

# Sales Incentive Plan

## FISCAL YEAR 2023

Sales Incentive Plans (SIP) and Management By Objective Plans (MBO)

Electrical Sector - North America Sales (NAS)  
Effective January 1, 2023

Confidential for Internal Use Only  
01/2023 Rev 01

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# 01 | Philosophy, Principles, and Objectives

## Compensation Philosophy

We at Eaton (the “Company”) provide competitive, total compensation that includes pay and benefits consistent with the varied compensation practices in different regions of the world. An array of programs and tools are utilized to recognize individual and group achievements and to enable us to reward performance consistent with contributions. The success of North America Sales (NAS) depends on operational excellence being, not only maintained, but also continuously improved at its locations. To achieve this, we need all of our employees actively involved and empowered to think and act as business partners and focused on the factors that will drive us to our business objectives. We believe that providing a sales incentive pay opportunity that reflects business performance and rewards organizational achievement will assist us in reaching our goals.

## Plan Principles

A guiding principle of the Sales Incentive Plan is to provide competitive awards for driving sales and margin growth as well as key selling objectives. The Plan was developed according to the following principles:

- Attract and retain top sales talent
- Deliver market competitive rewards (through base salary and incentives)
- Offer significant upside earnings opportunity for those exceeding their targets
- Tightly link pay to performance

## Plan Objectives

The Sales Incentive Plan rewards individuals who successfully sell an optimal mix of products and services in their designated territory, area, channel and/or geography. The Plan is designed to support our future success by encouraging and recognizing high performance. It supports the following important objectives:

- Align performance measures with key sales strategies and priorities
- Provide strong incentives to exceed targets
- Recognize the importance of both individual and team contributions
- Pay appropriately in comparison to the competitive labor market
- Align with sales compensation best practices
- Ensure that plans are easy to understand and administer
- Serve as a flexible guideline to adapt to changing business circumstances

## 02 | Description



### Sales Incentive Plan (SIP)

The SIP (sometimes referred to as a volume incentive plan) relies on each participant being assigned to an Incentive Plan/Template. Typically, Incentive Plan/Templates are comprised of two to four weighted measures specifying product focus (using Sales Reporting product lines) for each measure. Performance is equal to total sales divided by total goals for all products specified for each measure. Performance for each measure is evaluated independently of other measures. Potential earnings are calculated based on performance, utilizing an Earnings Calculation Formula.



### Major Project Commission Program

Any project over \$5M (and select projects under \$5M) are subject to payment via the Major Project Commission program. Sales credit generated by Major Projects will not be included in the volume incentive calculations covered in the Sales Incentive Plan. Details on this program can be found in the Documents section in SCORE.



### Management By Objectives Incentive Plan (MBO)

MBOs are generally comprised of two to four weighted measures. The primary quantitative measure for MBO plans is a volume performance measure and is usually based on orders or sales. Additional measures, as determined by sales management, are included to drive individual focus toward more strategic selling objectives. Performance for each measure is evaluated independently of other measures. Potential earnings are calculated, based on performance, utilizing an Earnings Calculation Formula.

## 03 | Overview



Annual Target Total Cash Compensation (TTC) consists of two elements, **Base Salary and Target Incentive**

Annual Target Total Cash Compensation (TTC)

### Base Salary

Base salary is the fixed component of TTC. Base salary is paid semi-monthly in accordance with Eaton's established compensation policies, unless more frequent pay is required by applicable law. Base salaries will be administered per local policy and Eaton's normal performance management and merit increase guidelines.

### Target Incentive (Target Earnings)

Also referred to as Target Earnings, Target Incentive is the variable component of TTC, and is calculated using an assigned Target Incentive Percentage (TIP). The TIP is determined based on salary band, sales responsibility and role. As base salary changes over time (through merit, promotions, market adjustments, etc.), so will the Target Incentive, as it is based on a percentage of base salary. The TIP for individuals is specified in all standard offer letters extended by sales management and Human Resources.

*Annual Target Total Cash Compensation = Base Salary + Target Incentive*



### Sales Incentive Plan Measures\*

The primary SIP measures are volume based and utilize sales performance, which is based on assigned incentive teaming (geographies/verticals, and/or Sales IDs to determine performance). Earnings are calculated using the pay curve (thresholds and potential earnings rates) for the measure. Both incentive teaming and pay curves can be unique to each measure.



