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# Annual Incentive Plan – Example #1

## Purpose

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The purpose of the Annual Incentive Plan is to reward our people for achieving positive business outcomes including financial results, customer satisfaction, and product quality.

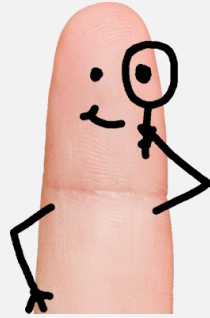
The bonus plan will only pay out when the Company achieves its financial goals. Success is measured against 4 criteria:

1. Overall Company success
2. Department/team success
3. Individual success as it relates to achieving goals that are SMART – Specific, Measurable, Attainable, Relevant, and Timely
4. Individual success as it relates to demonstrating Core Company Success Traits

## Key Points

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1. This plan is designed to motivate eligible employees to drive for Company success as a whole, within departments and teams, and then for individual results. As an individual, this sometimes means putting the needs of the Company or our team ahead of our own.
2. The plan works on the premise that we are all paid fairly to do our jobs well. If the Company meets its financial goals and we exceed our individual goals, we are eligible for an incentive plan payout.
3. Think of this plan as being similar to a sales commission plan. A salesperson is usually paid a base wage and the commission plan is their incentive plan. The performance criteria are clear. If they meet their pre-established targets, they're paid commission, if don't, they aren't. This bonus plan operates in a similar fashion.
4. As with a sales commission plan, you're provided with measurable financial and operational objectives in advance, so that the performance criteria are understood. Although no incentive plan is 100% objective – or as black and white as numerical targets in a commission plan – we mitigate potential subjectivity by setting SMART Company, team, and individual objectives and measuring results.
5. This plan should not be considered an expectation or entitlement. Nor should it be counted on as additional annual salary or automatic payment. An incentive plan pay-out is a reward for



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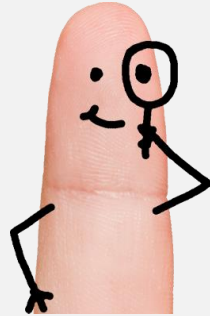
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## Position Levels & Definitions, & Percent Allocations

The following table defines the various levels of responsibility within the Company and the percentage allocation by level.

| Position              | Max % | Position Level Definition  | 100% Allocation of Performance Criteria |       |                    |                   |
|-----------------------|-------|--|---|-------|--------------------|-------------------|
|                       |       |  | Company                                 | Dept. | Individual results | Individual traits |
| <b>Vice President</b> | 20    | <ul style="list-style-type: none"> <li>◆ Reports directly to a member of the Executive Team</li> <li>◆ Very experienced individual who sets strategy and objectives for the department</li> <li>◆ Has approximately 10+ years of management experience related to their current position</li> <li>◆ Leads directors</li> <li>◆ Is a representative at Executive meetings</li> </ul>    | 25                                      | 25    | 25                 | 25                |
| <b>Director</b>       | 15    | <ul style="list-style-type: none"> <li>◆ Reports directly to a VP, or directly to a member of the Executive Team</li> <li>◆ Senior individual who sets strategy and objectives for the department if reporting to a member of the Executive Team</li> <li>◆ Has approximately 5+ years of management experience related to their current position</li> <li>◆ Leads managers</li> </ul> | 25                                      | 25    | 25                 | 25                |
| <b>Manager</b>        | 10    | <ul style="list-style-type: none"> <li>◆ Responsible for making things happen through direct reports</li> <li>◆ Effectiveness is measured by the accomplishment of their direct reports</li> <li>◆ Leads; has decision-making authority regarding the manner in which direct reports execute their jobs</li> <li>◆ Has budgetary responsibility</li> </ul>                             | 25                                      | 25    | 25                 | 25                |



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## Additional Guidelines

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- ◆ Employees eligible for sales commissions are not eligible for this plan.
- ◆ If you have not been on board for a full year as of December 31<sup>st</sup>, the calculation will be pro-rated to hire date.
- ◆ You must have been hired prior to September 1<sup>st</sup> of the calculation year to be eligible for payment in the following January.
- ◆ To be eligible for payment under this plan, you must be employed by the Company until January 31<sup>st</sup> following the calculation year.
- ◆ Bonus payments are calculated and paid annually after performance reviews and the Company financials are completed, usually by March 31<sup>st</sup>, following the calculation year.

## Annual Incentive Plan – Example #2

### Purpose

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The purpose of the Annual Incentive Plan is to reward our people for achieving specific, measurable, attainable, relevant, and timely goals (SMART goals) that contribute to positive business outcomes. These include financial results, customer satisfaction, and product quality.

