CLIENT LOGO

**Net Income Plan**

**Month Year**

**Introduction**

It is the policy of Client Name to reward employees for their contribution to the Company by providing total compensation through both base pay and bonus payments. An important aspect of this reward philosophy is to reward individuals when Client Name achieves Net Income objectives that position the business for sustained long-term growth.

**Plan Objectives**

The objectives of the Net Income Plan are to:

* Motivate people to achieve profitable business performance while reinforcing attitudes and behaviors needed for sustained growth.
* Provide the opportunity to share in the Company’s success in financial performance.
* Provide line-of-sight between profit and pay.
* Provide a Variable Pay opportunity to employees not eligible for other incentive compensation.
* Encourage employees’ awareness of the Company’s ongoing performance and how results are achieved and measured.

In short, the Net Income Plan provides motivation for profitable business performance and reinforcement for attitudes and behaviors that are needed for long-term sustained growth.

**Plan Definitions**

The terms used in administering the Net Income Plan are defined below.

Achievement Level – The level achieved based on actual results of Net Income.

Award – The percent of eligible earnings that will be paid out based on the achievement of Net Income.

Base Pay – Remuneration paid on a bi-weekly basis; typically stays constant between pay cycles.

Dividends – Earnings an owner(s) receive for their investment in the Company based on Net Income achievement.

Incentives – Available pool of dollars to pay eligible employees if Net Income is obtained.

Net Income – Income level earned by a Company after taxes.

**Eligibility**

Overall participation in the Net Income Plan includes all actively employed employees not participating in another company-sponsored incentive or bonus plan. Specifically, to be eligible, a position must meet all of the criteria below.

* Full or part-time Client Name employee;
* Must be hired before Month Day of the plan year to be eligible for a pro rata payout;
* Actively employed at Client Name at the payout date with no resignation tendered.

The participant hired on or after Month Day and before Month Day of the current plan year, or who otherwise become eligible during that time will be eligible for a pro rata award for that plan year. The award will be pro-rated to the first of the fiscal quarter following hire. This would include those participants who transfer from a position that was eligible for other variable pay plans (i.e., sales incentive plans, bonus plans, etc.). The fiscal year is Month Day – Month Day.

Participants who transfer to an ineligible position may receive a pro rata payment.

**Plan Summary**

Client Name will establish annual goals regarding Net Income. A payout percentage of X% - X% is determined based on the actual achievement of Net Income. This payout percentage is then applied to the eligible pay of each eligible employee for a Net Income Plan award.

**Terms and Conditions**

All employees must comply and adhere to company policies to include all employee handbook policies to be eligible for payment under this Net Income Plan.

Eligibility and payout on short- or long-term leave will be based on applicable laws, regulations, and organization policies.

In the event of an employee’s death, the employee’s estate will be eligible for any earned incentive payments due to the employee for the current fiscal year.

Employees on this Net Income plan are responsible for reviewing and confirming the accuracy of their bonus payments. Within xx days after a payout is received, an employee can bring forward any discrepancies in calculation for consideration. After the xx-day period following receipt of a payout, if no issues have been raised by the employee or Client Name, the calculation and payment are considered final.

Client Name reserves the right to change, suspend, or discontinue this Net Income Plan at any time without prior notice. Nothing in this plan shall be construed as a guarantee of employment for any participant for any fixed period of time. The plan cannot be modified to eliminate payments already earned. Client Name also reserves the right to alter objectives at any time during the year to reflect changing business conditions.

**Approvals**

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| Name |
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| Title |
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