



Business Products, Inc.

Sales Department Policies Manual

Revised – June 1, 2018

**Sales policies are subject to changes by management at any time
without prior notification.**

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INTRODUCTION

Smile Business Products Inc., (Smile) sells and services office products in Northern California and Nevada through four branches in Sacramento, Lathrop, Petaluma, Salinas and Sparks.

SHERPA

Account Managers are responsible for the Development and Management of Smile customers and account types in the data base aka Sherpa.

Account Managers are required to document all activity in the Sherpa database. All activity must be entered into the database on a daily basis. In addition, a weekly forecast and working list must be maintained. (See Exhibit A - **Account Managers Minimum Standards**). If there is a dispute on an account assignment the sales manager and/or VP of Sales will use the database information within Sherpa to identify assignment.

If the information is not documented in Sherpa, the activity doesn't exist!

TERRITORIES

Smile has an open geographic territory policy (meaning account managers can sell in any areas that Smile is authorized). Account Managers are responsible for the development and ongoing relationship between the customer and Smile. As such, certain policies have been developed to govern Account Managers.

Account Managers of Smile are assigned a current customer **ACCOUNT BASE**. Assigned Account Base is generally geographic based but categorized by account classification.

Assigned, Targeted, Working, Open and GEM

Assigned Account Base

- These are current customers
- Annuity and non-Annuity accounts
- Current customers for Solutions with and without a reoccurring contract
- Only the VP of sales can assign or reassign the account

Target Accounts

- These are non-current customers
- These are protected accounts that only you can see in the CRM and get to work. Your manager will review the activity and determine if it stays on your target account list or is reassigned.
- Accounts of high value only
 - 20+ employees
 - Segment 3 or above
 - Multiple Machines or Opportunities
 - Multiple Locations
 - Or TBD by Management
- Only your sales manager can assign the account

Working Accounts

- These are non-current customers
- Low value accounts (small take downs, Segment 2 and under)
- The account is flagged as “working” once it’s on your forecast
- The account is protected for 120 days only
- Only your sales manager can assign the account

GEM Accounts

- These are current and non-current customers
- Government, Education, medical, non-profit, municipality accounts

Medical and non-profits can be targeted and worked by a retail rep if the account has not been worked by a GEM account manager. The Sherpa rule applies.

Account Manager Types

- A.) Outside Sales Account Managers can only sell those products assigned in the Sales Book (published quarterly) or designated by Management.
- B.) Inside Sales Representative can only sell inventoried supplies and small equipment items designated by Management.
- C.) GEM Specialists – Government, Education and Medical. GEM Specialists are responsible for the vertical markets including Federal Government, State Government, County Government, City Government, Municipalities, School Districts, and Hospitals. A GEM Specialist can relinquish the right to work a government account to a territory Account Manager if the account is within that Account Manager's territory. GEM Specialists are assigned quotas and have a commission schedule specific to their program.
- D.) Solutions Specialist- responsible for selling all Smile Solutions offerings: Smiletel, SmileNet, SmileMPS, Document Management and third party software's

INTERDEALER SALES (“OUT OF SMILE’S AREA SALES”)

General

Sales that result in the placement/sale of equipment outside of Smile’s selling territory are referred to as “*Interdealer Sales*”, “*Out-of-Area Sales*” or “*Ship-outs*” interchangeably. **To engage in such a transaction, the Account Manager must have Sales Management approval prior to establishing the price for the transaction to insure that all costs of the transaction have been taken into consideration. Sales Admin to contact other dealer for terms prior to proposal presentation.**

Process

In addition to the normal and customary paperwork for a sales deal (proposal, credit application, lease calculation worksheet, commission worksheet), the billing department will utilize an Out of Area Placement Form to track the additional costs applicable to an Account Manager’s commission. Contact Leasing Manager for assistance. The additional costs for **Ship-out** are:

- (1) Compensation to the dealer in that territory (typically SNAP/GSA install compensation). SEE ORDER PROCESSING FOR PRICING PRIOR TO QUOTING
- (2) Shipping costs (the minimum charge is \$300 per machine – actual costs if over the minimum will be charged back to the Account Manager when known).
- (3) Startup Supplies sent with the machine (with or without a maintenance agreement)
- (4) Other costs required to complete the deal or required by the dealer in that territory (e.g. connectivity and delivery).

Commissions on Ship-outs are paid at normal commission rates if the deal is sold at book pricing. Additional costs can be passed along to the customer or deducted from the commission. Since Ship-outs do not bring a maintenance agreement to the Company, maintenance agreements do not count toward quota recognition.

Ship-ins

When another dealer ships a machine to Smile for installation and service within Smile’s territory, the transaction does not qualify for commission or quota recognition. Such accounts are noted in the Company’s contact management database for reference by the Outside Sales Account Manager. Key operator training is performed by the Delivery Crew upon delivery of the equipment.

SHARP BUSINESS SYSTEMS RULES OF ENGAGEMENT

- SBS will not enter and try to sell equipment or supplies to any existing Smile account (government or commercial) as long as there is at least one Sharp machine in the account.
- SBS will not convert any current or future Smile maintenance agreement (government or commercial) on a Sharp machine.
- SBS will not solicit any current or future Smile employees.
- SBS will not hire any current or future Smile employees.
- **Each of the above rules also apply to Smile when dealing with SBS accounts and employees. Please notify management of any infractions.**

SBS and Smile must bid independently on Requests for Proposals and Requests for Quotations. Equipment and Supply Pricing offered by Sharp to SBS and Smile in bid situations will or may be the same.

