

**Section 1: 8-K (8-K)**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT TO  
SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): **February 17, 2021**

**Alerus Financial Corporation**  
(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or Other Jurisdiction of Incorporation)

**001-39036**  
(Commission File Number)

**45-0375407**  
(IRS Employer Identification No.)

**401 Demers Avenue**  
**Grand Forks, North Dakota 58201**  
(Address of Principal Executive Offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: **(701) 795-3200**

**N/A**  
(FORMER NAME OR FORMER ADDRESS, IF CHANGED SINCE LAST REPORT.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$1.00 par value per share	ALRS	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.



**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On February 17, 2021, the Compensation Committee of Alerus Financial Corporation's (the "Company") Board of Directors adopted an amended and restated version of the Alerus Financial Long Term Incentive Plan (the "LTIP"). The LTIP is a performance-based equity incentive plan providing framework pursuant to which the opportunity to receive restricted stock units may be awarded annually to executives and other employees of the Company. Such restricted stock units will be granted under the Company's 2019 Equity Incentive Plan, or such other equity incentive plan as the Company may from time to time maintain, and will generally vest based on continued employment over a three-year period or Company performance over a three-year period, in each case measured from the date of grant. The newly adopted LTIP permits the Committee the discretion to set performance goals and to determine the level at which such goals are achieved. Also, the newly adopted LTIP provides that, in addition to accelerating vesting upon an executive's death or disability, any unvested awards will vest upon an executive's retirement following attainment of age 62, or age 60 with at least five years of service, with performance awards being vested at the actual level of achievement. No acceleration of vesting will apply where an executive retires within six months of the date of grant of any restricted stock units awarded pursuant to the LTIP. The LTIP is attached as Exhibit 10.1 to this Form 8-K and is incorporated herein by reference.

The Committee also approved new forms of restricted stock unit awards agreements for use under the 2019 Equity Incentive Plan. The new forms include the retirement related vesting provisions described above. Forms of the award agreements are attached as Exhibits 10.2, 10.3, 10.4 and 10.5 to this Form 8-K and are incorporated herein by reference.

**Item 8.01. Other Events.**

On February 18, 2021, the Board of Directors of the Company approved a stock repurchase program (the "Program") which authorizes the Company to repurchase up to 770,000 shares of its common stock, subject to certain limitations and conditions. The Program is effective immediately and will continue for a period of 36 months. The Program does not obligate the Company to repurchase any shares of its common stock and there is no assurance that the Company will do so. A copy of the Company's press release announcing the Program is attached as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference.

Under the Program, the Company may repurchase shares of common stock from time to time in open market transactions in accordance with the limitations set forth in Rule 10b-18 of the Exchange Act, and other applicable legal requirements. Repurchases may also be made pursuant to a trading plan under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so because of self-imposed trading blackout periods or other regulatory restrictions. The extent to which the Company repurchases its shares, and the timing of such repurchases, will depend upon a variety of factors, including general market and economic conditions, regulatory requirements, availability of funds, and other relevant considerations, as determined by the Company. The Company may, in its discretion, begin, suspend or terminate repurchases at any time prior to the Program's expiration, without any prior notice.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	<a href="#">Alerus Financial Corporation Long Term Incentive Plan</a>
10.2	<a href="#">Form of Performance-Based Restricted Stock Unit Award Agreement for Senior Executive Officers</a>
10.3	<a href="#">Form of Performance-Based Restricted Stock Unit Award Agreement for Non-Executive Senior Officers</a>
10.4	<a href="#">Form of Time-Based Restricted Stock Unit Award Agreement for Senior Executive Officers</a>
10.5	<a href="#">Form of Time-Based Restricted Stock Unit Award Agreement for Non-Executive Senior Officers</a>
99.1	<a href="#">Press Release of Alerus Financial Corporation, dated February 22, 2021</a>
104	Cover Page Interactive Data File (embedded within Inline XBRL document)



## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 22, 2021

Alerus Financial Corporation

By: /s/ Randy L. Newman  
Name: Randy L. Newman  
Title: Chairman, Chief Executive Officer and President

[\(Back To Top\)](#)

## Section 2: EX-10.1 (EX-10.1)

Exhibit 10.1

### ALERUS FINANCIAL LONG TERM INCENTIVE PLAN Summary Document

#### Purpose of the Plan

The Alerus Financial (“Alerus” or “Company”) Executive Compensation Philosophy drives all aspects of compensation payable to the key executives of Alerus, particularly incentive compensation. The Compensation Philosophy states that executive compensation practices are designed to attract, motivate, and retain key talent. Our pay-for-performance system ties compensation to shareholder value and core Alerus values, utilizing a mix of base salary, short and long term incentives (including cash and equity), benefits, and perquisites. The purpose of the Long Term Incentive Plan (“LTIP” or “Plan”) is to:

- Enhance performance consistent with Alerus’ corporate strategic goals;
- Focus on long-term performance results consistent with the Company’s long-term strategic plan;
- Strengthen the link between performance and pay by delivering awards based on measurable goals for Alerus and the Participant; and
- Strengthen the link between executives and investors through the use of equity grants to enhance shareholder value.

#### Plan Overview

The LTIP is a performance-based equity incentive plan whereby restricted stock units (“RSUs”) are granted annually to Participants. Depending on Company performance or the passage of time, these RSUs may vest and be earned after 3 years. Upon vesting, each RSU converts to one share of Company stock. A Participant’s target award is determined as a percentage of base salary. All rights, privileges and limitations of a Participant’s awards are governed by and subject to the terms of the Alerus Financial Corporation 2019 Equity Incentive Plan (the “Equity Plan”), or other such equity plan in place at the time of the incentive award as adopted by the Board of Directors. To the extent this Summary Document is in conflict with the Equity Plan or the terms of any award agreements thereunder, the terms of the Equity Plan and/or such award agreements shall control.

#### Eligibility for Participation

The Compensation Committee (“Committee”), with management input, will determine which executives are eligible to participate in the LTIP. Participation in one plan or one year does not guarantee or entitle a Participant to participation in any other incentive plan enacted or maintained in the future.

---

## Target Incentive Award

A Participant's equity award under the LTIP is targeted at a specified percentage of base salary. The Committee has the authority and sole discretion to modify the target percentage on an annual basis.

The Committee generally will provide a target award consisting of two components: (1) an award of time-based RSUs, which will represent approximately 40% of the total award and will vest, if at all, on or around the third anniversary of the grant date; and (2) an award of performance-based RSUs, which will represent approximately 60% of the total award and will vest, if at all, in an amount determined by the Company's achievement of certain performance measures described below.

With respect to such performance-based RSUs, a three-year cumulative target Net Income (or EPS) goal will be established, along with a threshold Net Income (or EPS) goal and a maximum goal. If Company performance during such three-year period is below the threshold goal, no performance-based RSUs shall vest. So long as Company performance meets or exceeds the threshold goal, a number of performance-based RSUs will vest based upon actual Net Income (or EPS) performance, ranging between 50% and 150% of the award based upon linear interpolation relative to the target goal. See [Exhibit A](#) for an example calculation.

In determining the achievement of any performance goal upon which vesting may, in whole or in part, be based, the Committee may, in its sole discretion, provide that one or more objectively determinable adjustments shall be made to any performance goal. Such adjustments may include, but are not limited to, one or more of the following: (i) items related to a change in accounting principle; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) items related to acquisitions; (v) items attributable to the business operations of any entity acquired by the Company during the performance period; (vi) items related to the disposal or sale of a business or segment of the business; (vii) items related to discontinued operations that do not qualify as a segment of a business under applicable accounting standards; (viii) items attributable to any stock dividend, stock split, combination or exchange of stock occurring during the performance period; (ix) any other items of significant income or expense which are determined to be appropriate adjustments; (x) items relating to unusual or infrequently occurring corporate transactions, events or developments; (xi) items related to amortization of acquired intangible assets; (xii) items that are outside the scope of the Company's core, on-going business activities; (xiii) items relating to changes in tax laws; (xiv) items relating to asset impairment charges; (xv) items relating to gains or losses for litigation, arbitration and contractual settlements; or (xvi) items relating to any other unusual or nonrecurring events or charges in applicable laws, accounting principles or business conditions.

## Vesting of Incentive Awards

As described, each annual award will likely consist of two components with different vesting conditions:

- 1. Time-Based Vesting:** For the award of time-based RSUs, the RSUs will vest, if at all, upon the third anniversary of the grant date (subject to continuing employment requirement).
  - 2. Performance-Based Vesting:** For the award of performance-based RSUs, the RSUs will vest, if at all, upon the third anniversary of the grant date, in a number determined by performance during the applicable performance period. The number of performance-based RSUs earned will reflect actual performance compared to target performance (minimum) of 50% of the number of RSUs awarded for 80% achievement of the target performance goal, and a maximum of 150% of the number of RSUs awarded for the target performance goal. See [Exhibit A](#) for an example calculation.
-

Vested RSUs shall be settled in Company stock as specified in the applicable award agreements, generally within thirty days of vesting.

## Dividend Equivalents

As part of the award, a Participant will receive “dividend equivalents” during the vesting periods for each tranche of RSUs. The number of dividend equivalents will equal the amount of dividends declared by the Company for one common share of stock during the vesting periods, multiplied by the number of RSUs granted for each type of award subject to such vesting periods.

## Changes in Employment Status

A Participant must be actively employed by Alerus at the time awards are made. If an employee is a new Participant in the LTIP for less than a full year, the measure of his or her award will be prorated for the period of actual service. Generally, employees hired during the fourth quarter are not eligible to participate in that year’s LTIP. The Committee has the authority and sole discretion to determine whether and at what level, if any, an employee may participate in the LTIP.

In the event a Participant separates from service with the Company (other than due to death, disability or retirement) before his or her RSUs vest, the RSUs shall be forfeited in their entirety. However, in the event of a termination due to death or disability, an executive officer’s RSUs will become immediately and fully vested (with the outstanding performance-based RSUs vesting as if the Company were to achieve the target performance goal). In the event of a retirement (defined as: (a) attainment of age 60 with 5 years of service; or (b) attainment of age 62), an executive officer’s performance-based RSUs will vest and be settled at the conclusion of the performance period based on actual performance during the performance period, and his or her time-based RSUs will become fully and immediately vested; provided, however, in either case if a retirement occurs within the first 6 months following the grant date for any RSUs, there shall be no vesting in accordance with this sentence and any unvested RSUs shall instead be forfeited.