### Earnings Calculations

Potential earnings are determined using the earnings calculation formula:

$$\text{(Performance - Threshold)} \times \text{Weight} \times \text{YTD Target Incentive} \times \text{Earnings Rate}$$

The performance figure used in the earnings calculation formula is rounded to the nearest 10th of a percent (example: nearest 10th of a percent of 117.487% is 117.5%).



### Measurement Period\*

The measurement period for volume based/sales performance measures is annual.



### Payout Frequency\*

Payout frequency for volume based/sales performance measures is quarterly. Payouts occur in the second pay period of the month following the end of the quarter in which the year-to-date (YTD) earnings were calculated (e.g. payouts for the second quarter will align with the second pay period in July). MBO plans have a semi-annual payout frequency and are designed to reward YTD performance on a semi-annual basis. Mid-year payouts align with the second pay period in July, subject to timely receipt of approved YTD performance results from sales management. Payouts made during the course of the year, other than the year end payment, are paid in the form of a draw, to the maximum extent permitted by applicable law.



### Incentive Payments\*

Incentive compensation under this Plan is earned at the time of payment of year end payments, as applicable, to the maximum extent permitted by applicable law. Payments on volume based/sales performance measures are calculated based on YTD performance, and are capped at 100% of Target Incentive at the end of Q1, Q2 and Q3 with all respective payments made in the form of a draw, to the maximum extent permitted by applicable law. Earned incentive compensation under this Plan is calculated after the end of the year as part of the time of calculation of year end payments, unless otherwise required by applicable law. For those employees who remain eligible to earn incentive compensation at the time in question, at yearend earned incentive compensation is calculated and a true up payment is made, as applicable with such amounts being earned at the time of payment, unless otherwise required by applicable law. The year-end true up payment is the sum of all measures' potential earnings at year end, less prior payments, plus or minus any adjustments or necessary proration, to the extent permitted and in accordance with applicable law.

**\* Other types of measures may have payment parameters that differ from volume based/sales performance measures. Plans with these types of measures will be communicated on an individual basis by sales management.**

## 04 | Terms and Definitions

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# A

**Annual Target Total Cash Compensation (TTC)**  
Base salary plus target Incentive.

### Dashboard

Current incentive payments paid to date and potential earnings are displayed on the dashboards in SCORE. Incentive compensation statements, detailing payments/draws received, are generated after payments are finalized and can be seen in the IC Statements section of SCORE.

# D

# E

### Potential Earnings

The result of the earnings calculation formula for each measure.

### Earnings Calculation Formula

The calculation used to determine potential incentive earnings on an Incentive Plan/Template measure:

***(Performance - Threshold) x Weight x YTD Target Incentive x Earnings Rate***

Parameters for the calculation include performance, weight, Target Incentive, and pay curve (threshold and earnings rate). Specific information related to these parameters can be found in the plan/template Information sections in SCORE.

### Earnings Rate

The rate at which potential incentive earnings are generated for each measure. Performance thresholds and potential earnings at target performance dictate the earnings rate. Earnings rates for specific measures can be found in the Plan/Template Information section in SCORE.

### Excellence Point

The level of a measure's performance at which 200% of target incentive is generated.

# G

### Goal

Used to determine performance, annual goals for volume/sales performance measures are set, administered, tracked and communicated jointly by sales management, finance, and sales operations using Sales Reporting as the system of record. Goals for MBO objective-based measures, and other non-volume/sales performance measures, are set annually by local sales management.

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### Incentive Compensation (IC) Statement

Current draw payments paid to date and potential earnings are displayed on the Dashboards in SCORE. Incentive Compensation Statements, detailing payments received, are generated after payments are finalized and can be seen in the IC Statements section of SCORE.

### Incentive Payment

Dollar amount paid after applicable adjustments, caps, pro-rations, and prior payments are applied to potential earnings, to the extent permitted and in accordance with applicable law.

### Incentive Plan/Template

Standardized, weighted set of product lines which summarize Sales Reporting data into the performance portion of the Earnings Calculation Formula. Each SIP participant is assigned an Incentive Plan/Template by local sales management. Any changes from this assigned Incentive Plan/Template require RVP/Vertical Business Leader approval. Detailed information can be found in the Plan/Template Information sections in SCORE.

