

EMPLOYMENT AND INCENTIVE AGREEMENT

THIS AGREEMENT is made as of the [insert date] (the "Effective Date"), by and between _____, a _____ corporation that is not exempt from Federal income taxes (the "Employer"); and _____ ("Employee").

INTRODUCTION AND CERTAIN DEFINITIONS

Employee is the President and a valued employee of the Employer. The terms and conditions of Employee's employment have previously been set forth in (a) a written Employment Agreement dated as of [date], which expired on [date] except that Employee has been compensated since then according to its terms; and (b) a separate Split Dollar Insurance Agreement dated as of [date] (the "Insurance Agreement"), under which the Employer has purchased certain life insurance policies for Employee and retains a security interest in such policies.

The Employer wishes to continue this employment relationship and is willing to offer Employee a new written Employment Agreement including a continuing profit-based annual bonus and a new annual incentive bonus arrangement intended to compensate Employee for achieving various other objectives, all as set forth below. In consideration of such compensation enhancements, the Employer desires that Employee make certain promises not to compete with the Employer, interfere with its business relationships or disclose its confidential information, as set forth in the form of Confidentiality and Non-Competition Agreement attached hereto as **Exhibit A**, and hereby made a part of this Agreement (the "Confidentiality and Non-Competition Agreement").

As of the Effective Date, Employee is willing to continue his employment with the Employer under the terms and conditions of this Agreement and the Confidentiality and Non-Competition Agreement. The Employer's fiscal year (the "Fiscal Year") currently begins each [insert date] and is subject to change by the Board of Directors of the Employer (the "Board"). The Board has appointed an Executive Committee (the "Executive Committee"), which has certain responsibilities hereunder with respect to the compensation of Employee.

NOW, THEREFORE, in consideration of the facts recited above, which are hereby made a part of this Agreement, and the following mutual promises, the parties hereby agree as follows:

AGREEMENT

1. Employment and Term. As of the Effective Date, the Employer hereby continues the employment of Employee for the term specified in Section 5, until such employment with the Employer is terminated pursuant to Section 5.

2. Duties. Employee accepts such employment and agrees to devote his whole and undivided professional time and attention to the management of the Employer and its business. Employee shall have the title of President and shall have exclusive control over the day to day operations of the Employer, being responsible only to the Board. Employee

agrees to enforce and implement such rules, regulations and policies as the Board may from time to time adopt.

3. Compensation. Employee shall be entitled to receive the following compensation from the Employer for his services provided under this Agreement:

3.1 Base Salary. During the period beginning on the Effective Date and ending [insert date] the Employer shall pay Employee a salary at an annual rate of \$ [insert salary], which shall be paid in substantially equal bi-monthly installments (the "Base Salary").

The Base Salary shall be increased to an annual rate of \$_____ as of [insert date], and \$_____ as of [insert date], if Employee is then employed by the Employer. The Base Salary may be increased at any time during the term of this Agreement, or decreased as of [insert date], or any anniversary of that date, in either case by action of the Executive Committee.

The Executive Committee shall give Employee a written notice of any such action and its effective date, which notice shall be given before any such anniversary date on which any decrease of Base Salary is to take effect. Any such increase or decrease shall be based upon the Executive Committee's annual review and evaluation of Employee's performance and accomplishments for the Employer, including his contributions to the Employer's operations for its most recent Fiscal Year.

The Executive Committee shall exert its reasonable best efforts to conduct and communicate such review within thirty (30) days after the annual meeting of the Employer's shareholder/members, which is currently held in the third month of the Fiscal Year.

3.2 Annual Bonuses. Employee shall be entitled to a Profit Bonus (as defined below) and a Management Incentive Bonus (as defined below) for the Fiscal Year ending [insert date], and each of the next two (2) Fiscal Years. The Executive Committee, in its sole discretion, may decide whether or not to authorize a Profit Bonus and/or a Management Incentive Bonus (each an "Annual Bonus" and collectively, the "Annual Bonuses") for Employee for any Fiscal Year beginning after [insert date], and during the term of this Agreement. If the Executive Committee does so, it may also modify the definition of either Annual Bonus for any such Fiscal Year. If the Executive Committee decides to authorize any Annual Bonus for a Fiscal Year beginning after April 30, 2003, the Executive Committee shall notify Employee (before the beginning of the Fiscal Year) of the Executive Committee's decision and any modifications it has made to the formula for such Annual Bonus for that Fiscal Year; and such decision and any such modifications shall thereafter be irrevocable by the Executive Committee for such Fiscal Year. Any Annual Bonus earned by Employee for a Fiscal Year shall be paid to Employee in cash within three (3) months after the end of the Fiscal Year. No Annual Bonus shall be payable for any Fiscal Year in which occurs Employee's termination of employment, except as expressly provided in Section 5.