Alleged violations of these should be brought to the attention of the President together with evidence supporting the violation. In turn, the President will present the evidence to SBS and Sharp and request resolution.

DEAL SPECIFIC POLICIES

Pricing Status

Smile has Retail and Everyday Flat Pricing levels published in the Sales Book for commercial customers.

Customers that qualify for the **GSA/SNAP/MAP & NJPA** programs have their own pricing schedules that are published by Sharp. To use these programs, the associated pricing, billing and compensation specific to the program must be used (see Sales Management for specifics).

Maintenance Agreements (on off-brand and used fleets), Managed Network Services (SmileNet), Computer Products, Managed Printer Services (SmileMPS), Managed Communication Services (SmileTEL) and Document Imaging Solutions are priced on a case-by-case basis by the Service Department managed by the Vice President of Service.

Rental Agreements

Rental machines are available based on inventory and published list. If rental pricing is not published, the VP of Sales approval is required. All proposed rentals require Sales Management approval prior to installation with regard to equipment used, pricing and compensation. The **Rental Form** (Exhibit B in the appendix) must be used and turned in with every rental deal. First month rental payment is due upfront for all rentals in addition to an applicable delivery/set-up fee PER MACHINE. If the rental is less than one year, a \$300 delivery/set-up fee is charged PER MACHINE. For Annual Rentals, there is NO charge for delivery/set-up. (NOTE: delivery/set-up fee includes drop off and pick up of the equipment)

Rentals are **Annuity** accounts and the Territory Account Manager can upgrade the account to another rental or to a sale at any time based on availability of rental units.

Barter Agreements

A Barter transaction is one in which goods or services typically sold by Smile are instead traded for goods and services of a vendor who supplies something of equal or greater value to Smile in exchange. An Outside Sales Account Manager that generates a possible Barter with a customer may be entitled to a commission to be determined by Management. House-generated Barters not involving Outside Sales Account Manager participation are not eligible for commission or recognition.

TRADE INS

Resale of trade-ins outside this Company policy is strictly prohibited, and any Account Manager caught violating this policy is subject to termination.

A.) **Resale Guidelines - Account Manager Machine Status** – All trade-ins are subject to resale if they are Sharp equipment and have been approved for resale by Service Management, and have been refurbished by Smile's shop prior to sale or rental. If an Account Manager is able to have a customer release title on a piece of equipment that Smile sells and services, that Account Manager has the exclusive right to resell that piece of equipment for 90 days from the deal billing date, subject to the costs of refurbishment and approval from Service Management. The decision regarding items required to refurbish a trade-in are put into the machine at the sole discretion of the Service Support Manager. Outside Sales Account Managers will receive the standard published commission rate of 10% on their trade-ins sold. The sales price of the Account Manager's trade in during this 90 day period shall not be less than 125% of the shop costs and shall not be more than 50% of the retail value of the machine when sold new, as accessorized. The following guidelines have been approved by Service Management with respect to trade-ins for resale:

Trade-ins with meter counts greater than the following are not eligible for resale:

- Segment 1 – 100,000 copies or more
- Segment 2 – 200,000 copies or more
- Segment 3 – 375,000 copies or more
- Segment 4 – 500,000 copies or more
- Segment 5 – 500,000 copies or more
- Any segment or model that has been discontinued and not available for seven years or more.
- Any machine deemed by Service Management to be problematic.

B.) **No "Free" Machines** - An Account Manager is not permitted to give away any trade-in at no charge (subject to the trade in 125% rule above).

C.) **House Machine Status** - If the Account Manager is unable to remarket the machine within 90 days, the machine becomes a House machine. Any Outside Sales Account Manager may remarket a House machine published in inventory.

D.) **Government Specific** - For all Government deals where a trade-in credit is offered, the full value of that trade-in credit must be deducted from the selling and installing compensation prior to a commission split.

E.) **Trade-Ins Not to Be Remarketed** – Any trade-in machine that the Company chooses not to remarket will be disposed of at the Company's discretion with no compensation to the Outside Sales Account Manager. The Company reserves the right to charge back the Outside Sales Account Manager for the costs of disposal of trade-in machines, if any. Such fee will be determined by Sales Management based on actual costs of disposal.

SUPPLIES AND MAINTENANCE

Misc Item and Fees

All customers who purchase a Smile maintenance agreement with a support fee (billed and serviced in Smile's territory) at the time of equipment sale and delivery will receive start-up supplies in the equipment and an extra bottle of black toner (unless monitored with Print Tracker) when the equipment is originally delivered. If a maintenance agreement is not purchased at the original time of sale, this is considered a non-standard deal. In such cases, Support Fees as defined in Exhibit C apply, and the customer receives a 90-day warranty (new machine sale only) or no warranty if it is a used/refurbished machine (in this case "As Is" purchase language MUST be in the proposal to be signed by the customer). The Outside Sales Account Manager must charge the customer for start-up supplies and any additional toners delivered at the time of the equipment sale at retail or the Outside Sales Account Manager will be charged the retail value for such supplies against their commission. After the initial equipment delivery, all customers under a maintenance agreement that includes toner will receive a maximum of a three month supply (unless monitored with Print Tracker) based on their documented run rate or copies included in their maintenance (whichever is greater) when they call or email in an order.

