may be based on performance objectives), any Vesting, acceleration or waiver of forfeiture restrictions, any performance criteria applicable to an SAR, and any restriction or limitation regarding any Stock Appreciation Right, based in each case on such factors as the Committee, in its sole discretion, shall determine;
- (v) determine whether any conditions or objectives related to SARs have been met;
- (vi) subsequently modify or waive any terms and conditions of SARs, not inconsistent with the terms of this Plan;
- (vii) adopt, alter and repeal such administrative rules, guidelines and practices governing this Plan as it deems advisable from time to time;
- (viii) promulgate such administrative forms as it from time to time deems necessary or appropriate for administration of the Plan;
- (ix) construe, interpret, administer and implement the terms and provisions of this Plan,

any SAR and any related agreements;

- (x) correct any defect, supply any omission and reconcile any inconsistency in or between the Plan, any SAR and any related agreements; and
- (xi) otherwise supervise the administration of this Plan.

(d) Notwithstanding the foregoing, all decisions made by the Committee pursuant to the provisions of this Plan are final and binding on all persons, including the Company, its shareholders and participants, but may be made by their terms subject to ratification or approval by, the Board of Directors, another committee of the Board of Directors or shareholders.

(e) The Company shall furnish the Committee with such clerical and other assistance as is necessary for the performance of the Committee's duties under the Plan.

*2.2 Delegation of Duties.* The Committee may delegate ministerial duties to any other person or persons, and it may employ attorneys, consultants, accountants or other professional advisers for purposes of plan administration at the expense of the Company.

*2.3 Limitation of Liability.* Members of the Board of Directors, members of the Committee and Company employees who are their designees acting under this Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur no liability except for gross or willful misconduct in the performance of their duties hereunder.

## ARTICLE 3

### Limitations on Total SARs Granted Under the Plan

*3.1 Total Stock Appreciation Rights Limit.* Subject to the provisions of this Article, SARs may not be granted for more than an aggregate of 50,000 Shares under this Plan.

*3.2 Participant Limit.* SARs may not be granted to any participant in any fiscal year for more than a maximum of 10,000 Shares under this Plan.

*3.3 SARs Not Exercised.* If any outstanding SAR, or portion thereof, expires, or is terminated, canceled or forfeited without being exercised, the number of Shares related to such expired, terminated, canceled or forfeited SAR, or portion thereof, shall no longer count toward the limit expressed in Section 3.1 and shall again be available for the grant of SARs under this Plan.

*3.4 Dilution and Other Adjustments.* In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, redesignation, reclassification, merger, consolidation, liquidation, split-up, reverse split, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits

intended to be made available under this Plan, then the Committee may, in such manner as it deems equitable, adjust any or all of (i) the number and type of Shares (or other securities or other property) which thereafter may be made the subject of SARs, (ii) the number and type of Shares (or other securities or other property) subject to outstanding SARs, (iii) the limitations set forth above and (iv) the purchase or exercise price or any performance objective with respect to any SAR; *provided, however*, that the number of Shares or other securities covered by any SAR or to which such SAR relates is always a whole number. Notwithstanding the foregoing, the foregoing adjustments shall be made in compliance with Section 409A of the Code, to the extent necessary to avoid its application or avoid adverse tax consequences thereunder.

## ARTICLE 4

### Participants

4.1 *Eligibility.* Officers and all other key employees of the Company or any of its Affiliates (each an “Eligible Employee”) who are selected by the Committee in its sole discretion are eligible to participate in this Plan.

4.2 *Plan Agreements.* SARs are contingent upon the participant’s execution of a written agreement in a form prescribed by the Committee. Execution of a plan agreement shall constitute the participant’s irrevocable agreement to, and acceptance of, the terms and conditions of the SAR set forth in such agreement and of the terms and conditions of the Plan applicable to such SAR. Plan agreements may differ from time to time and from participant to participant.

## ARTICLE 5

### Grant of Stock Appreciation Rights

5.1 *SAR Grant and Agreement.* Each SAR granted under this Plan will be evidenced by minutes of a meeting, or by a unanimous written consent without a meeting, of the Committee and by a written agreement dated as of the Date of Grant and executed by the Company and by the appropriate participant.

5.2 *Terms and Conditions of SARs.* Stock Appreciation Rights will be subject to the following terms and conditions:

(a) *Term.* Any unexercised portion of a Stock Appreciation Right granted hereunder shall expire at the end of the stated term of the Stock Appreciation Right. The Committee shall determine the term of each Stock Appreciation Right at the time of grant, which term shall not exceed ten years from the Date of Grant. The Committee may extend the term of a Stock Appreciation Right, in its discretion, but not beyond the date immediately prior to the tenth anniversary of the original Date of Grant. If a definite term is not specified by the Committee at the time of grant, then the term is deemed to be ten years.

(b) *Exercisability.* A Stock Appreciation Right is exercisable, in whole or in part, at such time or times as determined by the Committee at or after the time of grant.

(c) *Exercise Price.* Subject to Section 3.4, the Exercise Price of a Stock Appreciation Right will never be less than 100% of the Fair Market Value of the related Shares on the Date of Grant. If a variable Exercise Price is specified at the time of grant, the Exercise Price may vary pursuant to a formula or other method established by the Committee; *provided, however,* that such formula or method will provide for a minimum Exercise Price equal to the Fair Market Value of the Shares on the Date of Grant. Except as otherwise provided in Section 3.4, no subsequent amendment of an outstanding Stock Appreciation Right may reduce the Exercise Price to less than 100% of the Fair Market Value of the Shares on the Date of Grant. Nothing in this Section 5.2(c) shall be construed as limiting the Committee's authority to grant premium price Stock Appreciation Rights which do not become exercisable until the Fair Market Value of the related Shares exceeds a specified percentage (*e.g.*, 110%) of the Exercise Price; *provided, however,* that such percentage will never be less than 100%.

(d) *Method of Exercise.* A Stock Appreciation Right may be exercised in whole or in part during the term by giving written notice of exercise to the Company specifying the number of Shares in respect of which the Stock Appreciation Right is being exercised. The notice must be given by or on behalf of a person entitled to exercise the Stock Appreciation Right. Upon the exercise of a Stock Appreciation Right, subject to satisfaction of projected tax withholding requirements pursuant to Article 10, the holder of the Stock Appreciation Right is entitled to receive payment in cash equal in value to the excess of the Fair Market Value of a Share on the exercise date over the Exercise Price of the SAR multiplied by the number of Stock Appreciation Rights being exercised. At any time the Fair Market Value of a Share on a proposed exercise date does not exceed the Exercise Price of the SAR, the holder of the Stock Appreciation Right shall not be permitted to exercise such right.

(e) *SAR Payable Solely in Cash.* All Stock Appreciation Rights granted under this Plan shall be settled solely in cash, subject to the withholding requirements of this Plan. No Shares shall be issued, paid or delivered under this Plan or any SAR, and no Shares shall be reserved by the Company for such purpose.

(f) *Early Termination Prior to Expiration.* If the employment of an optionee with the Company or its Affiliates terminates for any reason, all unexercised Stock Appreciation Rights may be exercised only in accordance with rules established by the Committee or as specified in the relevant agreement evidencing such Stock Appreciation Rights. Such rules may provide, as the Committee deems appropriate, for the expiration, continuation, or acceleration of the vesting of all or part of such Stock Appreciation Rights.

5.3 *Other Terms and Conditions of SAR Grants.* Stock Appreciation Rights are subject to such other terms and conditions, not inconsistent with the provisions of this Plan, as are determined from time to time by the Committee.

5.4 *Special Limitations.* Unless an SAR agreement approved by the Committee provides otherwise, Stock Appreciation Rights awarded under this Plan are intended to meet the requirements for exclusion from coverage under Code Section 409A and all Stock Appreciation Right awards shall be construed and administered accordingly.

## ARTICLE 6

### Transfers and Leaves of Absence

6.1 *Transfer of Participant.* For purposes of this Plan, the transfer of a participant among the Company and its Affiliates is deemed not to be a termination of employment.

6.2 *Effect of Leaves of Absence.* For purposes of this Plan, the following leaves of absence are deemed not to be a termination of employment:

(a) a leave of absence, approved in writing by the Company, for military service, sickness or any other purpose approved by the Company, if the period of such leave does not exceed 90 days;

(b) a leave of absence in excess of 90 days, approved in writing by the Company, but only if the employee's right to reemployment is guaranteed either by a statute or by contract, and provided that, in the case of any such leave of absence, the employee returns to work within 30 days after the end of such leave; and

(c) any other absence determined by the Committee in its discretion not to constitute a termination of employment.

## ARTICLE 7

### Effect of Change in Control

7.1 *Change in Control Defined.* "Change in Control" means the occurrence of any of the following:

(a) If individuals who, on the effective date of this Plan, constitute the Board of Directors (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that:

- (i) any person becoming a director subsequent to the effective date of this Plan, whose election or nomination for election was approved by a vote of at least two-thirds (2/3) of the Incumbent Directors then on the Board of Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection by such Incumbent Directors to such nomination), shall be deemed to be an Incumbent Director, and
- (ii) no individual elected or nominated as a director of the Company initially as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board of Directors shall be deemed to be an Incumbent Director;

(b) If any "person" (as such term is defined in Section 3(a)(9) of the Exchange Act, and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner"



(as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then-outstanding securities eligible to vote for the election of the Board of Directors (the "Company Voting Securities"); provided, however, that the events described in this paragraph (b) shall not be deemed to be a Change in Control by virtue of any of the following acquisitions of Company Voting Securities:

- (i) by the Company or any Subsidiary,
- (ii) by any employee benefit plan sponsored or maintained by the Company or any Subsidiary or by any employee stock benefit trust created by the Company or any Subsidiary,
- (iii) by any underwriter temporarily holding securities pursuant to an offering of such securities,
- (iv) pursuant to a Non-Qualifying Transaction (as defined in paragraph (c), below), or
- (v) a transaction (other than one described in paragraph (c), below) in which Company Voting Securities are acquired from the Company, if a majority of the Incumbent Directors approves a resolution providing expressly that the acquisition pursuant to this subparagraph (v) does not constitute a Change in Control under this paragraph (b);

(c) The consummation of a merger, consolidation, share exchange or similar form of corporate transaction involving the Company or any of its Subsidiaries that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination:

- (i) more than fifty percent (50%) of the total voting power of either (x) the corporation resulting from the consummation of such Business Combination (the "Surviving Corporation") or, if applicable, (y) the ultimate parent corporation that directly or indirectly has beneficial ownership of one hundred percent (100%) of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation") is represented by Company Voting Securities that were outstanding immediately prior to such

Business Combination (or, if applicable, represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination,

- (ii) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation or any employee stock benefit trust created by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the total voting power of the outstanding voting securities eligible to elect directors of the

Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and

(iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) were Incumbent Directors at the time of the Board of Director's approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (i), (ii) and (iii) of this Section 9.1(c) shall be deemed to be a "Non-Qualifying Transaction"); or

(d) If the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or a sale of all or substantially all of the Company's assets but only if, pursuant to such liquidation or sale, the assets of the Company are transferred to an entity not owned (directly or indirectly) by the Company's shareholders.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than twenty percent (20%) of Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided, however, that if (after such acquisition by the Company) such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control shall then occur.

*7.2 Effect of Change in Control.* In the event of a Change in Control of the Company, the Committee shall have the right, in its sole discretion, to:

(a) accelerate the exercisability of any or all SARs, notwithstanding any limitations set forth in the Plan or SAR agreement;

(b) cancel any or all outstanding SARs in exchange for the value of the shares of the surviving or new corporation, cash, securities, evidences of indebtedness, other property or any combination thereof receivable in respect of Shares related to the SARs upon consummation of the transaction in question (the "Acquisition Consideration"), less the applicable exercise price therefor;

(c) cause the holders of any or all SARs to have the right thereafter and during the term of the SAR to receive upon exercise thereof the Acquisition Consideration receivable upon the consummation of such transaction by a holder of the number of Common Shares to which the SAR relates, less the applicable exercise price therefor, or to convert such SAR into an appreciation right relating to the surviving or new corporation in the transaction; or

(d) take such other action as it deems appropriate to preserve the value of the SAR to the Participant.

