

# Sample Sales Rep Compensation Plan

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**Sample Company, Inc.**

## 2009 COMPENSATION PLAN DOCUMENT

Sales Representative

Effective Jan 1, 2009 to Dec 31<sup>st</sup>, 2009

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## Sales Representative Incentive Plan FY 2009

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### **Purpose**

The Sample Co, Inc. 2009 Compensation Plan (the "Plan") is established to direct the Participant to achieve goals assigned by the company. The base salary and incentive outlined in this plan is intended to reward the Participant with total cash compensation that is equal to or above what is paid for similar positions by similar companies upon achievement of the expected level of performance. The plan is also designed to provide exceptional earnings opportunities for outstanding performance. In addition, the goal of this plan is to reward you for meeting and exceeding your assigned quotas, goals and objectives.

### **Eligibility**

Only those employees who are classified as a participant in a Plan and who have signed this Plan form are eligible to participate in the Plan. All participants must comply with all terms and conditions outlined in the plan and with general employment practices and policies of the company. They are also responsible for selling or supporting only authorized products and services in their assigned territory.

### **Effective Date**

This plan is effective and applies to all contracts entered into between 01/01/2009 and 12/31/2009 and supersedes all plans and terms previously in effect.

## Sales Representative FY 2009

**Name:** Sample Sales Rep  
**Manager:** Sample Manager  
**Territory:** Sample Territory

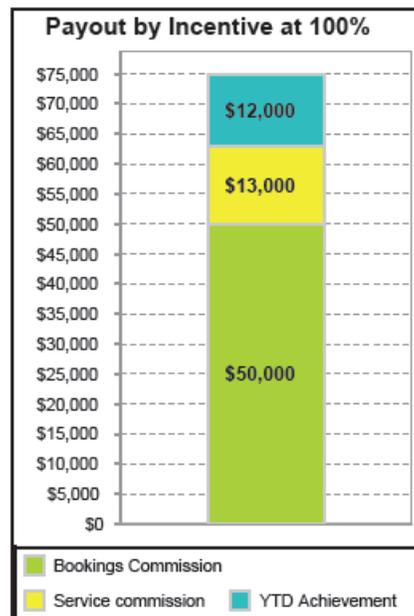
### Plan Summary

Product and service sales to new customers

### Goals

Objectives	Q1	Q2	Q3	Q4	Total
Bookings	\$375,000.00	\$750,000.00	\$1,125,000.00	\$1,500,000.00	\$1,500,000.00
Service	\$162,500.00	\$162,500.00	\$162,500.00	\$162,500.00	\$650,000.00

### Earnings Curve, Mix, Strategy



### Incentive Elements

Annual Target Total Compensation (TTC)			Salary/Incentive Mix		Upside
80%	100%	120%	Salary	Target Incentive	150%
\$115,400	\$150,000	\$182,600	50%	50%	2.1x

**Presidents Club**

The participant may be asked to be a member of the "President's Club" when he or she achieves 110% of their targets. Members of the President's Club are eligible to participate in special recognition events.

## Plan Details

### Commission

Commission is variable pay tied to sales revenue, unit sales, profit or some other volume-based metric.

### Bonus

A bonus is an opportunity to earn money for achieving specific results. Bonus opportunities are defined in the plan documentation.

### *Measures & Payout*

Incentive	Annual goal or expectation	Amount based on	Timing	Rates & Formulas	Annual earnings at quota	Payment timing
Bookings Commission	\$1,500,000.00	Amount	Booking	1%–10% Ramped	\$50,000	Earned and Paid
Service commission	\$650,000.00	Amount	Booking	2% Flat	\$13,000	Earned and Paid
YTD Achievement	\$1,500,000.00	Amount	Booking	\$3,000.00 Flat	\$12,000	Earned and Paid Quarterly

## Compensation Calculations

### Commissions

Commission is variable pay tied to sales revenue, unit sales, profit or some other volume-based metric.

### Bookings Commission

Measure/Credit	Rate	Formula	Payment
Bookings	Ramped	% Rate * Credit	Earned and Paid

#### Bookings Credit

Bookings credit for product orders includes the net amount (list less any discount) on orders that have been accepted by the finance department following their guidelines, and is credited as of the date of acceptance of the order.

