

To: ALL EMPLOYEES
 From: Bob Kasper
 Date: August 26, 2011
 Subject: Bonus Pool Pay Structure – Effective 8/29/11

The new “Bonus Pool Pay Structure” (BPP) is designed to provide maximum incentive to obtain sales, even in weeks where missed hours are accrued. Employees will now build a “Bonus Pool” which will grow as you produce Sales and NonSelling Hours. The Bonus Pool will shrink as you incur Missed Hours. Here’s how it works: (see definitions below for Sales, NonSelling Time and Missed Hours)

Bonus Pool Pay Structure (Bonus Points are converted to Dollars on PayDay)

A) Sales Bonus Points = 6.75 * Selling Hours * Sales Per Selling Hour

(if SPH < .45 then A=0... 6.75 above is Sales Bonus Rate)

B) NonSelling Bonus Points = 6.25* NonSelling Hours

C) Bonus Pool = A + B – 7.25*Breaktime Hours – 6.75*Missed Hours

*7.25*Breaktime Hours → Breaktime Offset*

D) Base Pay = \$7.25 * (Logged Hours + Breaktime Hours)

TOTAL PAY = C + D

	Weighting of Different Types of Sales	Example of Sales	Example of Weighted Sales
Winback	0.66	2.00	1.32
Residential	1.00	2.00	2.00
Business	2.00	2.00	4.00
Weighted Sales		6.00	7.32

The table above shows the weighting of different types of sales, for the purpose of calculating Sales Per Hour.

Weighted Sales (Total Sales - Adjusted For Weighting)

Business sales are most valuable, counting as Two sales each. Residential Sales count as One sale and

Weighted Sales = Residential Sales + 2*Businesses + 0.66*Winbacks

Selling Time = Logged Hours - NonSelling Time

SPH = Weighted Sales / Selling Time

To earn Sales Bonus Points in any work week, your Sales Per Selling Hour must exceed 0.45

Therefore, if your SPH is 1.0, you'll achieve a Total Pay of \$14 per hour for your selling time (assuming no missed hours). 2.0 SPH would yield \$20.75 per hour for your selling time.**

NonSales Time is paid at \$13.50 per hour if you have no missed hours; this includes the base pay of \$7.25.**

** these rates are prior to Breaktime Offset and assume ongoing employment in good standing.

Pay Example: assuming Missed Hours =0 and continue employment

	Sales	Selling Hours	Sales Bonus Points (6.75/sale)	NonSelling Hours	NonSelling Bonus Pts (6.25/hr)	Paid Breaktime Hours (\$7.25/hr)	Bonus Points	Total Pay	Pay Per Logged Hour
Example #1	2	20	☺0	1	☺6.25	1	☺0	\$159.50	\$ 7.60
Example #2	20	20	☺135	1	☺6.25	1	☺134.00	\$293.50	\$13.98
Example #3	40	20	☺270	1	☺6.25	1	☺269.00	\$428.50	\$20.40

Note: Sales double from example #2 to example #3 and Sales Bonus Points doubled while Total Pay rose 46%. Total Pay did not double because Base Pay and NonSelling Bonus Points are not impacted by sales.

Also, sales in example #1 were below the minimum bonus Threshold of 0.45 SPH. So, zero Sales Bonus Points were earned and 6.25 NonSelling Bonus Points were earned. After deducting 7.25 Breaktime Offset Points, the Bonus Pool was negative. Zero bonus was earned for the current week and the Bonus Pool going into the next week was -1 points.

Assuming 20 Missed Hours	Sales	Selling Hours	Sales Bonus Points (6.75/sale)	NonSelling Hours	NonSelling Bonus Pts (6.25/hr)	Paid Breaktime Hours (\$7.25/hr)	Bonus Points	Total Pay	Pay Per Logged Hour
Example #4	40	20	☺270	1	☺6.25	1	☺134.00 after Missed Hours*	\$293.5.00	\$13.98

*Example #4 is the same as #3. However, the 20 Missed Hours x 6.75 lost points for each, cost the employee 135 Bonus Points.


Missed Hours Calculation


Missed hours will be applied to the Bonus Pool using the following formula:

$$\text{Missed Hours Offset} = 6.75 * \text{Missed Hours}$$

All the requirements related to continued attendance apply to all bonuses. So, termination without completing 2 weeks notice or company termination of your position will nullify all bonuses and the Bonus Pool. Going forward, ALL bonuses earned will be in the form of Points added to the Bonus Pool which are converted to Bonuses at a rate of \$1 per point.

Here are a few more definitions to help you better understand our Company's compensation plan:

 NonSelling Time
In addition to our outbound calls, we spend a great deal of time handling customer service and Third Party Verification calls (TPV's), in addition to time we spend off the phone doing non-sales activities. For the purposes of this document, this time is referred to as "NonSelling Time." NonSelling Time is removed from the SPH calculation to bolster SPH.

