

Velomon, LLC – Agent’s Bonus Pool (ABP)

Program Mechanics and Details

Velomon, LLC has established the Agent Bonus Pool program (ABP) as a way of sharing its corporate success with those agents whose efforts substantially contributed to that success. The information that follows defines how the program works, what the qualifications for participation are, how distributions are made, and establishes the annual ABP period.

Makeup of the Agent Bonus Pool

The agent bonus pool consists of a portion of the Velomon, LLC corporate profits for an ABP year.

An “ABP Year” is defined as December 1 of a given year, through November 30 of the following year. Velomon uses this definition of an ABP year to achieve the goal of calculating and issuing ABP distributions in mid-to-late December each year.

“Agent Bonus Pool profits” are defined as:

	Corporate Commissions and (indirect) bonuses earned from carriers by Velomon
Minus	Agent Payroll (Producer commissions and overrides)
Minus	Operating Expenses (salaries, marketing, technology, admin, legal, accounting, compliance, etc.)
Minus	“Breakage” (Unpaid overrides)
Times	25%
For the period	December 1 through November 30 (The ABP Period)

Therefore, if Velomon earns profits of \$4,000,000 for the period of December 1 through November 30 in a given year \$1,000,000 will go into the ABP.

Any member interests, owner distributions, dividends, etc. are calculated on the net profit *after* the Agent Bonus Pool carve out, and therefore do not reduce the pool. Employees/Officers are compensated based on “market ranges” so as not to ‘skew’ the ABP calculation.

Qualifications for Participation in the Agent Bonus Pool

All agents who are active and in good standing under the terms of the Velomon, LLC contract for at least one full month are **eligible** for participation in the Agent Bonus Pool.

“Active” means their commission earnings for the last three months averages at least 75% of their prior 12 month’s earnings (John’s 12 month average earnings are \$10,000 per month. His last three months average is \$8,500 per month. Since \$8,500 is 85% of \$10,000 – John is considered ‘active’ for purposes of establishing his qualification for participation in the ABP). This ‘active’ criteria is designed to prevent an agent from reaching the commission qualification threshold, then potentially affiliating with another Agency, and expecting an ABP check.

“In good standing” with the Velomon, LLC contract means that the agent is in compliance with all company policies, free of indebtedness, and is advancing the cause of the company in general.

Eligible agents must then ‘qualify’ for participation by earning minimum commissions of \$100,000 annually (or annualized as described below) of **paid** commissions. Paid commissions are defined as:

	Commissions paid on direct production
Plus	Case Split Commissions paid to the producer
Plus	Override commissions paid to the producer

Agents who have been with Velomon for less than the full ABP year are entitled to have their earnings annualized in order to determine whether or not they are qualified to participate in the ABP.

To annualize paid earning, we will count the days that the agent has been on board with Velomon, and divide by 365. This ‘annualization quotient’ is the percentage of the year the agent has been on board. Dividing the agent’s total paid earnings (by using the formula above) by the Annualization Quotient yields an annualized earnings figure which will determine whether or not the agent meets the \$100,000 minimum threshold for participation in the ABP. Following is an example:

- Samantha has been paid \$28,255 in commissions during the 90 days she has been with Velomon when an ABP period ended on November 30 that year.
- Samantha’s Annualization Quotient is therefore $90/365 = 24.66\%$
- Dividing Samantha’s paid commissions of \$28,255 by 24.66% yields annualized earnings of \$114,578 – qualifying Samantha for participation in the Agent Bonus Pool because her annualized paid commission are projected to exceed the \$100,000 minimum qualification threshold.

ABP Distributions

Calculating ABP distributions starts by totaling the paid commission earnings of all qualified agents, then dividing each individual agent’s paid earnings by that total to determine each agent’s ‘share’ of the ABP – known as the Agent’s Share.

Multiplying the Agent’s Share by the total number of dollars in the ABP determines each agent’s payout.

These calculations are made as soon as possible following the close of business on November 30 each year so that payments can be issued to qualified agents during the month of December.

Agent Bonus Pool (ABP)

(\$1,000,000 ABP based on \$4,000,000 Corporate Profit)

Agent	Months in ABP Year	Paid Commission	Agent’s Share	Distribution to Agent
Joe	12	\$250,000	36.76%	\$367,600
Mary	12	\$200,000	29.41%	\$294,100
Tom	12	\$150,000	22.06%	\$220,600
Vicki	6	\$80,000*	11.76%	\$117,600
Total		\$680,000	100.00%	\$1,000,000

Vicki qualifies since her ‘annualized’ commission (\$160,000) exceeds the \$100,000 qualification threshold. Only her actual earnings (\$80,000) are used to calculate her Agent’s Share of the ABP

Other Important Information and Disclosures

1. Agents receiving an ABP distribution will receive a 1099 for their respective share, and will be responsible for any taxes due on the distribution.
2. This is a profit-sharing program only and does not entitle a participant to equity or voting privileges.
3. The ABP program may be changed or amended by vote of the Board of Directors of Velomon, LLC. Unless the matter necessitating the change or amendment is of an emergency nature, Velomon will make every effort to notify all qualifying agents of the proposed changes and seek their feedback prior to implementation.
4. An agent's annualized earnings are used for confirming their qualifications only, and are not used in the calculation of their distribution. Only actual paid commissions are used in the calculation of distributions.
5. Only paid commissions are used to calculate the Agent's Share. Unpaid commissions are excluded.