#### Bookings Commission Rate

The commission rate for Bookings commission is determined based on annual attainment. The following table is used to determine the rate. The commission earned will be calculated by multiplying the rate times the attainment dollars at the time of credit.

**Formula:** % Rate \* Credit

Bookings Attainment	Rate
< \$750,000.00	1%
< \$1,250,000.00	5%
< \$1,500,000.00	7%
>= \$1,500,000.00	10%

### Service commission

Measure/Credit	Rate	Formula	Payment
Service	Flat	% Rate * Credit	Earned and Paid

#### Service Credit

Credit for services orders includes the net amount of service on an SOW within 90 days of the associated product sale.

#### Service commission Rate

Sales Representatives earn a flat commission on Services credit.

**Formula:** % Rate \* Credit

Service Attainment	Rate
>= \$0.00	2%

Sample Company, Inc.  
2009 Compensation Plan – Sales Representative

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**Bonuses**

A bonus is an opportunity to earn money for achieving specific results. Bonus opportunities are defined in the plan documentation.

The following table describes the bonuses available in this Plan.

Measure Name	Attainment	Amount	Formula	Pay Frequency
YTD Achievement	>= 100%	\$3,000.00	\$ Rate	Quarterly

***YTD Achievement***

A quarterly bonus paid for attainment of the YTD bookings goal at the end of each quarter (a cumulative measure). The maximum earnings potential is reached by exceeding the cumulative YTD goal at the end of all four quarters.

**ACKNOWLEDGMENT**

I hereby acknowledge that I have read and accept all goals, terms and conditions of this plan and agree to abide by its terms. I will not commit the Company to any terms or conditions, whether by oral agreement or in an email or side letter or any other form, except those that are expressly contained in the Company's written agreement with the customer. There are no additional terms or conditions, written or verbal, unless denoted below.

Signed by Participant: \_\_\_\_\_ Date: \_\_\_\_\_  
(Print:)

Accepted by Your Co.: \_\_\_\_\_ Date: \_\_\_\_\_  
(Print:)

## Plan Definitions

### ***Accelerator***

An accelerator increases payment for attainment over 100%. Commission rates and quota rates move to an accelerated rate when the Participant achieves the annual quota. Sometimes people use this term like ramped rates and would qualify the idea of the rate to be paid over quota in another way such as: "Over-quota accelerator".

### ***Account aka Customer or Partner***

An entity that buys from or may buy from the company.

### ***Base Salary***

The participant's base salary is a fixed amount that is determined by guidelines provided by the Human Resources department, and according to factors such as the competitive market, qualifications for the position, and past performance. The base salary is paid in semi-monthly installments on the 15th and the last day of every month. Base salaries are intended to compensate a participant for their responsibilities which may include depending on your position, but are not limited to, servicing accounts, information management, monthly reporting, order administration, training, attendance at conferences and other required meetings.

### ***Bonus***

A bonus is an opportunity to earn money for achieving specific results. Bonus opportunities are defined in the plan documentation.

### ***Cancellations***

Orders that are cancelled are considered not earned and any commission or bonus payments made will be recovered. See Overpayment and Recovery. Cancellations are posted in the period in which they occur and processed as negative transactions.

### ***Commission***

Commission is variable pay tied to sales revenue, unit sales, profit or some other volume-based metric.

### ***Discounting***

All discounting must be approved by the VP of Sales.

### ***Eligibility***

Only those employees who are classified as a participant in a Plan and who have signed this Plan form are eligible to participate in the Plan. All participants must comply with all terms and conditions outlined in the plan and with general employment practices and policies of the company. They are also responsible for selling or supporting only authorized products and services in their assigned territory.

### ***Minimum Hours Per Week***

Regular employees scheduled to work 40 or more hours per week are eligible for this Plan.

### ***Mix***

The relationship of the elements in the compensation plan expressed as a percent. It may be salary and incentive relative to Target Total Compensation or commission and bonus relative to Target Incentive Compensation.

### ***New Customer***

A customer is considered to be new when the customer has not done business in the past with the Company and there are no contingencies or contract terms to prevent the company from being able to recognize revenue in conjunction with company policies and related accounting standards.