For non-executive officers, in the event of a termination due to death or disability, a pro rata portion of the RSUs will become immediately and fully vested based upon the number of full fiscal months during the vesting periods during which the Participant was actively employed (with performance-based RSUs vesting as if the Company were to achieve target performance). In the event of a retirement, a pro rata portion of the performance-based RSUs will vest and be settled at the conclusion of the performance period based on actual performance during the performance period, and a pro rata portion of the time-based RSUs will also become fully and immediately vested, in each case based upon the number of full fiscal months during the vesting periods during which the Participant was actively employed; provided, however, in either case if a retirement occurs within the first 6 months following the grant date for any RSUs, there shall be no vesting in accordance with this sentence and any unvested RSUs shall instead be forfeited.

## Plan Administration

The Board has assigned authority for LTIP administration to the Compensation Committee. The Committee has the responsibility and authority to:

- 1) Design the basics of the Plan and the implementation process, and submit to the Board for final approval;
  - 2) Review and recommend for the Board’s approval appropriate modifications to the Plan;
-

#### **Exhibit 10.1**

- 3) Review and revise Company performance metrics, target award percentages, vesting arrangements and other performance-based triggers;
- 4) Approve an accrual adequate to fund Board approved payments and adjusting as appropriate per the LTIP during the plan period;
- 5) Approve a determination and assessment of actual performance for the plan period;
- 6) Approve any performance-based adjustments or adjustments due to unforeseen extraordinary events to incentive awards where appropriate;
- 7) Correct any defect, supply any omission, reconcile any inconsistency and otherwise interpret and administer the LTIP and any instrument or award agreement relating to it hereunder;
- 8) Establish, amend, suspend, or waive such rules, regulations and procedures that the Committee may establish in the administration of the LTIP, and appoint such agents as appropriate for the proper administration of the LTIP; and
- 9) Make any other determination and take any other action that the Committee deems necessary or desirable for the proper administration of the LTIP.

The Committee may also delegate to any member of the Board or committee of Board members such of its powers as it deems appropriate, including the power to sub-delegate; except that, pursuant to such delegation or sub-delegation, only a member of the Board (or a committee thereof) may grant awards.

Acting within the authority conferred on the Committee by the Board through the Committee's Charter and unless otherwise expressly provided in the LTIP, all designations, determinations, adjustments, interpretations, and other decisions under or with respect to the LTIP, any award or award agreement shall be within the discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon the Company and any Participant. No member of the Committee shall be liable for any action, determination or interpretation made in good faith, and all members of the Committee shall, in addition to their rights as Directors, be fully protected by Alerus with respect to any such action, determination or interpretation.

#### **Modification and Termination**

The Compensation Committee has sole authority and discretion to interpret the terms of the LTIP, along with all powers conferred to the Committee pursuant to the terms of the Equity Plan. The LTIP is offered and maintained at the discretion of Alerus. Nothing within the Plan or the Equity Plan shall be construed as creating an employment contract or other guarantee of employment between any Participant and Alerus. Alerus has the exclusive right to modify the LTIP, in whole or in part, or to terminate the LTIP entirely. The LTIP is not an ERISA plan. The LTIP is intended to be a long-term incentive award bonus program.

---

**Exhibit A: Incentive Award Example  
(For Illustration Only)**

**LTIP Award**

- Grant Date: February 2021
  - Participant’s target award percentage (as established by the Committee): 10% of base salary
  - Participant’s total target award (with base salary of \$100,000): \$10,000
  - Time-based RSU award component (40% of total award): \$4,000
  - Performance-based RSU award component (60% of total award): \$6,000
  - Performance vesting period: calendar years 2021-2023
  - Vesting date: February 2024
- Performance goal: three-year (2021-2023) cumulative Target Net Income of \$75,000,000
  - Threshold level for performance: 80% of target goal (50% of performance RSUs are earned)
  - Maximum level for performance: 120% of target goal (150% of performance RSUS are earned)

At Grant Date		Feb-21				
Base Salary	As of Date	Target Performance Award (as % of Salary)*	Performance Award Value*	Calculated Share Price for Grant (last 20 days weighted average)	Number of RSUs Vesting at Target Performance (100%)	Number of RSUs Vesting at Maximum Performance (150%)
\$100,000	2/1/2021	6% (60% of 10%)	\$6,000	\$20.00	300	450

\*In addition, the Participant will receive a time-based award of 200 RSUs (with a grant date value of \$4,000 -- equaling 40% of 10% of base salary), which will vest on the third anniversary of the grant date if continuing employment requirements are satisfied.

At Vesting Date		Feb-24			
Company Performance Achievement (as % of target goal)**	Payout Percentages	Payout (in number of RSUs)	Share Price at Time of Vesting	Payout (in \$ value, reflecting appreciated share price)	Number of Shares of Company Stock Issued
			\$25.00		
Threshold (80%)	50% of RSUs awarded	150	-	\$3,750	150
Target (100%)	100% of RSUs awarded	300	-	\$7,500	300
Maximum (120%)	150% of RSUs awarded	450	-	\$11,250	450

\*\*Sliding scale with summary levels, used for example only. Actual award determined based upon exact achievement between threshold and maximum levels.

[\(Back To Top\)](#)

**Section 3: EX-10.2 (EX-10.2)**

**ALERUS FINANCIAL CORPORATION  
2019 EQUITY INCENTIVE PLAN**

**PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT**

The Participant specified below is hereby granted a restricted stock unit award (the “Award”) by ALERUS FINANCIAL CORPORATION, a Delaware corporation (the “Company”), under the ALERUS FINANCIAL CORPORATION 2019 EQUITY INCENTIVE PLAN (the “Plan”). The Award shall be subject to the terms of the Plan and the terms set forth in this Performance-Based Restricted Stock Unit Award Agreement (“Award Agreement”).

**Section 1. Award.** The Company hereby grants to the Participant the Award of restricted stock units (each such unit, an “RSU”), where each RSU represents the right of the Participant to receive one Share in the future, subject to the terms of this Award Agreement and the Plan.

**Section 2. Terms of Restricted Stock Unit Award.** The following words and phrases relating to the Award shall have the following meanings:

- (a) The “Participant” is \_\_\_\_\_.
- (b) The “Grant Date” is \_\_\_\_\_.
- (c) The number of “RSUs” is \_\_\_\_\_.
- (d) The “Performance Period” begins on \_\_\_\_\_ and concludes on \_\_\_\_\_.

Except for words and phrases otherwise defined in this Award Agreement, any capitalized word or phrase in this Award Agreement shall have the meaning ascribed to it in the Plan.

**Section 3. Performance Measurement and Vesting.**

(a) *General.* The Committee has established one or more performance objectives for the Performance Period. On a date following the conclusion of the Performance Period (the “Certification Date”), the Committee shall certify the level of performance for each applicable performance objective and the number of RSUs subject to this Award that shall become vested, if any, as set forth in **Schedule A** to this Award Agreement; *provided* that such Certification Date shall occur no later than March 15 of the calendar year immediately following the conclusion of the Performance Period. Unless otherwise provided in this **Section 3**, the Participant shall forfeit all right, title and interest in and to the RSUs that do not become vested as of the

Certification Date.

(b)*Termination of Service.* Except as otherwise provided in **Section 3(c)**, **Section 3(d)**, or **Section 3(e)**, if the Participant's Termination of Service occurs prior to the Certification Date, the Participant shall forfeit all right, title and interest in and to the RSUs as of such Termination of Service.

(c)*Disability or Death.* Upon the Participant's Termination of Service due to the Participant's Disability or death, the number of RSUs that would vest as of the Certification Date if the Committee were to certify a target level of performance for each performance objective during the Performance Period shall become immediately vested. For the purposes of this **Section 3(c)**, "**Disability**" (1) has the meaning provided in the then-effective employment agreement, if any, between the Participant

---

and the Company, or, in absence thereof, (2) means a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, where such impairment causes the Participant to be unable to perform the duties of the Participant's position of employment or any substantially similar position of employment.

(d)*Retirement.* Upon the Participant's Termination of Service due to the Participant's Retirement, the Participant will remain eligible to vest in the number of RSUs that would otherwise vest as of the Certification Date pursuant to **Section 3(a)** as if the Participant had continued in active employment with the Company through such Certification Date; *provided, however*, if a Participant's Termination of Service due to Retirement occurs during the first six (6) months following the Grant Date, no part of the RSUs shall vest in accordance with this **Section 3(d)**. For the purposes of this **Section 3(d)**, "**Retirement**" means the Participant's voluntary Termination of Service following the Participant's attainment of: (i) age sixty (60), *provided* that the Participant has been employed with the Company for at least five (5) years prior to such Termination of Service; or (ii) age sixty-two (62).

(e)*Change in Control.* If a Change in Control occurs prior to the conclusion of the Performance Period, a portion of the RSUs shall immediately vest (i) if prior to the Change in Control, the Committee determines that this Award will not continue after the Change in Control or that the successor entity (or its parent) will not agree to provide at the time of the Change in Control for the assumption or replacement of this Award with a comparable equity-based award covering shares of the successor entity (or its parent) that would equitably preserve the compensation element of the Award (the date of such determination by the Committee, the "**Determination Date**"); or, (ii) if the foregoing is inapplicable, if within one (1) year following the Change in Control the Participant incurs a Termination of Service by the Company other than for Cause or by the Participant for Good Reason. The portion of RSUs subject to accelerated vesting pursuant to this **Section 3(e)** shall equal the number of RSUs that would vest as of the Certification Date if the Committee were to certify a target level of performance for each performance objective during the Performance Period, multiplied by a fraction, the numerator of which is the number of days between the Grant Date and, as applicable, the Determination Date or the date of the qualifying Termination of Service, and the denominator of which is the number of days in the Performance Period.

For the purposes of this **Section 3(e)**, "**Cause**" (1) has the meaning provided in the then-effective employment agreement, if any, between the Participant and the Company, or, in absence thereof, (2) means (A) the Participant's commission of any act constituting a felony or the Participant's conviction or guilty or no contest plea to any criminal misdemeanor involving fraud, misrepresentation, or theft; (B) gross misconduct or any act of fraud, disloyalty, or dishonesty by the Participant related to or in connection with the Participant's employment with the Company, or otherwise likely to cause material harm to the Company or its reputation; (C) a material violation by the Participant of the Company's policies or codes of conduct; or (D) the willful or material breach by the Participant of any agreement between the Participant and the Company. "**Good Reason**" (1) has the meaning provided in the then-effective employment agreement, if any, between the Participant and the Company, or, in absence thereof, (2) means any of the following conditions arising without the consent of the Participant, *provided* that the Participant has notified the Company in writing of the existence of such condition within ninety (90) days of its first occurrence, and the Company has failed to remedy such condition within thirty (30) days of such notice: (A) a material diminution in the Participant's base salary, authority, duties, or responsibilities; (B) relocation of the Participant's principal office more than fifty (50) miles from its location as of the Grant Date; or (C) any other action or inaction that constitutes a material breach by the Company or any terms or conditions of any agreement between the Participant and the Company, which breach has not been caused by the Participant.