Installation Connectivity

When selling a connected digital product, the Outside Sales Account Manager must ensure that the Customer completes a **Smile Network Site Survey** (Exhibit D) in the appendix) that is filled out in its entirety (either online or in hard copy) and signed by the Customer.

In order for your equipment to be connected at time of delivery (or within a reason time that same day) the Network Site Surveys must be turned in directly to the Network Services Department at least two business days prior to the scheduled equipment delivery date. This applies to the Connectivity Technician in the branches too. This will insure a smooth installation. Please see the **Connectivity Request Process Form** (Exhibit E) in the appendix) for a complete overview of the connectivity process.

Upon delivery, the Connectivity Technician will install the appropriate drivers on the Customer's network server (one server), verify the TCP/IP address, install the appropriate drivers up to 5 workstations, set up scanning and if necessary set up shared folders and Sharpdesk on workstations. Additional workstations, over 5, will be billed at \$30.00 per station.

If conflicts or problems occur during the installation process of a connected digital product that is related to the Customer's network, Smile will refer the customer to a Network Engineer to provide a Statement of Work for problem resolution. If the Customer wishes to use a Network Engineer other than Smile's, Smile assumes no responsibility for any problems that arise in the Customer's server, workstations, or printing devices.

Only Smile Service Technicians and Network Engineers are qualified to make repairs or install upgraded features on equipment sold by Smile, including additional memory. Depending on the circumstances, Smile reserves the right to void the warranty on a print

device or multifunctional product sold by Smile if the device is worked on by anyone other than a Smile trained service professional.

Outside Sales Account Managers who attempt to make repairs or install upgraded features to Customer owned equipment **will be charged back for any damage they cause and may be subject to termination.**

Printers and MFPs are not sold with connection cables (USB2, Bi-Directional Parallel Cables or CAT5/6/6e Network Cables). Connection cables come in various qualities and lengths. Such cables can be purchased by the customer (from Smile or any electronics store) after consulting with Network Services based upon the specific needs of the customer for each machine purchased.

If there is no support fee on the maintenance agreement, a connectivity fee, as described in Exhibit K, will be charged to the customer.

Direct Payments to Customers

All cash rebates offered to a customer in the course of a sale transaction must be made by Smile company check in the name of the Customer and mailed directly to the Customer's address on file. The purpose and amount of such rebates must be documented on the proposal signed by an authorized Company signer. The payee company must fill out a W-9 form to receive a payment that is in excess of \$600.00.

Sale Return Policy

- For all lease equipment transactions, **ALL SALES ARE FINAL.** There are no returns for any reason. Exchanges may be allowed by approval of the President, and the Outside Sales Account Manager may be subject to a chargeback.
- For all special orders, **ALL SALES ARE FINAL.** There are no returns or exchanges for any reason. NO EXCEPTIONS.
- For all cash or credit card equipment transactions, **ALL SALES ARE FINAL.** However, **subject to a 25% restocking fee**, management may agree to allow *a regularly stocked machine* to be returned based on the condition of the equipment and its meter. Exchanges may be allowed by the approval of the President, and the Outside Sales Account Manager may be subject to a chargeback.
- For all cash or credit card supply purchase transactions, all returns are **subject to a 25% restocking fee.**
- See Exhibit F for **Smile's General Terms and Conditions.**

Equipment Storage Policy

As a general rule, Customer owned equipment is not allowed to be stored at Smile's warehouse due to liability, space and other concerns. If an exception is granted by the President or Vice President of Sales, the Account Manager must have the customer sign an Equipment Storage Form, which will serve as proof of storage, a release of liability, and notice to the Customer that they must continue to make lease payments, maintenance payments and insurance payments on the equipment held in storage. **A storage fee of \$50 per month, per machine is applicable in all cases where the machine will be**

stored for longer than 30 days. This fee may be charged to the Customer or the Outside Sales Account Manager at the discretion of the Outside Sales Account Manager. (See Exhibit G) for the **Equipment Storage Form**.

Inspections for Print Management Agreements and Maintenance Agreements

Print Management Agreements and Maintenance Agreements are offered by Smile on most Laser Printers (including but not limited to HPs). Smile offers a free evaluation and estimate for printers proposed for maintenance. Outside Sales Account Managers should inform the customer to allow 1 to 3 days for a technician to arrive to perform the evaluation. Customers approved for a Print Management Agreement or Maintenance Agreement will receive the Company's standard response time guarantee. To qualify for a Print Management Agreement or a Maintenance Agreement, the Customer must have all printers on the agreement, agree to have Print Tracker installed on its network for the collection of meters, and agree to be billed monthly by Smile (or a Third Party Leasing Company under a Single Invoice Program Agreement). All Print Management Agreement Pricing and printer Maintenance Agreement Pricing must be approved by the Vice President of Service.

