YOUR COMPANY NAME

FYXX Sales Compensation Terms and Conditions

January 1, 20XX

Version 1.0.0

This document is part of the 20XX Sales Compensation Plan (“Plan”) which consists of (1) the Participant’s Individualized Compensation Plan) including Exhibit A and (2) this document, the FYXX Sales Compensation Terms and Conditions (“T&Cs”)

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# Definitions

The following definitions are user throughout the FYXX Sales Compensation Term & Conditions (“T&Cs”) and on applicable Individualized Compensation Plans.

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| **Administrative Errors** | Administrative and/or clerical errors relating to calculations, formulas, computations, accounting, reconciliations, rounding, currencies, account holds, approval process, order submission, bookings, product designation, Plan activation, Plan elements, Plan acceptance, data entry, submission, collection, location, refreshing, deletion and/or storage. |
| **Advances Against Incentive Compensation** | Any unearned compensation, unless specifically designated as non-recoverable, is considered a recoverable advance against incentive compensation. Examples include unearned commissions or bonuses resulting from adjustments, modifications, payment errors, or changes under the Plan, Credit Memos or Clawbacks, and recoverable draws. |
| **Annual Contract Value (ACV)** | Net Annual Contract Value of a subscription agreement |
| **Annuity Value (Bookable)** | Annuity is defined as a payment of a subscription contract to any terminating stream of fixed payments over a specified period. COMPANY’s standard Annuity period is twelve (12) months for new subscriptions, or <12 months for off-term add-on(s). |
| **Annual Recurring Revenue (ARR)** | A key metric used by subscription businesses that have Term subscription agreements, a defined contract length. ARR is the value of the contracted recurring revenue components of the term subscriptions normalized to a one year period.  To effectively use ARR as a metric COMPANY has term agreements with a **minimum duration of one year**. |
| **Bonus or Bonuses** | Bonuses are payments based on achievement of specified objectives and/or targets and may not necessarily be tied to a specific percentage rate based calculation. |
| **Booking or Bookings** | Purchase orders, engagement contracts and/or legally accepted modifications to contracts as recognized by COMPANY are considered acceptable bookings. Bookings are only processed to the extent that they are funded. |
| **Clawback, clawed back, or Clawbacks** | If a customer’s account receivables become greater than COMPANY’s limit for days past due, all advanced incentive compensation like Commissions, Sales Credits or Bonus credits associated with the Booking are recoverable (“Clawed back”) against current incentive compensation as shown on Appendix A. This is the opposite of a Giveback. |
| **Collection Process** | A process for recovering negative incentive compensation balances from current employees. Under this process, employees receive written notification from the company requiring repayment of the negative balance. Where permitted by law, the Collection Process may also be initiated against former employees with negative compensation balances. |
| **Commission or Commissions** | Payments based upon level attainment of company objectives set forth in the Individualized Compensation Plan |
| **Commission Rate** | Percentage rate(s) at which Commission is calculated. Please refer to Appendix A for further calculation definitions, if any that may apply to your Participant role. |
| **Credit Memo** | When a transaction is reversed from COMPANY’s General Ledger and/or written-off. |
| **Effective Date** | The Effective Date is the start date of the Sales Plan. |