The Committee may provide for any of the foregoing in an SAR agreement in advance, may provide for any of the foregoing in connection with a Change in Control, or do both. Alternatively, the Committee shall also have the right to require any purchaser of the Company's

assets or stock, as the case may be, to take any of the actions set forth in the preceding sentence as such purchaser may determine to be appropriate or desirable.

The manner of application and interpretation of the foregoing provisions of this Section 7.2 shall be determined by the Committee in its sole and absolute discretion.

## ARTICLE 8

### Transferability of SARs

8.1 *SARs Are Non-Transferable.* Except as provided in Section 8.2, SARs are non-transferable and any attempts to assign, pledge, hypothecate or otherwise alienate or encumber (whether by operation of law or otherwise) any SAR shall be null and void.

8.2 *Inter-Vivos Exercise of SARs; Limited Transferability of Certain SARs.* During a participant's lifetime, SARs are exercisable only by the participant or, as permitted by applicable law and notwithstanding Section 8.1 to the contrary, the participant's guardian or other legal representative. Notwithstanding Section 8.1 to the contrary, SARs may be transferred by will and by the laws of descent and distribution and to the extent required by a court order.

## ARTICLE 9

### Amendment and Discontinuation

9.1 *Amendment or Discontinuation of this Plan.* The Board of Directors may amend, alter, or discontinue this Plan at any time, provided that no amendment, alteration, or discontinuance may be made:

(a) which would materially and adversely affect the rights of a participant under any SAR granted prior to the date such action is adopted by the Board of Directors without the participant's written consent thereto; and

(b) without shareholder approval, if shareholder approval is required under applicable laws, regulations or exchange requirements.

Notwithstanding the foregoing, this Plan may be amended without affecting participants' consent to: (i) comply with any law; (ii) preserve any intended favorable tax effects for the Company, the Plan or participants; or (iii) avoid any unintended unfavorable tax effects for the Company, the Plan or participants.

9.2 *Amendment of Grants.* The Committee may amend, prospectively or retroactively, the terms of any outstanding SAR, provided that no such amendment may be inconsistent with the terms of this Plan (specifically including the prohibition on granting SARs with an Exercise Price less than 100% of the Fair Market Value of the related Common Shares on the Date of Grant) or would materially and adversely affect the rights of any holder without his or her written consent.

## ARTICLE 10

### Satisfaction of Projected Tax Liabilities

10.1 *In General.* The Committee shall cause the Company to withhold any taxes which it determines it is required by law or required by the terms of this Plan to withhold in connection with any payments incident to this Plan. The participant or other recipient shall provide the Committee with such additional information or documentation as may be necessary for the Committee to discharge its obligations under this Section. The Company may withhold cash in an amount equal to the amount which the Committee determines is necessary to satisfy the obligation of the Company to withhold federal, state and local income taxes or other amounts incurred by reason of the grant or exercise of an SAR or its disposition. Alternatively, the Company may require the holder to pay to the Company such amounts, in cash, promptly upon demand.

## ARTICLE 11

### General Provisions

11.1 *No Implied Rights to SARs or Employment.* No potential participant has any claim or right to be granted an SAR under this Plan, and there is no obligation of uniformity of treatment of participants under this Plan. Neither this Plan nor any SAR thereunder shall be construed as giving any individual any right to continued employment with the Company or any Affiliate. The Plan does not constitute a contract of employment, and the Company and each Affiliate expressly reserve the right at any time to terminate employees free from liability, or any claim, under this Plan, except as may be specifically provided in this Plan or in an SAR agreement.

11.2 *Other Compensation Plans.* Nothing contained in this Plan prevents the Board of Directors from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.

11.3 *Rule 16b-3 Compliance.* The Plan is intended to comply with all applicable conditions of Rule 16b-3 of the Exchange Act, as such rule may be amended from time to time (“Rule 16b-3”). All transactions involving any participant subject to Section 16(a) of the Exchange Act shall be subject to the conditions set forth in Rule 16b-3, regardless of whether such conditions are expressly set forth in this Plan. Any provision of this Plan that is contrary to Rule 16b-3 does not apply to such participants.

11.4 *Successors.* All obligations of the Company with respect to SARs granted under this Plan are binding on any successor to the Company, whether as a result of a direct or indirect purchase, merger, consolidation or otherwise of all or substantially all of the business and/or assets of the Company.

11.5 *Severability.* In the event any provision of this Plan, or the application thereof to any person or circumstances, is held illegal or invalid for any reason, the illegality or invalidity shall

not affect the remaining parts of this Plan, or other applications, and this Plan is to be construed and enforced as if the illegal or invalid provision had not been included.

11.6 *Governing Law.* To the extent not preempted by Federal law, this Plan and all SAR agreements pursuant thereto are construed in accordance with and governed by the laws of the State of Ohio. This Plan is not intended to be governed by the Employee Retirement Income Security Act and shall be so construed and administered.

## ARTICLE 12

### Effective Date

12.1 *Effective Date.* The effective date of this LNB Bancorp, Inc. Stock Appreciation Rights Plan is the date on which the Board of Directors approves it.

## ARTICLE 13

### Clawback of Plan Payments

Notwithstanding any provision in the Plan to the contrary, in the event that a grant or grants, or payment or payments, are made to “senior executive officer(s)” (as that term is defined in accordance with Section 111(b)(3) of the Emergency Economic Stabilization Act of 2008 (“EESA”)) and it is later determined that the grant or grants, or payment or payments, were based on materially inaccurate financial statements or on any other materially inaccurate performance metric criteria, then in such event, to the extent necessary to comply with Section 111(b)(2)(B) of EESA, shall the full amount of any and all payment(s) that have been made to such senior executive officer(s) become immediately due and owing to the Company, and the senior executive officer(s) who received such grant(s) or payment(s) shall forfeit or repay, as applicable, the full amount of such grant(s) or payment(s) to the Company, in accordance with and in a manner that complies with the requirements of Section 111(b)(2)(B) of EESA.

**Annex F**

DANIEL E. KLIMAS

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), made at Lorain, Ohio, as of the 28 day of January, 2005, by and among DANIEL E. KLIMAS, herein referenced as "Employee", and LNB BANCORP, INC. (an Ohio corporation) and THE LORAIN NATIONAL BANK (a banking organization organized and existing under the laws of the United States of America), a wholly-owned subsidiary of LNB Bancorp, Inc., which together with their respective successors and assigns are collectively herein referenced as "Employer", is to EVIDENCE THAT:

WHEREAS Employer desires to secure and retain the employment services of Employee as its President and Chief Executive Officer, and Employee desires to accept employment as Employer's President and Chief Executive Officer; and

WHEREAS, but for Employee's promises made in this Agreement, especially in Section 8, Employer would not employ Employee under the terms and conditions of this Agreement and, therefore, expressly to induce Employer to execute this Agreement, Employee represents that Employee fully understands and accepts the restrictive covenants in Section 8 and agrees to be bound thereby;

NOW, THEREFORE, in consideration of the mutual covenants and promises herein, Employer and Employee (collectively the "Parties" and individually a "Party") hereby agree as follows:

**1. Employment and Term.**

1.1 Employee will render management services to Employer in the capacity as Employer's President and Chief Executive Officer for the term of this Agreement (herein called the "Agreement Term", all references to the Agreement Term shall include references to the periods of renewal, if any) commencing February 1, 2005, and continuing thereafter until January 31, 2008, or until terminated earlier pursuant to the termination provisions of this Agreement, including the provisions of Section 7. Unless the Agreement Term is terminated pursuant to the termination provisions in this Agreement, including the provisions of Section 7, or by written notice by either Party to the other on or before November 1, 2006 and on or before each November 1st thereafter, the Agreement Term shall automatically renew for one (1) additional year, such that the Agreement Term (unless terminated in writing prior to such automatic extension) shall not be less than fifteen (15) months, and after November 1, 2006 shall not be greater than twenty-seven (27) months.

1.2 Employee will devote Employee's full business-time and best efforts to performing conscientiously, faithfully and loyally all duties: (A) required of Employee by virtue of Employee's position as Employer's President and Chief Executive Officer, (B) set forth in Employer's Code of Regulations, Bylaws and policies as adopted by Employer's Board of Directors, and (C) assigned or delegated to Employee by Employer's Board of Directors. Employee shall not be required to report to any single individual or committee and shall report only to the Board as an entire body. Except for the audit staff, all other employees of Employer shall report directly or indirectly to Employee. So long as it does not materially interfere with Employee's full-time employment hereunder, Employee may attend to outside investments, and serve as a director, trustee or officer of, or otherwise participate in, educational, welfare, social, religious or civic organizations, whether for compensation or otherwise.

1.3 Except as otherwise expressly provided herein, this Agreement represents the entire agreement between Employee and Employer regarding Employee's employment by Employer.

1.4 Except as otherwise expressly provided herein, this Agreement may be changed or amended only by a written document which is clearly designated as an amendment to this specific Agreement and only if such document is signed by all Parties.

1.5 No action by any Party and no refusal or neglect of any Party to exercise a right granted under this Agreement or to enforce compliance with any provision of this Agreement shall constitute a waiver of any

provision of or any right under this Agreement, unless such waiver is expressed in a written document which is clearly designated as a waiver to a specific provision(s) of this Agreement and unless such document is signed by all Parties.

## **2. Compensation.**

2.1 In consideration for the services rendered by Employee as President and Chief Executive Officer, Employer agrees to pay Employee a basic salary (herein called the "Basic Salary") equal to the sum of not less than Three Hundred Thousand Dollars (\$300,000.00) for each twelve (12) consecutive monthly period (a "Contract Year") of the Agreement Term. The Basic Salary shall be payable in twenty-six (26) equal bi-weekly payments and prorated if the Agreement Term is terminated prior to the completion of any Contract Year.

2.2 As additional consideration for Employee's services performed hereunder, Employee may receive an annual bonus of up to seventy-five percent (75%) of Basic Salary for the Contract Year to which such bonus relates, with the target being fifty percent (50%) of Basic Salary. Such bonus (and Employee's eligibility therefor) shall be determined in accordance with the performance goals for such Contract Year jointly established in good faith by Employee and Employer's Board of Directors; provided that the performance goals for the first year of the Agreement Term shall be established as soon as practicable in 2005, and that the performance goals for each successive Contract Year be established not later than the first day of such Contract Year.

2.3 There shall be an annual review of Employee's performance and compensation by Employer's Board of Directors (or a committee thereof). The annual review shall occur not less than sixty (60) days prior to the end of Employer's fiscal year for the express purpose of reviewing the current fiscal year's performance of Employee. Any change in compensation as a result of the annual review shall immediately act as an amendment of Section 2.1 above, effective as of the date of the compensation change, provided that Employee's Basic Salary shall not be decreased without Employee's consent.

2.4 As additional consideration for Employee's promises in Section 8 of this Agreement and for signing this Agreement, Employer shall pay Employee a one-time signing bonus of One Hundred Fifteen Thousand Dollars (\$115,000.00) on the date of the commencement of the Agreement Term.

2.5 The obligations of Employer to pay Employee's Basic Salary, bonuses, and other benefits under this Agreement are expressly conditioned upon Employee's continued and faithful performance of and adherence to each and every material promise, duty and obligation assigned to or made by Employee under this Agreement.

## **3. Vacations and Time-Off.**

3.1 Employee shall be entitled to twenty-seven (27) working days of compensated vacation for each Contract Year, pursuant to the terms and conditions of Employer's vacation time-off policy (as may be periodically changed by the mutual agreement of the Parties), to be taken at times as mutually agreed in advance between Employee and Employer's Chairman of the Board of Directors.

