SALES COMMISSION AGREEMENT

1. 1. Parties and Role

This Sales Commission Agreement (the "Agreement") is entered into on [EFFECTIVE DATE] between [COMPANY NAME], a [ENTITY TYPE] located at [COMPANY ADDRESS] (the "Company"), and [SALESPERSON NAME] (the "Salesperson"), who serves as [JOB TITLE] reporting to [MANAGER NAME AND TITLE]. This Agreement governs the variable compensation of the Salesperson and supplements, but does not replace, their employment terms. The base salary of the Salesperson is [BASE SALARY] per year, paid on the standard payroll schedule. This Agreement covers the plan period from [PLAN PERIOD START] to [PLAN PERIOD END] (the "Plan Period"). Nothing in this Agreement alters the at-will nature of the employment relationship.

2. 2. Definitions

"Booking" means a signed order or contract from a customer that has been approved by the Company in accordance with its order acceptance process. "Net Revenue" means the amount invoiced to the customer for products and services under a Booking, excluding taxes, shipping, third-party pass-through costs, discounts, credits, and any amounts described as excluded in Exhibit A. "Collected Revenue" means Net Revenue actually received by the Company and not subject to refund. "Quota" means the assigned Net Revenue target for the Plan Period, set out in Exhibit A. "Territory" means the accounts, geography, industry, or segment assigned to the Salesperson in Exhibit B. "Commission" means the amount payable under Section 3. "Plan Documents" means this Agreement together with Exhibits A and B, which control over any verbal statement or presentation slide.

3. 3. Commission Rate and Calculation

The Salesperson will earn a Commission of [COMMISSION RATE, e.g., 8 percent] of Net Revenue on each qualifying Booking credited to the Salesperson under Section 6, calculated on the basis stated in Exhibit A. Different rates apply to the following categories: [RATE SCHEDULE, e.g., new business PERCENT, renewals PERCENT, upsells PERCENT, professional services PERCENT, partner-sourced deals PERCENT]. Multi-year contracts are commissioned on [MULTI-YEAR TREATMENT, e.g., the first twelve months of contract value only / total contract value] as specified in Exhibit A. Non-standard discounts above [DISCOUNT THRESHOLD, e.g., 15 percent] reduce the applicable rate as shown in the discount matrix in Exhibit A and require approval from [DISCOUNT APPROVER]. The Company will provide the calculation methodology and a worked example with each version of the plan.

4. 4. Quota, Tiers, and Accelerators

The Quota for the Plan Period is [QUOTA AMOUNT], allocated by [QUOTA PERIOD, e.g., quarter] as set out in Exhibit A. Commission is paid at the standard rate on attainment up to [TIER ONE THRESHOLD, e.g., 100 percent of Quota]. Attainment above that threshold is paid at an accelerated rate of [ACCELERATOR RATE, e.g., 12 percent] on incremental Net Revenue, up to a cap of [ATTAINMENT CAP, e.g., 200 percent of Quota] if a cap applies. [MINIMUM THRESHOLD OPTION: No Commission is payable until attainment reaches THRESHOLD PERCENT of Quota for the applicable period.] Quota is prorated for a Salesperson who starts, changes roles, or takes an extended leave during the Plan Period, based on the number of active days in the period. A new Salesperson may receive a ramp Quota and a guaranteed minimum of [RAMP GUARANTEE] for the first [RAMP PERIOD, e.g., two quarters].

5. 5. Draw Against Commission

[DRAW OPTION: The Company will pay the Salesperson a draw of [DRAW AMOUNT] per [DRAW PERIOD, e.g., month] against future Commission.] The draw is [RECOVERABLE / NON-RECOVERABLE]. If the draw is recoverable, each Commission earned is first applied to repay any outstanding draw balance, and only the excess is paid to the Salesperson; if the draw is non-recoverable, it functions as a guaranteed minimum and is not repaid. A recoverable draw balance outstanding at the end of the Plan Period is [CARRY TREATMENT, e.g., carried forward to the next Plan Period / forgiven]. Recovery of a draw will never reduce the compensation of the Salesperson below the applicable minimum wage for hours worked or below the salary basis required to maintain an exempt classification, and any recovery through payroll deduction will comply with applicable state wage deduction law. On separation, an outstanding recoverable draw balance is [SEPARATION DRAW TREATMENT, e.g., forgiven / repayable only to the extent permitted by applicable state law].