| **Funding Formula** | Formula used to calculate pool or team based compensation plans. |
| **Giveback or Givebacks** | Reversal of a Clawback. Sales Credit/Bonus are reapplied to the original sale steam credited on the transaction and are posted in financial system in the period of original Booking / Invoicing / Revenue Recognition as applicable to incentive compensation booking rules. |
| **Individualized Compensation Plan** | The specific compensation agreement entered by the employee with COMPANY and which is bound by the Sales Compensation Terms and Conditions listed in these T&Cs. |
| **Margin** | Margin as defined is Revenue less costs. |
| **On-plan Date** | The start date of the Participant’s Sales Plan. Participants may go on plan as of the first or the sixteenth day of a month. |
| **Rebill or Rebilled** | Rebill of the original transaction following a Credit Memo. Revenue may or may not be like the original transaction. Sales Credits/Bonuses are reapplied to the original sales team credited on the transaction and are posted to the COMPANY financial system in the period of the original Booking / Invoicing / Revenue Recognition as applicable to the incentive compensation booking rules. |
| **Revenue** | Revenue as posted in the COMPANY’s General Ledger, for the relevant products will count as Revenue for purposes of Sales Credit. |
| **Sales Credit or Commissionable Sales Credit** | Credit based upon terms of sale and type of transaction. The receipt of Sales Credit or Commissionable Sales Credit on a transaction does not mean that the employee on the transaction has fully earned any incentive compensation. |
| **Bookings Target or Bookings Quota** | Where applicable, the sales goal set forth in the Individualized Compensation Plan. |
| **SPIF** | *Special Promotion Incentive Fund –* A SPIF is typically considered a sales challenge, which is utilized to encourage extra selling or delivery effort aimed at specific short-term objectives. |
| **Subscription** | A subscription for a fixed set of goods or services, such as access to the COMPANY Site and Service for a definite period. COMPANY standard subscription contract term is twelve (12) months. |
| **Total Contact Value (TCV)** | TCV (total contract value) is the total value of the contract, and can be shorter or longer in duration. TCV includes the value from one-time charges, professional service fees, and ACV. |
| **Unanticipated Circumstances** | Changed circumstances, and/or circumstances unforeseen or unanticipated by COMPANY, relating to sales model, formulas, targets, sales planning, forecasts, pipeline, Plan structure, sales target levels, business climate, market conditions, company strategy, product mapping, deal splits, customer account management issues, staffing issues, business reorganization or restructuring, performance or contributions of salespersons and/or sales teams, policy violation by salesperson, termination or transfer, revenue recognition or other accounting policies and/or practices. |
| **Upon Booking** | At the time the transaction is processed and recorded in COMPANY’s books, under the terms of the company’s accounting policies, regardless of the timing of Revenue Recognition or invoicing. |
| **Upon Invoicing** | At the time the transaction is invoiced, regardless of the timing of Booking or Revenue Recognition. |
| **Upon Revenue Recognition** | At the time Revenue is recognized as Revenue in the COMPANY’s General Ledger under the terms of the company’s accounting policies, regardless of the timing of booking or Invoicing. |
| **VSOE** | Vendor Specific Objective Evidence of fair value. COMPANY sells both Subscriptions and Services; therefore, the Company must demonstrate consistent and fair pricing of all its services. Sales Credit, Commissions and Bonuses may be subject to COMPANY’s VSOE policy |