**Section 4. Settlement of RSUs.** Delivery of Shares or other amounts under this Award Agreement and the Plan shall be subject to the following:

---

(a)*Delivery of Shares.* The Company shall deliver to the Participant one Share free and clear of any restrictions in settlement of each of the vested and unrestricted RSUs within thirty (30) days of the Certification Date (or, if earlier, the date upon which the RSUs become vested pursuant to **Section 3(c)** or **Section 3(e)**).

(b)*Compliance with Applicable Laws.* Notwithstanding any other term of this Award Agreement or the Plan, the Company shall have no obligation to deliver any Shares or make any other distribution of benefits under this Award Agreement or the Plan unless such delivery or distribution complies with all applicable laws and the applicable rules of any securities exchange or similar entity.

(c)*Certificates Not Required.* To the extent that this Award Agreement and the Plan provide for the issuance of Shares, such issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any securities exchange or similar entity.

**Section 5. Withholding.** All deliveries of Shares pursuant to the Award shall be subject to withholding of all applicable taxes. The Company shall have the right to require the Participant (or if applicable, permitted assigns, heirs and Designated Beneficiaries) to remit to the Company an amount sufficient to satisfy any tax requirements prior to the delivery date of any Shares in connection with the Award. Except as otherwise provided by the Committee, such withholding obligations may be satisfied (a) through cash payment by the Participant, (b) through the surrender of Shares that the Participant already owns or (c) through the surrender of Shares to which the Participant is otherwise entitled under the Plan; *provided, however*, that except as otherwise specifically provided by the Committee, such Shares under clause (c) may not be used to satisfy more than the maximum individual statutory tax rate for each applicable tax jurisdiction, or such lesser amount as may be established by the Company. In the instance the withholding obligation is satisfied through the surrender of Shares, the Company will not deliver fractional Shares, and it will pay, in lieu thereof, the Fair Market Value of such fractional Shares.

**Section 6. Dividend Equivalents.** The Participant shall be entitled to receive a payment in cash upon the conclusion of the Performance Period in an amount equal in value to any dividends and distributions paid with respect to the RSUs (other than dividends and distributions that may be issued with respect to Shares by virtue of any corporate transaction, to the extent adjustment is made pursuant to Section 3.4 of the Plan) during the Performance Period ("**Dividend Equivalents**"); *provided, however*, that no Dividend Equivalents shall be payable to or for the benefit of the Participant with respect to record dates for such dividends or distributions occurring before the Grant Date or on or after the date, if any, on which the Participant has forfeited the RSUs. Dividend Equivalents shall be credited at the time the respective dividends or distributions are paid and shall be accumulated, without interest, and shall be subject to the same restrictions applicable to the underlying RSUs.

**Section 7. Restrictive Covenants.**

(a)*Confidential Information.* Except as permitted by the Company, the Participant shall not at any time divulge, furnish or make accessible to anyone or use in any way other than in the ordinary course of the business of the Company or its affiliates, any confidential, proprietary, or secret knowledge or information of the Company or its affiliates that the Participant has acquired or will acquire about the Company or its affiliates, whether developed by himself or herself or by others, concerning (i) any trade secrets; (ii) any confidential, proprietary, or secret designs, programs, processes, formulate, plans devices, or material (whether or not patented or patentable) directly or indirectly useful in any aspect or the business of the Company or of its affiliates; (iii) any customer or supplier lists; (iv) any confidential, proprietary, or secret development or research work; (v) any strategic or other business, marketing, or sales plans; (vi) any financial data or plans; or (vii) any other confidential, proprietary, or secret information about any aspect or the business of the Company or of its affiliates. The Participant acknowledges that the

---

knowledge and information described above constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company or its affiliates would be wrongful and would cause irreparable harm to the Company. The Participant shall not intentionally commit any act that would materially reduce the value of such knowledge or information to the Company or its affiliates. The foregoing obligations or confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, other than as a direct or indirect result of the breach of this Award Agreement, (ii) is independently made available to the Participant in good faith by a third party who has not violated a confidential relationship with the Company or its affiliates, or (iii) is required to be disclosed by law or legal process. The Participant's obligations under this Award Agreement to maintain the confidentiality of the Company's confidential, proprietary, and secret information are in addition to any obligations of the Participant under any other agreement between the Participant and the Company, and any applicable statutory or common law.

(b)*Return of Records and Property.* Upon the Participant's Termination of Service, or at any time upon the Company's request, the Participant shall promptly deliver to the Company all Company and affiliate records and all Company and affiliate property in his or her possession or under his or her control, including without limitation manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, computer tapes, source codes, data, tables, or calculations, and all copies thereof; documents that in whole or in part contain any trade secrets or confidential, proprietary, or other secret information of the Company or its affiliates and all copies thereof; and keys, access cards, access codes, passwords, credit cards, personal computers, telephones and other electronic equipment belonging to the Company or an affiliate.

**Section 8. Non-Transferability of Award.** The Award, or any portion thereof, is not transferable except as designated by the Participant by will or by the laws of descent and distribution or pursuant to a domestic relations order. Except as provided in the immediately preceding sentence, the Award shall not be assigned, transferred, pledged, hypothecated or otherwise disposed of by the Participant in any way whether by operation of law or otherwise, and shall not be subject to execution, attachment or similar process. Any attempt at assignment, transfer, pledge, hypothecation or other disposition of the Award contrary to the provisions hereof, or the levy of any attachment or similar process upon the Award, shall be null and void and without effect.

**Section 9. No Rights as Shareholder.** Notwithstanding the Participant's right to receive dividend equivalents pursuant to **Section 6**, the Participant shall not have any rights of a Shareholder with respect to the RSUs, including but not limited to, voting rights, prior to the settlement of the RSUs pursuant to **Section 4(a)** above.

**Section 10. Heirs and Successors.** This Award Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring all or substantially all of the Company's assets or business. If any rights of the Participant or benefits distributable to the Participant under this Award Agreement have not been settled or distributed at the time of the Participant's death, such rights shall be settled for and such benefits shall be distributed to the Designated Beneficiary in accordance with the provisions of this Award Agreement and the Plan. The "**Designated Beneficiary**" shall be the beneficiary or beneficiaries designated by the Participant in a writing filed with the Committee in such form as the Committee may require. The Participant's designation of beneficiary may be amended or revoked from time to time by the Participant in accordance with any procedures established by the Committee. If a Participant fails to designate a beneficiary, or if the Designated Beneficiary does not survive the Participant, any benefits that would have been provided to the Participant shall be provided to the legal representative of the estate of the Participant. If a Participant designates a beneficiary and the Designated Beneficiary survives the Participant but dies before the provision of the

---

Designated Beneficiary's benefits under this Award Agreement, then any benefits that would have been provided to the Designated Beneficiary shall be provided to the legal representative of the estate of the Designated Beneficiary.

**Section 11. Administration.** The authority to manage and control the operation and administration of this Award Agreement and the Plan shall be vested in the Committee, and the Committee shall have all powers with respect to this Award Agreement as it has with respect to the Plan. Any interpretation of this Award Agreement or the Plan by the Committee and any decision made by the Committee with respect to this Award Agreement or the Plan shall be final and binding on all persons.

**Section 12. Plan Governs.** Notwithstanding any provision of this Award Agreement to the contrary, this Award Agreement shall be subject to the terms of the Plan, a copy of which may be obtained by the Participant from the office of the General Counsel of the Company. This Award Agreement shall be subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time. Notwithstanding any provision of this Award Agreement to the contrary, in the event of any discrepancy between the corporate records of the Company and this Award Agreement, the corporate records of the Company shall control.

**Section 13. Not an Employment Contract.** Neither the Award nor this Award Agreement shall confer on the Participant any rights with respect to continuance of employment or other service with the Company or a Subsidiary, nor shall they interfere in any way with any right the Company or a Subsidiary may otherwise have to terminate or modify the terms of the Participant's employment or other service at any time.

**Section 14. Amendment.** Without limitation of **Section 17** and **Section 18** below, this Award Agreement may be amended in accordance with the provisions of the Plan, and may otherwise be amended in writing by the Participant and the Company without the consent of any other person.

**Section 15. Governing Law.** This Award Agreement, the Plan and all actions taken in connection herewith and therewith shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws, except as superseded by applicable federal law.

**Section 16. Validity.** If any provision of this Award Agreement is determined to be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Award Agreement shall be construed and enforced as if such illegal or invalid provision had never been included herein.

**Section 17. Section 409A Amendment.** The Award is intended to be exempt from Code Section 409A and this Award Agreement shall be administered and interpreted in accordance with such intent. The Committee reserves the right (including the right to delegate such right) to unilaterally amend this Award Agreement without the consent of the Participant in order to maintain an exclusion from the application of, or to maintain compliance with, Code Section 409A; and the Participant hereby acknowledges and consents to such rights of the Committee.

**Section 18. Clawback.** The Award and any amount or benefit received under the Plan shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of any applicable Company or Subsidiary clawback policy (the "**Policy**") or any applicable law, as may be in effect from time to time. The Participant hereby acknowledges and consents to the Company's or a Subsidiary's application, implementation and enforcement of (a) the Policy and any similar policy established by the Company or a Subsidiary that may apply to the Participant, whether adopted prior to  
or

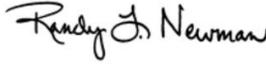
---

following the date of this Award Agreement and (b) any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation, and agrees that the Company or a Subsidiary may take such actions as may be necessary to effectuate the Policy, any similar policy and applicable law, without further consideration or action.

\* \* \* \* \*

**IN WITNESS WHEREOF**, the Company has caused this Award Agreement to be executed in its name and on its behalf, and the Participant acknowledges understanding and acceptance of, and agrees to, the terms of the Plan and this Award Agreement, all as of the Grant Date.