### ***Presidents Club***

The participant may be asked to be a member of the "President's Club" when he or she achieves 110% of their targets. Members of the President's Club are eligible to participate in special recognition events.

**Quota**

Quota is the expected level of attainment assigned to a participant for the year. Occasionally it is necessary to change quota. Quota changes are effective from the point of change forward. Quota changes are effective for the full month. There will be no partial month quota changes. All future commission and bonuses earned will be calculated based on the new revised quota. Changes to quotas will be made in writing to the Participant.

**Recognizable Contract**

A signed software license contract is considered recognizable when no contingencies or contract terms prevent the company from being able to recognize revenue in conjunction with company policies and related accounting standards.

**Split Claim Process**

If responsibility is shared between two or more Participants on a specific sale, sales booking credit splits will be determined by the VP of Sales. Split claim information needs to include the customer name and amount to be split. Splits must be identified on the opportunity in the CRM system to be counted.

## **Policies and Procedures**

### ***Transition Policies***

#### ***Account or Territory Changes***

A Participant who is given a revised quota due to a change in accounts or territory during the fiscal quarter or annual measurement period will retain all commission payments earned through the effective date of the change, subject to all other terms and conditions in this Plan. Future calculations will be based on the new account/territory.

Account and territory changes are effective for the entire month. There are no mid-month changes.

Changes to quota, accounts or territories will be made in writing to the Participant.

#### ***Authorized Leave of Absence***

The Participant will not earn commissions for deals closed while out on an authorized leave of absence. Any commission payable during the leave will be paid out upon return to work per the terms of the compensation plan. Upon returning from an authorized leave of absence, the participant is eligible to receive commissions and bonuses based on their plan. Quota or rates will not be prorated.

Should a participant not return to work after the approved leave, the participant will be paid for commission payments earned prior to the end of the paid portion of the approved leave, provided that the payments are received by the company within 30 days from the last day of the paid portion of the leave.

#### ***Employment at Will***

Eligibility and participation in the Plan in no way implies or reflects any guarantee or contract of employment since the company operates on an employment-at-will basis. Participation in this Plan does not confer any right to continue in the company's employ or limit the right of the company to terminate the Participant at any time, with or without cause.

#### ***New Hires***

Participants who are hired mid-year from outside the company into an eligible position covered by this Plan will be assigned goals for the remainder of the fiscal year and will be eligible to earn commissions according to the standard rates. The new hire sales person should receive prorated quota, account assignment responsibility and credits as soon as practical after the start date.

#### ***Performance Improvement Plan***

Bonus eligibility is based on a Participant performing the main functions of their job at an expected performance level. Therefore, any Participant that is on a Performance Improvement Plan or similar remedial performance plan during a given period will not be eligible to receive a bonus for that period.

#### ***Quota Change***

Occasionally it is necessary to change quota. Quotas are effective for the full month of the point of change. There will be no partial month quota changes. All future commission and bonuses earned will be calculated based on the new revised quota. Changes to quotas will be made in writing to the Participant.

#### ***Rate Change***

Rate changes are effective for the full month of the point of change. There will be no partial month rate changes. There is no retroactive change for commissions and bonuses earned. All future commission and bonuses earned will be calculated based on the new revised rates. Changes to rates will be made in writing to the Participant.

#### ***Termination***

Participants who voluntarily or involuntarily terminate employment with the company whether or not for cause will be paid their base salary through the agreed upon termination date. In addition, the Participant will be eligible only for commission payments earned prior to their last date of employment. The Participant must also return all company documents and property and settle any financial obligations owed to the company.

***Transfers to a New Plan***

Participants who transfer to a new plan will continue to earn any incentives for all the business credited through the effective date of the change, subject to all standard terms and conditions of this Plan. Future commission payments will be according to the terms and conditions of the new plan. All changes will be effective for the full month at the point of change. Changes to plans will be made in writing to the Participant.

***Administration***

***Active at time of Payment***

A Participant must be an active employee at the time the applicable cash bonus payment is made in order to receive the bonus award which he/she may have earned for that previous quarter.

***Ambiguities and Inconsistencies***

Should there be any questions of interpretation regarding payments or earned amounts, the final authority for interpretation will reside with the VP of Sales and the Chief Financial Officer.