# General

The 20XX Sales Compensation Plan (“Plan”) consists of (1) this document (the “FYXX Sales Compensation Terms and Conditions”) including relevant Appendices and (2) the applicable Individualized Compensation Plan document. References to “the Company” or “COMPANY” are to COMPANY LEGAL NAME. Signature of the Individualized Compensation Plan, either electronically or in writing, and/or acceptance of any payments under the Plan, and/or performance of any work in a position covered by the Plan, indicates acceptance of the Plan. The provisions and definitions or these Terms and Conditions govern the administration of the Plan.

These Compensation Terms and Conditions and the Individualized Compensation Plan cover transactions during the Fiscal Year from January 1, 20XX through December 31, 20XX.

**The Company agrees:**

* To pay incentive compensation under the terms and conditions of the Plan.

**The employee agrees:**

* To accept as full incentive compensation the compensation under the Plan.
* To abide by published Company policies including these T&Cs, COMPANY’s Code of Ethics, the COMPANY Proprietary Disclosure Agreement, the COMPANY Employee handbook and other employment and/or financial guidelines.
* To [repay](https://www.worklawyers.com/commission-payments-california-employment/#definition-of-commission) advances against compensation that is not offset by compensation earned.

# **Administration** and Approvals

#### Interpretation of the Plan/Changes to the Plan

The Chairman, CEO, and/or his designees, shall have final responsibility, authority and discretion in all matters of design, administration and interpretation of the Plan.

The Company reserves the right in its sole discretion to adjust, modify or change the Individualized Compensation Plan and/or these T&Cs, either during or after the close of the fiscal year, including but not limited to making such adjustments, modifications of change, for addressing Administrative Errors and/or Unanticipated Circumstances.

Adjustments, modifications and changes may be made to Sales Credits, Commission Rates, Sales Target, Sales Thresholds, Bonus or SPIFF’s, and may result in a decrease or an increase in incentive compensation. Such modification is valid only if approved by the CEO or his designee through the applicable approval process. A new Individualized Compensation Plan need not be issued to the employee for any such modifications under the Plan to be binding on the employee.

Salespersons **do not earn incentive compensation** until the Company makes all final determinations and adjustments, modifications or changes described above, and until the Company has been paid in full by the Customer on the applicable transaction(s). Any payment made to the salesperson under the Plan before the salesperson has earned such payment is not Earned until all the criteria described in the T&Cs are achieved, including payment in full for the Booking. All advanced incentive compensation is subject to repayment by the Participant or offset against future compensation.

#### No Employment Agreement

This Plan is not intended to and shall not be construed to create or imply a guarantee of employment for any specific period. Nothing in this Plan shall modify, limit or restrict the applicable terms and conditions of the employment between COMPANY and the employee. Plans in subsequent fiscal quarters or fiscal years will not necessarily have any similarity to those of prior fiscal quarter or fiscal years, but will reflect the Company’s anticipated business objectives for the forthcoming fiscal period. No Plan, unless otherwise approved by the Chairman, CEO and/or his designee, is valid for incentive compensation including Sales Credit, Commissions, and/or Bonuses beyond the fiscal year in which the Plan was issued.

#### Individual Compensation Statements

Individual statement of payments is made available in hard and soft copy to coincide with the incentive compensation payment. Upon receipt of the Participant’s statement, any discrepancies must be brought to the attention of the TITLE OF PLAN ADMINISTRATOR within 30 days of issuance of such statement so that they may be promptly resolved.

#### Approvals

Products and/or Services available for incentive compensation are limited to products and/or services that are available on the COMPANY current published price list. All exceptions to the preceding must be approved by the Company’s CEO and/or his designee. A sale not made in accordance with these conditions, a sale of unauthorized products, or a sale made pursuant to non-standard terms and conditions, including but not limited to unapproved pricing or unauthorized payments terms, side letters or discounts will not be a valid sale under the Plan. Each Participant will be responsible to complete a Booking Contract Compliance Form (BCCF) for all orders documenting all variance to published sales guidelines. Any invalid sales will result in non-payment or recovery of incentive compensation and the reversal of Sales and/or Bonus credit.

#### Commissions/Bonuses Outside of Plan

Plan Participants may be eligible to receive incentive compensation and/or SPIF credit for new annuity, additional annuity and/or services, and/or Bonus components during the fiscal quarter or fiscal year under established guidelines in which case they will receive separate written notification.

#### Advances Against Incentive Compensation

Advances Against Incentive Compensation may result in the employee incurring a negative compensation balance, where advanced incentive compensation exceeds earned incentive compensation. Incentive compensation will not be advanced to a Participant who have incurred a negative balance, until the incentive compensation is no longer negative. The Company reserves the right to recover all Advances Against Incentive Compensation that are not fully offset against earned incentive compensation. Only the Chairman, CEO, and/or his designee are authorized to consider and forgiveness of Advances Against Incentive Compensation.

#### Plan is Confidential

This Plan constitutes highly confidential and proprietary information of COMPANY. As such, all employees must keep the Plan confidential in accordance with the COMPANY Non-Disclosure Information Agreement and are expressly prohibited from disclosing this Plan or any of its contents to any third party without COMPANY’s CEO advanced written consent, unless compelled by local law.