### Incentive Team (or Teaming)

A set of parameters including geographies (region, district, area), verticals, and/or Sales IDs that are applied to an Incentive Plan/Template measure. Incentive team mandates may apply to certain Incentive Plan/Templates. Incentive Teaming is reviewed on an annual basis by sales management.

### Individual Measure

A set of parameters intended to measure the performance of one person that includes all Sales IDs assigned to that person. Any deviation from this requires Sales Leader approval.

### Measure

A set of parameters for which incentive earnings are calculated. Measures are typically evaluated independently of each other.

### Measurement Period

The period in which a Plan or measure is evaluated (i.e.: quarterly, annually) to determine the amount of an advance or incentive earnings.



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P

#### Pay Curve

A set of parameters (threshold and earnings rate) assigned to a measure that determines values used in the Earnings Calculation Formula. Potential earnings for certain measures may be capped. Pay curve details can be found in the Plan/Template Information sections in SCORE.

#### Performance

Percent attainment of goal. Volume performance is the sum of sales credit divided by the sum of goals.

#### Sales Credit

Also referred to as sales, dollars, volume, revenue or invoice credit. Sales credit information is fed into SCORE daily and is subject to Sales Reporting booking rules. Net sales credit is used to calculate volume performance. Sales Reporting is the system of record for tracking all sales credit.

#### SCORE (Sales Compensation Reporting – Optimize)

Link accessed via JOE to the sales incentive technology platform for SIP participants and managers to access Plan documentation, reports, and information on performance, potential incentive earnings, payments, Incentive Plan/Template assignments and measure teaming. SCORE is the system of record for sales incentive.

S



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T

#### Target

The expected level of performance (i.e.: 100% of goal) at which the Target Incentive may be earned.

#### Target Earnings

The Target Incentive for the period of time being evaluated.

#### Target Incentive

The planned incentive amount for achieving the expected levels of performance (i.e.: 100% of goal). It is the variable component of TTC, and is calculated using an assigned Target Incentive Percentage multiplied by base salary.

#### Target Incentive Percentage (TIP)

The Target Incentive expressed as a percentage of base salary. Determined based on salary band, sales responsibility and role. A change in TIP during the calendar year may result in the proration of incentive earnings.

#### Team Measure

A set of parameters for which earnings are calculated based on the performance of an incentive team.

#### Template

Standardized, weighted set of product lines which summarize Sales Reporting data into the performance portion of the Earnings Calculation Formula. Each SIP participant is assigned an Incentive Plan/Template by local sales management. Any changes from this assigned Incentive Plan/Template require RVP/Vertical Business Leader approval. Detailed information can be found in the Plan/Template Information sections in SCORE.

#### Threshold

The minimum level of performance that must be reached before potential earnings are generated.

#### Volume Incentive Plan

Commonly used term used for Sales Incentive Plan.

#### Weight

The percent of Target Incentive each measure is designed to generate.

V, W

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Y

### Year-End True Up

Payments on volume based/sales performance measures (with annual measurement periods and quarterly or semi-annual payout frequencies) are calculated based on YTD performance, and are capped at 100% of Target Incentive at the end of Q1, Q2 and Q3 with all respective payments made in the form of a draw. Earned incentive compensation under this Plan is calculated after the end of the year as part of the time of calculation of year end payments, unless otherwise required by applicable law. For those employees who remain eligible to earn incentive compensation at the time in question, at year-end, incentive compensation is calculated and a true up payment is made, as applicable with such amounts being earned at the time of payment, unless otherwise required by applicable law. The year-end true up payment is the sum of all measures' potential earnings at year end, less prior draw payments, plus or minus any adjustments or necessary proration, to the extent permitted and in accordance with applicable law.

# 05 | Terms and Conditions

## Overview

The Sales Incentive Plan Terms and Conditions set forth the policies and procedures applicable to Sales Incentive Plans effective January 1, 2022 and after for Eaton Electrical Sector, North America Sales. Eaton's Sales Incentive Plan ("SIP", the "Plan") is designed to provide Annual Target Total Cash Compensation competitive with the varied compensation practices in different regions of the world. An array of programs and tools are utilized to recognize individual and group achievements and to enable Eaton to reward performance consistent with contributions.

