

FINANCIAL SERVICES MANAGER COMPENSATION PROGRAM

CHULA VISTA FORD

VEHICLE SALESPERSON: EE Name DATE: July 10, 2023

DEALERSHIP: Chula Vista Ford REPORTS TO: Sales & Finance Director

This "Pay Plan" describes the terms and conditions by which your compensation as a Financial Services Manager at Chula Vista Kia shall be earned and calculated. It supersedes any and all prior written or oral compensation agreements, arrangements, or representations regarding your compensation.

INTRODUCTION:

This Pay Plan lays out the general terms by which you will be eligible for compensation as a Financial Services Manager at Chula Vista Kia. Under this Pay Plan, you will receive a Base Allocation to compensate you for Non-Sales Activities plus commissions. Generally, the commissions shall be determined based upon a percentage of the Commissionable F&I Gross Profit produced by your sales of Aftermarket Products and finance and lease reserve included within the deal, subject to certain adjustments for customer satisfaction performance or other factors. The amounts and rates of potential compensation (commissions, draws, bonuses and other compensation) will be established by the General Manager, and they are incorporated as part of this pay plan. These rates and compensation amounts can vary from time to time, therefore, you should confer with your General Manager for the rates and amounts applicable for a given time period.

JOB DUTIES:

As a Financial Services Manager, your duties and job requirements naturally require you to spend your time predominantly in sales activity. You are responsible for selling aftermarket products to retail customers. You are expected and required to perform sales activity and will be evaluated on your individual sales productivity and customer satisfaction. Under this pay plan, you will be paid commissions based on a percentage of sales generated by you, less adjustments. The commission provides you with the opportunity to earn compensation above the minimum wage rate applicable to your job classification, whether by commissions or separate compensation. Your commission is incentive-based compensation (enabling you to earn increased compensation depending on your sales performance).

PAY CYCLE:

You are on a Monthly Pay Plan. You will be paid a \$2,000.00 draw against commissions to be paid the 10th and the 25th of each month. Balance to be paid on the 15th of each month for commissions/bonuses earned from prior month less draws. (unless the 10th, 15th or 25th falls on a weekend or holiday, See Employee Handbook for exceptions).

DEFINITIONS:

Ford. The term "Ford" as used in this pay plan refers to Chula Vista Ford.

Kia. The term "Kia" as used in this pay plans refers to Chula Vista Kia.

Aftermarket Products. The term Aftermarket Products refers to all aftermarket "Non-Cancellable Products" and "Cancellable Products" sold by the Financial Services Manager. Non-Cancellable Products include all aftermarket "hard adds" sold by the Financial Services Manager including but not limited to fabric and paint protection items, alarms and theft deterrent systems (e.g. Finishing Touch, Swat), and other sealants, products and accessories that are physically installed or applied to a vehicle, and as such not generally cancellable by the buyer. Cancellable Products include all aftermarket insurance and warranty coverage products sold by the Financial Services Manager, including but not limited to gap coverage, excess wear and tear coverage, maintenance agreements, and extended service plans ("ESPs"), and any other vehicle service agreements and products that may be cancelled at the election of the buyer.

Service Contracts. The term Service Contract refers to extended service plans, maintenance plans, and other vehicle service agreements.

Employee Initials _____
Rev. 01.01.21

DAG0147

Commissionable F&I Gross Profit. Commissionable F&I Gross Profit represents the aggregate selling price of all Aftermarket Products plus Finance & Lease Reserve (defined below), as applicable minus (1) the specific Dealership's stated value of the product from the supplier, vendor or distributor, whether or not associated with the Dealership or its affiliates ("Base Value") which may not be the ultimate net cost from the supplier, vendor or distributor whether or not associated with the Dealership; (2) costs related to commitments made by the Dealership to the customer at the time of the sale for additional equipment, accessories or alterations or repairs; (3) bank and finance company fees; (4) management fees; (5) the cost to install dealer-installed aftermarket products; (6) good-will adjustments; (7) compensation to personnel who split commissions on the Closed Sale; (8) any chargebacks or adjustments; and (9) any applicable fixed Non-Commissionable Reserves (defined below). The Commissionable F&I Gross Profit amounts are net amounts. Commissionable F&I Gross Profit is not a statement or representation of actual revenues or profits on transactions and is not necessarily calculated based on Generally Accepted Accounting Principles (GAAP).

Subject to validation for accuracy by the Dealership, the Commissionable F&I Gross Profit for purposes of computing your compensation is found on the final deal "Recap Sheet" prepared by the Financial Services Department.

Finance & Lease Reserve. Finance & Lease Reserve is generally calculated as a percentage of the amount paid to the Dealership by the lender at the time of the sale based on the difference in the "buy interest rate" and the "sale interest rate." For the purposes of this Pay Plan, the term "sale" also includes lease transactions. The buy interest rate is the interest rate charged by the lender for the loan. The sale interest rate is the interest rate charged to the customer on the contract and is used to calculate the customer's payments. The Dealership only receives a portion of the total difference in interest rates because the lender advances the dealer reserve amount at the start of the loan and yet must wait for the stream of payments to be repaid. In addition, the loans will frequently be paid off early, depriving the lender of the full amount of interest. A second way that a Dealership is paid an amount for reserve from the lender is when the buy interest rate and the sale interest rate are the same (*i.e.*, a "buy rate deal") and the lender agrees to pay a flat fee, the amount of which will vary between lenders. A third way that a Dealership is paid an amount for reserve from the lender is when the buy interest rate and the sale interest rate are the same and the lender agrees to pay a percentage of the total amount financed. This is much less common and only offered by a few banks. The amount of Finance Reserve on a Closed Sale of the Associate is available for review by the Associate upon request to the Accounting Office, sales management and/or the General Manager.

Earned Commissions. The Financial Services Manager must be a current, full-time employee at the time a vehicle or Aftermarket Product becomes a "Closed Sale" in order to "earn" a commission on a sale or lease. A vehicle or product is a "Closed Sale" when it has (a) been delivered, there has been a "report of sale" and the customer is in receipt of the vehicle; and (b) the sale has been "fully funded," regardless of the work done or the fact that the Financial Services Manager was employed when the product was sold, when the order was taken, or when the vehicle was delivered. A sale is considered "fully funded" when the customer has paid the sales price in full and/or when the Dealership has received all funds from the lending or financial institution. No commissions, bonuses, or unit credits will be earned on any deal until the transaction is a "Closed Sale."

Split Commission. A split commission occurs when two or more salespeople are involved in the sale or lease of a vehicle and management decides to split the commission and unit credit between two or more salespeople. Management reserves the right to determine who receives credit for the deal, and to also split all relevant commissions and unit credits by any percentages it deems appropriate. Management shall also have sole discretion as to what amount, if any, credit should be utilized for the calculation of bonuses. Any disputes regarding the commission and/or bonus credit will be settled by the General Manager, and the decision of the General Manager shall be final.

COMPENSATION ELEMENTS:

- Element 1: Base Commission Compensation (Monthly)
Your Commission will be equal to 5.0% (the "Base Percentage") of the Commissionable F&I Gross Profit produced by your current-month Closed Sales.

Again, commissions are paid on a monthly basis and are subject to certain adjustments as further described in this pay plan. Further, your commissions are not deemed earned based on the point of sale only, but require the satisfaction of a number of conditions and pre-requisites while employed in order to be a deemed an Earned Commission (as defined above). Your total level of commission compensation is not guaranteed.

- Element 2: Bonus Commission Compensation
The Dealership may use discretionary and non-discretionary bonuses to award on-going performance based upon a variety of important factors. The terms and conditions for such bonuses will be provided to you in writing from time to time by the General Manager, which may vary according to the circumstances. Bonuses require employment for a

designated period of time, or on the bonus payout date, as a condition precedent to earning them, regardless of the measuring period, other performance requirements, or the use of or reference to objective criteria in determining the amount of the bonus.

The following Bonus Commission opportunities are currently in place, though these bonus opportunities, eligibility requirements, and bonus amounts, may be changed at any time.

» Element 2A: PVR Bonus – Closed Sales (Monthly)

Your PVR bonus percentage will vary from month to month based on your actual PVR derived from Memumax current month report.

PVR - KIA			
\$1500-\$1699	\$1,700-\$1,899	\$1,900-\$2,199	\$2200+
2.5%	3.0%	3.5%	4.0%

» Element 2B: Service Contract Bonus – Closed Sales (Monthly)

Your Service Contract bonus percentage will vary from month to month based on your actual Contract penetration percentage derived from Memumax current month report.

**Service Contracts	
40% - 49%	1.0%
50% - 59%	2.0%
60% +	3.0%

» Element 2C: Theft Sealant Bonus – Closed Sales (Monthly)

Your Theft Sealant bonus percentage will vary from month to month based on your actual Theft Sealant penetration percentage derived from Memumax current month report.

Theft - Sealant	
40% - 54%	1.0%
55% - 69%	2.0%
70% +	3.0%

» Element 2D: Contracts In Transit – Closed Sales (Monthly)

You will earn **1%** bonus if your Contracts In Transit is equal to or less than 10 days to fund determined by vehicle delivery date (RS) vs funding notice.

» Element 2E Business Days to Office – Closed Sales (Monthly)

You will be penalized .05% (-) if your deals to Business Days to Office are equal to or greater than 5 days.

» Element 2F Kick Deal Rate – Closed Sales (Monthly)

You will be penalized .05% (-) if your deals to Business Days to Office are equal to or greater than 10% kick back/return for compliance errors.

» Element 2G Customer Service Index Penalty (KSI)– Closed Sales (Monthly)

You will be penalized 1.0% (-) if Chula Vista Kia customer satisfaction (KSI) is below district reported by the manufacture.

» Element 2H: Big Hitter – Closed Sales (Monthly)

You will earn **1%** Big Hitter bonus if you all of the following; PVR Bonus is equal to 4%, Service Contract Bonus is equal to 3%, Theft Sealant Bonus is equal to 3%, Days to Office is equal to 0%, and Kick Deal Penalty is equal to 0%.

» Element 2I: Maintenance Contracts – Closed Sales (Monthly)

You will earn **\$25.00** for each maintenance contract sold during the month.

▪ **Element 4: Draw Payment (Semi-Monthly)**

You will receive a **\$2,000.00** taxable midmonth draw for your anticipated commission earnings.

The draw is only an advance on potential earnings. Although draws are paid against your commissions, this is not a salary, nor is it a guarantee that any specific level of compensation will be attained under this Pay Plan. Draws may be recovered from future commissions so long as minimum compensation levels are satisfied for the pay period when reconciliation or settlement occurs.

- » **Recovery of Draws:** Employer expects the Financial Services Manager to earn commissions that exceed the draw paid each month. Any commission-paid employee who fails to meet performance expectations could be subject to disciplinary action up to and including termination of employment. If you do not earn sufficient commissions to cover your draws or advances at the time of reconciliation, you will not be deemed to have earned additional commissions until your commissions have covered your draws. In other words, your commissions are deemed earned and payable only to the extent that your commissions exceed previous draws. Should you leave employment without earning commissions sufficient to cover the draws you were paid, you will owe the Dealership the amount of such draws, after the statutory minimum or legally required compensation owed by the Dealership has been satisfied.
- » **Settlement/Reconciliation:** Commissions are reconciled on a monthly basis. On the 15th of the calendar month (or next workday if the 15th falls on a weekend or holiday) following the end of each pay period (i.e., the prior month), settlement payment is made for actual or estimated net commissions earned (or to satisfy statutory minimum or legally required compensation levels if applicable) with the draw being deducted from total net earnings for the pay period (generally after payroll tax and other applicable deductions).

▪ **Element 5: Overtime Compensation (Monthly, if applicable)**

Your eligibility for overtime will depend on the level and proportion of your compensation attributed to commission earnings for the month. Productive employees generally will be exempt from overtime as commissioned salespersons.

- » **Overtime Exemption Eligibility:** If your actual commission earnings are more than 50% of your total earnings and your effective ("regular") hourly rate from your total compensation (base allocation + commissions + bonuses) exceeds 1.5 times the state minimum wage (currently \$15.00 x 1.5 = \$22.50 per hour), you will be exempt from (or not eligible for) overtime compensation for that pay period. If overtime applies, you will be paid overtime as follows:
- » **When Overtime is Paid:** If you are eligible for overtime, overtime will be paid for all hours worked over 8 in a day, 40 in a week, and for the first 8 hours worked on the 7th consecutive day of work in the work week. Double time is paid for all hours worked over 12 in a work day, or all hours worked over 8 on the 7th consecutive day of work in a work week.
- » **Overtime Scheduling:** As stated above, all overtime worked must be approved by your supervisor in advance. Failure to obtain approval to work overtime may result in discipline up to and including discharge.

MINIMUM PERFORMANCE STANDARDS:

You are required to generate sufficient sales to satisfy any and all minimum production quotas and CSI levels established by the Dealership in its sole discretion. Your failure to perform at satisfactory performance levels in the categories determined by the General Manager could result in disciplinary action up to and including termination of employment.

ADVANCES AGAINST COMMISSIONS:

All commission or incentive payments may be treated as estimates or advances against the actual Earned Commissions or Bonuses, and to that extent, may be treated as loans which can be deducted from any future payment of Earned Commission wages and/or any spiffs/bonuses to the extent of any overpayment of your commissions and spiffs/bonuses prior to the payment of same. You acknowledge that such advances are for your benefit, and you authorize such deductions. Any overpaid commissions or advances must be repaid upon your separation from the Dealership and you hereby authorize such deduction from any pay or benefits (including vacation) you have coming. If you are terminated, voluntarily or involuntarily, prior to month end, you are only entitled to be paid for the hours you actually worked pursuant to the federal and state minimum wage requirements, taking into account any actual Earned Commissions and bonuses you may have earned.

ADJUSTMENTS:

You agree that the Earned Commissions and Bonuses may be adjusted at any time, (1) to correct any error in the calculation, whether that error is the result of miscalculations by the Company, the Employee, any Sales Manager or any other person; (2) if any sale or lease is subsequently determined not to have been a Closed Sale, (3) if a Closed Sale is rescinded, reversed, rolled back or otherwise unwound for any reason (e.g., a returned product, policy adjustment or cancelled warranty) within 180 days of the payment of the Commission for such Closed Sale; (4) if there are any finance and insurance related returns and/or charge backs including, but not limited to, prepaid loans and warranty cancellations, or (5) customer receivables not collected (including, but not limited to, down payments, drive-off fees, insurance coverage, or penalties on trade in). You also agree that any overpayment of your wages on account of an error in timekeeping or pay calculation may be adjusted so long as you receive at least the minimum wage for each pay period as provided herein. Any such adjustment that results in decreased Earned Commissions or compensation will be treated as an advance, as described herein. Any such adjustment that results in an increased Earned Commission or compensation will be paid at the next payday.

WORKDAY, WORKWEEK, & PAY PERIOD:

You are on a Monthly Pay Plan. For the purpose of computing compensation under this Pay Plan, the “workday” is the 24-hour period ending at 12:00 midnight; the “workweek” begins on Monday at 12:00 a.m. and ends at midnight (end of) Sunday. On the 25th of each month, you will receive your draw for the period from the 1st day through the 15th day of the current month. On the 10th of each month, you will receive your draw due for the period from the 16th day through the last day of the prior month. Earned Commissions and bonuses, if any, are paid on the 15th of the month for the prior month. The applicability of the overtime exemption will also be determined based upon the prior month’s total compensation on the payroll processed on the 10th of the month. These pay dates are subject to modification for weekends and holidays as further described in the Employee Handbook.

FACTORY & VENDOR INCENTIVE PROGRAMS:

From time to time, you may be eligible to participate in factory-sponsored or vendor-sponsored sales incentive programs. Your eligibility to participate in these programs, or receive associated bonuses, pulls, spiffs, incentive trips, or other incentives, will be determined in accordance with the rules governing the program. Your participation in such programs is voluntary, and you are not required to accept the bonuses, pulls, spiffs, incentive trips, or other incentives offered by such programs. However, if you participate and accept such bonuses, pulls, spiffs, incentive trips, or other incentives, you are solely responsible for all taxes associated with same. Furthermore, optional factory sponsored and/or vendor sponsored trips or travel that you voluntarily attend will be deducted from your accrued vacation.

TIMEKEEPING, REST BREAKS, & MEAL PERIODS:

Because of state and federal timekeeping requirements, you are responsible for keeping accurate time records, including recording each day when you (1) start and end work, and (2) when you start and end your meal periods. Your compensation cannot be correct unless your working time is properly recorded. Meal periods should be at least 30 uninterrupted and duty free minutes, to commence before working more than 5 hours each day for the first meal period, and 10 hours each day for the second meal period. Certain exceptions to the meal period rules exist based on the number of hours worked and/or the nature of an employee’s duties, but such exceptions are uncommon.

Unless an on-duty meal period is approved in writing, you are relieved of all duty and not expected to respond to work-related telephone calls or other communications (email, text messages, etc.) during meal breaks, and are not to perform work of any kind during a meal break. You are permitted to leave Company premises during meal breaks. You will be notified by the General Manager of the length of your meal periods if they are greater than 30 minutes. In no circumstances will they be less than 30 minutes.

