

SHARED COMMISSION POLICY ADDISON ADDISON

Background:

Each U.S. independent sales representative (“Representative”) of Addison has signed a Sales Distribution and Representative Agreement (the “Rep Agreement”) with Addison. Under the Rep Agreement, each Representative is authorized to sell the Addison products that are designated in the Rep Agreement as “Products” only in that Representative’s exclusive designated territory (“Territory”). Representatives shall not infiltrate or encroach the Territory of any other Representative for the principal purpose of directly or indirectly selling, advertising, or distributing Products for use outside of that Representative’s authorized Territory. Among other things, Addison can refuse to sell products to any Representative who violates this Policy.

However, from time to time a prospective customer, on its own initiative and without prompting, encouragement or solicitation from a Representative, may call upon a Representative to design, specify and/or purchase Product for use/installation outside that Representative’s Territory, resulting in sales destined for another Representative’s Territory. In those limited instances, a Representative may be eligible to complete the transaction, but only in conformity with this Shared Commission Policy.

The purpose of this Policy is to provide an appropriate level of compensation to Representatives properly involved in out of Territory sales and at the same time discourage abuses of the Representatives’ territorial limitations.

Certain Definitions:

In addition to other capitalized terms defined in this Policy and the other definitions used later in this Policy regarding calculation of commission amounts, the following capitalized terms shall have the following meanings as used in this Policy:

“Host Representative” shall mean the Representative in whose Territory a customer installs Product provided by the Order Writing Representative.

“Order Writing Representative” shall mean the Representative who sells Product to a customer within that Representative’s own Territory for installation into another Representative’s Territory, thereby selling into Host Representative’s Territory. It is the Order Writing Representative who implements the order and billing process.

“Specifying Representative” shall mean the Representative who specifies Product to customers, generally through a mechanical consulting engineer or architect. The Order Writing Representative will normally also be the Specifying Representative, unless claimed by another Representative. Before another Representative can be considered for the Specifying Representative, it is necessary for that Representative to notify Addison in writing concerning the extent of its involvement in the project

using the Out of Territory Form, *prior* to receipt of the order by Addison.

“Out of Territory Form” shall mean the Addison generated form attached hereto as Appendix A.

“Products” shall mean the ADDISON® branded products specified as “Products” in the Host Representative’s Rep Agreement.

What the Policy Applies to:

This Shared Commission Policy is applicable only to sales that meet the following criteria and is subject to the exceptions and limitations contained herein:

Shared commissions under this Policy can be earned only on Products bearing brand names and trademarks designated as Products in a Host Representative’s duly executed Rep Agreement. Shared commissions are not earned on sales of replacement parts, or any product not specifically set forth and scheduled as Products under the Host Representative’s Rep Agreement. Only Products that are specified, sold, purchased, installed, or otherwise distributed within the United States are eligible for shared commissions. No shared commission will be recognized for products specified, sold, purchased, installed or otherwise distributed outside of the United States.

How the Policy Works:

Actions by Representatives. In those situations where the Policy applies, the Representatives shall do the following:

1. The Representative that first determines that a sale may involve more than one Territory shall submit an Out of Territory Form, completed with as much information as that Representative is able to determine at the time. The Out of Territory Form shall be submitted within 48 hours of initial contact by the prospective purchaser. The Out of Territory Form shall be distributed to all Representatives involved in design, purchase, distribution, site and/or Territory where the prospective installation of Product may take place. This specifically includes:
 - Host Representative
 - Order Writing Representative
 - Specifying Representative
 - Addison Regional Sales Managers or other Addison designated persons

The Out of Territory Form shall be updated as necessary. Failure to provide timely notice may result in forfeiture of any share of commission.

The notification on an Out of Territory Form expires one calendar year after the first contact unless updated.

2. Host Representative shall promptly confirm to all parties involved receipt of the Out of Territory Form. The Host Representative will coordinate all projects within Host Representative's Territory. The Host Representative will be required to visit the customer to ensure that the customer is properly informed on the maintenance and operation of the products. The Host Representative will follow up to verify that the equipment test, start-up and adjustments have been performed.
3. The Representatives involved must communicate and reasonably agree on Product design with particular weight given to Host Representative's input. All designs must comply with the parameters set forth by Addison and all federal, state and local laws, rules, regulations and codes.
4. Copies of all pertinent documentation and correspondence shall be sent via email or facsimile to all relevant Addison Regional Sales Managers (or other persons designated by Addison) as soon as those items are created and available.