## Plan Measurement Period

The Plan Measurement Period is January 1, 2022 through December 31, 2022.

## Incentive Period and Pay Frequency

The Incentive Period is January 1, 2022 through December 31, 2022, and is designed to reward participants on the annual performance against plan objectives. Advances against the incentive to be earned at year end may be paid in the form of a draw against full year earnings utilizing a more frequent Draw Payment Period, such as quarterly.

## Plan Oversight

Oversight of the plan is the responsibility of the VP of Sales, VP of Finance and VP of HR for the division, subject to authority delegated by the SVP of North America Sales in partnership with the sales compensation function. The sales compensation function will act as the plan administrator and has the authority to interpret all provisions of the plan, including eligibility of the plan's participants, assessment of performance relative to approved goals, calculation of incentive awards, and final judgment relative to any questions, issues, or disputes which may arise during the plan administration. Plan amendments, modifications or discontinuances deemed necessary will be made on a prospective basis and executed within the applicable chain of command. Any changes to the Plan will be provided to eligible employees in writing. The VP of Sales, VP of Finance and VP of HR for the division also reserve the right to amend, suspend, interpret, terminate and/or, replace any program, plan or incentive payment described herein on a prospective basis at their discretion, to the maximum extent permitted by applicable law. Additional approval by the President and VP of HR of the Region/Group is required for the following: plan changes that would result in a material change to earnings, including but not limited to, changes to plan thresholds, measures or weightings, material changes to sales targets (goals) after they are set and communicated, mid-year plan changes after the plan has already been communicated to participants and any retroactive plan changes based on significant shortfalls to profit plan performance.

## Eligibility for Participation

Only active, full-time employees (or part-time employees with HR approval) identified by Eaton (the “Company”) as being in roles involved in the actual negotiation, specification and closing of business, and who are not eligible for another incentive/variable pay plan, will be eligible to participate in a SIP. Eligible employees will be provided with Sales Incentive Plan documents. Eligible employees must acknowledge receipt of this Plan to be eligible to participate in this Plan. Temporary, leased, contract, development program participants, interns and co-ops are not eligible to participate in a sales incentive plan.



Eligibility for participation in SIP commences on:

- the date of hire/rehire
- the date of transfer in from a non-incentive or VPP-eligible role
- the first day of the first full month following date of transfer in from an EIC-eligible role

Unless otherwise required by applicable law, eligibility for participation in SIP ceases on:

- the date of termination, regardless of reason
- the date of transfer out to a non-incentive or VPP-eligible role
- the last day of the previous full month in the SIP-eligible role if moving to an EIC-eligible role





## Eligibility for Awards/Payments

An individual must be an active employee at the end of a Draw Payment Period to be eligible for a payment under the Plan, or they must meet the eligibility criteria in the chart below, unless otherwise required by applicable law.

TYPE OF ACTION if before December 31, 2022 *	Completed Draw Payment Period **	Did Not Complete Draw Payment Period	Year end True up **
<b>Termination</b>			
<ul style="list-style-type: none"> <li>Voluntary</li> <li>Involuntary</li> </ul>	Eligible for payment capped at target earnings	Ineligible for payment, unless otherwise required by applicable law	Ineligible for payment, unless otherwise required by applicable law
<b>Organization Exit***</b>			
<ul style="list-style-type: none"> <li>Promotion/move to another SIP Eligible Role</li> <li>Promotion/move to a non-SIP Eligible Role</li> <li>Retirement</li> <li>Death</li> </ul>	Eligible for pro-rata true-up payment in next Draw Payment Period cycle for time in role	Eligible for pro-rata true-up payment in next Draw Payment Period cycle for time in role	Not applicable, unless otherwise required by applicable law
<b>Leave of Absence Without Full Pay</b>			
<ul style="list-style-type: none"> <li>Period of less than 21 days</li> </ul>	Eligible for payment capped at target earnings	Eligible for payment capped at target earnings	Eligible for true up payment
<ul style="list-style-type: none"> <li>Period of 21 days or more</li> </ul>	Eligible for payment capped at target earnings for time as an Active Employee, unless otherwise required by applicable law	Eligible for pro-rata payment capped at target earnings for time as an Active Employee, unless otherwise required by applicable law	Eligible for pro-rata true up payment for time as an Active Employee, unless otherwise required by applicable law

\* Terminations/Organization Exits occurring on December 31, 2022 are eligible for payment including year-end true up.