3.2 Except as may be periodically changed by the mutual agreement of the Parties, all vacation time-off shall be non-cumulative if not taken within the Contract Year or within the first quarter of the succeeding Contract Year; provided, however, that unused vacation time may be redeemed as compensation pursuant to the terms and conditions of Employer's vacation time-off policy.

3.3 Employee's vacation time-off may be increased by the mutual agreement of the Parties.

3.4 Employee shall be permitted additional time-off to attend meetings, seminars, and conventions and to satisfy educational requirements as have been mutually agreed upon by the Parties. Attendance at such approved meetings, seminars, and conventions and accomplishment of approved educational requirements shall be fully compensated and shall not be considered vacation. Employer shall reimburse Employee for all reasonable



expenses incurred by Employee incident to attendance at approved meetings, seminars and conventions and such reasonable entertainment expenses incurred by Employee in furtherance of Employer's interest.

3.5 Employee shall also be entitled to additional days of time-off with full compensation for holidays in accordance with Employer's holiday time-off policy (which may be periodically changed by the mutual agreement of the Parties).

3.6 Employee shall further be entitled to additional days of time-off with full compensation for personal matters in accordance with Employer's personal time-off policy (which may be periodically changed by the mutual agreement of the Parties).

#### 4. Fringe Benefits.

4.1 Employee shall be entitled to all fringe benefits to which other employees of Employer in Employee's classification are entitled.

4.2 As additional consideration for Employee's performance of Employee's duties and responsibilities as President and Chief Executive Officer of Employer, Employer agrees:

(A) To provide Employee with: (i) short-term disability benefits pursuant to Employer's short-term disability program (which may be periodically changed or terminated by the mutual agreement of the Parties), and (ii) long-term disability insurance benefits commencing one hundred eighty (180) days after Employee incurs a Disability, as defined in Section 10.1(E) of this Agreement, and continuing pursuant to the terms of Employer's long-term disability program (which may be periodically changed or terminated by the mutual agreement of the Parties); and

(B) To include Employee in Employer's retirement plan (which presently offers a fifty percent (50%) Employer match of the first six percent (6%) of compensation) and flexible benefit plan, as such plans may be periodically changed or terminated by the mutual agreement of the Parties; and

(C) To provide Employee with such plan of hospitalization insurance as maintained by Employer and as may be periodically changed or terminated by the mutual agreement of the Parties; and

(D) To provide Employee: (i) a term life insurance policy on the life of Employee (provided that Employee is insurable under the standard rate criteria of a commercial life insurance company) in an amount equal to 2.75 times the Basic Salary of Employee, but not to exceed Five Hundred Thousand Dollars (\$500,000.00), as may be periodically increased by the mutual agreement of the Parties, and payable to the beneficiary or beneficiaries of Employee's choice, and (ii) an accidental death and dismemberment insurance policy upon Employee in an amount equal to 2.75 times the Basic Salary, but not to exceed Five Hundred Thousand Dollars (\$500,000.00), as may be increased by the mutual agreement of the Parties, and payable to the beneficiary or beneficiaries of Employer's choice; and

(E) To provide Employee with such sick leave as presently in force by Employer and as may be periodically changed or terminated by the mutual agreement of the Parties; and

(F) To purchase or lease for the use of Employee an automobile as selected by Employee and approved by Employer, and to reimburse Employee for expenses related to its operation for business purposes upon presentation of appropriate itemization and receipts; provided, however, that upon termination of the Agreement Term for any reason, Employer shall be entitled to possession of said automobile on the one (1)-year anniversary of the date of termination; and

(G) To pay the initiation fee and monthly dues for a corporate membership for Employee at Elyria Country Club, Elyria, Ohio or such other club as the Parties mutually agree, and to reimburse Employee for all future assessments and reasonable expenses incurred by Employee at such club in furtherance of Employer's business interests upon presentation of appropriate itemizations and receipts, all in accordance with federal tax law; and

(H) To reimburse Employee for all reasonable and approved expenses related to the performance of Employee's duties as President and Chief Executive Officer, including (but not limited to): entertainment and promotional expenses; educational expenses incurred for the purpose of maintaining or improving Employee's skills directly related to the performance of Employee's duties and obligations hereunder (including, but not limited to, continuing educational requirements); expenses of membership in civic groups, clubs and fraternal organizations; and all other items of reasonable and necessary expenses incurred by Employee in the performance of Employee's duties as Employer's President and Chief Executive Officer.

(I) To issue to Employee an unrestricted stock grant of five thousand (5,000) shares of common stock of LNB Bancorp, Inc. on the date of the commencement of the Agreement Term, which such stock grant shall vest on the commencement date of the Agreement Term. Employer shall issue and deliver to Employee stock certificates for the number of shares of common stock granted to Employee hereunder and such shares shall be duly issued, fully paid, non-assessable and free from all taxes, liens, charges and restrictions on transfer.

## **5. Options and Incentives.**

5.1 As further consideration for the services rendered by Employee as President and Chief Executive Officer, Employer agrees to provide Employee stock options for Employee to purchase an aggregate of ninety thousand (90,000) common shares of LNB Bancorp, Inc. (or any securities into which such common shares may be converted). The aggregate stock options shall be divided into three (3) allotments of thirty thousand (30,000) shares each which shall be awarded on the commencement of the Agreement Term and on the first and second anniversaries of the Agreement Term in 2006 and in 2007. The first stock option award will vest at a rate of ten thousand (10,000) shares on each of the first, second and third anniversaries of the commencement of the Agreement Term (in 2006, 2007 and 2008). The second stock option award will vest at a rate of ten thousand (10,000) shares on each of the second, third and fourth anniversaries of the commencement of the Agreement Term (in 2007, 2008 and 2009). The third stock option award will vest at a rate of ten thousand (10,000) shares on each of the third, fourth and fifth anniversaries of the commencement of the Agreement Term (in 2008, 2009 and 2010). Employee shall have the right to purchase up to each ten thousand (10,000) share allotment on or after the applicable vesting date at the market value of such shares on the close of the date such options are awarded in 2005, 2006 and 2007. All such stock options shall automatically expire ten (10) years from the applicable vesting date. Upon payment in full, Employer shall issue and deliver to Employee stock certificates for the number of shares of common stock issued to Employee on the exercise of the options and such shares shall be duly issued, fully paid, non-assessable and free from all taxes, liens, charges and restrictions on transfer.

5.2 As additional consideration for the services rendered by Employee as President and Chief Executive Officer, Employer and Employee shall attempt in good faith to mutually develop a long-term incentive plan awarding up to fifty (50%) of Employee's Basic Salary for each applicable Contract Year; provided, however, that such long-term incentive plan shall commence in 2006.

5.3 Employer shall at all times reserve or otherwise hold available a sufficient number of shares of LNB Bancorp, Inc. common stock to cover the number of shares issuable to Employee hereunder.

5.4 Employer shall file or cause to be filed on a timely basis all registration statements required to register under the 1933 Act the grant of stock and options hereunder and all other filings or applications required generally to permit the common stock of LNB Bancorp, Inc. to be traded on a national exchange or over-the-counter quotation system; and, in addition, after the issuance of any such common stock to Employee hereunder, upon Employee's written request Employer shall file on a timely basis and at its sole cost and expense all such statements and reports required to permit Employee to so trade Employee's common shares received hereunder. Employer shall use its best efforts to have such registration statements declared effective by the SEC as soon as

practicable and to maintain such effectiveness. In addition, Employer shall use its best efforts to cause the Board of Directors of LNB Bancorp, Inc. to take any and all necessary action to except the grant of stock to Employee under Section 4(I) and the grant of options to Employee under Section 5.1 from the provisions of Section 16(b) of the Exchange Act of 1934.

5.5 If LNB Bancorp, Inc. shall at any time after the commencement date of the Agreement Term: (a) declare a dividend on its common stock payable in shares of its capital stock (of any class), (b) subdivide its outstanding common stock, (c) combine its outstanding common stock into a smaller number of shares, or (d) issue any shares of its capital stock in connection with a consolidation or merger in which it is the continuing corporation, the option price under Section 5.1 in effect on the record date for that dividend, or the effective date of that subdivision, combination or merger, and/or the number and kind of shares of capital stock on that date subject to the options, shall be proportionately adjusted so that Employee shall be entitled to receive the aggregate number and kind of shares of capital stock which, if the options had been exercised immediately prior to that date, Employee would have owned and been entitled to receive by virtue of that subdivision, combination or merger. The foregoing adjustment shall be made successively whenever any event listed above shall occur.

6. **Prohibition Against Transfer.** Employee's duties, obligations and services rendered under this Agreement are personal in nature and are unique to Employer. Therefore, without Employer's prior written consent, Employee shall not assign or otherwise transfer any of Employee's duties, obligations or responsibilities hereunder.

7. **Termination of the Agreement Term.**

7.1 If either Employer or Employee materially violates the terms and conditions of this Agreement, the other Party shall give the breaching Party notice of said violation and, if the breaching Party does not cure such violation within ten (10) days after notice, then the other Party shall have the continuing right to terminate the Agreement Term without further notice; provided, however, that Employer may immediately terminate the Agreement Term if Employee violates or fails to adhere to any provision of Section 8 (pertaining to non-disclosure and non-competition).

7.2 Through its Board of Directors, Employer may terminate the Agreement Term without cause at any time upon thirty (30) days prior written notice to Employee.

7.3 Subject to the terms and conditions of Section 10, Employee may terminate the Agreement Term upon the occurrence of a "Change in Control" as defined in Section 10.1(C) for "Good Reason" as defined in Section 10.1(F). In addition, Employee may terminate the Agreement Term at any time for Good Cause. For purposes of this Agreement, Good Cause means, without Employee's express written consent, the occurrence of any of the following events:

- (i) (1) any change in the duties or responsibilities of Employee that is inconsistent in any material and adverse respect with Employee's positions, duties, responsibilities or status with Employer (including any material and adverse diminution of such duties on Employer's Board of Directors); or responsibilities), or (2) a material and adverse change in Employee's titles or offices with Employer (including, if applicable, membership
- (ii) a reduction by Employer in Employee's Basic Salary as then in effect;
- (iii) any requirement of Employer that Employee be based anywhere more than fifty (50) miles from Employee's present residence in Westlake, Ohio; or
- (iv) the failure of Employer to: (1) comply with Section 4 of this Agreement, or (2) comply with Section 3 of this Agreement.

7.4 The Agreement Term shall automatically and immediately terminate upon the death of Employee, and Employee shall be entitled to that portion of any unpaid salary and other benefits accrued and earned

hereunder up to and including the date of death, together with a pro rata portion of the annual bonus and long-term incentive awards applicable to the Contract Year in which his death occurs, as determined under Sections 2.2 and 5.2.

7.5 In the event of the Disability of Employee as defined in Section 10.1(E) of this Agreement, the Agreement Term shall terminate and Employee shall be entitled to benefits provided by Employer under Employer's long-term disability program as designated in Section 4.2(A)(ii) of this Agreement, and to that portion of any unpaid salary and other benefits accrued and earned by Employee up to and including the date of Disability together with a pro rata portion of the annual bonus and long-term incentive awards applicable to the Contract Year in which such Disability occurs, as determined under Sections 2.2 and 5.2.

7.6 In Employee's sole discretion, Employee may terminate the Agreement Term by giving the Board of Directors of Employer at least thirty (30) days written notice of Employee's decision to terminate the Agreement Term, whereupon Employee shall have no further obligations or liabilities to Employer, except for those obligations or liabilities otherwise provided for in this Agreement.

7.7 Employer shall have the sole discretion to determine whether Employee shall continue to render services hereunder during such notice periods as provided for in this Section 7.