Basis of Commission. The total commission is defined as the difference between the selling price of Products and the cost of Products calculated using the prevailing price sheet applicable with the Rep Multiplier applied to the number of Products installed on an individual project. Commission is based on equipment selling price only and does not include freight, start-up fees or any other ancillary items and charges associated with the project. If Products are sold at an excessive discount (as determined by Addison in its sole discretion), Addison can recalculate the commission owing based on a reasonable selling price, and that recalculation shall be binding on all interested Representatives.

Commission Amounts.

For purpose of the following chart, the following definitions apply:

“Flat Spec Addison” shall mean that the specification is written by the customer or engineer that only Addison equipment is acceptable with no approved equal or a specification that is written in detail on all points such that only Addison can furnish the equipment that is specified and is sold in this manner.

“Basis of Design” shall mean the equipment schedule lists Addison as the manufacturer and where cooling and/or heating capacities, electrical data, and pertinent information in the equipment schedule is drawn from an Addison software performance data sheet. The schedule may also list schedule notes which highlight features that favor Addison while placing competitors at a disadvantage. The specification likely names Addison as the Basis of Design and should be written in detail highlighting features and points such that the project favors Addison and places competitors at a price disadvantage. A bland or

“plain vanilla” specification that dilutes the position of Basis of Design, and where no strong schedule notes exist, may warrant a challenge in the Specifying credit split to be lowered.

“Approved Equal” shall mean the specification lists Addison as an accepted manufacturer and a competitor is the Basis of Design. Both the Specifying salesman and the Order Writing salesman should coordinate efforts on the preparation of submittals to minimize loss of profit margin while achieving “approved” submittal status.

“Contractor Design Build” shall mean that there is no consulting engineer, architect, owner or other outside professional or influence that provides direction to the contractor regarding the selection of the equipment.

“Other” means all other cross-Territory sales situations to which this Policy applies other than Flat Spec Addison, Basis of Design, Approved Equal or Contractor Design Build, including where Addison equipment is a reference point for “or equal” specifications or would be one of several acceptable alternatives for the project.

When shared commission is payable it shall be divided as follows:

Representative Type	Flat Spec Addison	Basis of Design	Approved Equal	Contractor Design Build	Other
Order Writing	30	40	55	85	65
Specifying	55	45	30	0	20
Host	15	15	15	15	15

Shared Commission Payment.

1. Shared commissions shall be payable only with respect to Products shipped, delivered, received, and paid for in full by customer.
2. When Addison implements the billing process, payment timetable for shared commissions will be within thirty (30) days of receipt of payment in full for the applicable Products.
3. When a Representative implements the billing process, that Representative shall remit payment of commission shares to the Representative(s) with legitimate shared commission claim(s) pursuant to this Policy within thirty (30) days of receipt of payment of the amount agreed upon and specified in the applicable Purchase Order.
4. Shared commissions shall be paid only to the extent remittance is received for the amount agreed upon and specified in the applicable purchase order for which the commissions are claimed. If a customer only makes partial payments to a Representative, commission is due only when (and to the extent) the

amount received exceeds the cost of the Products calculated using the prevailing price sheet applicable with the Rep Multiplier. If commissions are paid to a Representative on sales for which the Products are returned, that Representative shall return such commission.

Certain Duties of Representatives:

It is incumbent upon every Representative to know where product is being installed and whether an installation encroaches upon another Representative's Territory.

Each Representative shall maintain accurate records concerning all cross-territorial installations. All transactions, documents and correspondence generated in compliance with this Policy shall be made available upon request to Addison for inspection.

Exceptions and Limitations:

No shared commission shall be due on National Accounts, OEM sales, special accounts and market segments identified by Addison (including horticultural, agricultural, process and finishing markets) or out of country sales except to the extent specified by Addison.