***Calculation of Taxes and 401K Deductions***

Bonus payments will be taxed as a bonus, which is different than the withholding tax on regular wages. Participants will have their regular 401(k) deduction withheld from their bonus payment according to each employee's 401(k) election and subject to the applicable annual maximum contribution limit. Employees must complete and submit to HR a special election form in advance of each bonus payment if they prefer not to have 401(k) deductions taken from their bonus. The election form can be obtained from HR.

***Changes to the Plan***

The company reserves the right to amend, modify, or terminate this Plan at any time, but such change will be made in writing by the VP of Sales to all Participants as far in advance as possible of the effective date of such change.

***Conformance with State and Federal Law***

If any term or condition of this Plan is found to be in non-conformance with a given state or federal law that term or condition will be non-enforceable but will not negate other terms and conditions of the Plan. However, the company will review and modify the overall plan to conform to such law.

***Draw***

Draw is a cash advance for a participant when specified in an offer letter and may either be recoverable or non-recoverable. It is paid monthly. Draw is paid net of earnings so the total draw plus the earnings will never exceed the draw amount. If the earned incentives for that period are above the draw amount, no draw is paid.

***Effective Date***

This plan is effective and applies to all contracts entered into between January 1, 2008 and December 31, 2008 and supersedes all plans and terms previously in effect.

**Overpayment**

When a Participant is overpaid incentive earnings, the Participant is obligated to repay the Company. Overpayments can result from a cancellation, processing or crediting errors, and other related causes. The Participant is responsible for identifying to their manager when an error has occurred. Managers are accountable to monitor the performance and payments to their employees to minimize the occurrence of errors and to resolve problems quickly. The overpayment is a liability of the Participant to the Company until it is fully repaid.

Prior to an incentive payment in the current period, all liabilities will be taken into account and the current incentive payment will be reduced by the liability amount until all the liability had been refunded to the Company. If the liability exceeds the current period incentive earnings, then the payment will be \$0.

All types of earnings and bonuses are used to pay off liabilities. After all incentive earnings and bonuses have been applied and there is still a liability balance, then that liability balance is carried forward into the next payment period.

Upon termination, any liability will be paid in full from final incentives due the employee. If there is a remaining liability after all the final incentives are considered, the employee wages, accrued vacation, bonuses, and any other sources will be applied to the liability balance prior to final payment, when applicable under the law.

**Payment**

The Company will make reasonable efforts to pay commissions and bonuses within 30 days after the end of each period.

**Recovery**

Overpayments may result from cancelled orders, splits, etc. and are recoverable against all incentive earnings. That is, 100% of the earned incentives are applied to repayment until the overpayment has been paid in full.

If there is not enough earned incentives to pay off the overpayment in the current month a liability is created. This liability will be carried forward until the overpayment balance is zero. Upon termination, any remaining liability will be deducted from any amount due to the employee for wages, accrued vacation, bonuses, etc.

**Arbitration**

**Disputes - Massachusetts**

All disputes which involve claims for \$3000 or more, and which arise out of the participant's employment or termination thereof, whether or not such claims are based exclusively on the terms of this Plan, shall be submitted to binding arbitration in Boston, Massachusetts if the parties are unable to resolve their dispute within thirty (30) days after exercising good faith efforts. The Commercial Arbitration Rules of the American Arbitration Association shall apply to all aspects of the arbitration between the parties. The parties agree that after arbitration has been initiated; all other civil actions between the parties shall be stayed until after the arbitration proceeding is concluded.

This Plan shall be governed in all respects by the law of the Commonwealth of Massachusetts. The arbitrators shall honor the terms and conditions of the Plan and construe it in accordance with the laws of Massachusetts. The arbitration shall be binding on the parties and be honored by them without resort to any further court proceedings. Neither party may demand arbitration or institute any lawsuit in any form arising out this Plan, or arising in any way out of the employment relationship between the parties, more than two (2) years after the claim or cause of action has arisen.

The company is an Equal Opportunity Employer committed to a diverse workforce. The Company will not discriminate on the basis of race, color, religion, age, sexual orientation, national origin, physical or mental disability, or veteran status.