3.3. Annual Bonus Definitions. For purposes of this Agreement, the following terms shall be defined as set forth below:

(3) 1 "Profit Bonus" means, except as may be modified by the Executive

Committee for a Fiscal Year beginning after [insert date], a cash bonus payable for a Fiscal Year in an amount equal to five percent (5%) of the first \$75,000 of Employer's Adjusted Profit (as defined below), if any, for the Fiscal Year, plus seven percent (7%) of Employer's Adjusted Profit, if any, in excess of \$75,000 for the Fiscal Year.

(3) 2. "Adjusted Profit" means the Employer's net profit (if any) for a Fiscal Year, before taking into account any of the following amounts for the Fiscal year: the positive or negative effects of any Federal and State income taxes or income tax refunds, any bonuses payable to Employee or any other employee of the Employer, any employee profit sharing and pension plan contributions or allocations, any premiums paid under the Insurance Agreement and any funding for (or payment of) any deferred compensation for employees of the Employer.

(3) 3. "Management Incentive Bonus" means, except as may be modified by the Executive Committee for a Fiscal Year beginning after [insert date], a cash bonus in an amount not to exceed twenty-five percent (25%) of Employee's Base Salary as of the first day of the Fiscal Year, equal to the sum of the bonus component amounts set forth in Schedule 1 attached hereto that have been earned by Employee for that Fiscal Year, based on his level of achievement, as reasonably determined in good faith by the Executive Committee, of each of the management goals set forth therein for earning such bonus component. For each Fiscal Year beginning after [insert date], the Executive Committee and Employee shall negotiate in good faith to adjust such bonus components, management goals and achievement levels in a manner that provides Employee with a reasonable opportunity to earn one-half of the maximum Management Incentive Bonus if his level of achievement of each such goal is equal to the planned or budgeted level, an increased fraction of such maximum if his level of achievement of each such goal exceeds the planned or budgeted level, or the entire maximum Management Incentive Bonus if his level of achievement of each goal is extraordinary, in each case as reasonably determined in good faith by the Executive Committee.

(3) 4. Automobile and Parking Allowances. During the Fiscal Year beginning on the Effective Date, the Employer shall pay Employee an allowance of \$500.00 monthly for the maintenance and use of a personal automobile to be provided by Employee and used in the Employer's business pursuant to Section 6; and the Employer shall also provide and pay for one parking stall at any garage selected by Employee within reasonable walking distance from the Employer's office; provided, however, that the monthly cost of such stall shall not exceed the current or most recently posted monthly rental of the Convention Center Garage. Such automobile and parking allowances may be increased or decreased during the term of this Agreement at any time after the first anniversary of the Effective Date, by action of the Executive Committee. The Executive Committee shall give Employee a written notice of any such action and its effective date.

(3) 5. Other Expenses. The Employer desires that Employee actively promote the Employer and, as a consequence, the Employer and Employee

may from time to time agree that the Employer will pay some or all of the costs related to entertainment expenses and other expenses incurred by Employee; provided, however, that such expenses shall include only those connected with business activities engaged in by Employee for the benefit of the Employer; and provided further that Employee shall furnish the Employer with such documentation as the Employer shall determine necessary to support the expenses as a cost incurred by Employee for the benefit of the Employer. The Audit Committee of the Board will review the records of such expenses at least once in each Fiscal Year of the Employer.

(3) 6. Other Benefits. Employee shall also be entitled to all of the other fringe benefits generally provided by the Employer to its other employees, subject to the eligibility requirements of the respective plans providing such benefits, including without limitation at least four (4) weeks (20 working days) of paid vacation annually, six (6) paid sick days annually and eight (8) paid holidays annually. Except to the extent provided in a written employment policy applicable to all similarly situated employees of the Employer, any unused sick days shall not be carried over from year to year, and shall not be payable upon Employee's termination of employment. Except for Employee's vacation benefits, the Employer shall have the right, in its sole discretion, to terminate any such plans or benefits or modify their nature and extent from time to time, with respect to all similarly situated employees of the Employer.

4. Disability. For purposes of this Agreement, the term "Disability" shall mean a physical or mental impairment resulting from an illness or injury that prevents Employee from performing the essential functions of his position hereunder (with or without reasonable accommodation), as determined by the Board with the advice of an independent licensed physician mutually selected by Employee and the Employer. The decision of the Board shall be binding upon the parties hereto and the period of any such Disability shall end upon Employee's death.