Smile offers chargeable service on most HP Laser Printers at its current service rates, plus the cost of parts and supplies required to complete the service. There are no guaranteed response times with chargeable service. However, the Customer will receive a call back from the Smile Technician within 4 hours of the call being placed by the Customer to schedule a time for service.

Stairs

There is a minimum charge of \$150.00 per machine to deliver to a location with stairs.

FINDER'S FEES

General

A Finder's Fee is one paid to an employee or individual who is not an Outside Sales Account Manager or Inside Sales Representative. To be eligible for a Finders Fee, an employee must submit a **Sales Lead Form** (Exhibit H in the appendix) to the Leasing Manager with all pertinent information documented, and an introduction or set appointment must result from the lead.

There are no verbal leads accepted. All submitted leads must be followed up on and renewed every 90 days or that lead will expire. Leads that result in a working deal prior to the 90 day expiration with negotiations carrying on beyond the 90 day expiration do not require renewal. All leads are subject to Senior Management review and approval. All decisions of Senior Management regarding leads are final.

Finders Fee Schedule

Segment 1 (1 – 20 ppm)	\$ 25.00	SmileNET (MNS)	\$ 25.00
Segment 2 (21 – 30 ppm)	\$ 25.00	SmileTEL	\$ 25.00
Segment 3 (31 – 45 ppm)	\$ 25.00	Printer (20+ ppm)	\$ 25.00
Segment 4 (46 – 65 ppm)	\$ 50.00	Print Mgmt (MPS)	\$ 25.00
Segment 5 (66 – 85 ppm)	\$ 75.00	Paid Network Assessment	\$ 25.00
Segment 6 (86+ ppm)	\$ 100.00	Govt. Equip Sale	\$ 25.00
Wide Format	\$ 50.00	MA (SmileTEC)	\$ 25.00
Fax Server	\$ 50.00	DM Software	\$ 50.00
IWB	\$ 50.00		
Label Maker	\$ 50.00		

Finder's Fees on Competitive Bids and Multiple Machine Deals

If a lead results in a competitive bid or proposal that is won by Smile or results in multiple machines being sold at a competitive price, the Finder's Fee paid out will be determined by management.

INSIDE SALES DEPARTMENT

General

Smile employs an Inside Sales Department consisting of Marketing Associates

- **Marketing Associates** responsibilities are to telemarket Smile's territory and solicit in person appointments for the products and services Smile offers. Also to work on any marketing initiatives that are assigned

All leads generated by the Marketing Associate are provided to Outside Sales Account Managers. The Marketing Associate can sell small desk top units including Sharp, Lexmark and Panasonic Fax machines.

Marketing Associate will receive a 10% lead fee from the Account Managers earned commission (not revenue). The lead fee is a minimum of \$50.00 and not to exceed \$200.00. The lead fee is paid on the pay period after the deal has been fully billed. Marketing Associate must maintain a monthly average of 70 calls per day worked.

Inside Sales shares Smile's **Sherpa Database** with the Outside Sales Account Managers, documenting notes in the appropriate fields. **All disputes or questions regarding Sales Leads will be resolved with the Sherpa Database as the definitive source for documentation.**

NETWORK SERVICES DEPARTMENT

General

The Network Services Department (aka Technical Services) is managed by the President of Smile through the Technical Services Manager and performs the following functions for the Company:

- (i) Provides staffing for the Help Desk which was established to perform remote assistance for Maintenance Services (copier and printer repair), Managed Printer Services, Managed Network Services, Document Management Services and SmileTEL Telephony Services
- (ii) Sell and provide sales support for Managed Network Services, Document Management Services and SmileTEL Telephony Services

Solution Account Manager Compensation for Network Services Deals

For NEW Solutions or NEW Solutions within an Existing Customer:

Solution Account Managers (SME) who **initiates and closes** a Managed Network Services deal will receive 5% Commission on Hardware/peripherals, Signing Bonus for 50% of the first monthly Service Billing, and Revenue will be billed under the Solutions Account Manager (SME). If the sale is initiated via an Account Manager or Sales Manager, the Solutions Account Manager will receive 5% Commission on Hardware/peripherals, Signing Bonus for 50% of the first monthly Service Billing, but the Revenue will be billed under the Account Manager. No Commission on Labor.

Solution Account Managers who **initiates and closes** a Telephony deal will receive 5% Commission and Revenue for the hardware/peripherals. If the sale is initiated via an Account Manager or Sales Manager, the Solutions Account Manager will receive 5% Commission, but Revenue will be billed under Account Manager. No Commission on Labor.

Solution Account Managers who **initiates and close** a Document Management deal will receive 5% Commission and Revenue for DocuWare, Drivve, Square 9, or other type DM solutions, plus related software. If the sale is initiate via an Account Manager or Sales Manager, the Solutions Account Manager will receive 5% Commission on DM solution and software, but Revenue will be billed under Account Manager. No Commission on Labor.

For any Assessment, Solution Account Manager will receive 5% commission. If initiate on their own merit, then they receive the Revenue Credit, if initiated by the Account Manager or Sales Manager, Revenue falls under Account Manager.

All Current Customers will be handled by our VCIO. No Commission or Revenue Credit.

2% Lease Bonus applies, see page 17.

