

Chula Vista Sales Compensation plan

SALESPERSON COMPENSATION PROGRAM

DEALERSHIP:

Chula Vista Ford

EFFECTIVE DATE:

9-13-21

SALESPERSON:

Sales

EMPLID:

REPORTS TO:

Camacho Fred

FILE NO.:

This Compensation Program is in effect between the Dealership and the Salesperson named above from the Effective Date, while Salesperson remains actively employed or until the Compensation Program is modified by the Dealership.

Salesperson compensation for a specific pay period shall be the Base Pay for all hours worked during the pay period, in addition to any compensation earned through the Commission Components.

BASE PAY:

The Salesperson shall be paid a Base Hourly Rate of \$14.00, which is at least equal to the highest applicable minimum wage requirement (the higher of the state, federal, or any applicable local minimum wage, which may be expected to increase from time to time) for each and every hour worked (clock hours), including productive and non-productive time and rest and recovery period time, in addition to all applicable overtime required by federal or state law.

COMMISSION COMPONENTS:

Any commissions earned are in addition to the Salesperson's Base Pay.

- 1-9.5 units - 0%.
- 10 or more units - 5% of the combined Front End Gross Profit to include holdback, VIN specific dealer incentives and Finance Gross after dealer pack per unit sold.

Front End Gross Profit. Commissionable Front End Gross Profit is defined as the amount or the price paid by the customer for the vehicle excluding tax, license (indicated on the sales contract as the "Cash Price" of the vehicle) minus the total actual or allocated costs incurred by the dealership for the vehicle minus the Dealer Pack Amount. For purposes of calculating Commissionable Front End Gross Profit, the "costs incurred by the dealership" include, but are not limited to, any expenses related to the sale, acquisition (or re-acquisition) of the vehicle, factory delivery fees, any dealership-installed accessories or equipment, detailing charges, and internal or external repair order including sublet or parts for repairs, reconditioning or alterations to the vehicle, as well as customer receivables not collected by the Dealership (e.g., down payments, drive-off fees, insurance coverage, penalties on trade in, etc.). ACV or cost for pre-owned vehicles may be impacted by a number of factors, and may be assigned by the Dealership in its absolute discretion regardless of whether the vehicle was obtained via trade, auction, or internal acquisition of leaner fleet vehicles. The Dealership reserves the right to charge up to full retail rates on labor and parts for any internal repairs and assign an inflated cost for parts not normally subject to retail sale. Furthermore, the Dealership may add the cost of unwinding, canceling, investigating, repossessing and/or insuring the vehicle to the cost of the vehicle. Commissionable Front End 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).

The Non-Commissionable Reserve on specialty vehicles, custom vehicles, special allocation vehicles and/or limited supply vehicles may be different from the standard Non-Commissionable Reserve for New and Used Vehicles set forth above and will vary from vehicle to vehicle and will be set by the Dealership prior to placing the vehicle up for sale. You should consult with the General Manager prior to the sale of such vehicles to determine the amount of any applicable non-standard Non-Commissionable Reserves.

Finance Gross. Commissionable Finance Gross Profit represents the aggregate selling price of all Aftermarket Products (defined below), *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) compensation to personnel who split commissions on the Closed Sale; and (7) any chargebacks or adjustments. Commissionable Finance Gross Profit amounts are net amounts. Commissionable Finance 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).

Vendor and third party unit bonuses/payments/ incentives for the sale of certain Aftermarket Products, and all vendor/third party to dealer incentives, refunds, discounts, and/or rebates are also excluded from Commissionable Finance Gross Profit for purposes of this pay plan.

Aftermarket Products. The term Aftermarket Products refers to all aftermarket "Non-Cancellable Products" and "Cancellable Products" sold by the Financial Services Department. Non-Cancellable Products include all aftermarket "hard adds" sold by the Financial Services Department 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 Department, 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.

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. This definition is provided solely for informational purposes.

Dealer Pack:

- All New Vehicles \$525.00.
- All Used Vehicles \$925.00.

***Retro Unit Commission (all retro to unit 1)**

10-11.5 vehicles sold \$50.00 per Unit

12-14 vehicles sold \$75.00 per Unit

14.5-17 vehicles sold \$100.00 per Unit

17.5-20 vehicles sold \$150.00 per Unit

20.5+ vehicles sold \$200.00 per unit

All sales reps must make a minimum of 50 outbound calls made and tracked in CRM daily leaving message or making contact if no deliveries. Each sold unit that day will reduce call quota by 20 units.

Failure to reach daily call quota will result in a 50% forfeit of retro unit bonus.

CSI requirement- all sales reps must maintain a minimum standard 3 month CSI score equal to or higher than Honda Zone average or forfeit 50% of retro unit commissions

Weekly and monthly bonuses at the discretion of the Operations Director/General Manager.

COMMISSION COMPENSATION FORMULA

The commission compensation formula for the Salesperson is as follows:

- Commission Components + Base Pay = Paid Commissions.