7.8 Upon the termination of the Agreement Term pursuant to Section 7.1 (but only if Employee terminates the Agreement Term due to the Employer's breach) Section 7.2 or Section 7.3 by Employee for Good Cause, Employer shall continue to pay Employee's Basic Salary, health insurance and life insurance over the remainder of the Agreement Term as in effect immediately prior to such termination (determined without regard to the termination of such term under Section 7). In addition, Employee shall be entitled to pro rata portion of the annual bonus and long-term incentive awards applicable to the Contract Year in which termination occurs and the remainder of the Agreement Term (determined without regard to the termination of such term under Section 7), determined as if all performance goals for such periods are met and Employee is entitled to an annual bonus under Section 2.2 of fifty percent (50%) of Basic Salary as in effect immediately prior to termination and a long-term incentive award under Section 5.2 of fifty percent (50%) of Basic Salary as in effect immediately prior to termination. Any termination payments payable to Employee shall survive Employee's death if Employee dies during the period Employee is receiving termination payments as provided in this Section 7.8.

7.9 Upon termination of the Agreement Term pursuant to Section 7.1 (but only if Employee terminates the Agreement Term due to the Employer's breach), Section 7.2 or Section 7.3 by Employee for Good Cause, all of Employee's remaining stock options under Section 5.1 shall be immediately awarded and all unvested stock options shall immediately vest on the date of termination of the Agreement Term and a sixty (60)-day exercise period for such stock option shall commence. Upon exercise, Employee shall have the right to purchase up to the full amount of shares subject to such options at a price per share equal to the lesser of (i) the market value of such shares on the close of the date of termination or (ii) the market value of such shares on the immediately preceding anniversary of the commencement of the Agreement Term. Any stock options not exercised and fully paid by the end of the sixty (60)-day exercise period shall automatically become null and void.

## **8. Employee's Non-Disclosure and Non-Competition Promises.**

8.1 For purposes of this Section 8, the Parties agree to and understand the following definitions:

(A) "Competitive Act" means any of the following: (i) Employee's rendering services (whether or not for compensation) to, for or on behalf of a Competitor (as defined herein) as an employee, independent contractor, consultant, advisor, representative, agent or in any other capacity; and (ii) Employee's investment in or ownership (partial or total) of a Competitor, unless the Competitor's stock is publicly traded on a national exchange and Employee owns less than two percent (2%) of such stock.

(B) "Competitive Activity" means the performance or rendering of any banking services; trust services and investment services; portfolio management; retirement planning; administration of employee benefit plans; administration of decedents' estates and court-supervised accounts, guardianships, and custodial arrangements; personal tax and estate tax planning; financial consulting services; investment advising services; and any other business activity, service or product which competes with any existing or future business activity, service or product of Employer.

(C) "Competitor" means any of the following: (i) any person, sole proprietorship, partnership, association (other than Employer), organization, corporation, limited liability company or other entity (governmental or otherwise) who or which provides, renders or performs a Competitive Activity (as defined herein) within the Service Area (as defined herein), even if the Competitor has no office or other facilities located within the Service Area; and (ii) any parent, subsidiary or other person or entity affiliated with, or related by ownership to, any of the foregoing designated in Subitem (i) of this Section 8.1(C).

(D) "Confidential Information" means all of the following (whether written or verbal) pertaining to Employer: (i) trade secrets (as defined by Ohio law); Client or Customer lists, records and other information regarding Employer's Clients or Customers (whether or not evidenced in writing); Client or Customer fee or price schedules and fee or price policies; financial books, plans, records, ledgers and information; business development plans; sales and marketing plans; research and development plans; employment and personnel manuals, records, data and policies; business manuals, methods and operations; business forms, correspondence, memoranda and other records; computer records and related data; and any other confidential or proprietary data and information of Employer or its Clients or Customers which Employee encounters during the Employment Term (as defined in Section 8.1(F)); and (ii) all products, technology, ideas, inventions, discoveries, developments, devices, processes, business notes, forms and documents, business products, computer programs, and other creations (and improvements of any of the foregoing), whether patentable or copyrightable, which Employee has acquired, developed, conceived or made (whether directly or indirectly, whether solicited or unsolicited, or whether during normal work hours or during off-time) during the Employment Term or during the Restricted Period and which relate to any business activity of Employer or are derived from the Confidential Information designated in Subsection (i) of this Section 8.1(D).

(E) "Client" or "Customer" means a person, sole proprietorship, partnership, association, organization, corporation, limited liability company, or other entity (governmental or otherwise), wherever located: (i) to or for which Employer sells any products or renders or performs services either during the one hundred eighty (180)-day period immediately preceding commencement of the Restricted Period or during the Restricted Period, or (ii) which Employer solicits or (as demonstrated by plans, strategies or other tangible preparation) intends to solicit to purchase products or services from Employer either during the one hundred eighty (180)-day period immediately preceding commencement of the Restricted Period or during the Restricted Period.

(F) "Employment Term" means the period of time starting on the date Employee's employment with Employer commences and terminating at the close of business on the date Employee's employment with Employer terminates.

(G) "Restricted Period" means one (1) year commencing on the date the Employment Term is terminated by either Party (for any reason, with or without cause); provided, however, that such period shall be extended to include any period of time during which Employee engages in any activity constituting a breach of this Agreement and any period of time during which litigation transpires wherein Employee is held to have breached this Agreement.

(H) "Service Area" means: (i) Lorain County, Ohio and all counties immediately contiguous to Lorain County, constituting those geographic areas in which Employer presently conducts substantial business activities; and (ii) those counties located in the State of Ohio in which Employer conducts or transacts substantial business activities on the date the Employment Term terminates; and (iii) those counties in the State of Ohio in which, on the date the Employment Term terminates, Employer intends to conduct or transact substantial business activities as demonstrated by plans, strategies or other tangible preparation for such business activities and known to Employee.

(I) "Employer" means, for purposes of this Section 8, LNB Bancorp, Inc. (the parent), The Lorain National Bank (a national bank association), Charleston Insurance Agency, Inc., Charleston Title Agency, LLC, LNB Mortgage LLC, North Coast Community Development Corporation, all subsidiary entities thereof, and all entities related to LNB Bancorp, Inc., to The Lorain National Bank or to such parent or subsidiary entities by common ownership which may exist after the commencement of the Employment Term.

8.2 Expressly in consideration for Employer's promises made in this Agreement and to induce Employer to sign this Agreement, Employee promises and agrees that:

(A) Confidentiality. The Confidential Information is and, at all times, shall remain the exclusive property of Employer, and Employee: (i) shall hold the Confidential Information in strictest confidence and in a position of trust for Employer and its Clients and Customers, and (ii) except as may be necessary to perform Employee's employment duties with Employer but only in compliance with Employer's confidentiality policies and all applicable laws, shall not (directly or indirectly) use for any purpose, copy, duplicate, disclose, convey to any third-party or convert any Confidential Information, either during the Employment Term or at any time following termination of the Employment Term (by any Party, for any reason, with or without cause), and (iii) upon the request of Employer at any time during or after the Employment Term, shall immediately deliver to Employer all the Confidential Information in Employee's possession and shall neither convey to any third-party nor retain any copies or duplicates thereof; and

(B) Competitive Acts. During the Employment Term, Employee (or any entity owned or controlled by Employee) shall not directly or indirectly, without the prior written approval of Employer, perform a Competitive Act; and

(C) Employees. During the Restricted Period, Employee (or any entity owned or controlled by Employee) shall not directly or indirectly: (i) employ, engage, contract for the services of, or solicit or otherwise induce the services of any person who, during the one hundred eighty (180)-day period immediately preceding commencement of the Restricted Period or during the Restricted Period, is or was an employee of Employer, or (ii) otherwise interfere with (or attempt to interfere with) any employment relationship of Employer with any employee.

(D) Other Employment. Except as otherwise provided for in Section 1.2, during the Employment Term, Employee shall not perform services (whether or not for compensation) as an employee, independent contractor, consultant, representative or agent of any person, sole proprietorship, partnership, limited liability company, corporation, association (other than Employer), organization, or other entity (governmental or otherwise) without the prior, written consent of Employer.

(E) Costs of Enforcement. Employee shall pay all reasonable legal fees, court costs, expert fees, investigation costs, and other expenses incurred by Employer in any litigation under which Employee is adjudicated to have violated this Section 8.

8.3 Employee understands and agrees that:

(A) During the Employment Term, Employee will materially assist Employer in the generation, development or enhancement of certain Confidential Information, Clients and Customers and certain other business assets and activities for Employer; and

(B) Employee's promises in this Section 8: (i) were negotiated at arm's-length and with ample time for Employee to seek the advice of legal counsel, (ii) are required for the fair and reasonable protection of Employer and the Confidential Information, and (iii) do not constitute an unreasonable hardship to Employee in working for Employer or in subsequently earning a livelihood in Employee's field of expertise outside the Service Area; and

(C) If Employee breaches any or all of the promises in this Section 8: the privacy and thereby the value of the Confidential Information will be significantly jeopardized; Employer will be subject to the immediate risk of material, immeasurable, and irreparable damage and harm; the remedies at law for Employee's breach shall be inadequate; and Employer shall therefore be entitled to injunctive relief against Employee in addition to any and all other legal or equitable remedies; and

(D) If Employee had not agreed to the restrictive promises in this Agreement, Employer would not have signed this Agreement.

8.4 Employee's promises, duties and obligations made in this Section 8 shall apply to Employee irrespective of whether a Change in Control (as defined in Section 10.1) occurs and shall survive the voluntary or involuntary cessation or termination of the Employment Term by either Party (for any reason, with or without cause). If any of the restrictions contained in this Section 8 are ever judicially held to exceed the geographic or time limitations permitted by law, then such restrictions shall be deemed to be reformed to comply with the maximum geographic and time limitations permitted by law. The existence of any claim or cause of action by Employee against Employer (whether or not derived from or based upon Employee's employment with Employer) shall not constitute a defense to Employer's enforcement of any covenant, duty or obligation of Employee in this Section 8.

## 9. Indemnification.

9.1 Employer hereby indemnifies and saves Employee harmless from and against all claims, liabilities, judgments, decrees, fines, penalties, fees, amounts paid in settlement or any other costs, losses, expenses (including, but not limited to, attorneys' fees and court costs) directly or indirectly arising or resulting from or in connection or association with any threatened or pending action, suit or proceeding (whether civil, criminal, administrative, investigatory or otherwise) and any appeals related thereto under which Employee is a party or participant because of Employee's good faith actions or omissions arising from the performance of Employee's duties and obligations under this Agreement, except for such claims (including court proceedings) brought by the respective Parties against each other.

9.2 As a condition precedent to the indemnification and other obligations of Employer under this Section 9, Employee must:

(A) Notify Employer of any actual or potential claim under this Section 9; and

(B) Authorize and permit Employer, in its sole discretion, to choose any legal counsel to defend or otherwise handle the claim and all proceedings and matters relating thereto; and

(C) Permit Employer to assume total, complete and exclusive control of the claim and all proceedings and matters relating thereto; and

(D) Cooperate in all reasonable respects with Employer in handling the claims and all proceedings and matters related thereto.

## 10. Change in Control.

10.1 For purposes solely of this Section 10, the following terms shall have the respective meanings set forth below:

(A) "Bonus Amount" means an amount equal to fifty percent (50%) of Employee's Basic Salary in effect on Employee's Date of Termination.

(B) "Cause" means any one or more of the following: (i) the willful and continued failure of Employee to perform substantially Employee's duties with Employer (other than any such failure resulting from Employee's Disability as defined in Section 10.1(E) of this Agreement or any such failure subsequent to

Employee's being delivered a Notice of Termination without Cause by Employer or after Employee's delivering a Notice of Termination for Good Reason to Employer) after a written demand for substantial performance is delivered to Employee by Employer's Board of Directors which specifically identifies the manner in which the Board of Directors believes that Employee has not substantially performed Employee's duties and provides Employee with ten (10) days to correct such failure, or (ii) the willful engaging by Employee in illegal conduct or gross misconduct which is injurious to Employer or any Subsidiary, or (iii) the conviction of Employee of, or a plea by Employee of nolo contendere to, a felony, or (iv) Employee's breach of or failure to perform any of the non-competition and non-disclosure covenants contained in Section 8 of this Agreement. For purpose of this paragraph (B), no act or failure to act by Employee shall be considered "willful" unless done or omitted to be done by Employee in bad faith and without reasonable belief that Employee's action or omission was in the best interests of Employer. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by Employer's Board of Directors or based upon the advice of counsel for Employer shall be conclusively presumed to be done, or omitted to be done, by Employee in good faith and in the best interests of Employer.