Territory Account Manager Compensation for Network Services Deals

When working and closing Network Services deals (sale of Computer Products, a Managed Network Services Program, Document Management Solution or a SmileTEL deal) specifically cultivated in geographic territories, **Account Managers must use the Solutions Sales Support team/Solutions Account Manager** to assist with determining the specifications of computer equipment and solutions (ie. Statement of Work), deriving all pricing, and preparing a professional proposal for the client. The Solutions Sales team will coordinate with the Technical Services Manager to schedule an engineer to assist with the deal (see Inclusion of Computer Products in Copier Deals below).

For NEW Solutions or NEW Solutions within an Existing Customer:

Account Managers who **initiate** a Managed Network Services deal will receive 5% Commission on Hardware/peripheral, 10% Annuity on the Monthly Service Billing and Revenue Credit. No Commission on Labor.

Account Managers who **initiate** a Telephony deal will receive 5% Commission and Revenue Credit. No Commission on Labor.

Account Managers who initiate a Document Management deal will receive 5% Commission and Revenue for DocuWare, Drive, Square 9, or other type DM solutions, plus related software. No Commission on Labor.

Inclusion of Computer Products in Copier Deals

When Computer Products and Network Services are to be used in a copier deal, a Territory Account Manager must include the following:

- A Detailed Listing of Products to be Sold, and a Statement of Work (See example of **Scope of Work** in Exhibit I in the appendix).
- A Detailed Computation of Everyday Pricing for the deal prepared by the Solutions Sales Manager
- A Compass proposal or other appropriate proposal template. **This document MUST be initialed by the customer PRIOR TO the Computer Products being ordered and the work to be performed by Network Services**

Rules for Special Orders (non-stocked items and projects)

- When Computer Products and Network Services are proposed to a customer, a deposit is required upon execution of a proposal document prior to any work being performed or products being ordered. **A deposit of 100% of the equipment portion of the deal is required in all cases unless waived by the President.**
- Sales of computer products must include setup and installation labor unless the deal is accompanied by a SmileNET Managed Network Services Complete contract.
- Network Assessments and SmileNET On-Boarding Fees must be sold at retail based on pricing from the Solutions Sales Team.

COMPENSATION

Types of Compensation

Salary

Salaries for Account Managers (including any expense/auto allowance) are determined based on experience and program, and are communicated in the Account Manager's offer letter.

Revenue Commission

Base Revenue commissions are paid as a percentage of the billed revenue on each deal where payment has been received by the Company, so long as everyday base pricing has been used in the proposal. **The current base revenue compensation of 5% for Sharp, Lexmark, Okidata, Muratec, Epson, Fujitsu, Panasonic and HP is subject to change at any time by management. Government Representatives are paid a percentage of the commission revenue received from the manufacturer. Occasionally, there will be promotions with flat bonuses.** All base revenue commissions will be eligible for payment on the pay period immediately following the pay period in which the deal was billed. Commissions are not paid until cash is received by the company. Base revenue commissions are not subject to a commission qualifier. The Account Manager will receive a 10% annuity on all reoccurring maintenance contracts if they qualify; qualification is: Standard book rate until otherwise noted by VP of Service. See page 19 for further detail about Annuity.

Gross Profit Commission

If you sell a Sharp, Lexmark, Okidata, Muratec, Epson, Fujitsu, Panasonic and HP unit at a higher amount than the everyday base price, you will receive a percentage of the resulting sales gross profit. The **sales gross profit or SGP** is the difference between the everyday base price and the selling price to the customer. Based on monthly revenue quota attainment, the sale rep will earn the following percentage split of the SGP if any:

Account Manager: \$0-\$35,000 in revenue- 25% of the SGP

Account Manager: \$35,000 in revenue or higher- 50% of the SGP

NJPA Commission

When selling off the NJPA contract, commission is based on 25% of Selling and Installing compensation, not a percentage of revenue

Lease Funding Bonus

2% lease funding bonus is available to a Account Manager based on the lease funding for all leases booked by an Account Manager during the month at book published lease rates. All lease funding bonus commissions are payable on the 15th of the month following the month end on all leases funded, so long as the following conditions are met:

- a) The Account Manager has achieved **their Equipment/Software Revenue Quota.**
- b) The lease has been funded (i.e. there were no issues with the deal causing a funding delay).
- c) The Account Manager is still employed by Smile on the 15th of the month the lease funding bonus payment is due to be paid.

Annuity

Account Managers who sell annuity based services (maintenance, printer maintenance, MPS, MNS, or rental programs) to customers using the standard published rates with applicable supports fee (i.e. BOOK RATE) defined in the Sales Book will qualify for a percentage of their monthly service annuity payable on the 15th of the month following the month the service is billed.