Rest breaks are included as hours worked, so employees are not required to document on their time records the time they take for rest periods (10 minutes for each 4 hours of work or major fraction (over 2 hours) thereof). However, the Dealership generally will not authorize a rest period for employees whose total daily work time is less than three and one-half (3 ½) hours for the day. You are authorized and instructed to take an uninterrupted ten (10) minute rest break if you work more than 3 ½ hours in a day but not more than 6 hours, two 10 minute breaks if you work more than 6 hours but not more than 10 hours, and three 10 minute breaks if you work more than 10 hours but not more than 14 hours. It is your obligation to determine an appropriate time, as close to the middle of each four hour period of work as possible, to take your break(s). Employees are required to certify the accuracy of their time records each pay period including documentation regarding meal periods. All changes must be signed and initialed by you and an assigned supervisor.

Employees are also authorized and provided the opportunity to take any uninterrupted cool-down periods (of at least five (5) minutes) needed to avoid overheating. Recovery periods are included as hours worked.

You understand that you are to do nothing to incentivize, discourage, coerce, or dissuade any employee from taking meal, rest or recovery periods that are provided by law. If you learn that any other employee, including managers, attempt to incentivize, discourage, coerce, or dissuade any employee from taking meal and rest periods that are required by law, you are to immediately notify the General Manager and/or the Human Resources Department. Failure to comply with these requirements, or honor this policy, can result in discipline up to and including termination.

PAYMENT AT TERMINATION:

Unless otherwise provided in writing and signed by the General Manager, separation pay shall consist of (1) your earned compensation plus bonuses (if any) or other compensation due by the date of separation, *plus* (2) any accrued but unused/unpaid vacation in accordance with the Dealership's vacation accrual policy. Incentive pay earned as of the time of separation shall be paid at the time of separation or as soon as reasonably calculable thereafter, as permitted by law.

ACKNOWLEDGEMENT:

This Pay Plan is month-to-month and is subject to revision by management at any time. You acknowledge that you have read this Pay Plan in its entirety, and that you had the opportunity to discuss any questions with the General Manager of the Dealership. You also acknowledge that you understand how your compensation is calculated and you understand the requirements that must be satisfied in order to receive compensation. Bonus compensation is not earned and payable until the completion of the calculation date. No pro rata bonus compensation will be paid for partial calculation periods or partial work completed regardless of whether your employment was terminated voluntarily or involuntarily.

You agree to keep accurate time records, including recording my time at the beginning and end of your work shift and at the beginning and end of your meal periods, and to sign periodic certifications regarding my time records and compliance with Dealership policy. You agree to review your paycheck for accuracy and to immediately bring any questions concerning the computation or the amount of the paycheck to the attention of your supervisor. Senior management's interpretation of the Pay Plan shall govern any dispute that arises regarding the compensation due, except for clerical or mathematical errors computations. You agree to abide by all of the Dealership's policies and terms and conditions of employment, including those contained in the Employee Handbook. You acknowledge this Pay Plan DOES NOT constitute a contract of employment for any purpose other than to establish the terms of compensation. This Pay Plan Agreement is not an employment contract and may be changed at the discretion of the Dealership on a prospective basis. You understand that nothing in this Pay Plan creates or is intended to create a promise or representation of continued employment and that your employment, position and compensation is for no definite period, regardless of payment of compensation. You have the right to terminate your employment at any time, with or without cause or notice, and the Dealership has a similar right. Notwithstanding anything to the contrary herein, you further understand that your status as an "at-will" employee may not be changed except through a writing specifically modifying the at-will and/or arbitration provision, which is signed by you and the Chairman of the Dealership, and that "at-will" employment is the sole and entire agreement between the parties.

You further acknowledge and agree that any disputes regarding this Pay Plan, or any other aspect of your employment relationship will be decided by binding arbitration, pursuant to the arbitration agreements you have executed with the Dealership. To the extent that any provision in this Pay Plan conflicts with the Employee Handbook or any agreement regarding At-Will Employment and Arbitration, the provisions of the Employee Handbook and agreement for At-Will Employment and Arbitration will prevail and supersede any conflicting language in this Pay Plan.

This Pay Plan is your total pay package, and no further payments and/or compensation shall be anticipated or expected. This Pay Plan supersedes and replaces any Pay Plan in place prior to the above Effective Date.

You (Employee) voluntarily agree to be bound by all terms and conditions of this Pay Plan and your signature also acknowledges that you have received a copy of this Pay Plan signed by an authorized Dealership representative and you.

Agreed to:

Employee

Dealership

EE Name

Date

General Manager

Date