# Commissions, Sales Credits and Bonuses

**NOTE**: Incentive compensation will be based on COMPANY’s processing of Bookings which typically translates into revenue recognized. COMPANY’s revenues will be based upon applying ASC 606 for United States transactions and IFRS 15 for all non-Untied States transactions

#### Compensation Rates and Sales Threshold

Commission rate(s) set forth in the applicable Individualized Compensation Plan, is (are) established on an individual basis.

The Individualized Compensation Plan may or may not have a TCV Threshold. The Sales Threshold, if applicable, may or may not be divided into TCV tier as shown on the Individualized Compensation Plan. Under such circumstances, each tier may have an associated Commission Rate. Commissions are calculated on each individual contract value that is booked in the applicable period versus the Annualized ACV Threshold set out in the Individualized Compensation Plan starting with the lowest tier. Generally, each contract tier is computed individually and not on the annualized value if applicable.

#### Compensation Rates and Annual Contact Value

Commission rate(s) set forth in the applicable Individualized Compensation Plan, is (are) established on an individual basis.

The Individualized Compensation Plan may or may not have a Total Contact Value. The TCV, if applicable, may or may not be divided into other performance elements as shown on the Individualized Compensation Plan. Under such circumstances, each element has an associated Commission Rate. Commissions are calculated on the Bookings Credit of one element against either the TCV or the Annuity Bookable. Generally, each the element must be surpassed before calculation is made against the TCV or Annuity Bookable if applicable.

#### Splits

Any Commission splits other than those outlined in these T&Cs require the approval of the CEO or his designee through the applicable approval process. The total Bookings Credit and the associated incentive compensation allocated to all the Participants will not exceed 100%.

#### Teaming Agreements

Teaming Agreements occur when significant sales resources from another organization are used to help COMPANY close a transaction. In those cases, COMPANY and the other organization may agree to non-standard revenue split to compensate either organization for providing sales assistance. Any Teaming Agreements other than those outlined in these T&Cs require the approval of the CEO or his designee through the applicable approval process.

#### *Bonus* Calculation

Bonuses are calculated based on the Bonus rate shown on the applicable Individualized Compensation Plan or in accordance with any provisions described therein.

#### SPIF’s

Special Bonuses/Incentives (SPIF) may be declared for such amounts, at such times, and for such periods as the Company may in its soles discretion decide. Applicable rules for such incentive programs will be published separately, and are subject to these T&Cs. To qualify for such SPIF’s the Participant must be employed by COMPANY on the last business day of the applicable SPIF period. In no circumstances has the Company conferred any right to continued employment to qualify for any Special Bonus/Incentive.

#### Third Party Bonus

Participant shall submit appropriate documentation of all sales sold to a COMPANY LEGAL NAME (“COMPANY”) end-user of all 3rd party products. For each 3rd Party Quotation as arranged by the COMPANY’s Account Executive of such products, The Account Executive shall be entitled to a bonus payment as follows: 90% of the net revenue provided to COMPANY by such 3rd Party. The rates and time periods set forth in this paragraph shall commence as of the date of the 3rd Parties first invoice on the contract to the end-user; provided, however that no commission will be due and payable to Account Executive until (30) days from receipt of payment from any 3rd Party to COMPANY.

Bonus will be paid on net fees paid to COMPANY. For purposes of these T&C’s, "Quotation" shall mean any agreement and/or order of 3rd Party's services arranged by the COMPANY Account Executive. This arrangement shall not create a partnership, joint venture, agency, employer/employee or similar relationship between 3rd Party and the COMPANY Account Executive. COMPANY shall withhold any amounts for state or federal income tax or for FICA taxes from sums becoming due to Account Executive under this arrangement. Sales Representative is not authorized to extend any warranty or guarantee or to make representations or claims with respect to 3rd Party services without express written authorization from COMPANY.

#### Clawbacks, Givebacks and Credit Memos

For information on Clawbacks, Givebacks, and Credit Memos, please refer to Appendix 2.