If Employee's Disability commences during the term of this Agreement, his compensation described in Section 3 (including without limitation any Annual Bonuses he earns, pro-rated for complete months of active service in the manner described in paragraph B(3) of Section 5) shall continue during the first three (3) months of such Disability, whether or not his employment with Employer is terminated, except to the extent of any benefits that an employee benefit plan does not provide to employees after their termination of employment, if applicable. After the end of any such three-month period, Employee shall receive no compensation from the Employer, whether or not his employment with Employer is terminated, except: (a) compensation for his services after recovering from the Disability and returning to employment hereunder; and (b) any benefits available to disabled employees or former employees under the terms of any law or employee benefit.

If Employee suffers the same or a new Disability after returning to service with the Employer, Employee must have engaged in substantially full-time service with the Employer for at least twenty-four (24) consecutive months (exclusive of vacations and leaves of absence) immediately prior to such later period of Disability to qualify for a new three (3) month continuance of compensation under the preceding paragraph. In the event that Employee has not engaged in substantially full-time employment for twenty-four (24) consecutive months prior to the later period of Disability, Employee shall be entitled to

compensation during such Disability under the preceding paragraph only for any portion of the original three-month period remaining after Employee returned to compensated service with the Employer.

5. Termination. The term of this Agreement shall begin as of the Effective Date and continue until terminated as provided below. This Agreement will terminate in accordance with the following provisions, as applicable:

5.1. Events of Termination:

(1) 1. Mutual Agreement. This Agreement may be terminated at any time by mutual written agreement of the parties.

(1) 2. Resignation. Employee may elect to terminate this Agreement and resign from his employment with the Employer by giving at least thirty (30) days written notice of termination to the Employer.

(1) 3. Death. Upon the death of Employee, this Agreement and his employment shall be deemed to be terminated as of the close of the month in which his death occurs.

(1) 4. Termination for Good Reason. The Employer shall have the right and option to terminate this Agreement and Employee's employment, by action of its Board and written notice to Employee containing the effective date of such termination and the reason for such termination, upon the occurrence of any one of the following events:

(4) 1. conviction of Employee for any crime punishable as a felony or a misdemeanor involving moral turpitude;

(4) 2. Employee's material violation of the Confidentiality and Non-competition Agreement;

(4) 3. failure of Employee to devote his full professional time to the management of the business of the Employer, unless such failure is caused by Employee's Disability;

(4) 4. failure of Employee to faithfully and diligently perform the usual and customary duties of this employment, unless such failure is caused by Employee's Disability; or

(4) 5. Employee has suffered a Disability that has continued for at least (3) months and, in such a case, the Employer may elect to delay such termination while such Disability continues; provided, however, that during any such delay the Employee shall not be entitled to any compensation from the Employer except to the extent provided under Section 4 or as may be determined in the discretion of the Board.

(1) 5. Other Reasons for Termination; Constructive Termination. The Employer shall have the right and option to terminate this Agreement and Employee's employment for any other reason or no reason whatsoever, by action of its Board and written notice to Employee containing the effective

date of such termination.

If, after the Executive Committee has given Employee the two written notices under Section 3 of (a) the maximum amount of Annual Bonuses (if any) he could earn for any Fiscal Year beginning after [insert date] (the "Potential Bonuses"), and (b) the annual amount of his Base Salary effective from and after [insert month and day] of that Fiscal Year, the total of such Potential Bonuses and such Base Salary has been reduced by more than twenty percent (20%) from such total in effect as of the preceding [insert month and day], then Employee may elect to treat the latest of such notices as a notice of termination of his employment by the Employer under the first paragraph of this subsection (5). Employee may make such election only by giving any member of the Executive Committee (other than himself) a written notice of such election within thirty (30) days after receiving the last of such compensation notices and, if he does so, his employment termination will be effective as of the date such election is received by such member; provided, however, that if the Employer had the right to terminate Employee's employment under Section 5A(4) at the time of the Executive Committee's last such notice and has stated the cause for such right in either of such notices, Employee's election will be treated as an employment termination under the applicable portion of Section 5A(4); and provided further that his Annual Bonuses (if any) and Base Salary used for purposes of calculating any severance pay due Employee hereunder as a result of such termination, shall be those in effect at the end of the previous Fiscal Year, except that the actual amount of any pro-rated Annual Bonuses due as severance pay shall be based on measurement factors existing in the Fiscal Year in which the employment termination is effective.

5.2. Termination Pay.

(2) 1. Death or Disability. If a termination of this Agreement is caused by Employee's death or Disability, neither Employee nor his beneficiaries or legal representatives (if applicable) shall be entitled to any severance pay or damages, the Employer having provided various death and Disability benefits for Employee under this Agreement, the Insurance Agreement and its employee benefit plans, as applicable; and the Employer shall have no further responsibility for payment of compensation hereunder, except for any such death or Disability benefits that may remain unpaid, including without limitation his Annual Bonuses, if any, which will be pro-rated, based on the ratio of the number of complete months of Employee's service for the Employer during the Fiscal Year in which such termination becomes effective, to the number of months in the entire Fiscal Year. Any Profit Bonus will be pro-rated after determining the Adjusted Profit, if any, for the entire Fiscal Year. Any Management Incentive Bonus will be pro-rated after determining the level of achievement of any goals set forth in Schedule 1 attached hereto for earning his Management Incentive Bonus during such completed months; provided, however, that any numerical goals shall also be pro-rated in the same manner as the Annual Bonuses.