\*\* Eligible payments are subject to proration if SIP Start Date is after January 1, 2022.

\*\*\* For Organization Exits and Terminations occurring before March 31, 2022 a flat payment of 75% of Target Incentive may be paid in lieu of actual SIP earnings and prorated for time in position if applicable, unless otherwise required by applicable law.

## Plan Payments – Draws & Earnings

Payments made at times other than year end are paid in the form of a draw. Incentive compensation under this Plan is earned at the time of remittance of year end payments, as applicable, to the maximum extent permitted by applicable law.

If an employee enters a role after goals are set for the plan measurement period, a 200% cap may apply to the final payment to avoid a potential windfall situation where the employee did not have significant direct influence toward annual performance against established annual goals, to the maximum extent as permitted by applicable law.



## Guarantee Payments

New Hires or Transfers-In from non-SIP eligible roles may be eligible for their draw payments to be guaranteed at an amount equal to 75% of target incentive for 90 days. To be eligible for this Guarantee Payment, the employee must not have participated in any Eaton SIP during the 24 months prior to the start date. As the first 90 days in the role may span more than one draw payment period, this Guarantee Payment may be paid out in multiple installments.

For annual plans - during the quarters that encompass the first 90 days in the role, actual year-to-date potential earnings will be compared to the Guarantee Payment amount for the quarter, and the greater of the two will be used to calculate the draw payment. Upon true-up of full year earnings, if full year earnings exceed the Guarantee Payment amount received in prior quarters, then the Guarantee Payment(s) will be considered a prior draw payment(s) and deducted from year-end earnings to calculate the year end true up payment.

## Changes to Target Incentive

The base salary and Target Incentive Percentage in place at the end of each Draw Payment Period will be used to calculate the Target Incentive for that period, as long as the base salary or Target Incentive Percentage change was not accompanied by a role or Incentive Plan/Template change. If the change was accompanied by a role or Incentive Plan/Template change, then a pro-rata true up payment will be made in the next Draw Payment Period using the base salary and Target Incentive Percentage assigned prior to the role or Incentive Plan/Template change.

## Proration of Payments

Proration of payments\* will occur based upon the number of calendar days in the Plan Measurement Period which the employee was eligible to participate in the SIP for the following reasons, unless otherwise required by applicable law:

- New hire / Rehire
- Transfer in/out of role from/to a non-incentive eligible role
- Transfer in/out of role from/to an incentive eligible role - there will be no overlap of eligibility between incentive plans
- Termination due to reduction in force or divestiture
- Retirement
- Death

All Draws and payments are processed according to the Draw Payment Periods of the Plans (i.e.: quarterly, semi-annually, annually).

If a role is vacated within the first calendar quarter of the measurement period, and employee is eligible for payment but goal has not been established, a flat payment of 75% of Target Incentive may be paid out in lieu of actual SIP earnings, prorated for time in position, unless otherwise required by applicable law.

**\* Where applicable, decelerators and/or caps apply to potential earnings before proration is applied, resulting in final payment.**

## Movement from/to SIP Eligible Roles during the Measurement Period

Payments will be based on performance generated during the calendar month(s) in the role (example: an employee starts on May 15th and leaves on November 5th; performance will be based on full month sales and goals for May through November.)





### Overpayments/Negative True Ups

An overpayment or negative true up situation can occur if actual potential earnings do not exceed previous potential earnings paid in the form of a draw, to the maximum extent permitted by applicable law. Potential earnings on other programs or measures (such as Major Projects, Regional Collaboration and Profit Incentive) will potentially be used to offset the overpayment amount, to the maximum extent permitted by applicable law. Such overpayments and negative true ups will be reconciled as part of the calculation of future sales incentive payments or the Company may require the employee to make a payment of the undisputed outstanding unpaid balance upon request, to the maximum extent permitted by applicable law. If necessary, individual situations will be reviewed by the employee, HR manager and plan administrator to determine a repayment schedule. This includes employees eligible for plan participation upon termination or organization exit.



### Holdback Program

Employees can elect to have a percentage of their draw payment(s) withheld by choosing a holdback. Holding back a percentage of potential draw payments helps to avoid a negative true up (or overpayment) at year end.