(C) "Change in Control" means the occurrence of any one of the following events:

- (i) if individuals who, on the date of this Agreement, constitute the Board of Directors (the "Incumbent Directors") of LNB Bancorp, Inc. (herein called "Company") cease for any reason to constitute at least a majority of Company's Board of Directors; provided, however, that: (A) any person becoming a director subsequent to the date of this Agreement, whose election or nomination for election was approved by a vote of at least two-thirds (2/3) of the Incumbent Directors then on Company's Board of Directors (either by a specific vote or by approval of the proxy statement of Company in which such person is named as a nominee for director, without written objection by such Incumbent Directors to such nomination), shall be deemed to be an Incumbent Director, and (B) no individual elected or nominated as a director of Company initially as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies by or on behalf of any person other than Company's Board of Directors shall be deemed to be an Incumbent Director;
- (ii) if any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Company representing twenty percent (20%) or more of the combined voting power of Company's then-outstanding securities eligible to vote for the election of Company's Board of Directors (the "Company Voting Securities"); provided, however, that the events described in this clause (ii) shall not be deemed to be a Change in Control by virtue of any of the following acquisitions: (A) by Company or any Subsidiary, (B) by any employee benefit plan sponsored or maintained by Employer or any Subsidiary or by any employee stock benefit trust created by Employer or any Subsidiary, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities, (D) pursuant to a Non-Qualifying Transaction (as defined in clause (iii) of this paragraph (C), below), (E) pursuant to any acquisition by Employee or any group of persons including Employee (or any entity controlled by Employee or by any group of persons including Employee), or (F) a transaction (other than one described in clause (iii) of this paragraph (C), below) in which Company Voting Securities are acquired from Company, if a majority of the Incumbent Directors



approves a resolution providing expressly that the acquisition pursuant to this subparagraph (F) does not constitute a Change in Control under this clause (ii);

- (iii) upon the consummation of a merger, consolidation, share exchange or similar form of corporate transaction involving Company or any of its Subsidiaries that requires the approval of Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination: (A) more than fifty percent (50%) of the total voting power of either (x) the corporation resulting from the consummation of such Business Combination (the "Surviving Corporation") or, if applicable, (y) the ultimate parent corporation that directly or indirectly has beneficial ownership of one hundred percent (100%) of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation") is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation or any employee stock benefit trust created by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) were Incumbent Directors at the time of the Board of Director's approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) of this Section 10.1(C)(iii) shall be deemed to be a "Non-Qualifying Transaction"); or
- (iv) if the shareholders of Company approve a plan of complete liquidation or dissolution of Company or a sale of all or substantially all of Company's assets but only if, pursuant to such liquidation or sale, the assets of Company are transferred to an entity not owned (directly or indirectly) by Company's shareholders.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than twenty percent (20%) of Company Voting Securities as a result of the acquisition of Company Voting Securities by Company which reduces the number of Company Voting Securities outstanding; provided, however, that if (after such acquisition by Company) such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control shall then occur. Notwithstanding anything in this Agreement to the contrary, if (1) Employee's employment is terminated prior to a Change in Control for reasons that would have constituted a Qualifying Termination if they had occurred following a Change in Control, (2) Employee reasonably demonstrates that such termination was at the request of a third party who had indicated an intention or taken steps reasonably calculated to effect a Change in Control, and (3) a Change in Control involving such third

party (or a party competing with such third party to effectuate a Change in Control) does occur, then (for purposes of this Agreement) the date immediately prior to the date of such termination of employment (or event constituting Good Reason) shall be treated as a Change in Control.

(D) "Date of Termination" means: (i) the effective date on which Employee's employment by Employer terminates as specified in a prior written notice by Employer or Employee (as the case may be) to the other, or (ii) if Employee's employment by Employer terminates by reason of death, the date of death of Employee, or (iii) if the Employee incurs a Disability, the date of such Disability as determined by a physician chosen by Employer. For purposes of determining the timing of payments and benefits to Employee under Section 10.2, the date of the actual Change in Control shall be treated as Employee's Date of Termination.

(E) "Disability" means Employee's inability to perform Employee's then-existing duties with Employer on a full-time basis for at least one hundred eighty (180) consecutive days as a result of Employee's incapacity due to physical or mental illness.

(F) "Good Reason" means, without Employee's express written consent, the occurrence of any of the following events after a Change in Control:

- (i) (1) any change in the duties or responsibilities (including reporting responsibilities) of Employee that is inconsistent in any material and adverse respect with Employee's positions, duties, responsibilities or status with Employer immediately prior to such Change in Control (including any material and adverse diminution of such duties or responsibilities), or (2) a material and adverse change in Employee's titles or offices with Employer (including, if applicable, membership on Employer's Board of Directors) from those existing immediately prior to such Change in Control;
- (ii) (1) a reduction by Employer in Employee's Basic Salary as in effect immediately prior to such Change in Control (or as such Basic Salary may be increased from time to time thereafter), or (2) the failure by Employer to pay Employee an annual bonus in respect of the year in which such Change in Control occurs or any subsequent year in an amount greater than or equal to the annual bonus earned for the year ended prior to the year in which such Change in Control occurs;
- (iii) any requirement of Employer that Employee: (1) be based anywhere more than fifty (50) miles from the office where Employee is located at the time of the Change in Control, or (2) travel on Employer business to an extent substantially greater than the travel obligations of Employee immediately prior to such Change in Control;

- (iv) the failure of Employer to: (1) continue in effect any material employee benefit plan, compensation plan, welfare benefit plan or other material fringe benefit plan in which Employee is participating immediately prior to such Change in Control or the taking of any action by Employer which would materially and adversely affect Employee's participation in or reduce Employee's benefits under any such plan, unless Employee is permitted to participate in other plans providing Employee with substantially equivalent benefits in the aggregate, or (2) provide Employee with paid vacation in accordance with the most favorable vacation policies of Employer as in effect for Employee immediately prior to such Change in Control, including the crediting of all service for which Employee had been credited under such vacation policies prior to the Change in Control; or
- (v) the failure of Employer to obtain the assumption (and, if applicable, guarantee) agreement from any successor (and Parent Corporation) as contemplated in Section 10.4(B).

Notwithstanding any contrary provision in this Agreement: (a) an isolated, insubstantial and inadvertent action taken in good faith and which is remedied by Employer within ten (10) days after receipt of notice thereof given by Employee shall not constitute Good Reason; and (b) Employee's right to terminate employment for Good Reason shall not be affected by Employee's incapacities due to mental or physical illness; and (c) Employee's continued employment shall not constitute a consent to, or a waiver of rights with respect to, any event or condition constituting Good Reason (provided, however, that Employee must provide notice of termination of employment within thirty (30) days following Employee's knowledge of an event constituting Good Reason or such event shall not constitute Good Reason under this Agreement).

(G) "Qualifying Termination" means a termination of Employee's employment with Employer after a Change in Control: (i) by Employer other than for Cause, or (ii) by Employee for Good Reason. Termination of Employee's employment on account of death, Disability or Retirement shall not constitute a Qualifying Termination.

(H) "Retirement" means the termination of Employee's employment with Employer: (i) on or after the first of the month coincident with or next following Employee's attainment of age sixty-five (65), or (ii) on such later date as may be provided in a written agreement between Employer and Employee.

(I) "Subsidiary" means any corporation or other entity in which Company: (i) has a direct or indirect ownership interest of fifty percent (50%) or more of the total combined voting power of the then-outstanding securities or interests of such corporation or other entity entitled to vote generally in the election of directors, or (ii) has the right to receive fifty percent (50%) or more of the distribution of profits or fifty percent (50%) of the assets upon liquidation or dissolution of such corporation or other entity.

(J) "Termination Period" means the period of time beginning with a Change in Control and ending two (2) years following such Change in Control.

(K) "Highest Base Salary" means Employee's highest annual base salary (excluding any bonuses) paid to Employee by Employer during Employer's last three (3) fiscal years completed immediately prior to the Date of Termination.

(L) "Company" means LNB Bancorp, Inc. and its successors.

10.2 Notwithstanding any contrary provision in Section 7 or in any other Section of this Agreement, if (during the Termination Period) Employee's employment with Employer terminates pursuant to a Qualifying Termination:

(A) Employer shall pay to Employee, within twenty (20) days following the Date of Termination, a lump sum cash amount equal to the sum of (i) Employee's Highest Base Salary, as defined in Section 10.1(K), as measured from the Date of Termination through the remainder of the Agreement Term (but not less than twenty-four (24) months), plus (ii) any bonuses which have been earned through the Date of Termination and are payable, to the extent not theretofore paid or deferred, plus (iii) a pro rata portion of Employee's annual bonus for the fiscal year in which Employee's Date of Termination occurs in an amount at least equal to: (a) Employee's Bonus Amount multiplied by (b) a fraction, the numerator of which is the number of days in the fiscal year in which the Date of Termination occurs through the Date of Termination and the denominator of which is three hundred sixty-five (365), and reduced by (c) any amounts paid to Employee by Employer as an executive bonus (pursuant to approval of the Board of Directors) for the fiscal year in which Employee's Date of Termination occurs, plus (iv) any accrued and unpaid vacation pay; plus (v) Employee's annual bonus for each remaining Contract Year of the Agreement Term, as measured from the Date of Termination through the remainder of the Agreement Term (but not less than twenty-four (24) months) in an amount equal to fifty percent (50%) of Basic Salary in effect on Date of Termination; plus (vi) a pro rata portion of Employee's long-term incentive awards under Section 5.2 for the Contract Year in which the Date of Termination occurs and each remaining Contract Year of the Agreement Term, as measured from the Date of Termination through the remainder of the Agreement Term (but not less than twenty-four (24) months) in an amount equal to fifty percent (50%) of Basic Salary in effect on the Date of Termination.

(B) Employer shall continue to provide, for a period as measured from the Date of Termination through the remainder of the Agreement Term (but not less than twenty-four (24) months), Employee (and Employee's dependents, if applicable) with the same level of medical, dental, accident, disability and life insurance benefits and continuing education payments (necessary for Employee to maintain any educational requirements related to Employee's employment duties with Employer) upon substantially the same terms and conditions (including contributions required by Employee for such benefits) as existed immediately prior to Employee's Date of Termination (or, if more favorable to Employee, as such benefits and terms and conditions existed immediately prior to the Change in Control); provided, however, that if Employee is not eligible or qualified to continue to participate in Employer's plans providing such benefits, Employer shall otherwise provide such benefits on the same after-tax basis as if continued participation had been permitted. Notwithstanding the foregoing, in the event Employee becomes re-employed with another employer and becomes eligible to receive welfare benefits from such employer, the welfare benefits described herein shall be secondary to such benefits during the period of such eligibility but only if (and to the extent that) Employer reimburses Employee for any increased cost and provides any additional benefits necessary to give Employee the benefits provided in this Section 10.2(B). Employee's accrued benefits as of the Date of Termination under Employer's employee benefit plans shall be payable in accordance with the terms of such plans. All of Employee's remaining stock options under Section 5.1 shall be immediately awarded and all unvested stock options shall immediately vest as of the Date of Termination and a sixty (60)-day exercise period for such stock options shall commence. Upon exercise, Employee shall have the right to purchase up to the full amount of shares subject to such options at a price per share equal to the lesser of (i) the market value of such shares on the close of the date of the Qualifying Termination or (ii) the market value of such shares on the immediately preceding anniversary of the commencement of the Agreement Term. Any stock options not exercised and fully paid by the end of the sixty (60)-day exercise period shall automatically become null and void.