#### Territory Listing

In addition to the potential sales opportunities given to a participant to develop, each participant will be assigned a specific territory in COMPANY’s CRM without regard to physical geographical location. All assignments are subject to modification by COMPANY’s CEO or VP of Sales.

# On-Plan Dates, Effective Dates, Sales Threshold

#### Effective Date / On-Plan Date

The Effective/On-Plan Date will be the date the employee is eligible to begin participation in this Plan and is indicated on the Individualized Compensation Plan. New hires to the Company may go on plan on the fist or the sixteenth day of a month.

#### Leave of Absence (LOA)

In general, employees on paid or unpaid leave of absence, including but not limited to pregnancy leave or other short term or long term disability, will *not* be eligible to earn incentive compensation during the leave.

The prior approval of the CEO or his designee is required for exceptional cases where a Participant may be given the option to retain some accounts during a leave of absence.

# Termination

1. A Participant’s ability to earn incentive compensation under the Plan terminates on the employee’s last day of employment with the Company, regardless of the timing of Revenue recognition and the Participant will only be eligible for earned incentive compensation resulting from transactions invoiced up to and including the last day of employment, less outstanding Advances Against Incentive Compensation.

# Appendix 1: Sales Credits & Bonuses – Annuity Sales

The following are the Terms and Conditions of the Annuity Sales Plan. These are supplemental to, and are subject to the FY18 Sales Compensation Terms and Conditions.

## Sales Credits/Bonuses

Sales Credit practices are based on COMPANY’s pricing, Revenue Recognition policies, subscription and businesses practices, and are subject to change. The Revenue Recognition policy can be found at https://app.bom.com/files/detail-summary?file\_master\_id=6646309&file\_id=14281069

*The Company reserves the right to introduce new product and service and withdraw existing product and services and products eligible for Sales Credit / Bonuses approved by the CEO and/or his designee.*

**NOTE:** The receipt of a Sales Credit on a transaction does not mean that any incentive compensation has yet been earned on the transaction. Please see Section II, Administration and Approvals.

Various Sales Credits are illustrated below. Eligibility for Sales Credits and Bonuses will be noted on the Participant’s Individualized Compensation Plan.

##### NET Sales Credit

*The amount of Sales Credit is computed by taking the LIST price (as detailed in the COMPANY Quoting Systems) of the Product or Services sold, less:*

1. Any discount, partner, referral fee or royalty fee
2. The fair value of any included element (e.g. users Licenses, consulting services or training services

##### License Subscription Sales Credit

*Generally, Sales Credit follows Revenue Recognition;*

Sales Credit is assigned Upon Invoicing given that Revenue is recognized in accordance with the Company’s Revenue Recognition Policy.

In the case where the Salesperson provides free or discounted service or training to customers as an inducement to close the Subscription transaction, upon the determination of the CEO and/or his designee, Subscription Sales Credits may be reclassified as respective services in alignment with the Company’s Revenue Recognition Policy. The result of this reclassification may affect credit qualification given to the eligible products noted on the salespersons Individualized Compensation Plan.

In a situation where a customer does an Annuity down sell (churn) on a renewal, COMPANY reserves the right to treat any subsequent Annuity Upsells in the next three quarters as renewal recovery, up to the amount of the Annuity down sell, rather than as an Annuity Upsell. Such situations will be reviewed and decided by the VP of Sales, VP of Business Operations and the CEO.

#### Qualified Transactions for Sales Credit

The following offerings will be credited to eligible Salespersons.

##### New Annuity

New Annuity is defined as a new annuity subscription contract value up to the first initial 12 months of the service offered.

##### Upsell Annuity

Refers to an Annuity Bookings sale to an existing COMPANY Customer subscription contract during any existing term of the service. An Annuity Upsell occurs when the Captured Annuity Value (“CAB”) for a customer exceeds the January 1, 2018 CAB value. The Vice President of Finance and/or the Vice President of Business Operations can provide the beginning 2018 customer CAB amount if it is not clear in Sales*f*orce.

