**Sales Compensation Plan**

**Account Executive**

**Fiscal Year 20[XX]**

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. **Objectives:**

The objective of this compensation plan is to reward activity that achieves profitable sales and long-term growth for [COMPANY NAME]. Growth both for you and the company will be achieved by focusing on the cultivation of new business in both new and existing accounts.

**Quota**: Your quota for the year is as follows:

Equipment/Labor Margin Existing Business $ 000,000

Equipment/Labor Margin New Business $ 000,000

Total Margin Booked $ 000,000 (Total Quota)

New Recurring-revenue Margin $ 00,000

(Gross Sales minus Subcontract Costs)

Existing Recurring-revenue Margin $ 00,000

(Gross Sales minus Subcontract Costs)

1. **Compensation Schedule:**
   1. **Base Salary:** $ 00,000
   2. **Commission Schedule**

**Margin Only** **Commission Rate (%)**

Equipment/Labor Existing Business 3%

Equipment/Labor New Business 10%

Equipment/Labor New Business (2nd year) 6%

Subcontractors 1%

1. You have the flexibility to adjust the equipment margin to what the market will bear. However, written management approval is required on ALL equipment margins dropping below the “Markup Approval Sheet”.
2. Labor is to be priced at 200[X] published labor rates. Labor cost is figured at gross bid labor less fully loaded cost per hour (management sets labor margins). Written management approval is required on ANY and ALL discounted labor rates.
3. Commissions on subcontract work will be paid at a rate of 1% on margin. All subcontracts must be marked in accordance with the “Labor Rate Sheet”, unless waived by management. There will be no commission paid on pass-through costs such as taxes, permits, performance bonds, etc…
   1. **Exceeding Quota:**
4. Once you’ve met your total annual quota for margin, you will receive a bonus in accordance with the following chart:

Year-end Quota Performance Bonus

110% = $1,000

115% = $2,000

120% = $3,000

125+% = $4,000

The bonus payment will be calculated at year end, and is paid by March of the following year. In the event the sales executive voluntarily or involuntarily leaves before year-end, he/she will forfeit any and all bonus potential.

* 1. **Commission Sharing:**

Commission sharing is defined by one sales executive providing a viable lead to another sales executive resulting in new business sales. Thus, splitting the commissions 50/50 on all business generated for one year from the date of the first order (Sales Executive receiving lead books project(s) and receives 100% quota credit). All commission sharing orders must be approved by management at the time of the lead.

* 1. **Recurring-Revenue Contracts**

**Commission Commission**

**Length of Contract New Contracts (1st Yr) Renewals (Multi-Yr)**

Multi-Year Contract 6% 2%

One-Year Contract 5% 2%

1. Recurring-revenue production is defined by the annual billable amount. For instance, under a five-year agreement with the total value of $200,000, $40,000 would be allocated to the annual quota.
2. Multi-year contracts require management approval prior to submitting to customer.
3. **Conditions and Responsibilities**
   1. All commissions will be paid on the value of the margin billed, excluding pass-through items. Pass-through items are items with no markup, which include, but are not limited to, the following: sales tax, commission, permits, travel and per diem expenses, bonding, etc…
   2. Commissions will not be paid on orders (total sale) under $200 and/or time-and-material non-contract service work (service work is not commissionable).
   3. **Territory/Sales responsibilities.**

**Sales Executive for Business Development (SEB)**

Each SEB will be assigned one or more territories and/or technologies in which their objective will be to develop new business. The SEB will have the ability to pursue new business within existing/in-house accounts providing [COMPANY NAME] or another sales executive isn’t currently active within. The SEB may also be assigned existing accounts in which they will service existing business as well as cultivate new business. Technology, territory, and existing account assignments will be determined by management, management also reserves the right to assign additional technologies and/or accounts to the SEB if desired.

**Sales Executive for Enterprise Account(s) (SEE)**

Each SEE will be assigned an enterprise account(s) in which their objective will be to service existing business as well as cultivate new business within their assigned enterprise account(s). Enterprise accounts will be determined and assigned by management; management also reserves the right to assign additional existing and new accounts to the SEE if desired.

**Sales Executive for Architects and Engineers (SEA)**

Each SEA will be assigned one or more territories in which their objective will be to develop relationships with the Architects, Engineers and their respective firms serving [COMPANY NAME] markets. The SEA may be allowed to develop new business and/or existing accounts. Technology, territory, and existing account assignments will be determined by management, management also reserves the right to assign additional technologies and/or accounts to the SEA if desired.

There will be three levels of objectives as it relates to project specifications;

1 = [COMPANY NAME] hard spec’d, [COMPANY NAME] listed as the supplier of the qualifying low voltage system.

2 = [COMPANY NAME] products hard spec’d, [COMPANY NAME] strategic products listed as the only product for the prospective low voltage system.

3 = [COMPANY NAME] strategic products listed as equal for the prospective low voltage system.

* 1. **Service Contracts**

All sales executives have the ability to sell new service contracts in conjunction with project sales, new service contracts must be sold within 30 days after project completion (Customer Sign-off Date).