(C) If all or any portion of the amount payable to Employee under this Section 10.2, including the issuance of common stock hereunder, constitutes "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code (as may be periodically amended) that are subject to the excise tax imposed by Section 4999 of the Code (or any similar tax or assessment), then, if and only if, the Qualifying Termination occurs on or before February 1, 2009, the amounts payable hereunder shall be increased to the extent necessary to place Employee in the same after-tax position as he would have been in had no such tax assessment been imposed on any such payment paid or payable to Employee under this Agreement. The determination of the amount of any such tax or assessment and the incremental payment required hereby and in connection therewith shall be made by the accounting firm employed by Employee within thirty (30) calendar days after such payment and said incremental payment shall be made within five (5) calendar days after such determination has been verified as soon as practicable thereafter (but not greater than thirty (30) days) by the accounting firm employed by Employer. In the event that the Qualifying Termination occurs on or after February 2, 2009, then, at Employee's option: (i) if Employee agrees to personally pay all taxes, interests and/or penalties arising from such excess parachute payments,

Employee may elect to receive all payments under this Section 10.2; or (ii) if Employee does not agree to personally pay all taxes, interests and/or penalties arising from such excise parachute payments, Employer's payments to Employee under this Section 10.2 shall be reduced to the extent that the total of all such payments constitute an excess parachute payment under Section 280G of the Code.

10.3 Employer shall withhold from all payments due to Employee (or Employee's beneficiaries or estate) hereunder all taxes which, by applicable federal, state, local or other law, Employer is required to withhold therefrom.

10.4 (A) This Section 10 shall not be terminated by any Business Combination. In the event of any Business Combination, the provisions of this Section 10 shall be binding upon the Surviving Corporation and such Surviving Corporation shall be treated as Employer hereunder.

(B) Employer agrees that, in connection with any Business Combination, Employer will cause any successor entity to Employer unconditionally to assume (and, for any Parent Corporation in such Business Combination, to guarantee), by written instrument delivered to Employee (or Employee's beneficiaries or estate), all of the obligations of Employer under this Section 10. Failure of Employer to obtain such assumption or guarantee prior to the effectiveness of any such Business Combination that constitutes a Change in Control shall be a breach of this Agreement and shall constitute Good Reason hereunder and, further, shall entitle Employee to compensation and other benefits from Employer in the same amount and on the same terms as Employee would be entitled hereunder as if Employee's employment were terminated following a Change in Control by reason of a Qualifying Termination. For purposes of implementing this Section 10.4(B), the date on which any such Business Combination becomes effective shall be deemed the date Good Reason occurs and shall be the Date of Termination, if so requested by Employee.

(C) This Section 10 shall inure to the benefit of and be enforceable by Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Employee dies while any amounts would have been payable to Employee under this Section 10 if Employee had continued to live, all such amounts (unless otherwise provided herein) shall be paid in accordance with the terms of this Section 10 to such person or persons appointed in writing by Employee to receive such amounts or, if no person is so appointed, to Employee's estate.

10.5 In the event of a tender or exchange offer, proxy contest, or the execution of any agreement which, if consummated, would constitute a Change in Control, Employee agrees (as a condition to receiving any payments and benefits under Section 10.2 of this Agreement) not to leave voluntarily the employ of the Employer (other than as a result of Disability, Retirement or an event which would constitute Good Reason if a Change in Control had occurred) until the Change in Control occurs or, if earlier, such tender or exchange offer, proxy contest or agreement is terminated or abandoned.

## 11. Miscellaneous.

11.1 This Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes any and all other prior or contemporaneous agreements or contracts (either oral or written) between the Parties with respect to the subject matter hereof.

11.2 The invalidity or unenforceability of any particular provision of this Agreement shall not affect its other provisions and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

11.3 Except as otherwise expressly provided herein, this Agreement shall be binding upon and inure to the benefit of Employer, its successors and assigns and upon Employee, Employee's administrators, executors, legatees, heirs and assigns. At any time, Employer may assign this Agreement and Employer's rights, duties, obligations and benefits thereunder to any Subsidiary as defined in Section 10.1(I) of this Agreement.

11.4 This Agreement shall be construed and enforced under and in accordance with the laws of the State of Ohio; for all litigation arising hereunder, the State Courts of Lorain County, Ohio shall have exclusive venue; and each Party (separately and collectively) hereby submits to the personal jurisdiction of the State Courts of Lorain County, Ohio for all litigation arising under this Agreement.

11.5 All promises, representations, warranties and covenants of the Parties shall survive termination of the Agreement Term, unless otherwise expressly provided herein.

IN WITNESS WHEREOF, the Parties have set their hands as of the day and year first above written.


In the Presence of:

(b) (6)

(Signature of First Witness)

(b) (6)

(Signature of Second Witness)



Daniel E. Klimas

"Employee"

(b) (6)

(Signature of First Witness)

(b) (6)

(Signature of Second Witness)

LNB BANCORP, INC.

By:

James R. Herrick, Chairman of the Board

(b) (6)

(Signature of First Witness)

(b) (6)

(Signature of Second Witness)

THE LORAIN NATIONAL BANK

By:

James R. Herrick, Chairman of the Board

"Employer"

**DANIEL E. KLIMAS**

**AMENDMENT TO EMPLOYMENT AGREEMENT**

This Amendment to Employment Agreement (this "Amendment"), is made at Lorain, Ohio, as of July \_\_\_, 2008, by and among DANIEL E. KLIMAS, herein referenced as "Employee," and LNB BANCORP, INC. (an Ohio corporation) and THE LORAIN NATIONAL BANK (a banking organization organized and existing under the laws of the United States of America), which together with their respective successors and assigns are collectively herein referenced as "Employer."

WHEREAS Employer and Employee entered into an Employment Agreement, dated as of January 28, 2005 (the "Original Employment Agreement").

WHEREAS, pursuant to Section 1.4 of the Original Employment Agreement, Employer and Employee desire to amend the Original Employment Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein, Employer and Employee (collectively the "Parties" and individually a "Party") agree as follows:

The Original Employment Agreement is amended as follows:

1. The first sentence of Section 2.1 of the Original Employment Agreement is amended to provide that Employer agrees to pay Employee a Basic Salary equal to the sum of not less than Four Hundred Thousand Dollars (\$400,000) for each Contract Year of the Agreement Term.

2. The first sentence of Section 2.2 of the Original Employment Agreement is amended in its entirety to read "As additional consideration for Employee's services performed hereunder, Employee may receive an annual bonus of up to fifty percent (50%) of Basic Salary for the Contract Year to which such bonus relates."

3. Section 5.2 of the Original Employment Agreement is deleted in its entirety.

4. Section 7.4 of the Original Employment Agreement is amended to delete the phrase "and long-term incentive awards" and the phrase "and 5.2".

5. Section 7.5 of the Original Employment Agreement is amended to delete the phrase "and long-term incentive awards" and the phrase "and 5.2".

6. The second sentence of Section 7.8 of the Original Employment Agreement is amended to delete the phrase "and long-term incentive awards" and the phrase "and a long-term incentive award under Section 5.2 of fifty percent (50%) of Basic Salary as in effect immediately prior to termination."

7. Section 10.2(A) of the Original Employment Agreement is amended to delete the phrase "; plus (vi) a pro rata portion of Employee's long-term incentive awards under Section 5.2 for the Contract Year in which the Date of Termination occurs and each remaining Contract Year of the Agreement Term, as measured from the Date of Termination through the remainder of the Agreement Term (but not less than twenty-four (24) months) in an amount equal to fifty percent (50%) of Basic Salary in effect on the Date of Termination."

8. The second sentence of Section 2.2 requires the establishment of performance goals for Employee not later than the first day of a given Contract Year for purposes of considering and awarding an annual bonus. Notwithstanding this requirement, the Parties were not able to finalize such performance goals

prior to the first day of the 2008 Contract Year. The Parties hereby agree that, for purposes of the 2008 Contract year only, the establishment of performance goals and the award of an annual bonus (if any) will be determined by the Board of Directors' Compensation Committee (in its sole discretion). The Parties hereby further agree that the performance goals for 2009 and thereafter shall be established not later than the first day of each successive Contract Year as set forth in the second sentence of Section 2.2 of the Original Employment Agreement.

9. Upon execution of this Amendment, the provisions set forth herein shall be retroactive to February 1, 2008.

10. Except as specifically amended by this Amendment, all of the terms, covenants, conditions and provisions of the Original Employment Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the day and year first above written.

In the Presence of:

Mary E. Miles  
(Signature of First Witness)

(b) (6)  
(Signature of Second Witness)

D.E.K.  
Daniel E. Klimas

"Employee"

Mary E. Miles  
(Signature of First Witness)

(b) (6)  
(Signature of Second Witness)

LNB BANCORP, INC.  
By: [Signature]  
James R. Herrick, Chairman of the Board

Mary E. Miles  
(Signature of First Witness)

(b) (6)  
(Signature of Second Witness)

THE LORAIN NATIONAL BANK  
By: [Signature]  
James R. Herrick, Chairman of the Board

"Employer"



DANIEL E. KLIMAS

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to Employment Agreement (this "Amendment"), is made at Lorain, Ohio, as of December 12, 2008, by and among DANIEL E. KLIMAS, herein referenced as "Employee," and LNB BANCORP, INC. (an Ohio corporation) and THE LORAIN NATIONAL BANK (a banking organization organized and existing under the laws of the United States of America), which together with their respective successors and assigns are collectively herein referenced as "Employer."

WHEREAS Employer and Employee entered into an Employment Agreement, dated as of January 28, 2005, as amended as of July 16, 2008 (the "Employment Agreement").

WHEREAS, pursuant to Section 1.4 of the Employment Agreement, Employer and Employee desire to amend the Employment Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein, Employer and Employee (collectively the "Parties" and individually a "Party") agree as follows:

The Employment Agreement is amended as follows:

1. The following is hereby inserted as new Section 11.6 to the Employment Agreement:

"11.6 Notwithstanding any provision in this Agreement to the contrary, in the event that a payment or payments that would otherwise be payable to Employee pursuant to this Agreement would constitute a "golden parachute payment" in connection with Employee's "applicable severance from employment" (in each case, as those terms are defined in accordance with Section 111(b) of the Emergency Economic Stabilization Act of 2008 ("EESA")), such payment or payments shall be modified to the extent necessary in order to permit Employer to make such payment or payments to Employee in accordance with and in a manner that complies with the requirements of Section 111(b)(2)(C) of EESA."

2. Except as specifically amended by this Amendment, all of the terms, covenants, conditions and provisions of the Employment Agreement shall remain in full force and effect.

\* \* \* \* \*

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the day and year first above written.