#### Exceptions

Exceptions to the general rule when revenue is not recognized up front are listed below

#### Multi-Year New Deal

When a subscription is greater than the Company’s standard subscription term and the full contract term is invoiced upon close of the transaction, the Participant is eligible for Sales Credit on the Total Contract value of the term, Commission for the initial 12 month term will be calculated at the Commission rate in effect at the close of the transaction, Year 2 or beyond will provide a bonus payment of 5% for the re-occurring 12 month annuity of the transaction.

When a subscription is greater than the Company’s standard subscription term and *only* the first term is invoiced upon close of the transaction, the salesperson is *only* eligible for Sales Credit on the first 12 months of the term at the Commission rate in effect at the close of the transaction.

#### Multi-Year Upsell Deal

When a subscription is greater than the Company’s standard subscription term and the full co-terminus contract term is invoiced upon close of the transaction, the Participant is eligible for Sales Credit on the Total Annuity value of the term at the Commission rate in effect at the close of the transaction.

When an Upsell subscription is greater than the Company’s standard co-terminus subscription term and *only* the co-terminus portion of the term is invoiced upon close of the transaction, the salesperson is *only* eligible for Sales Credit on the co-terminus months of the term at the Commission rate in effect at the close of the transaction.

## Revenue Allocation

Generally, Sales Credit follows Revenue credit. Sales Credit (considering split credits and/or Teaming Agreements) will be credited upon Revenue Recognition to the Participant or Participant(s) responsible for booking the transaction based on the Participant’s Plan at the time of Booking. This includes cases where revenue recognition occurs after booking (e.g. deferred Revenue and transactions booked but not invoiced).

## Bonuses

To be considered eligible for any Bonus, including but not limited to SPIF Incentive, a Participant must be employed by the Company through the last business day of the applicable Bonus period.

# Appendix 2: Additional Meanings

#### Sales Target Bonus

Individualized Compensation Plan for Participants will indicate whether performance against the target of the applicable group will result in payment from a pool or an assigned target on the Individualized Compensation Plan. For all plans not linked to a pool, payment will be based on the performance against the target and the applicable commission rate in effect at the time of calculation of the Commission.

#### Clawbacks, Givebacks, and Credit Memos

If a customer’s account receivable become greater than the limit set by the Company’s Vice President of Finance for days past due, all prior Commission, Sales Credits or Bonus credits associated with the sale are recoverable (“Clawed back”) against current incentive compensation.

Incentive compensation recoveries may cause a negative compensation balance, which is considered an advance against incentive compensation. Incentive compensation payments will NOT be made to Participants with a negative incentive compensation balance until the entire negative balance has been offset in full.

Recovered Sales Credits (“Clawbacks”) result in a corresponding reduction in attainment in the month of recovery and a corresponding recovery of incentive compensation in the current month. If the account is paid later, the associated incentive compensation is restored (” given back”) to the original Participant if the Participant is an employee.

If an account is issued a Credit Memo, or deemed uncollectable under the terms of the Company’s account policies and written-off, all prior incentive compensation associated with the sales are recoverable against current incentive compensation from the Participant.

Clawbacks, Credit Memos, and Givebacks will be applied at the applicable Commission or Bonus rates of the original plan in effect at the time the Sales Credit was originally calculated.

Employees paid on Sales Credit will be paid based on transactions following revenue recognition, including clawbacks and givebacks.

#### Earning of Commissions and Bonuses

Commissions and Bonuses become **“earned”** by the Salesperson upon **all** the following events during the Sales Period:

* 1. Upon a customer’s order being Booked by the Company.
  2. Upon delivery to the customer from the Company.
  3. Upon receipt of Payment from the Customer.

It is understood that after the sale, the Salesperson is expected to assist with ensuring customer satisfaction of the deliverables and assist in ensuring that Payment is promptly made.