**Alerus Financial Corporation**



By:  
Name: Randy Newman

Title: Chairman, President & CEO

**Participant**

\_\_\_\_\_

Name: \_\_\_\_\_

\_\_\_\_\_

**PERFORMANCE-BASED  
RESTRICTED STOCK UNIT AWARD AGREEMENT**

**SCHEDULE A**

**Performance-Based Objectives**

The determination of the number of RSUs that will vest on the Certification Date as provided in Section 3(a) of the Award Agreement will be determined as follows:

1.The Committee will determine the Company's Cumulative Net Income for the Performance Period subject to any adjustment in accordance with the guidelines set forth in the Alerus Financial Long Term Incentive Plan, as may be in effect from time to time.

2.Based on that Cumulative Net Income, the Committee will determine the Performance Factor for the Performance Period based upon the following table, specifically by determining where the Company's Cumulative Net Income falls relative to the goals specified in the applicable column of the table, and then by selecting the corresponding Performance Factor. If the Company's Cumulative Net Income for the Performance Period is between two amounts shown in the applicable column of the table, the corresponding Performance Factor will be determined by linear interpolation between the two relevant Performance Factors shown in the table. If Cumulative Net Income for the Performance Period is less than the Threshold Goal specified, the Performance Factor is zero. The Maximum Performance Factor is 150% regardless of Cumulative Net Income in excess of the Maximum Goal.

Actual Performance Factor
Target Cumulative Net Income
Executive LTI Payout in \$\$ Value
80%
Minimum
\$ _____
50%
100%
Target
\$ _____
100%
120%
Maximum
\$ _____
150%

3.The number of Units that will vest as of the Certification Date will be the number of RSUs specified in Section 2(c) multiplied by the Performance Factor.

4.For purposes of this Schedule A, the Company's "Cumulative Net Income" for any period shall mean the Company's net income for that period as calculated under U.S. generally accepted accounting principles.

\* \* \* \* \*

As an example, to compute the number of Units that will vest on the Certification Date, assume the following facts: (i) the number of RSUs awarded is 500; and (ii) the Company's actual Cumulative Net Income for the Performance Period was half-way between the Threshold Goal and the Target Goal. Under these facts, the Performance Factor would be 75% (half-way between 50% and 100%), and the number of RSUs vesting on the Certification Date would be 375.

[\(Back To Top\)](#)

**Section 4: EX-10.3 (EX-10.3)**

**ALERUS FINANCIAL CORPORATION  
2019 EQUITY INCENTIVE PLAN**

**Exhibit 10.3**

**PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT**

The Participant specified below is hereby granted a restricted stock unit award (the "Award") by **ALERUS FINANCIAL CORPORATION**, a Delaware corporation (the "Company"), under the **ALERUS FINANCIAL CORPORATION 2019 EQUITY INCENTIVE PLAN** (the "Plan"). The Award shall be subject to the terms of the Plan and the terms set forth in this Performance-Based Restricted Stock Unit Award Agreement ("Award Agreement").

**Section 1.Award.** The Company hereby grants to the Participant the Award of restricted stock units (each such unit, an "RSU"), where each RSU represents the right of the Participant to receive one Share in the future, subject to the terms of this Award Agreement and the Plan.

**Section 2.Terms of Restricted Stock Unit Award.** The following words and phrases relating to the Award shall have the following meanings:

(a)The "Participant" is \_\_\_\_\_.

(b)The "Grant Date" is \_\_\_\_\_.

(c)The number of "RSUs" is \_\_\_\_\_.

(d)The "Performance Period" begins on \_\_\_\_\_ and concludes on \_\_\_\_\_.

Except for words and phrases otherwise defined in this Award Agreement, any capitalized word or phrase in this Award Agreement shall have the meaning ascribed to it in the Plan.

**Section 3. Performance Measurement and Vesting.**

(a)*General.* The Committee has established one or more performance objectives for the Performance Period. On a date following the conclusion of the Performance Period (the "Certification Date"), the Committee shall certify the level of performance for each applicable performance objective and the number of RSUs subject to this Award that shall become vested, if any, as set forth in **Schedule A** to this Award Agreement; *provided* that such Certification Date shall occur no later than March 15 of the calendar year immediately following the conclusion of the Performance Period. Unless otherwise provided in this **Section 3**, the Participant shall forfeit all right, title and interest in and to the RSUs that do not become vested as of the Certification Date.

(b)*Termination of Service.* Except as otherwise provided in **Section 3(c)** or **Section 3(e)**, if the Participant's Termination of Service occurs prior to the Certification Date, the Participant shall forfeit all right, title and interest in and to the RSUs as of such Termination of Service.

(c)*Disability or Death.* Upon the Participant's Termination of Service due to the Participant's Disability or death, a pro rata portion of the RSUs equal to the number of RSUs that would vest as of the Certification Date if the Committee were to certify a target level of performance for each performance objective during the Performance Period, multiplied by a fraction, the numerator of which is the number of full fiscal months during the Performance Period during which the Participant was actively

---

### Exhibit 10.3

employed, and the denominator of which is the total number of fiscal months during the Performance Period, shall become immediately vested. For the purposes of this **Section 3(e)**, “**Disability**” (1) has the meaning provided in the then-effective employment agreement, if any, between the Participant and the Company, or, in absence thereof, (2) means a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, where such impairment causes the Participant to be unable to perform the duties of the Participant’s position of employment or any substantially similar position of employment.

(d)*Retirement.* Upon the Participant’s Termination of Service due to the Participant’s Retirement, the Participant will remain eligible to vest in a pro rata portion of the RSUs equal to the product of: (i) the number of RSUs that would otherwise vest as of the Certification Date pursuant to **Section 3(a)** as if the Participant had continued in active employment with the Company through such Certification Date, *multiplied by* (ii) a fraction, the numerator of which is the number of full fiscal months during the Performance Period during which the Participant was actively employed, and the denominator of which is the total number of fiscal months during the Performance Period; *provided, however*, if a Participant’s Termination of Service due to Retirement occurs during the first six (6) months following the Grant Date, no part of the RSUs shall vest in accordance with this **Section 3(d)**. For the purposes of this **Section 3(d)**, “**Retirement**” means the Participant’s voluntary Termination of Service following the Participant’s attainment of: (x) age sixty (60), *provided* that the Participant has been employed with the Company for at least five (5) years prior to such Termination of Service; or (y) age sixty-two (62).

(e)*Change in Control.* If a Change in Control occurs prior to the conclusion of the Performance Period, a portion of the RSUs shall immediately vest (i) if prior to the Change in Control, the Committee determines that this Award will not continue after the Change in Control or that the successor entity (or its parent) will not agree to provide at the time of the Change in Control for the assumption or replacement of this Award with a comparable equity-based award covering shares of the successor entity (or its parent) that would equitably preserve the compensation element of the Award (the date of such determination by the Committee, the “**Determination Date**”); or (ii) if the foregoing is inapplicable, if within one (1) year following the Change in Control the Participant incurs a Termination of Service by the Company other than for Cause or by the Participant for Good Reason. The portion of RSUs subject to accelerated vesting pursuant to this **Section 3(e)** shall equal the number of RSUs that would vest as of the Certification Date if the Committee were to certify a target level of performance for each performance objective during the Performance Period, multiplied by a fraction, the numerator of which is the number of days between the Grant Date and, as applicable, the Determination Date or the date of the qualifying Termination of Service, and the denominator of which is the number of days in the Performance Period.

For the purposes of this **Section 3(e)**, “**Cause**” (1) has the meaning provided in the then-effective employment agreement, if any, between the Participant and the Company, or, in absence thereof, (2) means (A) the Participant’s commission of any act constituting a felony or the Participant’s conviction or guilty or no contest plea to any criminal misdemeanor involving fraud, misrepresentation, or theft; (B) gross misconduct or any act of fraud, disloyalty, or dishonesty by the Participant related to or in connection with the Participant’s employment with the Company, or otherwise likely to cause material harm to the Company or its reputation; (C) a material violation by the Participant of the Company’s policies or codes of conduct; or (D) the willful or material breach by the Participant of any agreement between the Participant and the Company. “**Good Reason**” (1) has the meaning provided in the then-effective employment agreement, if any, between the Participant and the Company, or, in absence thereof, (2) means any of the following conditions arising without the consent of the Participant, *provided* that the Participant has notified the Company in writing of the existence of such condition within ninety (90) days of its first occurrence, and the Company has failed to remedy such condition within thirty (30) days of such notice: (A) a material diminution in the Participant’s base salary, authority, duties, or responsibilities; (B) relocation of the Participant’s principal office more than fifty (50) miles from its location as of the Grant Date; or (C) any

---

other action or inaction that constitutes a material breach by the Company or any terms or conditions of any agreement between the Participant and the Company, which breach has not been caused by the Participant.

**Section 4. Settlement of RSUs.** Delivery of Shares or other amounts under this Award Agreement and the Plan shall be subject to the following:

(a)*Delivery of Shares.* The Company shall deliver to the Participant one Share free and clear of any restrictions in settlement of each of the vested and unrestricted RSUs within thirty (30) days of the Certification Date (or, if earlier, the date upon which the RSUs become vested pursuant to **Section 3(c)** and **Section 3(e)**).

(b)*Compliance with Applicable Laws.* Notwithstanding any other term of this Award Agreement or the Plan, the Company shall have no obligation to deliver any Shares or make any other distribution of benefits under this Award Agreement or the Plan unless such delivery or distribution complies with all applicable laws and the applicable rules of any securities exchange or similar entity.

(c)*Certificates Not Required.* To the extent that this Award Agreement and the Plan provide for the issuance of Shares, such issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any securities exchange or similar entity.

**Section 5. Withholding.** All deliveries of Shares pursuant to the Award shall be subject to withholding of all applicable taxes. The Company shall have the right to require the Participant (or if applicable, permitted assigns, heirs and Designated Beneficiaries) to remit to the Company an amount sufficient to satisfy any tax requirements prior to the delivery date of any Shares in connection with the Award. Except as otherwise provided by the Committee, such withholding obligations may be satisfied (a) through cash payment by the Participant, (b) through the surrender of Shares that the Participant already owns or (c) through the surrender of Shares to which the Participant is otherwise entitled under the Plan; *provided, however*, that except as otherwise specifically provided by the Committee, such Shares under clause (c) may not be used to satisfy more than the maximum individual statutory tax rate for each applicable tax jurisdiction, or such lesser amount as may be established by the Company. In the instance the withholding obligation is satisfied through the surrender of Shares, the Company will not deliver fractional Shares, and it will pay, in lieu thereof, the Fair Market Value of such fractional Shares.

