



November 10, 2016

To: Tiannan Yang

**Subject: 2016 Third Quarter Bonus**

Dear Tiannan,

We are pleased to announce that bonus payments are planned for Friday, November 18<sup>th</sup> to recognize third quarter 2016 performance. We're also pleased to report that we performed well against our third quarter financial plans, and as a result, the bonus pool will fully fund again this quarter. As a company, we executed not only in financial terms, but continued to make significant strides against many of our strategic initiatives. Here are a few highlights worth noting:

- We've now sold over \$43B in commercial and residential real estate in our history
- GMV (total transaction value) is up 13% YTD vs. 2015
- Auction.com's Q2 and Q3 were its highest two quarters in its history in terms of GMV
- Ten-X revenue is tracking slightly below plan for FY2016, but still above prior year, and EBITDA (profitability) is expected to be above plan
- Our site metrics are extremely healthy...compared to prior year, our Q3-16 unique visitors were up 8%, page views were up 16%, and new account creations were up 32%
- We continue to invest in our growth businesses (Ten-X Homes and Commercial Owners), self-funding these efforts from the continued profitability of Auction.com and the Commercial Big 2

As we've communicated, the corporate bonus plan has been designed in a way that we hope motivates employees to focus their efforts and energy on activities that will achieve specific company goals, and believe that the quarterly payouts are an effective way of helping the company achieve its most critical objectives in a timely manner. Like we've done in prior quarters, we've included a one-page summary that explains the two foundational elements of the corporate bonus plan – funding and payout. The next page tackles both elements, and includes examples illustrating the funding and payout processes at work.

Based on our Q3-16 performance, and subject to the terms and conditions of the Incentive Compensation Plan, we are pleased to award to you a Q3-16 bonus in the amount of \$1,969.88, less applicable payroll taxes and 401(k) deductions if you are enrolled in our retirement plan. This reflects a payout of 85% against your Q3-16 quarterly target bonus amount of \$2,317.50. I want to personally thank you for the contributions you made during the last quarter and look forward to building on this success throughout the rest of the 2016 calendar year and beyond.

Sincerely,

A handwritten signature in black ink that reads "Timothy R. Morse". The signature is stylized, with the first and last names being more prominent than the middle initial.

Tim Morse, Chief Executive Officer



### **BONUS POOL FUNDING**

Participants in the corporate bonus program are eligible for a preliminary target bonus amount that is derived by multiplying their quarterly base salary by their target bonus percent. This preliminary target bonus amount is then split into two components, one individual and one company, with the weighting of each component dependent on the employee's level in the management hierarchy. Modifiers, as described below, may be applied to both components to derive the final bonus pool from which actual payouts are made.

The portion of the funds dedicated to individual performance are deposited into the pool regardless of how the company performs during the quarter – this portion of the funding recognizes the contributions made by employees during the quarter.

The portion of the funds dedicated to company performance are based on Ten-X's quarterly financial results – this portion of the funding ties employee rewards to overall company performance (both favorable and unfavorable). The total amount of funds deposited based on individual and company performance make up the final bonus pool, from which managers can recommend discretionary payouts based on employee performance.

### **ACTUAL BONUS PAYOUT**

Once funding of the bonus pool has been determined as described above, we move to the second step in the process – individual bonus payments. This phase is separate and distinct from the funding phase, and the individual bonus recommendations set forth by Ten-X's managers are entirely discretionary. Each manager evaluates his/her eligible employees on the basis of their performance during the prior quarter. Items such as achievement of goals & OKR's, quality of work, completion of special projects, etc. may all factor into a manager's decision regarding how much of his/her bonus pool to allocate to each eligible employee. The intent is to create a "pay-for-performance" environment, resulting in a meaningful distribution of our overall pool and ensuring that our very best performers are rewarded. All recommended bonus payout amounts are aggregated and measured against the final bonus pool, prior to submitting for executive level approval.

Corporate Bonus Plan Funding & Payout Examples			
	Example One:		Example Two:
Base Salary	\$70,000		\$70,000
Bonus Target (%)	10%		10%
Annual Bonus Target (\$)	\$7,000		\$7,000
<div><div><p>Company/Individual Funding Split (Split based on position level in the organization) (Individual component funds at 100%) (Company component funds based on financials)</p></div><div><p>Company/Individual Funding Split (Split based on position level in the organization) (Individual component funds at 100%) (Company component funds based on financials)</p></div></div>			
Quarterly Bonus Target:	<div><div>\$1,750</div><div><div>COMPANY</div><div>25%</div><div>\$438</div></div><div><div>INDIVIDUAL</div><div>75%</div><div>\$1,313</div></div></div>		<div><div>\$1,750</div><div><div>COMPANY</div><div>25%</div><div>\$438</div></div><div><div>INDIVIDUAL</div><div>75%</div><div>\$1,313</div></div></div>
Company Performance Modifier:	<div><div>100%</div><div>\$438</div><div>\$1,313</div></div>		<div><div>75%</div><div>\$328</div><div>\$1,313</div></div>
Bonus Target Potential:	<div><div>\$1,750</div></div>		<div><div>\$1,641</div></div>
Manager Discretionary Modifier:	85%		100%
Actual Bonus Payout:	\$1,488		\$1,641
Percent Payout Against Target:	85%		94%
Actual bonus payout is discretionary and is dependent upon your managers individual performance evaluation.			