The percentage of annuity earned and paid each month will be calculated as either (maximum payout is 100%) -

- a. **the percent of attainment of their Monthly Revenue Quota (commercial Account Managers) or**
- b. **the percent of attainment of their Monthly SGP Quota (government Account Managers).**

In addition, the following conditions must be met before payment can occur:

- a) The Maintenance Contract must still be in force and paid for by the customer. Service annuities are subject to chargeback in the event of non-payment by the customer.
- b) The Account Manager must still be employed by Smile on the 15th of the month the annuity payment is due to be paid.
- c) The Annuity is considered to be a fee for managing the Smile customer and providing monthly services such as emergency toner deliveries, additional training and account reviews. **If, in the opinion of Sales Management, the Account Manager is not actively managing the account, the Account Manager will forfeit the Annuity compensation for that account.**

See following page for Annuity as Revenue Recognition Qualifier

Annuity as **REVENUE RECOGNITION QUALIFIER** - As of October 1, 2014 an Account Manager will receive Annual Revenue Credit on Maintenance Agreements that are sold including copier, printer, MPS, MNS and rental programs of which all Maintenance Agreements have to be a minimum of one year. Annual Revenue Credit is defined as Monthly Maintenance Agreement x 12 months = Total Annual Revenue Credit. This revenue credit is not reflected in billing and is solely for Recognition and Monthly Annuity Qualifier.

For example, you sell a MNS Agreement for \$1,000 per month your Revenue Recognition for Annuity Qualifier is $\$1,000 \times 12 = \$12,000$ towards that months total revenue. Another example would be selling a copier Maintenance Agreement for \$125.00 x 12 = \$1,500 in Revenue Credit. The Revenue Credit is strictly to help Account Managers reach their monthly quota as assigned by your Sales Manager/ Vice President of Sales which in turn provides the Account Manager with 100% of their annuity or a percentage of annuity based on the percentage of quota they obtained for the month. This revenue credit does not help you qualify for Lease Bonus, only annuities.

Example: Old Way	
Equipment MFP	\$20,000
MA on Equipment	\$ 500
Equipment MNS	\$10,000
MA on MNS	<u>\$ 895</u>
Total	\$31,395
 $\$31,395 / 35,000 = 89\%$ Qualifier	

Example: New Way	
Equipment MFP	\$20,000
MA on Equipment	\$ 6,000
(\$500 x 12)	
Equipment MNS	\$10,000
MA on MNS	<u>\$10,740</u>
(\$895 x 12)	
Total	\$46,740
 $\$46,740 / 35,000 = 100\%$ Qualifier	

NOTE: Both plans only bill \$31,395 on monthly P & L.

Other Compensation

Account Managers may also qualify for other forms of compensation as they make sales to customers, such as:

- Sharp's Ultimate Rewards Program, Lexmark Rewards Program, Okidata Awards Program (independent, internet based debit card awards directly from Sharp and Lexmark, or check from Okidata),
- Special Transaction Bonuses (modified commissions for deals such as multiple unit placements, sales below the established Base price, transactions involving significant Company resources, or placements outside of the Company's authorized territory),
- Contests (such as the President's Club Incentive Trip).
- Compensation on supplies sold are available to territory Account Managers who sell supply items at Sales Book retail rates at the time of the original equipment sale to the customer. The standard 10% commission rate applies in these instances.

- **Management reserves the right to negotiate compensation on any deal, on a case-by-case basis, under special circumstances.**

Splits

Sales commission splits are allowed if both parties agree to the split, the split is documented on the sales deal paperwork and the commission is paid through the normal payroll process. A split results in a 50/50 division of all commissions and bonuses on that specific deal. Only the equipment commission is allowed to be split. Any annuities and quota recognition belong to the Territory Account Manager. If applicable, claimable Ever-Sharp points belong to the Territory Account Manager. **There are no side agreements allowed, and Sales Managers are excluded from Splits or Sales Leads.**

Disputes

If a dispute arises between Outside Sales Account Managers that cannot be resolved between them or the Sales Manager(s), the President and Vice President of Sales will have the final decision making authority in resolving the conflict.

Account Managers | SME Comp Breakdown

<u>Multifunctional Copiers</u>	<u>Compensation %</u>
Sharp Lexmark Okidata Epson Muratec	5%
Contract	10%
Gross Profit	25%/50%
 <u>Scanner Fax Printer</u>	
HP Panasonic Fujitsu	5%
Contract	10%
Gross Profit	25%/50%
 <u>Telephony</u>	
Samsung Hardware	5%
Software	5%
 <u>Managed Network Services</u>	
Network Hardware	5%
Software Licenses	5%
Assessment	5%
Contract—SME First Month Only	50%
Contract—Account Manager	10%
 <u>Document Management Solutions</u>	
DocuWare Drive Square 9 Software Solutions	5%
Software Warranty	5%
 Lease Bonus	2%

6.1.2018

PAYROLL

Commission Payment

Commissions are **earned** when a sale has been delivered, billed, cash has been received or the lease has been funded, AND the customer been trained. Upon termination, only **commissions earned less expenses necessary to complete the sale** will be paid to the terminated employee on the date of termination.

Sales transactions can be billed in two distinct time periods during the month: “the first half” (day 1 through day 15) and “the second half” (day 16 through the last day of the month). All paperwork must be in by 5:00 pm on the 15th or the last day of the month to qualify for billing in that time period. Equipment commissions for “first half” sales transactions are eligible for payment at the end of the month assuming Smile receives payment from the Customer or leasing company by the 25th while commissions for “second half” sales transactions are eligible for payment on the 15th of the following month, assuming Smile receives payment by the 10th. Annuities are paid on the 15th of the following month, if earned.

Commissions are eligible for payment only after Smile receives payment from the customer. All commissions paid are subject to charge backs in the event of non-payment, equipment returns, and other expenses incurred by Smile to complete the sale that are not billed to the customer.