No shared commission shall be due on sales of replacement parts.

No shared commission shall be due on sales of any product not designated as a Product for the Representative claiming commission.

No shared commission shall be due on sales of ADDISON® branded products to wholesalers in the Order Writing Representative's Territory even if those products are resold by the wholesaler in another Territory.

If Addison does the customer billing, there is a time limit of six months from the date of billing for any claim against Addison for shared commission. Claims among Representatives (whether Addison does the billing or not) have a one-year time limit for any claim for shared commission. Addison shall in no event be responsible for the payment of shared commission to any Representative in the event of non-payment by or a dispute with another Representative.

Addison may offset against amounts payable to a Representative any amounts of shared commission that was received by that Representative contrary to this Policy.

Representative waives all claims and any right to future claims for commission sales, whether made by Representative or by others, as well as all claims of any nature

whatsoever, if not made within thirty days from date of Termination of the Rep Agreement for that Representative or thirty days from the date of leaning of installation of Products into that Representative's Territory, whichever date occurs first.

If a Representative does not comply with this Policy or otherwise engages in conduct that is contrary to the intent of this Policy or a fair application of shared commission, Addison may, in its sole judgment, determine that commission shall be withheld from that Representative or apportioned in a manner different than set forth in this Policy.

In all cases, Addison has the right to make exceptions to this Policy in any situation, but no exception shall be considered a precedent for any future determination or action.

Disputes and Appeals to Addison:

In any dispute arising between Representatives involving shared commissions, a Representative may request that Addison determine who shall be entitled to a shared commission. That determination shall be based upon evidence submitted and shall be binding. Representatives shall abide by Addison's determination, which shall be final and without recourse.

Any Representative requesting Addison's intervention to reach a determination regarding shared commissions must submit sufficient documentation and information presented in a clear and concise manner.

Addison will impose a fee of 20% of the aggregate gross commission/profit of the sale(s) (amount to be determined by Addison), with a minimum charge of \$1,000.00US. The fee will be paid by one or more Representatives, allocated in a manner Addison deems fair under the circumstances. Addison's decision in this regard shall be final and without recourse.

If Addison deems a request for determination to be frivolous, or without merit or cause, Addison may impose a fee of 20% of the aggregate gross commission/profit of the sale(s) (amount to be determined by Addison), with a minimum charge of \$1,000.00US, upon the requesting Representative.

Other Matters:

Orders taken by Representative shall not be binding until accepted by Addison. Addison reserves the right to:

- Refuse to accept any orders procured through Representative and refuse to ship the goods therein.
- Make any allowances or adjustments to orders and refuse to accept returns of any shipment, when in the judgment of the Addison, origination of said order contravenes the spirit of this Policy.
- Require the Order Writing Representative to furnish a bond to guarantee payment of shared commission when in the judgment of the Addison, origination of said order

contravenes the spirit of this Policy or extenuating circumstances indicate the likelihood of failure to remit same.

Representative shall timely remit the shared commission to Representatives with a legitimate shared commission claim. Failure to do so may result in Addison withholding from the Representative who has failed to pay commission (from commission payments or otherwise) or charge that Representative the amount of commission to be shared. Addison will then remit said commission to Representatives with legitimate commission claims. Addison may impose an additional fee of 20% of the aggregate gross commission/profit of the sale(s) (amount to be determined by Addison) on the offending Representative, with a minimum charge of \$1,000.00US.

In any territory where there is no Representative under contract, Addison shall be deemed to be such Representative with respect to commission. Should Addison look to and receive any assistance of any Representative in said open territory, that Representative may be entitled to a shared commission as determined by Addison.

Representatives shall be eligible for shared commission payments for Product installed while that Representative's Rep Agreement is in force. Should the Rep Agreement be terminated, Representative may be eligible for shared commission if the order was received from customer within thirty (30) days of termination. Representative shall have no claim to other future commissions.

No determination, deviation or course of action taken by Addison under this Policy shall constitute a revision, change, or otherwise create a precedent for future disputes. Addison shall be entitled to determine each matter independently and based upon that situation and circumstances, not upon the disposition of prior matters.