In the Presence of:

(b) (6)  
\_\_\_\_\_  
(Signature of First Witness)

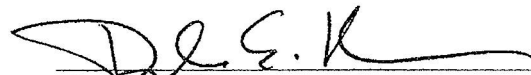
(b) (6)  
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(Signature of Second Witness)

(b) (6)  
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(Signature of First Witness)

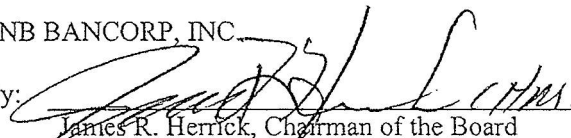
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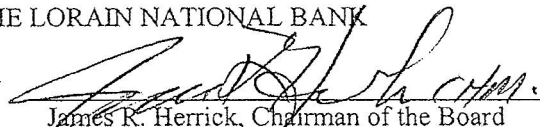
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(b) (6)  
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(Signature of Second Witness)

  
\_\_\_\_\_  
Daniel E. Klimas

“Employee”

LNB BANCORP, INC.  
By:   
\_\_\_\_\_  
James R. Herrick, Chairman of the Board

THE LORAIN NATIONAL BANK  
By:   
\_\_\_\_\_  
James R. Herrick, Chairman of the Board

“Employer”

**Annex G**

CHANGE IN CONTROL

SUPPLEMENTAL EXECUTIVE COMPENSATION AGREEMENT

This Agreement, effective as of the 8th day of August, 2007, by and between LNB BANCORP, INC., an Ohio corporation (the "Company"), and DAVE S. HARNETT ("Executive"), is to EVIDENCE THAT:

WHEREAS the Company considers the establishment and maintenance of a sound and vital management team for the Company and its Subsidiaries (as defined in Section 1) to be essential to protecting and enhancing the best interests of the Company and its shareholders; and

WHEREAS the Company recognizes that, as is the case with many publicly held corporations, the possibility of a change in control may arise and that such possibility may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders; and

WHEREAS the Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to secure Executive's continued services for the Company and/or its Subsidiaries and to ensure Executive's continued and undivided dedication to Executive's duties in the event of any occurrence of a Change in Control (as defined in Section 1) of the Company; and

WHEREAS Executive and the Company acknowledge that the terms and conditions of this Agreement shall apply only if a Change in Control occurs, except for the covenants contained in Section 11 which shall apply in all circumstances; and

WHEREAS Executive further acknowledges that this Agreement does not alter Executive's status as an "employee at will" with the Company;

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the Company and Executive (collectively, the "Parties" and, individually, a "Party") hereby agree as follows:

1. **Definitions.** As used in this Agreement, the following terms shall have the respective meanings set forth below:

- (a) "Bonus Amount" means one (1) year of Executive's base salary.
- (b) "Cause" means any one or more of the following: (i) the willful and continued failure of Executive to perform substantially Executive's duties with the Company or its Subsidiaries (other than any such failure resulting from Executive's Disability or any such failure subsequent to Executive being delivered a Notice of Termination without Cause by the Company or its Subsidiaries or after Executive delivering a Notice of Termination for Good Reason to the Company or its Subsidiaries) after a written demand for substantial performance is delivered to Executive by the Board which specifically identifies the manner in which the Board believes that Executive has not substantially performed Executive's duties and provides Executive with three (3) days to correct such failure, or (ii) the willful engaging by Executive in illegal conduct or gross misconduct which is injurious to the Company or its Subsidiaries, or (iii) the conviction of Executive of, or a plea by Executive of nolo contendere to, a felony, or (iv) Executive's breach of or failure to perform any of the non-

competition and non-disclosure covenants contained in Section 11 of this Agreement or contained in any other document signed by Executive and by the Company (or any Subsidiary). For purpose of this paragraph (b), no act or failure to act by Executive shall be considered "willful" unless done or omitted to be done by Executive in bad faith and without reasonable belief that Executive's action or omission was in the best interests of the Company and its Subsidiaries. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board, based upon the advice of counsel for the Company, or based upon the instructions of the Company's chief executive officer or another senior officer of the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company and its Subsidiaries.

- (c) "Change in Control" means the occurrence of any one of the following events:
- (i) if individuals who, on the date of this Agreement, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board; provided, however, that: (A) any person becoming a director subsequent to the date of this Agreement, whose election or nomination for election was approved by a vote of at least two-thirds (2/3) of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection by such Incumbent Directors to such nomination), shall be deemed to be an Incumbent Director, and (B) no individual elected or nominated as a director of the Company initially as a result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;
  - (ii) if any "person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then-outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); provided, however, that the events described in this paragraph (ii) shall not be deemed to be a Change in Control by virtue of any of the following acquisitions: (A) by the Company or any Subsidiary, (B) by any employee benefit plan sponsored or maintained by the Company or any Subsidiary or by any employee stock benefit trust created by the Company or any Subsidiary, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities, (D) pursuant to a Non-Qualifying Transaction (as defined in clause (iii) of this paragraph (c), below), (E) pursuant to any acquisition by Executive or by any group of persons including Executive (or any entity controlled by Executive or any group of persons including Executive), or (F) a transaction (other than one described in clause (iii) of this paragraph (c), below) in which Company Voting Securities are acquired from the Company, if a

majority of the Incumbent Directors approves a resolution providing expressly that the acquisition pursuant to this subparagraph (F) does not constitute a Change in Control under this clause (ii);

- (iii) upon the consummation of a merger, consolidation, share exchange or similar form of corporate transaction involving the Company or any of its Subsidiaries that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination: (A) more than fifty percent (50%) of the total voting power of either (x) the corporation resulting from the consummation of such Business Combination (the "Surviving Corporation") or, if applicable, (y) the ultimate parent corporation that directly or indirectly has beneficial ownership of one hundred percent (100%) of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation") is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no person (other than any employee benefit plan sponsored or maintained by the Surviving Corporation or the Parent Corporation or any employee stock benefit trust created by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "Non-Qualifying Transaction"); or
- (iv) if the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or a sale of all or substantially all of the Company's assets but only if, pursuant to such liquidation or sale, the assets of the Company are transferred to an entity not owned (directly or indirectly) by the Company's shareholders.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than twenty percent (20%) of Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided, however, that if (after such acquisition by the Company) such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control shall then occur.

Notwithstanding anything in this Agreement to the contrary, if (A) Executive's employment is terminated prior to a Change in Control for reasons that would have constituted a Qualifying Termination if they had occurred following a Change in Control, (B) Executive reasonably demonstrates that such termination (or event constituting Good Reason) was at the request of a third party who had indicated an intention or taken steps reasonably calculated to effect a Change in Control, and (C) a Change in Control involving such third party (or a party competing with such third party to effectuate a Change in Control) does occur, then (for purposes of this Agreement) the date immediately prior to the date of such termination of employment (or event constituting Good Reason) shall be treated as a Change in Control.

- (d) "Date of Termination" means (1) the effective date on which Executive's employment by the Company and its Subsidiaries terminates as specified in a prior written notice by the Company, a Subsidiary or Executive (as the case may be) to the other, delivered pursuant to Section 9, or (2) if Executive's employment by the Company terminates by reason of death, the date of death of Executive, or (3) if the Executive incurs a Disability, the date of such Disability as determined by a physician chosen by the Company. For purposes of determining the timing of payments and benefits to Executive under Section 4, the date of the actual Change in Control shall be treated as Executive's Date of Termination.
- (e) "Disability" means Executive's inability to perform Executive's then-existing duties with the Company or its Subsidiaries on a full-time basis for at least one hundred eighty (180) consecutive days as a result of Executive's incapacity due to physical or mental illness.
- (f) "Good Reason" means, without Executive's express written consent, the occurrence of any of the following events after a Change in Control:
  - (i) (A) any change in the duties or responsibilities (including reporting responsibilities) of Executive that is inconsistent in any material and adverse respect with Executive's positions, duties, responsibilities or status with the Company or its Subsidiaries immediately prior to such Change in Control (including any material and adverse diminution of such duties or responsibilities), or (B) a material and adverse change in Executive's titles or offices (including, if applicable, membership on the Board) with the Company or its Subsidiaries as existing immediately prior to such Change in Control;
  - (ii) (A) a reduction by the Company or its Subsidiaries in Executive's rate of annual base salary as in effect immediately prior to such Change in Control (or as such annual base salary may be increased from time to time thereafter), or (B) the failure by the Company or its Subsidiaries to pay Executive an annual bonus (if any) in respect of the year in which such Change in Control occurs;
  - (iii) any requirement of the Company or its Subsidiaries that Executive: (A) be based anywhere more than fifty (50) miles from the office where Executive is located at the time of the Change in Control, or (B) travel on Company or Subsidiary business to an extent substantially greater than the travel obligations of Executive immediately prior to such Change in Control;

- (iv) the failure of the Company or its Subsidiaries to continue in effect any material employee benefit plan, compensation plan, welfare benefit plan or other material fringe benefit plan in which Executive is participating immediately prior to such Change in Control or the taking of any action by the Company or its Subsidiaries which would materially and adversely affect Executive's participation in or reduce Executive's benefits under any such plan, unless Executive is permitted to participate in other plans providing Executive with substantially equivalent benefits in the aggregate; or
- (v) the failure of the Company to obtain the assumption (and, if applicable, guarantee) agreement from any successor (and Parent Corporation) as contemplated in Section 8(b).

Notwithstanding any contrary provision in this Agreement: (A) an isolated, insubstantial and inadvertent action taken in good faith and which is remedied by the Company within ten (10) days after receipt of notice thereof given by Executive shall not constitute Good Reason; and (B) Executive's right to terminate employment for Good Reason shall not be affected by Executive's Disability; and (C) Executive's continued employment shall not constitute a consent to, or a waiver of rights with respect to, any event or condition constituting Good Reason (provided, however, that Executive must provide notice of termination of employment within thirty (30) days following Executive's knowledge of an event constituting Good Reason or such event shall not constitute Good Reason under this Agreement).

- (g) "Qualifying Termination" means a termination of Executive's employment after a Change in Control and during the Termination Period (as defined herein) (i) by the Company or its Subsidiaries other than for Cause, or (ii) by Executive for Good Reason. Termination of Executive's employment on account of death or Disability shall not constitute a Qualifying Termination.
- (h) "Subsidiary" means any corporation or other entity in which the Company: (A) has a direct or indirect ownership interest of fifty percent (50%) or more of the total combined voting power of the then-outstanding securities or interests of such corporation or other entity entitled to vote generally in the election of directors, or (B) has the right to receive fifty percent (50%) or more of the distribution of profits or fifty percent (50%) of the assets upon liquidation or dissolution.
- (i) "Termination Period" means the two (2) year period from the effective date of this Agreement.

2. **Obligation of Executive.** In the event of a tender or exchange offer, proxy contest, or the execution of any agreement which, if consummated, would constitute a Change in Control, Executive agrees (as a condition to receiving any payments and benefits hereunder) not to voluntarily leave the employ of the Company (other than as a result of Disability or an event which would constitute Good Reason if a Change in Control had occurred) until the Change in Control occurs or, if earlier, such tender or exchange offer, proxy contest, or agreement is terminated or abandoned.

3. **Term of Agreement.** The term of this Agreement shall be effective for a two (2) year period from the date hereof.



4. **Benefits Upon Qualifying Termination of Employment.** If during the Termination Period Executive's employment with the Company and its Subsidiaries terminates pursuant to a Qualifying Termination, then the Company shall pay to Executive, within twenty (20) days following the Date of Termination, a lump sum cash amount equal to the Bonus Amount, as defined in Section 1.1(a). Notwithstanding any contrary provision set forth in this Agreement, Company's payments to Executive shall be reduced to the extent that such payments (together with all other payments by Company to Executive under all other written or verbal agreements between Company and Executive) constitute an "excess parachute payment" under Section 280G of the Internal Revenue Code (as may be periodically amended).

5. **Withholding Taxes.** The Company shall withhold from all payments due to Executive hereunder all taxes which, by applicable federal, state, local or other law, the Company is required to withhold therefrom.

6. **Reimbursement of Expenses.** If any contest or dispute shall arise under this Agreement involving the alleged failure or refusal of the Company or any of its Subsidiaries to perform fully in accordance with the terms hereof, the Company shall reimburse Executive for all reasonable legal fees and expenses, if any, incurred by Executive with respect to such contest or dispute, together with interest in an amount equal to the prime rate of Lorain National Bank from time to time in effect (but in no event higher than the legal rate permissible under applicable law), such interest to accrue from the date the Company becomes obligated to pay such fees and expenses through the date of payment thereof; provided, however, that this Section 6 shall apply only if (and to the extent that) the Company is held to have breached or violated its duties and obligations hereunder to Executive.

