Memo to Statitrol Corporation Key Personnel Re: Bonus Plan Proposal

11-15-1974

Statitrol Corporation

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Statitrol
Key Personnel
Bonus Plan Proposal

Features:

1) Starts at minimum 10% pre-tax and a minimum 10% growth in net sales. Pre-tax profits refer to pre-tax - before profit sharing - deduction.

2) Focus on pre-tax profits with 20% as objective.

3) Growth factor is a straight-line with a minimum at 10% to a maximum of 100%.

4) Bonus pool starts at 1% of pre-tax profits with a maximum of 7%.

Bonus Pool Distribution:

1) Top Management - 60% - Individual distribution in proportion to base salary within each group.

2) Middle Management - 36% - Projects to be selected by Officer's vote.

3) Social Service Projects - 10% - Projects to be selected by Officer's vote.

Schedule A

Bonus Pool - Determined by Total Earnings Points

Earnings Points = Growth Points x Profit Points

(See Schedule A Attached)

Note:
This is separate from a company-wide "profit sharing plan" in which middle and top management participate.
Profit Points - See Schedule B (Attached)

Growth Points - See Schedule C (Attached)

Examples:

Profit Points x Growth Points = Total Points = Bonus Pool

1) 9% Pre-Tax, Growth 30% = -0- = -0-
(-0- x 30 = 0)

2) 17% Pre-Tax, Growth 12% = (324) = 2.1%
(27 x 12 = 324)

3) 14% Pre-Tax, Growth 50% = (1000) = 3%
(20 x 50 = 1000)

4) 22% Pre-Tax, Growth 121% = (7300) = 6.8%
(73 x 100 = 7300)
BONUS POOL = % OF PRE-TAX PROFITS

EXAMPLE:
1% PRE-TAX = 20 PTS.
50% GROWTH = 50 PTS.
= 1000 PTS. = 3%

TOTAL POINTS

SCHEDULE A
PRE-TAX PROFITS %
(AFTER PROFIT SHARING) PLAN REDUCTION
VS. BONUS FUND PROFIT POINTS

SCHEDULE B

PROFIT POINTS

PRE-TAX PROFITS - % OF NET SALES

MINIMUM
BONUS POOL = % of PRE-TAX PROFITS
(BEFORE PROFIT SHARING)

EXAMPLE:
14% PRE-TAX = 20 PTS,
50% GROWTH = 50 PTS,
1000 PTS. = 3%

REACH TO 1/2 LEVEL
PRE-TAX PROFITS % (BEFORE PROFIT SHARING) VS. BONUS FUND PROFIT POINTS

SCHEDULE B

MINIMUM

PRE-TAX PROFITS - % OF NET SALES