All sales paperwork for a given month’s business is due by 5:00 pm on the last day of the month. Deals with incorrect or late paperwork will not be billed until the following month. Outside Sales Account Managers are not allowed to defer compensation or request additional advanced compensation in excess of the amount designated in their program.

Upon Separation from the Company, a list of final commissions due to the Outside Sales Account Manager will be agreed to with Sales Management. This agreement will be documented in writing and signed by both Sales Management and the Outside Sales Account Manager. All commissions due on termination will first be applied to outstanding commission chargebacks.

Expense Reimbursement

If an Outside Sales Account Manager has purchased something on behalf of the Company and had pre-approval from Sales Management to make the purchase, the Account Manager may submit an **Expense Reimbursement Form** (Exhibit J in the Appendix) and attach the original receipt to be reimbursed for the expenditure. No reimbursement will be made if the expenditure was not approved in advance or if there is no receipt to support the expenditure.

Chargeback’s

The Company reserves the right to chargeback Outside Sales Account Managers for costs specifically identified with a sale that were not originally taken into account in the computation of commission.

Equipment Moves

All equipment moves are subject to a minimum fee of \$150 per hour, which includes return trips to customer locations to pick up lease returns, trade-in's and equipment disposal. Account Managers who do not charge for moves will receive a chargeback against commission.

CREDIT & LEASING

General

Net Terms – All cash purchases for equipment are COD (cash on delivery) or CWO (cash with order). **With Senior Management and credit approval**, extended payment terms are available (e.g. net 10 days, net 30 days, 1/3,1/3,1/3 0/30/60 days). There may be interest charged to the Account Manager for extended payment terms. In all cases, for extended terms, a signed **Terms Agreement** (See Exhibit K in the appendix) and a current credit application on file are required. Purchases of service contracts and supplies for new and existing customers are all net 10 days with a credit application on file.

Chargeback – A Account Manager may receive a commission chargeback if these credit and leasing policies are not followed (e.g. an incorrect rate factor is used or Smile incurs additional costs not accounted for on the original commission sheet).

Lease Rates – Lease rates are published quarterly for all leasing programs. These rates are subject to change without notice. Promotional rates are valid for ninety (90) days unless otherwise specified on the promotion document. In the event of a typo on a lease rate sheet, the Company can only honor the true rate of the leasing company. In the event a typo is discovered, please direct it to the attention of the Leasing Manager and the Billing Manager **immediately**.

Leasing Used and Discontinued Machines – Leases involving used and discontinued machines will be required to use a \$1 purchase option rate. Depending on the age of the machine and/or the meter, a 36 month maximum term may be imposed. **Note: Pre-approval of rate and term is REQUIRED prior to presentation of any quotation to a customer.**

Funding Over Retail (aka the 125% Rule) – In most cases, leasing companies will approve a deal on new equipment (subject to the customer's credit worthiness) at their standard rates so long as the total funding (sales price of the equipment plus any buyouts) does not exceed 125% of published manufacturer's suggested retail price. If funding exceeds this amount, a blended rate WILL BE imposed by the leasing company. **Note: Pre-approval of rate and term is REQUIRED prior to presentation of any quotation to a customer.**

Credit Cards

In order for Smile to remain PCI Compliant, Smile cannot receive credit card information over email. Any credit card information that is taken down in writing for processing a customer's credit card must be shredded/destroyed immediately after one time use. Smile is not allowed to store any credit card information electronically in any document.

Therefore, credit card information should not be documented on any paper document that is intended to be retained.

Lease Types

Smile supports the following lease programs either on an ongoing basis or on a promotional basis:

- (1) **Single Invoice Program** – The Single Invoice Program is a program where a monthly equipment payment is combined with a monthly service contract to provide the customer with one monthly payment. The key elements of the Single Invoice Program are lease term, monthly copy volume (black and white and color separately), end of lease option, and value of equipment. Single Invoice Program has an annual payment escalator of 9%.

Example: Customer desires a Single Invoice with the following features:

CPC Agreement term:	60 months
Monthly copy volume:	10,000
Value of equipment:	\$10,000.00

Published Single Invoice (rate/payment)	x	.0222 = \$222.00
Published Smile monthly service (rate/payment for 10,000 copies/mo.):	x	.0144 = \$144.00
Smile Support Fee	=	<u>\$ 9.95</u>

Total monthly payment to customer:	\$375.95
Overage rate:	\$0.0144

Rules that apply to the Single Invoice Program are:

- ✓ Standard FMV rates may be used unless Customer desires a purchase option agreement (see management in these instances).
- ✓ The Smile **designated Single Invoice Program** service rates for the number of copies to be included as well as the overage used in the Single Invoice Program must be used.

- (2) **Straight Lease** – A straight lease involves a funding a sales transaction at the current street lease rate based on the total dollars to be funded, the lease term, down payment, and the end of lease option. There are three leasing company options for Straight Lease: **De Lage Landen (DLL)**, **Great America (GA)**, **US Bancorp (USB)** (To be used in trade-up to keep situations at FMV, 10% or \$1.00 buyout rates).