6. 6. Crediting Rules, Territory, and Splits

A Booking is credited to the Salesperson if the customer account is within their assigned Territory as of the date of Booking and the Salesperson is the assigned owner of record in [CRM SYSTEM]. Where more than one Salesperson materially contributes to a Booking, credit will be split as agreed in writing before the Booking closes, or as determined by [SPLIT DECISION MAKER] applying the guidelines in Exhibit B, with the total split never exceeding 100 percent. Inbound, marketing-sourced, partner-sourced, and house accounts are credited as described in Exhibit B. The Company may reassign accounts and adjust Territories prospectively for business reasons on [TERRITORY CHANGE NOTICE, e.g., 30 days] written notice; deals in the pipeline at the time of a reassignment will be credited according to [PIPELINE TRANSITION RULE, e.g., the Salesperson who owned the account when the opportunity reached the proposal stage]. Records in the customer relationship management system are the primary evidence of ownership and stage.

7. 7. When Commission Is Earned and Payable

A Commission is considered earned when [EARNING TRIGGER, e.g., the Booking is signed and approved by the Company / the customer has been invoiced / the Company has collected payment from the customer], and all conditions in this Section have been satisfied. Earned Commission is paid on [PAYMENT SCHEDULE, e.g., the second regular payroll of the month following the month in which it is earned], less all required withholdings, and is reported as wages. If the earning trigger is collection, Commission on an invoice not collected within [COLLECTION WINDOW, e.g., 120 days] is [UNCOLLECTED TREATMENT, e.g., not payable until collected / forfeited if written off]. Commission is not payable on a Booking that is cancelled before the earning trigger occurs. To the extent required by the law of the state where the Salesperson works, Commission that has been earned is treated as wages and will be paid regardless of whether the Salesperson remains employed on the payment date.

8. 8. Chargebacks, Refunds, and Clawbacks

If a customer cancels, terminates early, returns product, receives a refund or credit, or fails to pay an invoice after Commission has been paid, the Company may recover the corresponding Commission by offsetting it against future Commission payments. Chargebacks apply only to Commission paid within the preceding [CHARGEBACK LOOKBACK, e.g., 12 months] and are calculated on the amount actually refunded or unpaid, prorated where the customer received part of the service. The Company may also recover Commission obtained through falsified records, misrepresentation to a customer, or a violation of Company policy, without regard to the lookback period. Recovery will be made by offset against future Commission wherever possible, and any deduction from wages will be made only to the extent permitted by applicable state wage law and with any consent that law requires. The Company will notify the Salesperson in writing of any chargeback, including the deal, the amount, and the reason, before applying it.

9. 9. Commission Statements and Disputes

The Company will provide the Salesperson with a written Commission statement each [STATEMENT FREQUENCY, e.g., month] showing the Bookings credited, the Net Revenue used, the rate applied, attainment against Quota, any draw balance, any chargeback, and the amount payable. The Salesperson will review each statement and will raise any dispute in writing to [COMMISSION DISPUTE CONTACT] within [DISPUTE WINDOW, e.g., 30 days] of receiving it, identifying the specific deal and the basis for the dispute. The Company will investigate and respond in writing within [RESPONSE WINDOW, e.g., 30 days]. Failure to raise a dispute within the window does not waive any right that cannot be waived under applicable wage law. The Salesperson may request the underlying calculation data for any deal credited or denied to them.