* 1. **Proposal Approvals**

Any proposal in excess of 99 hours of labor requires the written approval of the local Project Manager prior to submission to the customer. Any project in excess of $50,000 requires written approval from management.

* 1. **Sales Spiff**

All vendor spiff programs must be approved by management prior to any account executive receiving benefits [Vendor Name]. For approved vendor spiff programs, an account executive is eligible to receive an individual spiff providing they have management approval and haven’t deeply discounted the project. Discounted projects could result in forfeiture of spiffs. Vendor rebates and company performance spiffs are the property of [COMPANY NAME] and are not to be passed onto the customer.

* 1. **In-House Accounts**

In-house accounts will be established by [COMPANY NAME] management and posted/added to the “In-house accounts list” periodically. In-house accounts will be serviced by non-sales executives and no commissions will be paid.

1. **DEFINITIONS**
   1. **Account:** An account is defined as a customer.
   2. **Business:** Business is defined as a technology. Technologies are defined as follows:
      1. Security
      2. Fire Alarm & Audio Evacuation
      3. Nurse Call
      4. AV&E
      5. Networking (networking gear, wireless, security, management)
      6. Data (client server, break fix, operating systems)
      7. Development (web development, software applications)
      8. Structured Cabling
      9. Radios (RF)
      10. Consoles (RF)
   3. **Subcontracted Work:** Subcontract work is defined as work not normally performed by [COMPANY NAME] in the course of its daily business activity. If business normally performed by [COMPANY NAME] on a regular basis is subcontracted out due to [COMPANY NAME] staffing availability, then commission will be paid in accordance with schedule 2.b.
   4. **Life Cycle Revenue (LCR):** LCR is the total amount of revenue or projected revenue generated from an account throughout its relationship with [COMPANY NAME].
   5. **New Business:** An order is defined as new business if it meets the following conditions:
      1. The order comes from a physical location and/or decision maker that has not conducted $5K+ of products and/or service contracts and/or T&M with [COMPANY NAME] over the past two years (published accounts, published annually), even if it’s from an existing account.

Note: Service Contracts and T&M Services are not in the published accounts and must be looked-up separately.

* + 1. The order is generated within one year following the initial order.
    2. The order is for product and/or services not previously provided by [COMPANY NAME] (technology related), even if it’s from an existing account.
    3. New business is subject to management discretion; all new business must have COO approval.

New business is the primary responsibility of the Accounts Executive for New Business (AEN).

* 1. **Public Bids:** Public bid projects do not qualify as new business. The only exception will be; if the sales executive drives a new customer who in turn is forced to take out to public bid, locking [COMPANY NAME] into the bid (requires management approval).
  2. **Existing Business:** Anything not defined as new business is defined as existing business, and compensated in accordance with the rate schedule listed in 2.b. of this document.

Existing business is the primary responsibility of the Account Executive (AE).

* 1. **Recurring Revenue (Service Contracts):** Recurring revenue is defined as any order, which generates a fee on a predefined continual incremental basis. This includes: Service Contracts, Response Time Only, Alarm Monitoring, Preventive Maintenance, Software Maintenance, etc… (Commissions paid on revenue less subcontract cost).
  2. **Pre-Paid Block of Labor:** A pre-paid block of labor is defined as a predetermined amount of discounted labor, pre-paid.
  3. **Outsourced Labor:** Outsourced labor is defined as: A [COMPANY NAME] employee committed to a specific customer on a consistent basis.
  4. **Production:** Production is defined as any work that occurs in a territory, and is used to measure an account executive’s performance. It is allocated toward the quota levels identified in 2.c. Production includes: the value of all margins on bid labor & equipment, and service contracts sold by an account executive in their territory/accounts with exception to the following: subcontracts, pass-through costs (i.e. taxes, permits, etc…), and non-commissionable orders such as small consumables and non-contract service work. The production from recurring-revenue contracts is recognized on its contribution to annual revenues, not the entire value of the agreement.
  5. **Enterprise Account:** An enterprise account is defined as a customer with three or more locations within a primary geographic area, one million dollars in annual revenue, and/or a substantial LCR potential.

1. **Payment of Commissions**

Commissions will be paid within 30 days following the invoicing of the customer. Commissions will be paid on the last pay period of each month.

Invoices older than 90 days will be deemed uncollectible (with exception to retain age). As a result, any commission paid on such invoices will be back-charged against the account executive, and deducted from any other owed commission as well as from production, even if money is collected after the 90 days of invoice.

1. **Miscellaneous Considerations**
   1. Management reserves the right to change this compensation plan at any time.
   2. If an account executive leaves the job voluntarily or involuntarily, he/she will be paid or forfeit commissions in accordance with the [COMPANY NAME] employee handbook.
   3. Monthly Expenses: All reasonable monthly expenses associated with performing sales duties will be reimbursed in accordance with the [COMPANY NAME] employee handbook.
2. **Sales Compensation Plan Execution**

This plan is not effective until signed by the Sales Executive, Sales Manager, and the Chief Operating Officer. In addition, this plan is not a contract of employment, and does not guarantee employment of any kind. No commissions will be paid until all parties listed below have executed this plan.

Employee: Date:

Sales Manager: Date:

Chief Operating Officer: Date: