PARAGON BONUS PLAN

To calculate the bonus using a three month moving average:

1. Subtract the last three months break even point (BEP) from the total collections for the same period.

2. Divide the amount above BEP, for the period, by three to calculate the average monthly amount above BEP for the period.

3. Multiply the result by 0.14 to calculate the total bonus pool.

4. The total bonus pool is split among the staff according to the hours worked.

For example:

Month	Collections	BEP	Difference	Monthly Avg	Staff %	Bonus
Nov	65,000	50,000				
Dec	55,000	50,000				
Jan	60,000	50,000				
Total	180,000	- 150,000	= 30,000	/ 3 = 10,000	x 0.14	= $1400

1. $180,000 (last 3 months collections) - $150,000 (last 3 months BEP) = $30,000

2. $30,000 / 3 = $10,000 (monthly average above BEP)

3. $10,000 x .14 = $1,400 bonus pool

4. $1,400 / 3 full time staff = $466.67 each (pre-tax).

This is the bonus paid to each of the three full time employees in the example. The bonus, in this example, would be calculated at the beginning of February and paid in February as an average of the previous three months. At the start of each month the calculation is repeated using the previous three consecutive months data and the corresponding BEP for the same period.

www.paragonmgt.com
800-448-2523

PARAGON BONUS PLAN (cont.)

At the end of the next month the calculation is repeated using the new data for the previous three month period.

Month	Collections	BEP	Difference	Monthly Avg	Staff %	Bonus
Dec	55,000	50,000				
Jan	60,000	50,000				
Feb	61,000	* 52,000				
Total	176,000	- 152,000	= 24,000	/ 3 = 8,000	x 0.14	= $1,120

* Note: the change in BEP and its impact on the calculations.

When part time staff are involved the bonus is divided according to the number of hours worked. For example, if there are three full time employees and two part time employees the bonus would be divided accordingly.

Employee	Total bonus pool	Hours per 3 month period	Individual Staff Portion of Bonus	Individual Bonuses
Sue		480	= 0.56565	= $ 271.51
Mary		480	= 0.56565	= $ 271.51
Nancy		480	= 0.56565	= $ 271.51
Kate		240	= 0.56565	= $ 135.76
Betty		300	= 0.56565	= $ 169.70
Total hours	$ 1,120	/ 1,980	= 0.56565	= $ 1,119.99

Total bonus pool / total hours worked = staff portion of bonus
$1,120 / 1,980 = 0.56565