### Major Projects

Some products, projects or contracts may require special incentive because of their uniqueness, complexity or size. Each business will define the parameters that will be used to determine what constitutes a major project and will communicate that to the sales team. Local sales management is responsible for identifying these projects using the business' established processes. Eligibility for payment of these special incentives (where applicable) ceases on the date of termination, regardless of reason or amount, to the maximum extent permitted by applicable law.



### Incentive Compensation Discrepancy

Participants are responsible for reviewing potential incentive compensation earnings and draws and communicating any suspected discrepancies to their respective manager within 30 days of payment date. Prompt notification of potential discrepancies allows for research and potential adjustments to be handled in a timely manner.

### Goal Adjustments

While annual goals are generally set at the beginning of the year, circumstances can arise during the year which may result in an adjustment to goals to the maximum extent permitted by applicable law. Any questions related to goal adjustments should be directed to Sales Operations or Finance.

### Windfall Adjustments

A windfall is a single sales opportunity or a series of sales opportunities resulting from a significant, unexpected event that was not anticipated at the time sales goals were set. Examples of “Windfalls” include, but are not limited to, awards which are greater than current year revenue collected or estimated annual revenue, market forces driving sales above historical levels, or a Plan participant’s minimal activity resulting in a disproportionate potential award. Sales that are considered windfalls will be reviewed by the SIP governance board and may result in measure-level earnings being limited to an amount not less than 200% of target earnings for the measurement period, to the extent permitted by and in accordance with applicable law.

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### Disclaimer

This does not constitute a contract of employment nor does it alter your status as an at-will employee. Either you or Eaton (the “Company”) may terminate the employment relationship for any reason or no reason, with or without notice and with or without cause. No representative of the Company, other than the SVP, has authority to alter the at-will nature of employment on an individual or collective basis. Any such contract or agreement altering at will status must be signed by the SVP of the Company. This does not constitute a guarantee of sales incentive payment for the entire Plan year or any other specific time period. As a condition of participation in the Sales Incentive Plan, Plan participants acknowledge that the Company is authorized to reconcile from potential incentive payments any unearned or erroneous amounts received from the Company in connection with the employee’s employment, to the maximum extent permitted by applicable law. Payments are subject to any limits set in the Plan document. Eligibility for participation in a SIP does not necessarily convey the right to payment under the Plan. Potential award payment amounts may be modified, reduced and/or withheld in whole or in part if the Company determines in its sole discretion that the eligible employee has violated the Company’s written terms and conditions, has not maintained adequate performance levels established by management or in other situations deemed appropriate by management, to the maximum extent permitted by applicable law. This Plan supersedes any prior agreements/understandings whether written or verbal and can only be amended in writing, after review and approval by the SVP of NAS or the individual’s designee. The Company reserves the right to modify, adjust or change these Terms and Conditions at its sole discretion (as allowed by law).



#### Employee Acknowledgment of Plan:

Receipt confirmation of the Sales Incentive Plan and Terms and Conditions documents must be electronically acknowledged each year for the employee to be eligible to receive any monies pursuant to this Plan, and assumes the employee has read and understood the following statements:

**I acknowledge that I have received a copy of this Plan. I understand that participation in this Plan is optional and I will not be eligible for incentive payments under the Plan until I have acknowledged receipt of the Sales Incentive Plan and Terms and Conditions documents. I further understand that my acceptance of payments under this Plan will constitute my acceptance of its terms and conditions.**

**I understand that this Plan does not constitute a contract. I further understand that the Company reserves the right to modify, adjust, change, or terminate the Plan, and to amend, suspend, interpret, terminate and/or replace any program, Plan or incentive payment described herein on a prospective basis at its sole discretion (to the maximum extent permitted by applicable law). I acknowledge that the Company is authorized to reconcile from potential sales compensation payments any amounts that were previously unearned and overpaid, to the maximum extent permitted by applicable law. In addition, I acknowledge that the Company is authorized to reconcile from potential sales compensation payments any unearned or erroneous amounts I received from the Company in connection with my employment, to the maximum extent permitted by applicable law.**

**Lastly, I understand that nothing contained in this Plan constitutes a contract of employment for a specific duration or otherwise affects my status as an employee at-will.**