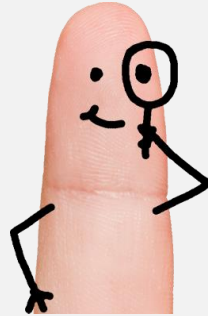
This plan will only pay out when the Company achieves its financial goals. Success will be measured against the following criteria:

1. Individual accomplishment of SMART goals.
2. Individual achievement relating to demonstrating Core Company Success Traits.

### Key Points

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1. This plan is designed to motivate eligible employees to drive for Company success as a whole, within departments and teams, and then for individual results. As an individual, this sometimes means putting the needs of the Company or our team ahead of our own.
2. The plan works on the premise that we are all paid fairly to do our jobs well. If the Company meets its financial goals and we exceed our individual goals, we are eligible for an incentive plan payout.
3. Think of this plan as being similar to a sales commission plan. A salesperson is usually paid a base wage and the commission plan is their incentive plan. The performance criteria are clear. If



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| Position               | Max % | Position Level Definition  | 100% Allocation of Performance Criteria |  |
|------------------------|-------|--|---|--|
|                        |       |  | Individual SMART Goals                  | Individual Core Company Success Traits |
| Vice President         | 20%   | <ul style="list-style-type: none"> <li>◆ Reports directly to a member of the Executive Team</li> <li>◆ Very experienced individual who sets strategy and objectives for the department</li> <li>◆ Has approximately 10+ years of management experience related to their current position</li> <li>◆ Leads directors</li> <li>◆ Is a representative at Executive meetings</li> </ul>    | 50                                      | 50                                     |
| Director               | 15%   | <ul style="list-style-type: none"> <li>◆ Reports directly to a VP, or directly to a member of the Executive Team</li> <li>◆ Senior individual who sets strategy and objectives for the department if reporting to a member of the Executive Team</li> <li>◆ Has approximately 5+ years of management experience related to their current position</li> <li>◆ Leads managers</li> </ul> | 50                                      | 50                                     |
| Manager                | 10%   | <ul style="list-style-type: none"> <li>◆ Responsible for making things happen through direct reports</li> <li>◆ Effectiveness is measured by the accomplishment of their direct reports</li> <li>◆ Leads; has decision-making authority regarding the manner in which direct reports execute their jobs</li> <li>◆ Has budgetary responsibility</li> </ul>                             | 50                                      | 50                                     |
| Individual Contributor | 5%    | Individuals who do not fall under 'VP', 'Director', or 'Manager', as defined above   | 50                                      | 50                                     |

### Example Calculation for Annual Incentive Plan

Mark Bains is a Product Marketer eligible for an Annual Incentive Plan payment of 5% of his \$60,000 annual salary – \$3,000. Mark is an individual contributor with no financial weight given to Company performance.



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## Discretionary Bonus Plan – Example #3

### Purpose

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The purpose of the Discretionary Bonus Plan is to reward our people for contributing to positive business outcomes including financial results, customer satisfaction, and product quality. This plan will only pay out when the Company achieves its financial goals.

### Key Points

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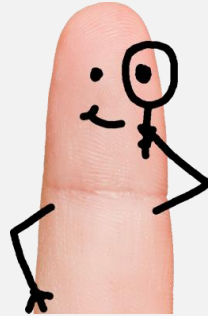
1. This plan is designed to motivate eligible employees and drive success for the Company as a whole, within departments and teams, and then for individual results. As an individual, this often means putting the needs of the Company or our team before our own.
2. The plan works on the premise that we are all paid fairly to do our jobs well. If the Company meets its financial goals and we exceed our individual goals, we are eligible for an incentive plan payout.
3. This plan should not be considered an expectation or entitlement. Nor should it be counted on as additional annual salary or automatic payment. Any bonus payment is a reward for achieving excellence and high performance and will only be paid if the Company achieves its financial goals.

### Performance Criteria & Assessment

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The following table describes the performance factors and how each one is assessed.

| Performance Factors        | Performance Criteria and Determination  |
|----------------------------|---|
| <b>Company Performance</b> | <p>The senior management team determines the Company's financial performance and determines a pool of funds, if any, for distribution to employees.</p> <p>There may be times when the Company has limited funds, if any, for bonus payments. The Company may not be in a position to provide a payment to all employees.</p> |



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- ◆ Bonus payments are calculated and paid annually after performance reviews and the Company financials are completed, usually by March 31<sup>st</sup>, following the calculation year.

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