 Selling Time
Time spent working on sales (Selling Time) is calculated by taking Logged Hours (below) and subtracting NonSelling Time.

- 🕒 “Clocked Hours”: hours on our premises for which you are scheduled to work, including all Paid Break Time (defined below), but excluding all Unpaid Break Time (defined below).
- 🕒 “Logged Hours”: hours logged in at your workstation. Logged Hours do not include any Paid Break Time or Unpaid Break Time (defined below).
- 🕒 “Paid Break Time”: break times of less than twenty (20) minutes. You will be paid the Base Pay (defined below) for these breaks, but, because bonuses are based on total Logged Hours, frequent and time-consuming breaks will reduce the time that qualifies for Performance Based Attendance Bonuses (discussed below).
- 🕒 “Unpaid Break Time”: meal breaks or break times of twenty (20) minutes or more, whether or not scheduled by the Company.

In addition to the Bonus Pool Pay Structure, the Company’s compensation plan consists of the following components:

\$7.25 Base Pay: The base hourly pay is currently \$7.25 per hour for each Clocked Hour.

☺**7.25 Breaktime Offset:** Employees are encouraged to take breaks only as needed. Excessive breaks are costly to our company and cause operational difficulties. Therefore, the Bonus Pool calculation (above) includes an offset which deducts ☺7.25 per hour for all Paid Break Time.

☺**6.75 Sales Bonus Rate (SBR):** SBR is the rate at which the Bonus Pool grows for producing sales while maintaining SPH greater than the Minimum Sales Threshold (ie. SPH> .45) . Sales are counted and added to the Sales Bonus Points in the week after they are produced.

\$\$\$\$ Discretionary Bonus: Management reserves the right to award additional bonus points in its sole discretion as a special reward for performance, effort, productivity, enthusiasm, attendance or professional conduct.

Only employees who are on the Company’s active payroll on a payday will be eligible to convert Bonus Points into Paid Bonuses.

Missed Hours

The incentives for reporting to work on-time and not being absent are substantial. Employees must report to work as scheduled and finish the workday as scheduled. We offer sufficient flexibility to accommodate most schedules, but you must plan ahead and schedule needed time off a minimum of two (2) weeks in advance.

- Missed Hours are accrued in minimum increments of one (1) hour. Therefore, arriving to work even 1 minute late, or leaving 1 minute early, will count as an entire Missed Hour, and missing 1 hour and 1 minute would count as 2 Missed Hours. If your Bonus Pool should become negative in a given pay

period, however, the excess will be carried over to subsequent pay periods, and may be carried over in fractional amounts.

- Missed Hours accumulated after the close of a pay period will also be applied to the Bonus Pool. For example, if by the end of the work week on Saturday, you have accrued a balance of 67.50 Bonus Points for sales and non-sales activities, but also accrue 10 missed hours during the following week (resulting in an offset of 67.5 points); your Bonus Pool will be zero. You will still receive your Base Pay for the hours worked, but your Bonus Pool will be zero and you won't get any bonus. (*this example assumes zero breaktime*)
- Negative Bonus Pool Points are reduced by accruing Bonus Points. Negative Bonus Pools carry forward indefinitely to subsequent pay periods.
- Missed Hours do not constitute docking of pay. You will always be paid your Base Pay for all Logged Hours. Missed Hours impact your Bonus Pool only.
- Missed Hours will be applied as expeditiously as possible and will not necessarily be applied during the work week in which they are accrued. Therefore, the missed hours in any given week are likely to be applied to that week's Bonus Pool rather than to the following week's Bonus Pool, when you would get paid for that week's work.

Flex Time

- ❖ At the end of each calendar quarter (March 31, June 30, September 30 and December 31), Flex Time equal to one (1) 7-hour day is awarded to any employee who has worked at least 364 Logged Hours during that calendar quarter. Flex Time is only awarded at the end of each calendar quarter.
- ❖ During your first year of employment, if you have accumulated Flex Time hours and are in good standing, Flex Time may be used to "offset" Missed Hours, so the Missed Hours won't hurt your Bonus Pool.
- ❖ Commencing at the end of each calendar quarter after the first anniversary of your employment with the Company, Paid Flex Time equal to one (1) 7-hour day will be awarded if you worked at least 364 Logged Hours during that calendar quarter **AND 1,456 Logged Hours over the preceding 365 days (28 hours/week)**. <slight change for 8/22/11>**
- ❖ Paid Flex Time will be paid at the Average Daily Pay rate (ADP) earned within the past year. The ADP calculations do not include performance bonuses or other discretionary bonuses.

Overtime

Employees are not permitted to work more than 40 hours per week without written approval from management. Approved overtime will be compensated in accordance with applicable law.

Voluntary and Involuntary Termination of Employment

Employees who quit or who are terminated for any reason shall not be paid for and shall forfeit any and all Performance Based Attendance Bonuses, Vouchers, discretionary bonuses, unused vacation time and unused FlexTime. This applies to both salaried and non-salaried employees.

Print Name

Sign

Date