**Section 6. Dividend Equivalents.** The Participant shall be entitled to receive a payment in cash upon the conclusion of the Performance Period in an amount equal in value to any dividends and distributions paid with respect to the RSUs (other than dividends and distributions that may be issued with respect to Shares by virtue of any corporate transaction, to the extent adjustment is made pursuant to Section 3.4 of the Plan) during the Performance Period ("**Dividend Equivalents**"); *provided, however*, that no Dividend Equivalents shall be payable to or for the benefit of the Participant with respect to record dates for such dividends or distributions occurring before the Grant Date or on or after the date, if any, on which the Participant has forfeited the RSUs. Dividend Equivalents shall be credited at the time the respective dividends or distributions are paid and shall be accumulated, without interest, and shall be subject to the same restrictions applicable to the underlying RSUs.

**Section 7. Restrictive Covenants.**

(a)*Confidential Information.* Except as permitted by the Company, the Participant shall not at any time divulge, furnish or make accessible to anyone or use in any way other than in the ordinary course of the business of the Company or its affiliates, any confidential, proprietary, or secret knowledge or information of the Company or its affiliates that the Participant has acquired or will acquire about the Company or its affiliates, whether developed by himself or herself or by others, concerning (i)

---

### Exhibit 10.3

any trade secrets; (ii) any confidential, proprietary, or secret designs, programs, processes, formulate, plans devices, or material (whether or not patented or patentable) directly or indirectly useful in any aspect or the business of the Company or of its affiliates; (iii) any customer or supplier lists; (iv) any confidential, proprietary, or secret development or research work; (v) any strategic or other business, marketing, or sales plans; (vi) any financial data or plans; or (vii) any other confidential, proprietary, or secret information about any aspect or the business of the Company or of its affiliates. The Participant acknowledges that the knowledge and information described above constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company or its affiliates would be wrongful and would cause irreparable harm to the Company. The Participant shall not intentionally commit any act that would materially reduce the value of such knowledge or information to the Company or its affiliates. The foregoing obligations or confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, other than as a direct or indirect result of the breach of this Award Agreement, (ii) is independently made available to the Participant in good faith by a third party who has not violated a confidential relationship with the Company or its affiliates, or (iii) is required to be disclosed by law or legal process. The Participant's obligations under this Award Agreement to maintain the confidentiality of the Company's confidential, proprietary, and secret information are in addition to any obligations of the Participant under any other agreement between the Participant and the Company, and any applicable statutory or common law.

(b)*Return of Records and Property.* Upon the Participant's Termination of Service, or at any time upon the Company's request, the Participant shall promptly deliver to the Company all Company and affiliate records and all Company and affiliate property in his or her possession or under his or her control, including without limitation manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, computer tapes, sources codes, data, tables, or calculations, and all copies thereof; documents that in whole or in part contain any trade secrets or confidential, proprietary, or other secret information of the Company or its affiliates and all copies thereof; and keys, access cards, access codes, passwords, credit cards, personal computers, telephones and other electronic equipment belonging to the Company or an affiliate.

**Section 8. Non-Transferability of Award.** The Award, or any portion thereof, is not transferable except as designated by the Participant by will or by the laws of descent and distribution or pursuant to a domestic relations order. Except as provided in the immediately preceding sentence, the Award shall not be assigned, transferred, pledged, hypothecated or otherwise disposed of by the Participant in any way whether by operation of law or otherwise, and shall not be subject to execution, attachment or similar process. Any attempt at assignment, transfer, pledge, hypothecation or other disposition of the Award contrary to the provisions hereof, or the levy of any attachment or similar process upon the Award, shall be null and void and without effect.

**Section 9. No Rights as Shareholder.** Notwithstanding the Participant's right to receive dividend equivalents pursuant to **Section 6**, the Participant shall not have any rights of a Shareholder with respect to the RSUs, including but not limited to, voting rights, prior to the settlement of the RSUs pursuant to **Section 4(a)** above.

**Section 10. Heirs and Successors.** This Award Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring all or substantially all of the Company's assets or business. If any rights of the Participant or benefits distributable to the Participant under this Award Agreement have not been settled or distributed at the time of the Participant's death, such rights shall be settled for and such benefits shall be distributed to the Designated Beneficiary in accordance with the provisions of this Award Agreement and the Plan. The "Designated Beneficiary" shall be the beneficiary or beneficiaries designated by the Participant in a writing filed with

---

**Exhibit 10.3**

the Committee in such form as the Committee may require. The Participant's designation of beneficiary may be amended or revoked from time to time by the Participant in accordance with any procedures established by the Committee. If a Participant fails to designate a beneficiary, or if the Designated Beneficiary does not survive the Participant, any benefits that would have been provided to the Participant shall be provided to the legal representative of the estate of the Participant. If a Participant designates a beneficiary and the Designated Beneficiary survives the Participant but dies before the provision of the Designated Beneficiary's benefits under this Award Agreement, then any benefits that would have been provided to the Designated Beneficiary shall be provided to the legal representative of the estate of the Designated Beneficiary.

**Section 11. Administration.** The authority to manage and control the operation and administration of this Award Agreement and the Plan shall be vested in the Committee, and the Committee shall have all powers with respect to this Award Agreement as it has with respect to the Plan. Any interpretation of this Award Agreement or the Plan by the Committee and any decision made by the Committee with respect to this Award Agreement or the Plan shall be final and binding on all persons.

**Section 12. Plan Governs.** Notwithstanding any provision of this Award Agreement to the contrary, this Award Agreement shall be subject to the terms of the Plan, a copy of which may be obtained by the Participant from the office of the General Counsel of the Company. This Award Agreement shall be subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time. Notwithstanding any provision of this Award Agreement to the contrary, in the event of any discrepancy between the corporate records of the Company and this Award Agreement, the corporate records of the Company shall control.

**Section 13. Not an Employment Contract.** Neither the Award nor this Award Agreement shall confer on the Participant any rights with respect to continuance of employment or other service with the Company or a Subsidiary, nor shall they interfere in any way with any right the Company or a Subsidiary may otherwise have to terminate or modify the terms of the Participant's employment or other service at any time.

**Section 14. Amendment.** Without limitation of **Section 17** and **Section 18** below, this Award Agreement may be amended in accordance with the provisions of the Plan, and may otherwise be amended in writing by the Participant and the Company without the consent of any other person.

**Section 15. Governing Law.** This Award Agreement, the Plan and all actions taken in connection herewith and therewith shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws, except as superseded by applicable federal law.

**Section 16. Validity.** If any provision of this Award Agreement is determined to be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Award Agreement shall be construed and enforced as if such illegal or invalid provision had never been included herein.

**Section 17. Section 409A Amendment.** The Award is intended to be exempt from Code Section 409A and this Award Agreement shall be administered and interpreted in accordance with such intent. The Committee reserves the right (including the right to delegate such right) to unilaterally amend this Award Agreement without the consent of the Participant in order to maintain an exclusion from the application of, or to maintain compliance with, Code Section 409A; and the Participant hereby acknowledges and consents to such rights of the Committee.

---

**Exhibit 10.3**

**Section 18. Clawback.** The Award and any amount or benefit received under the Plan shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of any applicable Company or Subsidiary clawback policy (the "**Policy**") or any applicable law, as may be in effect from time to time. The Participant hereby acknowledges and consents to the Company's or a Subsidiary's application, implementation and enforcement of (a) the Policy and any similar policy established by the Company or a Subsidiary that may apply to the Participant, whether adopted prior to or following the date of this Award Agreement and (b) any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation, and agrees that the Company or a Subsidiary may take such actions as may be necessary to effectuate the Policy, any similar policy and applicable law, without further consideration or action.

\* \* \* \* \*

**IN WITNESS WHEREOF**, the Company has caused this Award Agreement to be executed in its name and on its behalf, and the Participant acknowledges understanding and acceptance of, and agrees to, the terms of the Plan and this Award Agreement, all as of the Grant Date.

**Alerus Financial Corporation**



By:

Name: Randy Newman

Title: Chairman, President & CEO

**Participant**

\_\_\_\_\_

Name: \_\_\_\_\_

\_\_\_\_\_

**PERFORMANCE-BASED  
RESTRICTED STOCK UNIT AWARD AGREEMENT**

**SCHEDULE A**

**Performance-Based Objectives**

The determination of the number of RSUs that will vest on the Certification Date as provided in Section 3(a) of the Award Agreement will be determined as follows:

1.The Committee will determine the Company’s Cumulative Net Income for the Performance Period subject to any adjustment in accordance with the guidelines set forth in the Alerus Financial Long Term Incentive Plan, as may be in effect from time to time.

2.Based on that Cumulative Net Income, the Committee will determine the Performance Factor for the Performance Period based upon the following table, specifically by determining where the Company’s Cumulative Net Income falls relative to the goals specified in the applicable column of the table, and then by selecting the corresponding Performance Factor. If the Company’s Cumulative Net Income for the Performance Period is between two amounts shown in the applicable column of the table, the corresponding Performance Factor will be determined by linear interpolation between the two relevant Performance Factors shown in the table. If Cumulative Net Income for the Performance Period is less than the Threshold Goal specified, the Performance Factor is zero. The Maximum Performance Factor is 150% regardless of Cumulative Net Income in excess of the Maximum Goal.

<b>Actual Performance Factor</b>
<b>Target Cumulative Net Income</b>
<b>Executive LTI Payout in \$\$ Value</b>
80%
Minimum
\$ _____
50%
100%
Target
\$ _____
100%
120%
Maximum
\$ _____
150%

3.The number of Units that will vest as of the Certification Date will be the number of RSUs specified in Section 2(c) multiplied by the Performance Factor.

4.For purposes of this Schedule A, the Company’s “Cumulative Net Income” for any period shall mean the Company’s net income for that period as calculated under U.S. generally accepted accounting principles.

\* \* \* \* \*



**Exhibit 10.3**

As an example, to compute the number of Units that will vest on the Certification Date, assume the following facts: (i) the number of RSUs awarded is 500; and (ii) the Company’s actual Cumulative Net Income for the Performance Period was half-way between the Threshold Goal and the Target Goal. Under these facts, the Performance Factor would be 75% (half-way between 50% and 100%), and the number of RSUs vesting on the Certification Date would be 375.