Example: Customer desires a lease with the following features:

Lease term:	60 months
End of lease option:	Fair Market Value
Down payment:	None

Equipment sales price:	\$10,000.00
Published Smile street rate:	<u>x .0233</u>

Monthly payment to customer:	\$ 233.00
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Straight leases are funded using the Company's preferred leasing vendor at the time. To request a leasing company other any than the preferred leasing vendor, a

“Non-sanctioned Leasing Company Request Form” is required to be submitted to billing administration.

Rules that apply to straight leases are:

- ✓ Funding over 125% of retail is allowed in most cases with a blended rate. For funding from 125% to 200% of retail, see your Order Processor for a blended rate.
- ✓ Only one year of maintenance funding is allowed.
- ✓ If the preferred lease vendor **does not** approve a lease application, Smile will submit the application to **only one alternative** lease vendor, after consultation with the Outside Sales Account Manager (rates and customer terms are subject to change).
- ✓ Promotional rates supersede published rates when launched and only during the term specified on the promo.

Lease Buyouts

When quoting lease buyouts, there are four (4) types:

- (1) **Return** - This buyout figure is used to pay off the balance of payments and requires that the machine be returned to the leasing company at the customer's expense. All costs related to a return will be borne by the Account Manager (remaining payments, shipping, etc.) if the customer is not billed for these expenses. The minimum commission sheet SCOG charge for a lease return is \$300.00 per machine. Depending on where the lease equipment is to be shipped, the actual cost may vary. If the actual shipping charges are greater than \$300.00, a charge-back commission adjustment will be made once Smile receives the official freight bill.
- (2) **Trade-up Return** - This buyout figure is used to pay off the balance of payments, requires that the machine be returned to the leasing company, and that the new lease be funded by the existing leasing company. Typically, a lower buyout figure is quoted by the leasing company in these instances. All costs related to a return will be borne by the Account Manager (remaining payments, shipping, etc.) if the customer is not billed for these expenses. The minimum commission sheet SCOG charge for a lease return is \$300.00 per machine. Depending on where the lease equipment is to be shipped, the actual cost may vary. If the actual shipping charges are greater than \$300.00, a charge-back commission adjustment will be made once Smile receives the official freight bill.
- (3) **Trade-up to Keep** - This buyout figure is used to pay off the balance of payments and to exercise the existing lease purchase option. The exclusive right to resell this trade in rests with the Account Manager for 90 days (from the date of pickup). After 90 days, the machine becomes a house rental. Using this Trade-up to Keep figure also requires the customer to finance a new machine with the existing leasing company.
- (4) **Buy-out** - This buyout figure is used to pay off the balance of payments and exercise the purchase option. In most instances, the customer will retain the machine or use it as a trade in. If the customer uses the machine as a trade in, the exclusive right to resell this trade in rests with the Account Manager for 90 days (from the date of pickup). After 90 days, the machine becomes a house rental. The customer is also free to use any financing company for a new lease (Smile leasing company rules still apply).

All buyout types are indicated on the Compass proposal template. The customer must initial the appropriate buyout/trade-in clause before Smile will payoff an existing lease or pick up a trade-in. Customers requesting buyout checks (Customer wishes to make the buyout themselves), will receive a buyout check payable directly to them from Smile.

Lease Bonus

A lease bonus is available to Account Managers that qualify. See “Compensation” section for details.

AUTO POLICY/ACCOUNT MANAGERS

Citations

The company is not responsible for any moving violation citation or parking citation incurred by an employee while on Company business. The employee must promptly pay for any citation they receive. All moving violations must be promptly reported to the Human Resources Department.

DMV Driving Record and Insurance

In positions where travel is a required or essential part of the job, each employee is expected to maintain, at all times, a valid driver's license and automobile insurance as required by the Company. All employees are required to present, on the first day of employment and annually thereafter (calendar year), a valid California or Nevada license, an original copy of their California or Nevada DMV driving record and a Certificate of Insurance. If the employee's license or insurance coverage changes, is or is about to be restricted, suspended, or revoked, it's the employee's responsibility to notify the Human Resources Department immediately. Failure to notify may be subject to disciplinary action up to and including termination of employment. No employee may drive a Company vehicle or their personal vehicle for Company business unless they have submitted an original copy of their driving record to the Human Resources Department.

Employees who are required to use their own vehicle regularly for company business must present on the first day of employment, proof of insurance with a required minimum coverage (250/500/100 or 300 combined single limit CSL) and a notice from their insurance carrier listing **Smile Business Products, Inc. 4525 Auburn Blvd. Sacramento, CA 95841 as an additional insured.**

Employees who are required to use their own vehicle occasionally for work must present, on the first day of employment, proof of insurance with a required minimum coverage (100/300/100) and a notice from their insurance carrier listing **Smile Business Products, Inc. 4525 Auburn Blvd. Sacramento, CA 95841 as an additional insured.** No employee may drive their personal vehicle for Company business unless they have the required insurance minimums (100/300/100) and have named the Company as an additional insured on their insurance policy for the aforementioned amount of insurance coverage.

End of Policies

EMPLOYEE ACKNOWLEDGEMENT AND ACCEPTANCE OF POLICIES

I, _____, acknowledge that I have received, read, and understand the Smile Sales Policies. I also understand that these policies are subject to change by Smile Management without notice at any time during my employment.

Signed: _____

Date: _____