7. **Scope of Agreement.** Executive acknowledges that Executive is employed by the Company as an "employee at will" and that nothing in this Agreement shall be deemed to change Executive's status as an employee at will or to entitle Executive to continued employment with the Company or its Subsidiaries. If Executive's employment with the Company and its Subsidiaries terminates prior to a Change in Control or the term of this Agreement expires, Executive shall have no further rights under this Agreement (except as otherwise expressly provided hereunder).

8. **Successors; Binding Agreement.**

(a) This Agreement shall not be terminated by any Business Combination. In the event of any Business Combination, the provisions of this Agreement shall be binding upon the Surviving Corporation, and such Surviving Corporation shall be treated as the Company hereunder.

(b) The Company agrees that, in connection with any Business Combination, Company will cause any successor entity to the Company unconditionally to assume (and, for any Parent Corporation in such Business Combination, to guarantee), by written instrument delivered to Executive (or Executive's beneficiaries or estate), all of the obligations of the Company hereunder. Failure of the Company to obtain such assumption or guarantee prior to the effectiveness of any such Business Combination that constitutes a Change in Control shall be a breach of this Agreement and shall constitute Good Reason hereunder and, further, shall entitle Executive to compensation from the Company in the same amount and on the same terms as Executive would be entitled hereunder as if Executive's employment were terminated following a Change in Control by reason of a Qualifying Termination. For purposes of implementing this Section

8(b), the date on which any such Business Combination becomes effective shall be deemed the date Good Reason occurs and shall be the Date of Termination, if so requested by Executive.

9. **Notice.**

(a) For purposes of this Agreement, all notices and other communications required or permitted hereunder shall be in writing and shall be deemed to have been properly given when delivered or five (5) days after deposit in the United States mail, certified and return receipt requested, postage prepaid, addressed as follows (or to such other address as either Party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt):

— If to the Executive, at the address set forth below in the signatory provision below; and

— If to the Company:

LNB Bancorp, Inc.  
457 Broadway  
Lorain, OH 44052  
Attn: Mary Miles

(b) A written notice of Executive's Date of Termination by the Company or Executive, as the case may be, to the other Party shall (i) indicate the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, and (iii) specify the Date of Termination, which date shall be not less than fifteen (15) days (thirty (30) days, if termination is by the Company for Disability) nor more than sixty (60) days after the giving of such notice. The failure by Executive or the Company to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of either Party or preclude either Party from asserting such fact or circumstance in enforcing such Party's rights hereunder.

10. **Full Settlement; Resolution of Disputes.** The Company's obligation to make payment under this Agreement and otherwise to perform its obligations hereunder shall be in lieu and in full settlement of all other severance payments to Executive (payable because of a Change in Control) under any other severance or employment agreement between Executive and the Company and its Subsidiaries (if any) and under any severance plan of the Company and its Subsidiaries (if any). In no event shall Executive be obligated to seek other employment or take other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement and, except as provided in Section 4, such amounts shall not be reduced whether or not Executive obtains other employment. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Lorain County, Ohio, by three arbitrators in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrators' award in any State court having jurisdiction in Lorain County, Ohio. Except as otherwise provided in Section 6, each Party shall pay such Party's costs and expenses incurred in connection with any arbitration proceeding pursuant

to this Section and the Parties shall each pay fifty percent (50%) of the costs of the arbitration proceedings.

**11. Executive's Non-Disclosure and Non-Competition Promises.**

11.1 Definitions. For purposes of this Section 11, the Parties agree to and understand the following definitions:

- (a) "Competitive Activity" means the performance or rendering of any banking services; trust services and investment services; portfolio management; retirement planning; administration of employee benefit plans; administration of decedents' estates and court-supervised accounts, guardianships, and custodial arrangements; personal tax and estate tax planning; financial consulting services; investment advising services; and any other business activity, service or product which competes with any existing or future business activity, service or product of the Company.
- (b) "Confidential Information" means all of the following (whether written or verbal) pertaining to the Company: (i) trade secrets (as defined by Ohio law); Client or Customer lists, records and other information regarding the Company's Clients or Customers (whether or not evidenced in writing); Client or Customer fee or price schedules and fee or price policies; financial books, plans, records, ledgers and information; business development plans; sales and marketing plans; research and development plans; employment and personnel manuals, records, data and policies; business manuals, methods and operations; business forms, correspondence, memoranda and other records; computer records and related data; and any other confidential or proprietary data and information of the Company or its Clients or Customers which Executive encounters during the Employment Term; and (ii) all products, technology, ideas, inventions, discoveries, developments, devices, processes, business notes, forms and documents, business products, computer programs, and other creations (and improvements of any of the foregoing), whether patentable or copyrightable, which Employee has acquired, developed, conceived or made (whether directly or indirectly, whether solicited or unsolicited, or whether during normal work hours or during off-time) during the Employment Term or during the Restricted Period and which relate to any business activity of the Company or are derived from the Confidential Information designated in Subitem (i) of this Section 11.1(b).
- (c) "Client" or "Customer" means a person, sole proprietorship, partnership, association, organization, corporation, limited liability company, or other entity (governmental or otherwise), wherever located: (i) to or for which the Company sells any products or renders or performs services either during the 180-day period immediately preceding commencement of the Restricted Period or during the Restricted Period, or (ii) which the Company solicits or (as demonstrated by plans, strategies or other tangible preparation) intends to solicit to purchase products or services from the Company either during the 180-day period immediately

preceding commencement of the Restricted Period or during the Restricted Period.

- (d) "Employment Term" means the period of time starting on the date Executive's employment with the Company commences and terminating at the close of business on the date Executive's employment with the Company terminates.
- (e) "Restricted Period" means a period of one (1) year (or, if shorter, the duration of the Employment Term) commencing on the date the Employment Term is terminated by either Party (for any reason, with or without cause); provided, however, that such period shall be extended to include any period of time during which Employee engages in any activity constituting a breach of this Agreement and any period of time during which litigation transpires wherein Employee is held to have breached this Agreement.
- (f) "Company" means, for purposes of this Section 11, LNB Bancorp, Inc. and The Lorain National Bank (a national bank association), all direct and indirect parent and subsidiary entities thereof, and all entities related to LNB Bancorp, Inc., The Lorain National Bank or to such parent and subsidiary entities by common ownership.

11.2 Executive's Promises. Expressly in consideration for the Company's promises made in this Agreement, Executive promises and agrees that:

- (a) Confidentiality. The Confidential Information is and, at all times, shall remain the exclusive property of the Company, and Executive (i) shall hold the Confidential Information in strictest confidence and in a position of trust for the Company and its Clients and Customers, and (ii) except as may be necessary to perform Executive's employment duties with the Company, shall not (directly or indirectly) use for any purpose, copy, duplicate, disclose, convey to any third-party or convert any Confidential Information, either during the Employment Term or at any time following termination of the Employment Term (by any Party, for any reason, with or without cause), and (iii) upon the request of the Company at any time during or after the Employment Term, shall immediately deliver to the Company all the Confidential Information in Executive's possession and shall neither convey to any third-party nor retain any copies or duplicates thereof; and
- (b) Clients and Customers. During the Restricted Period, Executive (or any entity owned or controlled by Executive) shall not directly or indirectly: (i) solicit from or perform for any Client or Customer a Competitive Activity, wherever such Client or Customer is located, or (ii) influence (or attempt to influence) any Client or Customer to transfer such Client's or Customer's patronage or business from the Company, or (iii) otherwise interfere with any business relationship of the Company with any Client or Customer; and

- (c) Employees. During the Restricted Period, Executive (or any entity owned or controlled by Executive) shall not directly or indirectly: (i) employ, engage, contract for the services of, or solicit or otherwise induce the services of any person who, during the one hundred eighty (180)-day period immediately preceding commencement of the Restricted Period or during the Restricted Period, is or was an employee of the Company, or (ii) otherwise interfere with (or attempt to interfere with) any employment relationship of the Company with any employee of Bank.
- (d) Other Employment. During the Employment Term, Executive shall not perform services (whether or not for compensation) as an employee, independent contractor, consultant, representative or agent of any person, sole proprietorship, partnership, limited liability company, corporation, association (other than the Company), organization, or other entity (governmental or otherwise) without the prior, written consent of the President of the Company (or any person expressly designated by the President).
- (e) Costs of Enforcement. Executive shall pay all reasonable legal fees, court costs, expert fees, investigation costs, and other expenses incurred by the Company in the enforcement of this Section 11.

11.3 Importance of Executive's Promises. Executive understands and agrees that:

- (a) during the Employment Term, Executive will materially assist the Company in the generation, development or enhancement of certain Confidential Information, Clients and Customers and certain other business assets and activities for Company; and
- (b) Executive's promises in this Section 11: (1) were negotiated at arm's-length and with ample time for Executive to seek the advice of legal counsel, (2) are required for the fair and reasonable protection of the Company and the Confidential Information, and (3) do not constitute an unreasonable hardship to Executive in working for the Company or in subsequently earning a livelihood in Executive's field of expertise; and
- (c) if Executive breaches (or threatens to breach) any or all of the promises in this Section 11: the secrecy and thereby the value of the Confidential Information will be significantly jeopardized; the Company will be subject to the immediate risk of material, immeasurable, and irreparable damage and harm; the remedies at law for Executive's breach shall be inadequate; the Company shall therefore be entitled to injunctive relief against Executive in addition to any and all other legal or equitable remedies; and
- (d) if Executive had not agreed to the restrictive promises in this Agreement, the Company would not have signed this Agreement.

11.4 Extent and Continuation of Executive's Promises. Executive's promises, duties and obligations made in this Section 11 shall apply to Executive irrespective of whether a Change in

Control occurs and shall survive the voluntary or involuntary cessation or termination of the Employment Term by either Party (for any reason, with or without cause). If any of the restrictions contained in this Section 11 are ever judicially held to exceed the limitations permitted by law, then such restrictions shall be deemed to be reformed to comply with the maximum limitations permitted by law. The existence of any claim or cause of action by Executive against the Company (whether or not derived from or based upon Executive's employment with the Company) shall not constitute a defense to the Company's enforcement of any covenant, duty or obligation of Executive in this Section 11.

12. **Employment with Subsidiaries.** For purposes of this Agreement, any and all references to Executive's employment with the Company shall be deemed to include Executive's employment by any Subsidiary and, with respect to such employment by a Subsidiary, the term "Company" as used in this Agreement shall be deemed to include any Subsidiary which employs Executive.

13. **Survival.** The respective obligations and benefits afforded to the Company and Executive as provided in Sections 4 (to the extent that payments or benefits are owed as a result of the termination of employment that occurs during the Termination Period), 5, 6, 8, 10 and 11 shall survive the termination of this Agreement and the term of this Agreement.

14. **Governing Law; Validity.** The interpretation, construction and performance of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Ohio without regard to the principle of conflicts of laws. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which other provisions shall remain in full force and effect. All Parties hereby agree that exclusive venue for all litigation arising hereunder lies solely with the State Courts of Lorain County, Ohio and each Party hereby submits and agrees to the personal jurisdiction of such Lorain County State Courts.

15. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

16. **Miscellaneous.** No provision of this Agreement may be modified or waived unless such modification or waiver is agreed to in writing and signed by Executive and by a duly authorized officer of the Company. No waiver by either Party (at any time) of any breach by the other Party of, or compliance with, any condition or provision of this Agreement to be performed by such other Party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. Except as otherwise expressly set forth in this Agreement, the failure by Executive or the Company to insist upon strict compliance with any provision of this Agreement or to assert any right Executive or the Company may have hereunder shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

[Document Continued on Next Page]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by a duly authorized officer of the Company and Executive has executed this Agreement as of the day and year first above written.

Mary E. Miles  
(Signature of First Witness)

(b) (6)

(Signature of Second Witness)

Mary E. Miles  
(Signature of First Witness)

(b) (6)

(Signature of Second Witness)

LNB BANCORP, INC.

By: [Signature]  
Daniel E. Klimas, President

- Company -

[Signature]  
Dave S. Harnett

457 Broadway  
Address

Looson, Ohio 44052  
City, State

- Executive -