[\(Back To Top\)](#)

**Section 5: EX-10.4 (EX-10.4)**

**Exhibit 10.4**

**ALERUS FINANCIAL CORPORATION  
2019 EQUITY INCENTIVE PLAN**

**TIME-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT**

The Participant specified below is hereby granted a restricted stock unit award (the “Award”) by ALERUS FINANCIAL CORPORATION, a Delaware corporation (the “Company”), under the ALERUS FINANCIAL CORPORATION 2019 EQUITY INCENTIVE PLAN (the “Plan”). The Award shall be subject to the terms of the Plan and the terms set forth in this Time-Based Restricted Stock Unit Award Agreement (“Award Agreement”).

**Section 1. Award.** The Company hereby grants to the Participant the Award of restricted stock units (each such unit, an “RSU”), where each RSU represents the right of the Participant to receive one Share in the future, subject to the terms of this Award Agreement and the Plan.

**Section 2. Terms of Restricted Stock Unit Award.** The following words and phrases relating to the Award shall have the following meanings:

(a) The “Participant” is \_\_\_\_\_.

(b) The “Grant Date” is \_\_\_\_\_.

(c) The number of “RSUs” is \_\_\_\_\_.

Except for words and phrases otherwise defined in this Award Agreement, any capitalized word or phrase in this Award Agreement shall have the meaning ascribed to it in the Plan.

**Section 3. Restricted Period.**

(a) The “Restricted Period” for each installment of RSUs set forth in the table immediately below (each, an “Installment”) shall begin on the Grant Date and end as described in the schedule set forth in the table immediately below, subject to the provisions of Section 3(b), Section 3(c), and Section 3(d):

INSTALLMENT	RESTRICTED PERIOD WILL END ON:
[100]% of RSUs	[Third Anniversary of the Grant Date]

(b) *Termination of Service.* Except as otherwise provided in Section 3(c) or Section 3(d), if the Participant’s Termination of Service occurs prior to the expiration of the Restricted Period for an Installment, the Participant shall forfeit all right, title and interest in and to the RSUs subject to such Installment as of such Termination of Service.

(c) *Disability, Death, and Retirement.* Upon the Participant’s Termination of Service due to the Participant’s Disability, Retirement, or death, the Restricted Period for all the RSUs shall cease immediately and such RSUs shall become fully vested immediately; *provided, however,* if a Participant’s Termination of Service due to Retirement occurs during the first six (6) months following the Grant Date, no part of the RSUs shall vest in accordance with this Section 3(c).

For the purposes of this **Section 3(c)**, “**Retirement**” means the Participant’s voluntary Termination of Service following the Participant’s attainment of: (i) age sixty (60), *provided* that the Participant has been employed with the Company for at least five (5) years prior to such Termination of Service; or (ii) age sixty-two (62). “**Disability**” (1) has the meaning provided in the then-effective employment agreement, if any, between the Participant and the Company, or, in absence thereof, (2) means a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, where such impairment causes the Participant to be unable to perform the duties of the Participant’s position of employment or any substantially similar position of employment.

(d)*Change in Control*. Upon a Change in Control, the Award shall be treated in accordance with Section 4.1 of the Plan; *provided, however*, that for the purposes of such Section 4.1, “**Cause**” (1) has the meaning provided in the then-effective employment agreement, if any, between the Participant and the Company, or, in absence thereof, (2) means (A) the Participant’s commission of any act constituting a felony or the Participant’s conviction or guilty or no contest plea to any criminal misdemeanor involving fraud, misrepresentation, or theft; (B) gross misconduct or any act of fraud, disloyalty, or dishonesty by the Participant related to or in connection with the Participant’s employment with the Company, or otherwise likely to cause material harm to the Company or its reputation; (C) a material violation by the Participant of the Company’s policies or codes of conduct; or (D) the willful or material breach by the Participant of any agreement between the Participant and the Company; *and provided, further*, that “**Good Reason**” (1) has the meaning provided in the then-effective employment agreement, if any, between the Participant and the Company, or, in absence thereof, (2) means any of the following conditions arising without the consent of the Participant, *provided* that the Participant has notified the Company in writing of the existence of such condition within ninety (90) days of its first occurrence, and the Company has failed to remedy such condition within thirty (30) days of such notice: (A) a material diminution in the Participant’s base salary, authority, duties, or responsibilities; (B) relocation of the Participant’s principal office more than fifty (50) miles from its location as of the Grant Date; or (C) any other action or inaction that constitutes a material breach by the Company or any terms or conditions of any agreement between the Participant and the Company, which breach has not been caused by the Participant.

**Section 4. Settlement of RSUs.** Delivery of Shares or other amounts under this Award Agreement and the Plan shall be subject to the following:

(a)*Delivery of Shares*. The Company shall deliver to the Participant one Share free and clear of any restrictions in settlement of each of the vested and unrestricted RSUs within thirty (30) days of the expiration of the Restricted Period.

(b)*Compliance with Applicable Laws*. Notwithstanding any other term of this Award Agreement or the Plan, the Company shall have no obligation to deliver any Shares or make any other distribution of benefits under this Award Agreement or the Plan unless such delivery or distribution complies with all applicable laws and the applicable rules of any securities exchange or similar entity.

(c)*Certificates Not Required*. To the extent that this Award Agreement and the Plan provide for the issuance of Shares, such issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any securities exchange or similar entity.

**Section 5. Withholding.** All deliveries of Shares pursuant to the Award shall be subject to withholding of all applicable taxes. The Company shall have the right to require the Participant (or if applicable, permitted assigns, heirs and Designated Beneficiaries) to remit to the Company an amount sufficient to satisfy any tax requirements prior to the delivery date of any Shares in connection with the Award. Except as otherwise provided by the Committee, such withholding obligations may be satisfied

---

(a) through cash payment by the Participant, (b) through the surrender of Shares that the Participant already owns or (c) through the surrender of Shares to which the Participant is otherwise entitled under the Plan; *provided, however*, that except as otherwise specifically provided by the Committee, such Shares under clause (c) may not be used to satisfy more than the maximum individual statutory tax rate for each applicable tax jurisdiction, or such lesser amount as may be established by the Company. In the instance the withholding obligation is satisfied through the surrender of Shares, the Company will not deliver fractional Shares, and it will pay, in lieu thereof, the Fair Market Value of such fractional Shares.

**Section 6.Dividend Equivalents.** The Participant shall be entitled to receive a payment in cash upon the conclusion of the Performance Period in an amount equal in value to any dividends and distributions paid with respect to the RSUs (other than dividends and distributions that may be issued with respect to Shares by virtue of any corporate transaction, to the extent adjustment is made pursuant to Section 3.4 of the Plan) during the Performance Period ("**Dividend Equivalents**"); *provided, however*, that no Dividend Equivalents shall be payable to or for the benefit of the Participant with respect to record dates for such dividends or distributions occurring before the Grant Date or on or after the date, if any, on which the Participant has forfeited the RSUs. Dividend Equivalents shall be credited at the time the respective dividends or distributions are paid and shall be accumulated, without interest, and shall be subject to the same restrictions applicable to the underlying RSUs.

**Section 7.Restrictive Covenants.**

(a)*Confidential Information.* Except as permitted by the Company, the Participant shall not at any time divulge, furnish or make accessible to anyone or use in any way other than in the ordinary course of the business of the Company or its affiliates, any confidential, proprietary, or secret knowledge or information of the Company or its affiliates that the Participant has acquired or will acquire about the Company or its affiliates, whether developed by himself or herself or by others, concerning (i) any trade secrets; (ii) any confidential, proprietary, or secret designs, programs, processes, formulate, plans devices, or material (whether or not patented or patentable) directly or indirectly useful in any aspect or the business of the Company or of its affiliates; (iii) any customer or supplier lists; (iv) any confidential, proprietary, or secret development or research work; (v) any strategic or other business, marketing, or sales plans; (vi) any financial data or plans; or (vii) any other confidential, proprietary, or secret information about any aspect or the business of the Company or of its affiliates. The Participant acknowledges that the knowledge and information described above constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company or its affiliates would be wrongful and would cause irreparable harm to the Company. The Participant shall not intentionally commit any act that would materially reduce the value of such knowledge or information to the Company or its affiliates. The foregoing obligations or confidentially shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, other than as a direct or indirect result of the breach of this Award Agreement, (ii) is independently made available to the Participant in good faith by a third party who has not violated a confidential relationship with the Company or its affiliates, or (iii) is required to be disclosed by law or legal process. The Participant's obligations under this Award Agreement to maintain the confidentiality of the Company's confidential, proprietary, and secret information are in addition to any obligations of the Participant under any other agreement between the Participant and the Company, and any applicable statutory or common law.

(b)*Return of Records and Property.* Upon the Participant's Termination of Service, or at any time upon the Company's request, the Participant shall promptly deliver to the Company all Company and affiliate records and all Company and affiliate property in his or her possession or under his or her control, including without limitation manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, computer tapes, sources codes, data, tables, or

---

calculations, and all copies thereof; documents that in whole or in part contain any trade secrets or confidential, proprietary, or other secret information of the Company or its affiliates and all copies thereof; and keys, access cards, access codes, passwords, credit cards, personal computers, telephones and other electronic equipment belonging to the Company or an affiliate.

**Section 8. Non-Transferability of Award.** The Award, or any portion thereof, is not transferable except as designated by the Participant by will or by the laws of descent and distribution or pursuant to a domestic relations order. Except as provided in the immediately preceding sentence, the Award shall not be assigned, transferred, pledged, hypothecated or otherwise disposed of by the Participant in any way whether by operation of law or otherwise, and shall not be subject to execution, attachment or similar process. Any attempt at assignment, transfer, pledge, hypothecation or other disposition of the Award contrary to the provisions hereof, or the levy of any attachment or similar process upon the Award, shall be null and void and without effect.

**Section 9. No Rights as Shareholder.** Notwithstanding the Participant's right to receive dividend equivalents pursuant to **Section 6**, the Participant shall not have any rights of a Shareholder with respect to the RSUs, including but not limited to, voting rights, prior to the settlement of the RSUs pursuant to **Section 4(a)** above.

