



mersive
technologies inc

2018 Management Incentive Plan

March 22, 2018

Management Incentive Plan Overview

- ➔ The Mersive Technologies Management Incentive Plan (MIP) is an annual cash-based incentive compensation plan built to provide key management team members with incentive compensation related to performance on certain corporate metrics and personal objectives
 - Designed to align individual compensation with both individual and corporate performance on objectives important for driving sustainable growth
 - Rewards performance at attainable milestones above plan
 - Applies consistently across MIP-eligible employees
 - Calculated in 2018 based on three factors: (a) Invoiced Sales and Gross Contract Renewal¹, (b) EBITDA¹, and (c) Operating Cash Flow Less Capex¹
- ➔ The MIP bonus pool is determined by combining the target bonus amounts of MIP-eligible employees and multiplying that sum by the actual MIP corporate performance factor (i.e., the % relative to Target)
 - At Target, the MIP bonus pool is estimated to be \$485,500 (see breakout by team member on Slide 8)
- ➔ 2018 corporate metrics include Invoiced Sales and Gross Contract Renewal¹, EBITDA¹, and Operating Cash Flow Less Capex¹
 - The minimum bonus pool (25% of Target) is established upon achievement of Trigger thresholds for all corporate metrics
 - The target bonus pool is established upon achievement of Target thresholds for all corporate metrics
 - For performance between Trigger and Target thresholds, the bonus pool is calculated on a linear/straight line basis between 25% and 75%
 - For performance above Target until the Maximum threshold, the bonus pool expands up to 200% of target payout (estimated at \$971,000, or 2x the estimated Target bonus pool of \$485,500)
- ➔ The Mersive Technologies MIP will be self-funding and all payouts will be included in the calculation of corporate metrics

1. As per 2018 AOP

MIP Principles

- ➔ Corporate metrics are given a % weight based upon their impact within Mersive Technologies
- ➔ The amount of the bonus pool allocable to a MIP-eligible employee shall be determined by multiplying:
 - i. Target bonus for such employee
 - ii. **Corporate Performance Factor** (0-200%), equal to the weighted performance on each corporate metric
 - iii. **Personal Performance Factor** (0-200%), as determined by Mersive Technologies' CEO and CFO with input from the Mersive Technologies executive team
- ➔ The overall MIP bonus pool will be a fixed amount determined by multiplying:
 - i. Target bonus for all MIP participants
 - ii. Corporate Performance Factor (0-200%), equal to the weighted performance on each corporate metric
- ➔ Any individual bonus payout that exceeds the product of (i) the individual's target bonus and (ii) the Corporate Performance Factor must be offset by corresponding payout reductions for other MIP participants to avoid exceeding the fixed overall MIP bonus pool
- ➔ Bonus payouts will be approved by the Board, based on both corporate and individual performance
- ➔ Bonus payouts will be made following the end of the fiscal year and the completion of the audited financial statements
- ➔ Eligibility requirements:
 - Minimum 3 months employment, with proration based upon tenure if < 1 year of employment
 - Must be employed at time of payout

MIP Corporate Metrics

Corporate Metric	Metric Weight
[GAAP] Revenue Invoiced Sales and Gross Contract Renewal ¹	60%
[GAAP] EBITDA ¹	20%
[GAAP] Recurring Revenue Operating Cash Flow less Capex ¹	20%
TOTAL	100%

2019

[Unclear] Revenue

GAAP EBITDA

Recurring revenue – [GAAP] maintenance revenue

1. As per 2018 AOP

MIP Corporate Metric Objectives

	Invoiced Sales and Gross Contract Renewal ¹		EBITDA ¹		Operating Cash Flow less Capex ¹	
	Performance Threshold	% of Target Payout	Performance Threshold	% of Target Payout	Performance Threshold	% of Target Payout
Maximum	\$32.2m	200%	\$3.9m	200%	\$5.9m	200%
	\$31.3m	160%	\$3.4m	160%	\$5.2m	160%
Above Target	\$30.5m	130%	\$2.9m	130%	\$4.5m	130%
	\$29.6m	115%	\$2.4m	115%	\$3.9m	115%
	\$28.7m	105%	\$2.0m	105%	\$3.2m	105%
Target	\$27.9m	100%	\$1.5m	100%	\$2.5m	100%
Target - \$1	\$27.9m	75%	\$1.5m	75%	\$2.5m	75%
Trigger	\$25.1m	25%	\$1.4m	25%	\$2.3m	25%
Below Trigger	<\$25.1m	0%	<\$1.4m	0%	<\$2.3m	0%
No MIP bonus payout if the Company performs below the Trigger threshold for any corporate metric						

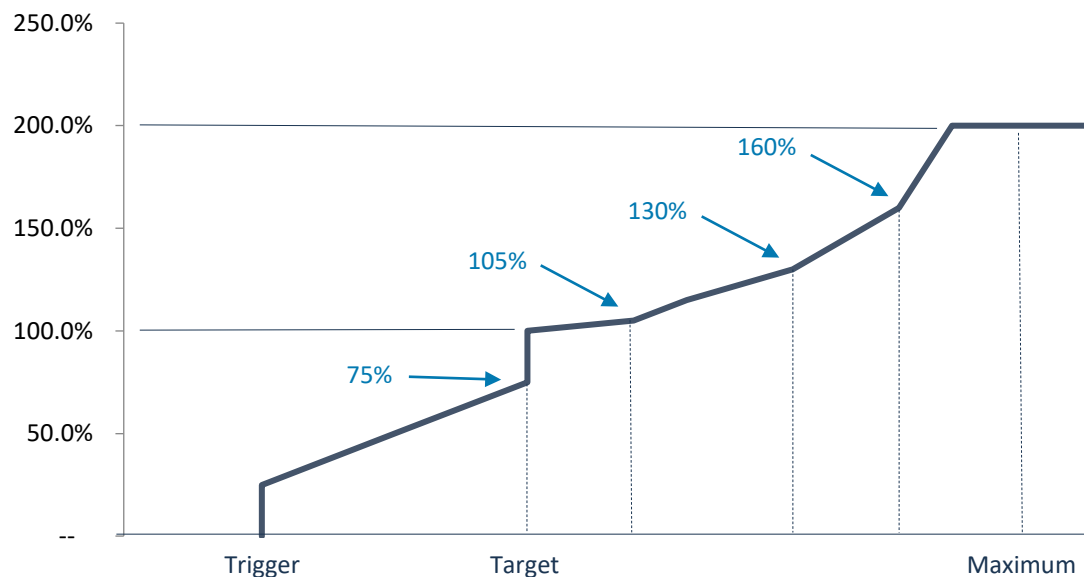
Payout above 100% of Target for any individual corporate metric requires that **all corporate metric Targets are met**

Payout between Trigger and Target thresholds scales linearly between 25% and 75%

Any bonus payout under the Management Incentive Plan requires that **all corporate metric Triggers are met**

1. As per 2018 AOP

MIP Bonus Payout Curve



- For each corporate metric:
 - A similar bonus payout curve is defined to incentivize achievement
 - The Trigger must be achieved to have a payment of 25% of Target for that metric
 - Performance above Trigger but below Target allows a bonus of up to 75% of Target for that metric
 - Payout jumps to 100% upon meeting Target for that metric
 - Payout is capped at 200% of Target
- The Trigger for all corporate metrics must be met to achieve any bonus payout
- The Target for all corporate metrics must be met to achieve a payout in excess of 100% for any individual corporate metric

MIP Considerations



→ Payout Thresholds

Minimum Company Invoiced Sales and Gross Contract Renewal¹ of \$25.1m (90% of Target), EBITDA¹ of \$1.4m (90% of Target) and Operating Cash Flow Less Capex¹ of \$2.3m (90% of Target) for any bonus to be paid

Minimum Company Invoiced Sales and Gross Contract Renewal¹ of \$27.9m (100% of Target), EBITDA¹ of \$1.5m (100% of Target) and Operating Cash Flow Less Capex¹ of \$2.5m (100% of Target) for any above-Target bonus to be paid

→ Payout timing

The Mersive Technologies MIP will be calculated and paid following the end of the calendar month during which the Company's audited financial statements for the relevant fiscal year are completed



Governance

The Mersive Technologies Board of Directors will approve all plans and all payouts and reserves the right to make appropriate discretionary adjustments (upward or downward) to the Targets, objectives, formulas and payments under the MIP in its sole and absolute discretion

1. As per 2018 AOP



MIP Participants

Name	Title	Base Salary	Target Bonus %	Target Bonus	Maximum Bonus
Rob Balgley	CEO	\$313,000	100.00%	\$313,500	\$626,000
Chris Jaynes	CTO, Founder	\$265,000	50.00%	\$132,500	\$265,000
Devin Burns	VP Finance & Operations	\$150,000	13.33%	\$20,000	\$40,000
Jon Burns	VP Product	\$170,000	11.76%	\$20,000	\$40,000
TOTAL		\$898,000		\$485,500	\$971,000

2018 Annual Operating Plan

2018 Invoiced Sales

2018 GROSS SALES FORECAST FOR QBRs

MARKET	AREA	Name	Hire Date	Annual Quota	Monthly Quota	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	FY 2018
NY NJ PA	Americas	Burt Feldman	4/21/2014	\$5,000,000	\$416,667	\$416,667	\$416,667	\$416,667	\$416,667	\$416,667	\$416,667	\$416,667	\$416,667	\$416,667	\$416,667	\$416,667	\$416,667	\$5,000,000
SE	Americas	Connie Bolt	4/16/2016	\$3,500,000	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$3,500,000
Mid-Atlantic	Americas	Joe Hoffman	9/18/2017	\$3,500,000	\$291,667	\$218,750	\$218,750	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$291,667	\$3,354,167
Mid-West	Americas	Ryan Shannon	1/1/2018	\$5,500,000	\$458,333	\$45,833	\$45,833	\$114,583	\$114,583	\$229,167	\$229,167	\$343,750	\$343,750	\$458,333	\$458,333	\$458,333	\$458,333	\$3,300,000
Westcoast	Americas	Kevin Hughes	4/16/2016	\$3,000,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$3,000,000
Direct				\$2,800,000	\$233,333	\$233,333	\$233,333	\$233,333	\$233,333	\$233,333	\$233,333	\$233,333	\$233,333	\$233,333	\$233,333	\$233,333	\$233,333	\$2,800,000
TOLA	Americas	Ali Nourouzinia	8/15/2016	\$2,000,000	\$166,667	\$166,667	\$166,667	\$166,667	\$166,667	\$166,667	\$166,667	\$166,667	\$166,667	\$166,667	\$166,667	\$166,667	\$166,667	\$2,000,000
EMEA ex	EMEA	Jeff Meyer	6/5/2017	\$1,700,000	\$141,667	\$141,667	\$141,667	\$141,667	\$141,667	\$141,667	\$141,667	\$141,667	\$141,667	\$141,667	\$141,667	\$141,667	\$141,667	\$1,700,000
APAC	APAC	Gark Tan	8/5/2014	\$1,525,000	\$127,083	\$127,083	\$127,083	\$127,083	\$127,083	\$127,083	\$127,083	\$127,083	\$127,083	\$127,083	\$127,083	\$127,083	\$127,083	\$1,525,000
E Canada	Americas	Real Desmarais	1/1/2018	\$2,000,000	\$166,667	\$16,667	\$16,667	\$41,667	\$41,667	\$83,333	\$83,333	\$125,000	\$125,000	\$166,667	\$166,667	\$166,667	\$166,667	\$1,200,000
Germany	EMEA	TBD	5/1/2018	\$2,000,000	\$166,667	\$0	\$0	\$0	\$0	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$141,667	\$166,667	\$166,667	\$1,100,000
France	EMEA	TBD	4/1/2018	\$2,000,000	\$166,667	\$0	\$0	\$0	\$41,667	\$83,333	\$125,000	\$125,000	\$125,000	\$125,000	\$141,667	\$166,667	\$166,667	\$1,100,000
UK	EMEA	TBD	4/1/2018	\$2,000,000	\$166,667	\$0	\$0	\$0	\$41,667	\$83,333	\$125,000	\$125,000	\$125,000	\$125,000	\$141,667	\$166,667	\$166,667	\$1,100,000
Boston	Americas	Existing run rate	1/1/2015	\$1,100,000	\$91,667	\$91,667	\$91,667	\$91,667	\$91,667	\$91,667	\$91,667	\$91,667	\$91,667	\$91,667	\$91,667	\$91,667	\$91,667	\$1,100,000
Replacement F	Americas	Replacement 1	6/1/2018	\$2,000,000	\$166,667	\$0	\$0	\$0	\$0	\$0	\$41,667	\$41,667	\$83,333	\$83,333	\$125,000	\$125,000	\$166,667	\$666,667
Seattle	Americas	TBD	5/1/2018	\$1,500,000	\$125,000	\$0	\$0	\$0	\$0	\$12,500	\$12,500	\$31,250	\$62,500	\$93,750	\$93,750	\$125,000	\$125,000	\$556,250
Replacement F	Americas	Replacement 2	9/1/2018	\$3,500,000	\$291,667	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$72,917	\$72,917	\$145,833	\$145,833	\$437,500
Boston	Americas	TBD	4/1/2018	\$650,000	\$54,167	\$0	\$0	\$0	\$13,542	\$13,542	\$27,083	\$27,083	\$40,625	\$40,625	\$54,167	\$54,167	\$54,167	\$325,000
China	APAC	TBD	7/1/2018	\$1,500,000	\$125,000	\$0	\$0	\$0	\$0	\$0	\$0	\$12,500	\$12,500	\$31,250	\$31,250	\$31,250	\$31,250	\$131,250
Korea	APAC	TBD	10/1/2018	\$1,500,000	\$125,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$31,250	\$31,250	\$31,250	\$93,750
Rocky Mtn	Americas	TBD	10/1/2018	\$1,000,000	\$83,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,333	\$8,333	\$20,833	\$37,500
South America	Americas	Richardo	1/1/2019	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
W Canada	Americas	TBD	1/1/2019	\$1,500,000	\$125,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Churn Region	Americas	Churn 1	1/0/1900	\$2,000,000	\$166,667	\$0	\$0	\$0	-\$166,667	-\$166,667	-\$166,667	-\$166,667	-\$166,667	-\$166,667	-\$166,667	-\$166,667	-\$166,667	-\$1,500,000
Churn Region	Americas	Churn 2	1/0/1900	\$3,500,000	\$291,667	\$0	\$0	\$0	\$0	\$0	\$0	-\$291,667	-\$291,667	-\$291,667	-\$291,667	-\$291,667	-\$291,667	-\$1,750,000
Churn / Miss	Americas			-\$1,454,000		-\$121,167	-\$121,167	-\$121,167	-\$121,167	-\$121,167	-\$121,167	-\$121,167	-\$121,167	-\$121,167	-\$121,167	-\$121,167	-\$121,167	-\$1,454,000
Churn / Miss	Americas	Churn 3		-\$2,800,000		-\$233,333	-\$233,333	-\$233,333	-\$233,333	-\$233,333	-\$233,333	-\$233,333	-\$233,333	-\$233,333	-\$233,333	-\$233,333	-\$233,333	-\$2,800,000
TOTAL INVOICED SALES						\$1,645,500	\$1,645,500	\$1,812,167	\$1,742,375	\$2,119,458	\$2,258,000	\$2,153,833	\$2,240,292	\$2,500,708	\$2,664,250	\$2,843,417	\$2,897,583	\$26,523,083
Assumed maintenance deferral percentage						17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	
Deferred revenue (invoiced)						(279,735)	(279,735)	(308,068)	(296,204)	(360,308)	(383,860)	(366,152)	(380,850)	(425,120)	(452,923)	(483,381)	(492,589)	(4,508,924)
GAAP revenue pre amortization of deferred revenue						\$1,365,765	\$1,365,765	\$1,504,098	\$1,446,171	\$1,759,150	\$1,874,140	\$1,787,682	\$1,859,442	\$2,075,588	\$2,211,328	\$2,360,036	\$2,404,994	\$22,014,159
Revenue recognized from 12/31/17 maintenance contracts						-	77,000	77,000	77,000	77,000	77,000	77,000	77,000	77,000	77,000	77,000	77,000	\$847,000
Revenue recognized from new pod sales in 2018						-	23,311	46,623	72,295	96,979	127,004	158,993	189,505	221,243	256,669	294,413	334,695	\$1,821,728
Revenue recognized from renewed maintenance contracts expiring in 2018						-	2,051	4,247	6,853	9,302	12,485	17,282	20,742	27,246	32,239	43,856	49,887	\$226,191
GAAP revenue						\$1,365,765	\$1,468,128	\$1,631,967	\$1,602,319	\$1,942,431	\$2,090,630	\$2,040,957	\$2,146,689	\$2,401,076	\$2,577,236	\$2,775,305	\$2,866,575	\$24,909,078

2018 Gross Contract Renewal

Deferred Revenue Recognition	Units with Contracts Expiring	Gross Value of Contracts Expiring	Gross Value of Contracts Renewing
Renewal of Maintenance Contracts Expiring in 2018			
Jan-18	928	\$164	\$49
Feb-18	993	\$176	\$53
Mar-18	1,179	\$209	\$63
Apr-18	1,108	\$196	\$59
May-18	1,440	\$255	\$76
Jun-18	2,170	\$384	\$115
Jul-18	1,565	\$277	\$83
Aug-18	2,942	\$520	\$156
Sep-18	2,259	\$399	\$120
Oct-18	5,255	\$929	\$279
Nov-18	2,728	\$482	\$145
Dec-18	3,288	\$581	\$174
			\$1,372

2018 Profit and Loss

	Act Jan-18	Estimate Feb-18	Estimate Mar-18	Estimate Apr-18	Estimate May-18	Estimate Jun-18	Estimate Jul-18	Estimate Aug-18	Estimate Sep-18	Estimate Oct-18	Estimate Nov-18	Estimate Dec-18	Act 2017	Estimate 1Q2018	Estimate 2Q2018	Estimate 3Q2018	Estimate 4Q2018	Estimate 2018	Variance
P&L																			
Invoiced Pod Sales (incl. Free Maintenance)	1,800	1,646	1,812	1,742	2,119	2,258	2,154	2,240	2,501	2,664	2,843	2,898	16,622	5,258	6,120	6,895	8,405	26,678	10,055
Maintenance Renewal (Cash Basis)	-	53	63	59	76	115	83	156	120	279	145	174	2,319	115	250	359	598	1,322	(996)
Total Cash Sales	1,800	1,698	1,875	1,801	2,196	2,373	2,237	2,396	2,621	2,943	2,988	3,072	18,941	5,373	6,370	7,254	9,003	28,000	9,059
Net Sales	1,912	1,468	1,632	1,602	1,942	2,091	2,041	2,147	2,401	2,577	2,775	2,867	17,230	5,012	5,635	6,589	8,219	25,456	8,226
COGS	325	341	375	361	439	467	446	464	518	551	589	600	91.0% 3,465	1,040	1,267	1,427	1,740	90.9% 5,474	2,008
Gross Profit	1,588	1,128	1,257	1,242	1,504	1,623	1,595	1,683	1,883	2,026	2,187	2,267	13,764	3,972	4,369	5,162	6,479	19,982	6,218
Gross Margin - Invoiced Sales	82.0%	79.3%	79.3%	79.3%	79.3%	79.3%	79.3%	79.3%	79.3%	79.3%	79.3%	79.3%	79.2%	80.2%	79.3%	79.3%	79.3%	79.5%	0.3%
Gross Margin - GAAP Sales	83.0%	76.8%	77.0%	77.5%	77.4%	77.6%	78.2%	78.4%	78.4%	78.6%	78.8%	79.1%	79.9%	79.2%	77.5%	78.3%	78.8%	78.5%	-1.4%
R&D	323	342	342	448	498	448	524	524	524	554	554	554	2,775	1,007	1,394	1,572	1,663	5,635	2,860
Sales	462	348	351	489	502	503	616	622	623	715	715	717	2,902	1,161	1,494	1,861	2,146	6,662	3,760
Marketing	-	284	200	129	122	265	164	167	167	229	173	163	893	484	516	498	566	2,064	1,171
G&A	239	277	318	324	354	350	369	370	362	377	373	392	2,341	834	1,028	1,102	1,141	4,104	1,763
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Opex	1,024	1,251	1,210	1,389	1,476	1,566	1,673	1,684	1,676	1,875	1,815	1,826	8,911	3,485	4,431	5,033	5,516	18,465	9,554
Reported EBITDA	564	(123)	47	(148)	28	58	(78)	(1)	207	151	372	440	4,853	487	(62)	128	963	1,517	(3,336)
EBITDA Margin	29.5%	-8.4%	2.9%	-9.2%	1.4%	2.8%	-3.8%	0.0%	8.6%	5.9%	13.4%	15.4%	28.2%	9.7%	-1.1%	1.9%	11.7%	6.0%	-22.2%

2018 Cash Flow

	Actual 1Q2017	Act 2Q2017	Act 3Q2017	Act 4Q2017	Act 2017	Estimate 1Q2018	Estimate 2Q2018	Estimate 3Q2018	Estimate 4Q2018	Estimate 2018	Variance
Cash flow from operations											
Net Income (Loss)	(24)	676	1,535	2,378	4,564	(537)	(1,159)	(932)	(97)	(2,725)	(7,289)
Depreciation, amortization and other	3	3	3	2	11	840	855	859	859	3,413	3,402
Capitalized fees & expenses	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-
Non-cash interest expense	-	-	-	-	-	-	-	-	-	-	-
Non-cash dividends	-	-	-	-	-	-	-	-	-	-	-
Deferred income tax	-	-	-	-	-	-	-	-	-	-	-
<i>Change in operating assets and liabilities:</i>											
Accounts receivable	(1)	(1,009)	(208)	(483)	(1,701)	529	(826)	(398)	(497)	(1,192)	509
Inventory	(0)	(700)	(473)	318	(856)	(619)	(193)	(137)	176	(772)	84
Prepaid expenses and other current assets	0	-	-	-	0	407	(76)	(151)	(552)	(371)	(371)
Accounts payable	157	325	66	(223)	325	(584)	70	34	42	(438)	(763)
Accrued expenses	-	-	-	-	-	453	-	-	-	453	453
Accrued bonus	-	-	-	-	-	134	133	133	133	532	532
Accrued income taxes	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	473	735	665	784	2,657	2,657
Other current assets	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	264	294	252	239	1,048	1,048
Other cash flow from operations	526	302	582	(52)	1,358	204	-	-	-	204	(1,154)
Total Cash Flow from Operations	661	(404)	1,505	1,940	3,701	1,564	(166)	325	1,087	2,810	(892)
Cash flow from investing											
Additions to property, plant and equipment	(14)	(36)	(24)	(58)	(133)	(92)	(180)	(11)	(22)	(305)	(172)
Acquisitions of companies, net of cash acquired	-	-	-	-	-	-	-	-	-	-	-
Investment in intangibles	-	-	-	-	-	-	-	-	-	-	-
Earnout payments/Transaction Expense	-	-	-	-	-	-	-	-	-	-	-
Other cash flow from investing (goodwill)	-	-	-	-	-	-	-	-	-	-	-
Total Cash Flow from Investing	(14)	(36)	(24)	(58)	(133)	(92)	(180)	(11)	(22)	(305)	(172)
Cash flow from financing											
Proceeds from the issuance of short-term debt	-	-	-	-	-	-	-	-	-	-	-
Proceeds from the issuance of debt	-	1	-	244	245	-	-	-	-	-	(245)
Repayment of debt	-	-	-	-	-	-	-	-	-	-	-
Capital lease	-	-	-	-	-	-	-	-	-	-	-
Common stock issued (repurchased)	-	-	-	-	-	-	-	-	-	-	-
Common stock cash dividends paid	-	-	-	-	-	-	-	-	-	-	-
Preferred stock issued (repurchased)	-	-	-	-	-	-	-	-	-	-	-
Other cash flow from financing costs	-	-	-	(2,290)	(2,290)	-	-	-	-	-	2,290
Total Cash Flow from Financing	-	1	-	(2,046)	(2,045)	-	-	-	-	-	2,045
Effect of FX rates on cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-
Net change in cash	646	(439)	1,480	(164)	1,524	1,471	(346)	314	1,065	2,504	981
Beginning cash	1,002	1,648	1,209	2,690	1,002	2,526	3,997	3,650	3,965	2,525	1,523
Change in cash	646	(439)	1,480	(164)	1,524	1,471	(346)	314	1,065	2,504	981
Ending cash	1,648	1,209	2,690	2,526	2,526	3,997	3,650	3,965	5,030	5,029	2,503



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