MINIMUM SALES VOLUME

You must maintain an average of eight (8) closed sales per month on a rolling three-month average to maintain full-time employment; subject to change at any time at the discretion of the General Manager or General Sales Manager. If you sell fewer than eight (8) units in a month, you will be subject to review by the General Sales Manager or General Manager of the Dealership. However, if at any time, you do not maintain an acceptable rolling three-month average, you will be subject to disciplinary action up to and including termination. The Dealership also reserves the right to terminate you at any time in its sole discretion for any reason. You therefore remain employed at-will as described herein and in the Employee Handbook.

ADJUSTMENTS

You agree that commissions and bonuses may be adjusted at any time for reasons that include the following: (1) to correct any error in the calculation, whether that error is the result of miscalculations by the company, the Salesperson, any 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) if customer receivables are not collected (including, but not limited to, down payments, deferred 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 your Base Pay for each pay period after adjustment is made as provided herein. Any such adjustment that results in decreased commissions or compensation will be treated as an Advance, as described herein. Any such adjustment that results in an increased commission or compensation will be paid at the next payday.

PROVISIONAL PAYMENTS

All commission or incentive payments may only be estimates and therefore are subject to adjustments, including deductions from future commission payments to the extent the actual calculated commission is less than the amount paid. You acknowledge that such advances are for your benefit, and you authorize such deductions. After satisfying minimum wage requirements, 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) that may be forthcoming to you. If you are terminated, voluntarily or involuntarily, prior to month end, you are entitled to be paid only for the hours you actually worked pursuant to the applicable minimum wage requirements, taking into account any actual earned commissions you may have earned as permitted by law.

The salesperson must be a current, full-time employee at the time a vehicle or 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 Internet Sales Representative 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. Under certain limited circumstances authorized by the General Manager (such as "pick-up payments," etc.) the Business Office may designate a sale as "Cleared for Commission" before all funds have been received. No commissions, bonuses, or unit credits will be earned on any deal until the transaction is a "Closed Sale."

TIMEKEEPING AND BREAKS

Because of state and federal timekeeping requirements, you are responsible for keeping accurate time records, including recording each day (1) when you start and end work, (2) when you start and end meal periods, and (3) a reasonable estimate of Non-Sales Activity (other than rest periods) as acknowledged each pay period. Meal periods are unpaid and duty-free, and should be at least 30 uninterrupted

minutes, to commence before the end of the fifth hour of work each day for the first meal period, and to commence before the end of the tenth hour of work each day for the second meal period. You are allowed to leave Company premises during meal breaks. Rest periods are paid and included in total hours worked and need not be documented separately on your time records. You are required to certify the accuracy of your time records each pay period including documentation regarding meal periods. All changes to your time records must be signed and initialed by you and an assigned supervisor.

All overtime worked must be approved by your supervisor in advance. Failure to obtain approval to work overtime in writing may result in discipline up to and including discharge.

MONTHLY PAY CYCLE

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 Sunday at 12:00 am and ends on Saturday at 11:59 pm. You are on a monthly pay cycle for your commissions. On the 25th of each month, you will receive any semi-monthly base pay wages for the period from the 1st day through the 15th day of the current month pursuant to this Pay Plan. On the 10th of each month, you will receive the base pay wages for the semi monthly period from the 16th to the end of the month plus commissions and bonuses earned as described in this pay plan.

SEPARATION PAY

Unless otherwise provided in writing and signed by the General Manager, separation pay shall consist of your earned compensation plus bonuses (if any) or other compensation due by the date of separation. If your employment terminates at the mid-month before end-of-month reconciliation, you will be paid your final commissions and bonuses or your Base Pay. You will not receive your mid-month draw if you terminate on or before the mid-month pay period. 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.

GENERAL

This Pay Plan does not affect your status as an at-will employee, and your employment is for no definite period, regardless of any provision for payment of wages while employed. Both the Dealership and you have the right to terminate the employment relationship at any time, for any reason, with or without cause, and without notice. The at-will status can only be changed in a writing signed by the President/CEO of the Dealership. The terms of this Pay Plan do not modify or alter either your or the Dealership's obligation to arbitrate any and all disputes related to your employment, or which may arise out of this Pay Plan. This Pay Plan may be changed at any time, without notice, at the sole discretion of the Dealership. However, no changes to the Pay Plan will be effective unless in writing and signed by the General Manager. No oral representations contrary to this Pay Plan are contractually binding. If you have any questions regarding this Pay Plan, please ask the General Manager.

This Pay Plan may be amended at any time at the Dealership's discretion and that in case of disagreement the General Managers interpretation of the pay plan will prevail.

You acknowledge by your signature below that you have been provided with a copy of and have read this Pay Plan.

Agreed to:

Salma Spohn
Salesperson

9-13-21
Date

Approved by:

Camron Syed
General Sales Manager

Date

Approved by:

[Signature]
General Manager

9-13-21
Date