**Section 10. Heirs and Successors.** This Award Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring all or substantially all of the Company's assets or business. If any rights of the Participant or benefits distributable to the Participant under this Award Agreement have not been settled or distributed at the time of the Participant's death, such rights shall be settled for and such benefits shall be distributed to the Designated Beneficiary in accordance with the provisions of this Award Agreement and the Plan. The "Designated Beneficiary" shall be the beneficiary or beneficiaries designated by the Participant in a writing filed with the Committee in such form as the Committee may require. The Participant's designation of beneficiary may be amended or revoked from time to time by the Participant in accordance with any procedures established by the Committee. If a Participant fails to designate a beneficiary, or if the Designated Beneficiary does not survive the Participant, any benefits that would have been provided to the Participant shall be provided to the legal representative of the estate of the Participant. If a Participant designates a beneficiary and the Designated Beneficiary survives the Participant but dies before the provision of the Designated Beneficiary's benefits under this Award Agreement, then any benefits that would have been provided to the Designated Beneficiary shall be provided to the legal representative of the estate of the Designated Beneficiary.

**Section 11. Administration.** The authority to manage and control the operation and administration of this Award Agreement and the Plan shall be vested in the Committee, and the Committee shall have all powers with respect to this Award Agreement as it has with respect to the Plan. Any interpretation of this Award Agreement or the Plan by the Committee and any decision made by the Committee with respect to this Award Agreement or the Plan shall be final and binding on all persons.

**Section 12. Plan Governs.** Notwithstanding any provision of this Award Agreement to the contrary, this Award Agreement shall be subject to the terms of the Plan, a copy of which may be obtained by the Participant from the office of the General Counsel of the Company. This Award Agreement shall be subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time. Notwithstanding any provision of this Award Agreement to the contrary, in the event of any discrepancy between the corporate records of the Company and this Award Agreement, the corporate records of the Company shall control.

---

**Section 13. Not an Employment Contract.** Neither the Award nor this Award Agreement shall confer on the Participant any rights with respect to continuance of employment or other service with the Company or a Subsidiary, nor shall they interfere in any way with any right the Company or a Subsidiary may otherwise have to terminate or modify the terms of the Participant's employment or other service at any time.

**Section 14. Amendment.** Without limitation of **Section 17** and **Section 18** below, this Award Agreement may be amended in accordance with the provisions of the Plan, and may otherwise be amended in writing by the Participant and the Company without the consent of any other person.

**Section 15. Governing Law.** This Award Agreement, the Plan and all actions taken in connection herewith and therewith shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws, except as superseded by applicable federal law.

**Section 16. Validity.** If any provision of this Award Agreement is determined to be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Award Agreement shall be construed and enforced as if such illegal or invalid provision had never been included herein.

**Section 17. Section 409A Amendment.** The Award is intended to be exempt from Code Section 409A and this Award Agreement shall be administered and interpreted in accordance with such intent. The Committee reserves the right (including the right to delegate such right) to unilaterally amend this Award Agreement without the consent of the Participant in order to maintain an exclusion from the application of, or to maintain compliance with, Code Section 409A; and the Participant hereby acknowledges and consents to such rights of the Committee.

**Section 18. Clawback.** The Award and any amount or benefit received under the Plan shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of any applicable Company or Subsidiary clawback policy (the "**Policy**") or any applicable law, as may be in effect from time to time. The Participant hereby acknowledges and consents to the Company's or a Subsidiary's application, implementation and enforcement of (a) the Policy and any similar policy established by the Company or a Subsidiary that may apply to the Participant, whether adopted prior to or following the date of this Award Agreement and (b) any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation, and agrees that the Company or a Subsidiary may take such actions as may be necessary to effectuate the Policy, any similar policy and applicable law, without further consideration or action.

\* \* \* \* \*

---

IN WITNESS WHEREOF, the Company has caused this Award Agreement to be executed in its name and on its behalf, and the Participant acknowledges understanding and acceptance of, and agrees to, the terms of the Plan and this Award Agreement, all as of the Grant Date.

**Alerus Financial Corporation**



By:  
Name: Randy Newman

Title: Chairman, President & CEO

**Participant**

\_\_\_\_\_  
Name: \_\_\_\_\_

[\(Back To Top\)](#)

**Section 6: EX-10.5 (EX-10.5)**

**Exhibit 10.5**

**ALERUS FINANCIAL CORPORATION  
2019 EQUITY INCENTIVE PLAN**

**TIME-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT**

The Participant specified below is hereby granted a restricted stock unit award (the "Award") by ALERUS FINANCIAL CORPORATION, a Delaware corporation (the "Company"), under the ALERUS FINANCIAL CORPORATION 2019 EQUITY INCENTIVE PLAN (the "Plan"). The Award shall be subject to the terms of the Plan and the terms set forth in this Time-Based Restricted Stock Unit Award Agreement ("Award Agreement").

**Section 1. Award.** The Company hereby grants to the Participant the Award of restricted stock units (each such unit, an "RSU"), where each RSU represents the right of the Participant to receive one Share in the future, subject to the terms of this Award Agreement and the Plan.

**Section 2. Terms of Restricted Stock Unit Award.** The following words and phrases relating to the Award shall have the following meanings:

- (a) The "Participant" is \_\_\_\_\_.
- (b) The "Grant Date" is \_\_\_\_\_.
- (c) The number of "RSUs" is \_\_\_\_\_.

Except for words and phrases otherwise defined in this Award Agreement, any capitalized word or phrase in this Award Agreement shall have the meaning ascribed to it in the Plan.

**Section 3. Restricted Period.**

(a) The "Restricted Period" for each installment of RSUs set forth in the table immediately below (each, an "Installment") shall begin on the Grant Date and end as described in the schedule set forth in the table immediately below, subject to the provisions of Section 3(b), Section 3(c), and Section 3(d):

INSTALLMENT	RESTRICTED PERIOD WILL END ON:
[100]% of RSUs	[Third Anniversary of the Grant Date]

(b) *Termination of Service.* Except as otherwise provided in Section 3(c) or Section 3(d), if the Participant's Termination of Service occurs prior to the expiration of the Restricted Period for an Installment, the Participant shall forfeit all right, title and interest in and to the RSUs subject to such Installment as of such Termination of Service.

(c) *Disability, Death, and Retirement.* Upon the Participant's Termination of Service due to the Participant's Disability, Retirement, or death, a pro rata portion of the RSUs shall become fully vested immediately, with such pro rata portion equaling the number of RSUs that would vest as of the expiration of the Restricted Period, multiplied by a fraction, the numerator of which is the number of full fiscal months during the Restricted Period during which the Participant was actively employed, and the denominator of which is the total number of months during the Restricted Period; *provided, however*, if a

\_\_\_\_\_

Participant's Termination of Service due to Retirement occurs during the first six (6) months following the Grant Date, no part of the RSUs shall vest in accordance with this **Section 3(c)**.

For the purposes of this **Section 3(c)**, "**Retirement**" means the Participant's voluntary Termination of Service following the Participant's attainment of: (i) age sixty (60), *provided* that the Participant has been employed with the Company for at least five (5) years prior to such Termination of Service; or (ii) age sixty-two (62). "**Disability**" (1) has the meaning provided in the then-effective employment agreement, if any, between the Participant and the Company, or, in absence thereof, (2) means a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, where such impairment causes the Participant to be unable to perform the duties of the Participant's position of employment or any substantially similar position of employment.

(d)*Change in Control*. Upon a Change in Control, the Award shall be treated in accordance with Section 4.1 of the Plan; *provided, however*, that for the purposes of such Section 4.1, "**Cause**" (1) has the meaning provided in the then-effective employment agreement, if any, between the Participant and the Company, or, in absence thereof, (2) means (A) the Participant's commission of any act constituting a felony or the Participant's conviction or guilty or no contest plea to any criminal misdemeanor involving fraud, misrepresentation, or theft; (B) gross misconduct or any act of fraud, disloyalty, or dishonesty by the Participant related to or in connection with the Participant's employment with the Company, or otherwise likely to cause material harm to the Company or its reputation; (C) a material violation by the Participant of the Company's policies or codes of conduct; or (D) the willful or material breach by the Participant of any agreement between the Participant and the Company; *and provided, further*, that "**Good Reason**" (1) has the meaning provided in the then-effective employment agreement, if any, between the Participant and the Company, or, in absence thereof, (2) means any of the following conditions arising without the consent of the Participant, *provided* that the Participant has notified the Company in writing of the existence of such condition within ninety (90) days of its first occurrence, and the Company has failed to remedy such condition within thirty (30) days of such notice: (A) a material diminution in the Participant's base salary, authority, duties, or responsibilities; (B) relocation of the Participant's principal office more than fifty (50) miles from its location as of the Grant Date; or (C) any other action or inaction that constitutes a material breach by the Company or any terms or conditions of any agreement between the Participant and the Company, which breach has not been caused by the Participant.

**Section 4. Settlement of RSUs.** Delivery of Shares or other amounts under this Award Agreement and the Plan shall be subject to the following:

(a)*Delivery of Shares*. The Company shall deliver to the Participant one Share free and clear of any restrictions in settlement of each of the vested and unrestricted RSUs within thirty (30) days of the expiration of the Restricted Period.

(b)*Compliance with Applicable Laws*. Notwithstanding any other term of this Award Agreement or the Plan, the Company shall have no obligation to deliver any Shares or make any other distribution of benefits under this Award Agreement or the Plan unless such delivery or distribution complies with all applicable laws and the applicable rules of any securities exchange or similar entity.

(c)*Certificates Not Required*. To the extent that this Award Agreement and the Plan provide for the issuance of Shares, such issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any securities exchange or similar entity.

**Section 5. Withholding.** All deliveries of Shares pursuant to the Award shall be subject to withholding of all applicable taxes. The Company shall have the right to require the Participant (or if

---

applicable, permitted assigns, heirs and Designated Beneficiaries) to remit to the Company an amount sufficient to satisfy any tax requirements prior to the delivery date of any Shares in connection with the Award. Except as otherwise provided by the Committee, such withholding obligations may be satisfied (a) through cash payment by the Participant, (b) through the surrender of Shares that the Participant already owns or (c) through the surrender of Shares to which the Participant is otherwise entitled under the Plan; *provided, however*, that except as otherwise specifically provided by the Committee, such Shares under clause (c) may not be used to satisfy more than the maximum individual statutory tax rate for each applicable tax jurisdiction, or such lesser amount as may be established by the Company. In the instance the withholding obligation is satisfied through the surrender of Shares, the Company will not deliver fractional Shares, and it will pay, in lieu thereof, the Fair Market Value of such fractional Shares.

