

VARIABLE SALE COMPENSATION

Letter of Agreement - DRAFT

Date

Candidate/Employee

Address

City, State, Zip Code

Dear Candidate/Employee:

This letter agreement ("Agreement") outlines base compensation you will receive beginning with your date of employment, and any bonus or variable payments you are eligible to receive.

As a Sales Manager your compensation shall be based both on a fixed base salary and on a variable bonus payout plan. Bonuses shall be paid on approved product sales as described in Section C below. Sales revenue shall be recognized and credited upon invoice billing. Products returned for which a bonus was paid shall be deducted from the Bonus payments on a quarterly basis.

Total compensation, including the payment of bonuses shall be based on the following structure:

A. Base Pay

Your base pay equals \$XX,XXXX USD annually (\$X,XXX.00 monthly / \$X,XXX.XX bi-weekly), which shall be paid bi-weekly or as otherwise specified by the "Company" through the Department of Human Resources. You will be eligible for a performance review in _____ 200__ and, based on your validated job performance, you will be eligible for an adjustment to your base salary effective _____ 200__.

B. Supplemental Pay for Field Sales.

As a Sales Manager working from your home, you shall be entitled to localization/supplemental base pay in the amount of \$6,000. This increase compensates you for all supplemental home office costs associated with managing sales outside of the corporate office. This supplemental pay shall be treated the same as the standard base pay and be eligible for the 401(k) and other savings plan programs.

In addition, you are allowed a \$75.00/month data expense towards a data/fax line to perform Company business. A cell phone is provided for business calling. If you need to make long distance calls on behalf of the Company you may either use the cell phone as long as it is within your plan or request a Company calling card. Your manager must approve capital Office/Computer/Software expenses over \$100.00. Mileage shall be reimbursed per the Company reimbursement policy on your monthly expense report. Your region is limited to 1,500 miles per month without manager approval. Your manager must approve mileage expense over this limit.

C. Variable Pay

For the period beginning _____, 200__ through and including _____, 200__, variable pay will be based on meeting the following annual sales target. These bonus payouts will be made on a quarterly basis and the annual/quarterly targets will be established by the Manager of Corporate Sales and Marketing at the beginning of each calendar year and will be consistent with the overall business plan.

<u>Year</u>	<u>Annual Sales Target</u>
2006	\$ 700,000.00

For each annual target, the following scale will be applied to the variable compensation pay out.

Variable Compensation Quarterly Payout Chart

	A	B	C	D	E	F	G
1						% Variable	\$ Variable
2			% Attainment			Bonus – B	Bonus – B
3			250			40	7,500.00
4			245			39	7,312.50
5			240			38	7,125.00
6			235			37	6,937.50
7			230			36	6,750.00
8			225			35	6,562.50
9			220			34	6,375.00
10			215			33	6,187.50
11			210			32	6,000.00
12			205			31	5,812.50
13			200			30	5,625.00
14			195			29	5,437.50
15			190			28	5,250.00
16			185			27	5,062.50
17			180			26	4,875.00
18			175			25	4,687.50
19			170			24	4,500.00
20			165			23	4,312.50
21			160			22	4,125.00
22			155			21	3,937.50
23			150			20	3,750.00
24			145			19	3,562.50
25			140			18	3,375.00
26			135			17	3,187.50
27			130			16	3,000.00
28			125			15	2,812.50
29			120			14	2,625.00
30			115			13	2,437.50
31	Revenue Target	Revenue	110	% Variable Bonus - A	\$ Variable Bonus - A	12	2,250.00
32			105	A	A	11	2,062.50
33	2006	\$700,000	100	10	\$1,875.00	10	
34			98	9	1,687.50		
35			96	8	1,500.00		
36			84	7	1,312.50		
37			92	6	1,125.00		
38			90	5	937.00		
39			88	4	750.00		
40			86	3	562.50		
41			84	2	375.00		
42			82	1	187.50		
43	80% of Target =	\$560,000	80				
Example: Based on annual compensation of \$75,000 USD, the quarterly base pay is \$18,750 (\$75,000 divided by 4).							

As established by the above Variable Compensation Payout Chart, the bonus percentages in the above table are applied to one quarter of the annual salary. The plan (Bonus A) will pay a 1% quarterly bonus [Column D, Row 42] after attaining 82% of the revenue target, and up to a maximum quarterly bonus of 10% [Column D, Row 33]. Additionally, for every 5% increment over the revenue target of 100%, the plan (Bonus B) will pay an additional quarterly bonus amount ranging from 11% up to a maximum of 40%. For example, if you attain 150% of goal [Column C, Row 23], the bonus payout would be 20% of quarterly base salary [Column G, Row 23].

In the event revenue opportunities are not possible due to delays in product development, the Company will provide two non-recoverable draws against this incentive plan: one for \$7,500.00 which will be paid on _____, 200__, pay check and the other for \$5,000.00, which will be paid on the _____, 200__, pay check. Both checks will be subject to appropriate taxes and withholding. This plan will commence on _____, 200__, and run through _____, 200__.

- I. Sales goals shall be set annually and written by the Manager of Corporate Sales and Marketing for implementation in the first month of the year.
 - II. You shall not be eligible for a bonus if, for whatever reason, you are placed on a Personal Improvement Plan (PIP) for failure to meet performance expectations.
- D. You shall not disclose, publish, or disseminate this Confidential Information to anyone other than those individuals approved by immediate management with a need to know, and you agree to take reasonable precautions to prevent any unauthorized use, disclosure, publication, or dissemination of this Agreement.
 - E. With all client sales and contract negotiations, you will take all reasonable precautions to secure and retain the Company's perpetual rights to its intellectual property (IP), and all related hardware, services, equipment, and employees.
 - F. If, subsequent to issuing an invoice, the Company discovers that the amount of the invoice is incorrect and/or the amount of the invoice is reduced, written-off as uncollectible or voided for any reason whatsoever, and/or the invoice is canceled for any reason whatsoever, you shall refund the Company for any amounts overpaid. The Company shall be entitled to deduct such refund from your paycheck, bonus payment, and/or vacation pay. Similarly, your bonus payment will be increased accordingly when the Company discovers that an invoice was issued for less than the correct amount.
 - G. Payment of bonus earned will be made not later than the first pay period following the end of each fiscal quarter. Since the bonuses represent ordinary income to you, all applicable taxes, as required by statutory withholding regulations, will be withheld from any payment due. Commissions and bonuses paid to you do not qualify for 401K or other savings plan contributions. Under this structure, you are not eligible for other Company incentive programs. Your participation in this Agreement automatically terminates upon your termination (whether voluntary or involuntary) of employment with the Company or acceptance of another position with the Company.
 - H. This offer of employment is contingent on your successful passing of a pre-employment drug screen, a reference check, and a background check.
 - I. You will be required to sign an Ethics Awareness Form, which will affirm your awareness and compliance to the Company's commitment to ethical business conduct.
 - J. This letter Agreement can be changed at any time at the discretion of the Company, and in no way constitutes an agreement of employment. Your employment with the Company is at-will

Please execute this letter agreement and return one signed and dated original to me by _____, 200__. By signing this letter agreement, you confirm and acknowledge that you have read, understand and agree to the terms and condition set forth herein.

We wish you success,

Manager, Corporate Sales and Marketing
The Company

Sales Manager (print name) _____

Signature: _____

Date: _____