10. 10. Plan Period, Modification, and New Plans

This Agreement applies only to the Plan Period stated in Section 1. The Company may issue a new plan for each subsequent period, and the Salesperson will be provided with the new Plan Documents before the start of that period wherever practical. During a Plan Period, the Company may modify rates, Quota, Territory, crediting rules, or product eligibility prospectively on [MODIFICATION NOTICE, e.g., 30 days] written notice, and any modification applies only to Bookings occurring after the effective date of the change. Commission already earned under this Agreement will not be reduced retroactively by a plan change. If a new plan is not issued before a new period begins, this Agreement continues on its existing terms until it is replaced. Continued performance of the sales role after receiving a modified plan constitutes acceptance of that plan for future Bookings.

11. 11. Termination and Post-Employment Commission

On termination of employment for any reason, the Salesperson will be paid all Commission earned as of the last day of employment under the standard in Section 7, on the schedule required by applicable state wage law. Commission on Bookings signed after the last day of employment is [POST-TERMINATION TREATMENT, e.g., not payable / payable at PERCENT for deals that reached the proposal stage before the last day and close within TRAILING PERIOD, e.g., 60 days]. Where the earning trigger is collection and collection occurs after separation, earned amounts will be paid within [POST-SEPARATION PAYMENT WINDOW, e.g., 30 days] of collection. No provision of this Agreement will be applied to forfeit Commission that has been earned where applicable state law treats earned commission as wages. The Salesperson will cooperate in the orderly transition of accounts and will provide accurate pipeline information before their last day.

12. 12. Expenses, Deductions, and Wage Law Compliance

The Company will reimburse pre-approved, documented business expenses of the Salesperson, including [EXPENSE CATEGORIES, e.g., customer travel, meals with customers within policy limits, and trade show costs], in accordance with the expense policy of the Company. Commission is separate from expense reimbursement and no expense will be charged against Commission. The Company will not deduct from Commission or wages the cost of customer credit losses, breakage, cash shortages, or ordinary business expenses except where a deduction is expressly permitted by applicable state law and any required written authorization has been obtained. If any provision of this Agreement conflicts with the wage payment, deduction, or commission statute of the state where the Salesperson primarily works, that statute controls and this Agreement is deemed modified to comply. The Company will provide the Salesperson with a signed copy of this Agreement and will retain a signed copy as required by applicable law.

13. 13. Governing Law and General Provisions

This Agreement is governed by the laws of the State of [GOVERNING STATE], without regard to conflict of laws rules, except that the mandatory wage laws of the state where the Salesperson primarily works will apply where those laws require it, and any dispute will be brought in the courts located in [VENUE COUNTY AND STATE] unless applicable law requires otherwise. This Agreement, with Exhibits A and B, is the entire agreement of the Parties on variable compensation and supersedes all prior commission plans, offer letter statements about commission, and verbal representations. Amendments must be in writing and issued or signed by an authorized representative of the Company as described in Section 10. The Company may assign this Agreement to a successor; the Salesperson may not. If any provision is found unenforceable, the remainder stays in effect and the provision will be narrowed only as far as necessary.

14. 14. Signatures

By signing below, the Salesperson acknowledges that they have received and read this Agreement together with Exhibits A and B, understand how Commission is calculated, credited, earned, and recovered, and agree to its terms for the Plan Period. COMPANY: [COMPANY NAME]. Signature: ______________________. Printed Name: [COMPANY SIGNER NAME]. Title: [TITLE]. Date: [DATE]. SALESPERSON: Signature: ______________________. Printed Name: [SALESPERSON NAME]. Date: [DATE]. A signed copy has been provided to the Salesperson on [COPY DELIVERY DATE]. Electronic signatures and counterpart copies have the same effect as original signatures.

15. Disclaimer

This template is provided for general informational purposes only and is not legal advice. Commission compensation is regulated at the state level, and several states require a written commission agreement, treat earned commissions as wages that cannot be forfeited, restrict deductions and chargebacks, and impose multiple damages for late payment. Draw recovery, post-termination commissions, and clawbacks are the provisions most often challenged. Review and adapt this document for the state where the salesperson actually works, and consult a licensed employment attorney before issuing or signing it. Use of this template does not create an attorney-client relationship with ScanContract.