**Section 6. Dividend Equivalents.** The Participant shall be entitled to receive a payment in cash upon the conclusion of the Performance Period in an amount equal in value to any dividends and distributions paid with respect to the RSUs (other than dividends and distributions that may be issued with respect to Shares by virtue of any corporate transaction, to the extent adjustment is made pursuant to Section 3.4 of the Plan) during the Performance Period ("**Dividend Equivalents**"); *provided, however*, that no Dividend Equivalents shall be payable to or for the benefit of the Participant with respect to record dates for such dividends or distributions occurring before the Grant Date or on or after the date, if any, on which the Participant has forfeited the RSUs. Dividend Equivalents shall be credited at the time the respective dividends or distributions are paid and shall be accumulated, without interest, and shall be subject to the same restrictions applicable to the underlying RSUs.

**Section 7. Restrictive Covenants.**

(a)*Confidential Information.* Except as permitted by the Company, the Participant shall not at any time divulge, furnish or make accessible to anyone or use in any way other than in the ordinary course of the business of the Company or its affiliates, any confidential, proprietary, or secret knowledge or information of the Company or its affiliates that the Participant has acquired or will acquire about the Company or its affiliates, whether developed by himself or herself or by others, concerning (i) any trade secrets; (ii) any confidential, proprietary, or secret designs, programs, processes, formulate, plans devices, or material (whether or not patented or patentable) directly or indirectly useful in any aspect or the business of the Company or of its affiliates; (iii) any customer or supplier lists; (iv) any confidential, proprietary, or secret development or research work; (v) any strategic or other business, marketing, or sales plans; (vi) any financial data or plans; or (vii) any other confidential, proprietary, or secret information about any aspect or the business of the Company or of its affiliates. The Participant acknowledges that the knowledge and information described above constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company or its affiliates would be wrongful and would cause irreparable harm to the Company. The Participant shall not intentionally commit any act that would materially reduce the value of such knowledge or information to the Company or its affiliates. The foregoing obligations or confidentially shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, other than as a direct or indirect result of the breach of this Award Agreement, (ii) is independently made available to the Participant in good faith by a third party who has not violated a confidential relationship with the Company or its affiliates, or (iii) is required to be disclosed by law or legal process. The Participant's obligations under this Award Agreement to maintain the confidentiality of the Company's confidential, proprietary, and secret information are in addition to any obligations of the Participant under any other agreement between the Participant and the Company, and any applicable statutory or common law.

(b)*Return of Records and Property.* Upon the Participant's Termination of Service, or at any time upon the Company's request, the Participant shall promptly deliver to the Company all

---

Company and affiliate records and all Company and affiliate property in his or her possession or under his or her control, including without limitation manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, computer tapes, sources codes, data, tables, or calculations, and all copies thereof; documents that in whole or in part contain any trade secrets or confidential, proprietary, or other secret information of the Company or its affiliates and all copies thereof; and keys, access cards, access codes, passwords, credit cards, personal computers, telephones and other electronic equipment belonging to the Company or an affiliate.

**Section 8. Non-Transferability of Award.** The Award, or any portion thereof, is not transferable except as designated by the Participant by will or by the laws of descent and distribution or pursuant to a domestic relations order. Except as provided in the immediately preceding sentence, the Award shall not be assigned, transferred, pledged, hypothecated or otherwise disposed of by the Participant in any way whether by operation of law or otherwise, and shall not be subject to execution, attachment or similar process. Any attempt at assignment, transfer, pledge, hypothecation or other disposition of the Award contrary to the provisions hereof, or the levy of any attachment or similar process upon the Award, shall be null and void and without effect.

**Section 9. No Rights as Shareholder.** Notwithstanding the Participant's right to receive dividend equivalents pursuant to **Section 6**, the Participant shall not have any rights of a Shareholder with respect to the RSUs, including but not limited to, voting rights, prior to the settlement of the RSUs pursuant to **Section 4(a)** above.

**Section 10. Heirs and Successors.** This Award Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring all or substantially all of the Company's assets or business. If any rights of the Participant or benefits distributable to the Participant under this Award Agreement have not been settled or distributed at the time of the Participant's death, such rights shall be settled for and such benefits shall be distributed to the Designated Beneficiary in accordance with the provisions of this Award Agreement and the Plan. The "**Designated Beneficiary**" shall be the beneficiary or beneficiaries designated by the Participant in a writing filed with the Committee in such form as the Committee may require. The Participant's designation of beneficiary may be amended or revoked from time to time by the Participant in accordance with any procedures established by the Committee. If a Participant fails to designate a beneficiary, or if the Designated Beneficiary does not survive the Participant, any benefits that would have been provided to the Participant shall be provided to the legal representative of the estate of the Participant. If a Participant designates a beneficiary and the Designated Beneficiary survives the Participant but dies before the provision of the Designated Beneficiary's benefits under this Award Agreement, then any benefits that would have been provided to the Designated Beneficiary shall be provided to the legal representative of the estate of the Designated Beneficiary.

**Section 11. Administration.** The authority to manage and control the operation and administration of this Award Agreement and the Plan shall be vested in the Committee, and the Committee shall have all powers with respect to this Award Agreement as it has with respect to the Plan. Any interpretation of this Award Agreement or the Plan by the Committee and any decision made by the Committee with respect to this Award Agreement or the Plan shall be final and binding on all persons.

**Section 12. Plan Governs.** Notwithstanding any provision of this Award Agreement to the contrary, this Award Agreement shall be subject to the terms of the Plan, a copy of which may be obtained by the Participant from the office of the General Counsel of the Company. This Award Agreement shall be subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time. Notwithstanding any provision of this Award Agreement to the contrary, in the event of any

---

discrepancy between the corporate records of the Company and this Award Agreement, the corporate records of the Company shall control.

**Section 13. Not an Employment Contract.** Neither the Award nor this Award Agreement shall confer on the Participant any rights with respect to continuance of employment or other service with the Company or a Subsidiary, nor shall they interfere in any way with any right the Company or a Subsidiary may otherwise have to terminate or modify the terms of the Participant's employment or other service at any time.

**Section 14. Amendment.** Without limitation of **Section 17** and **Section 18** below, this Award Agreement may be amended in accordance with the provisions of the Plan, and may otherwise be amended in writing by the Participant and the Company without the consent of any other person.

**Section 15. Governing Law.** This Award Agreement, the Plan and all actions taken in connection herewith and therewith shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws, except as superseded by applicable federal law.

**Section 16. Validity.** If any provision of this Award Agreement is determined to be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Award Agreement shall be construed and enforced as if such illegal or invalid provision had never been included herein.

**Section 17. Section 409A Amendment.** The Award is intended to be exempt from Code Section 409A and this Award Agreement shall be administered and interpreted in accordance with such intent. The Committee reserves the right (including the right to delegate such right) to unilaterally amend this Award Agreement without the consent of the Participant in order to maintain an exclusion from the application of, or to maintain compliance with, Code Section 409A; and the Participant hereby acknowledges and consents to such rights of the Committee.

**Section 18. Clawback.** The Award and any amount or benefit received under the Plan shall be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of any applicable Company or Subsidiary clawback policy (the "**Policy**") or any applicable law, as may be in effect from time to time. The Participant hereby acknowledges and consents to the Company's or a Subsidiary's application, implementation and enforcement of (a) the Policy and any similar policy established by the Company or a Subsidiary that may apply to the Participant, whether adopted prior to or following the date of this Award Agreement and (b) any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation, and agrees that the Company or a Subsidiary may take such actions as may be necessary to effectuate the Policy, any similar policy and applicable law, without further consideration or action.

\* \* \* \* \*

---

IN WITNESS WHEREOF, the Company has caused this Award Agreement to be executed in its name and on its behalf, and the Participant acknowledges understanding and acceptance of, and agrees to, the terms of the Plan and this Award Agreement, all as of the Grant Date.

**Alerus Financial Corporation**



By:  
Name: Randy Newman

Title: Chairman, President & CEO

**Participant**

\_\_\_\_\_

Name: \_\_\_\_\_

[\(Back To Top\)](#)

**Section 7: EX-99.1 (EX-99.1)**

Exhibit 99.1

Missy Keney, Investor Relations  
701.280.5120 (Office); 218.791.6818 (Cell)  
[missy.keney@alerus.com](mailto:missy.keney@alerus.com)  
[investors.alerus.com](http://investors.alerus.com)

FOR IMMEDIATE RELEASE

**ALERUS FINANCIAL CORPORATION DECLARES DIVIDEND AND ANNOUNCES STOCK REPURCHASE PROGRAM**

GRAND FORKS, N.D. (February 22, 2021) – Alerus Financial Corporation (NASDAQ: ALRS) announced that its board of directors declared a regular quarterly cash dividend of \$0.15 per common share. The dividend is payable on April 9, 2021, to shareholders of record as of close of business on March 19, 2021.

The Company also announced that its board of directors approved a stock repurchase program (the “Program”) which authorizes the Company to repurchase up to 770,000 shares of its common stock, subject to certain limitations and conditions. The Program is effective immediately and will continue for a period ending on February 18, 2024. The Program does not obligate the Company to repurchase any shares of its common stock and there is no assurance that the Company will do so. Based on market conditions, repurchases will generally be made from time to time in the open market.

“We believe the stock repurchase program will allow us to effectively manage capital while also enhancing shareholder value,” said Chairman, President, and Chief Executive Officer Randy Newman.

Current and historic dividend information, as well as quarterly financial statements, investor presentations, and earnings call transcripts are available online through Alerus’ investor relations website at [investors.alerus.com](http://investors.alerus.com).

**About Alerus Financial Corporation**

Alerus Financial Corporation is a diversified financial services company headquartered in Grand Forks, ND. Through its subsidiary, Alerus Financial, N.A., Alerus provides innovative and comprehensive financial solutions to businesses and consumers through four distinct business segments—banking, retirement and benefit services, wealth management, and mortgage. These solutions are delivered through a relationship-oriented primary point of contact along with responsive and client-friendly technology. Alerus Financial banking and wealth management offices are located in Grand Forks and Fargo, ND, the Minneapolis-St. Paul, MN metropolitan area and Scottsdale and Mesa, AZ. Alerus Retirement and Benefits plan administration offices are located in St. Paul, MN, East Lansing, MI, and Littleton, CO.

**Forward Looking Statements**

This press release contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, statements concerning plans, estimates, calculations, forecasts and projections with respect to the anticipated future performance of Alerus Financial Corporation. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the risks described in the “Risk Factors” sections of reports filed by Alerus Financial Corporation with the

Securities and Exchange Commission. Any forward-looking statement made by us in this press release is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

###

---

[\(Back To Top\)](#)

