(2) 2. Termination Without Severance Pay. If a termination of this Agreement occurs pursuant to paragraph A(1), A(2), A(4)(a) or A(4)(b) of

this Section 5, Employee shall not be entitled to any severance pay or damages and the Employer shall have no further responsibility for payment of compensation hereunder, except for any benefits available to former employees under the terms of any law or employee benefit plan.

(2) 3. Termination With Limited Severance Pay. If a termination of this Agreement occurs pursuant to paragraph A(4)(c) or A(4)(d) of this Section 5, the Employer shall pay Employee an amount of severance pay (as liquidated damages) equal to four (4) weeks of his Base Salary in effect as of the date of termination, which shall be payable during the first four (4) complete weeks after such termination, at the times Base Salary would otherwise be paid, in addition to (a) any benefits available to former employees under the terms of any law or employee benefit plan; and (b) his Annual Bonuses, if any, for the Fiscal Year in which his employment termination is effective, pro-rated pursuant to paragraph B(1) of this Section 5.

(2) 4. Termination With Full Severance Pay. If a termination of this Agreement occurs pursuant to paragraph A(5) of this Section 5, the Employer shall provide Employee with the termination pay and benefits described in the preceding paragraph, except that the amount of his severance pay shall be equal to twelve (12) months of his Base Salary, reduced by one (1) month for each complete year of his service with the Employer after [insert date], payable over a period of months equal to the resulting number.

5.3. Settlement of Obligations. In case of any termination of Employee's employment, settlement shall be made with Employee as follows:

(3) 1. Any debts or other obligations owed by Employee to the Employer, including without limitation any amount due the Employer under the Insurance Agreement, shall be paid promptly upon such termination. If such payment is not promptly received, then, in lieu of such payment, the Employer shall be entitled to offset any such obligations against any payments to be made to Employee under this Agreement or otherwise.

(3) 2. Any amount owed to Employee for unpaid compensation, loans or otherwise shall be immediately credited to him upon such termination, except to the extent otherwise expressly set forth in this Agreement or any other agreement providing for such compensation or other obligation.

6. Automobile. Employee shall own or lease an automobile and use the same in the business of the Employer as his duties may require. The Employer shall compensate Employee for the use of such automobile as provided in Section 3 of this Agreement. Employee shall be responsible for carrying and keeping automobile liability insurance at his expense with limits of not less than \$300,000 for injury to one person, \$500,000 for injuries to all persons injured in one accident, and \$100,000 for property damage; and such insurance shall be endorsed to cover the Employer's liability as an additional insured for use of such automobile in the business of the Employer.

7. Insurance Agreement. The Employer shall continue to perform its obligations under the terms and conditions of the Insurance Agreement, which remains in full force and effect and is not intended to be amended in any way or superseded by this Agreement.

8. Beneficiaries and Payment of Compensation. All payments of compensation to be made by the Employer under this Agreement shall be made to the Employee, if living. If Employee dies prior to receiving all of such compensation, any subsequent payments of such compensation to be made under this Agreement shall be to the beneficiary or beneficiaries of the Employee designated below. If a beneficiary who survives Employee is entitled to a payment under this Agreement and dies before receiving the entire amount due such beneficiary, the remaining amount shall be paid to the legal representatives of the beneficiary's estate.

Employee shall designate a beneficiary by filing a written notice of such designation with the Employer. Employee may revoke or modify said designation at any time by a further written designation. However, no such designation, revocation or modification shall be effective unless executed by Employee and accepted by the Employer during Employee's lifetime. Employee's beneficiary designation shall be deemed automatically revoked in the event of (1) the death of the beneficiary prior to the Employee's death, or (2) if the beneficiary is the Employee's spouse, in the event of dissolution of marriage. If Employee does not designate any beneficiary, or any such designation is revoked, the designated beneficiary at the time of Employee's death shall be (a) Employee's surviving spouse, or (b) if no spouse is then living, Employee's children and their issue by right of representation or (c) if none is then living, the legal representative(s) of Employee's estate.

If an amount is payable under this Agreement to a minor or a person declared incompetent or to a person incapable of handling the disposition of his or her property, the Employer may pay such benefit to the guardian, legal representative or person having the care or custody of such minor, incompetent or person. The Employer may require proof of incompetency, minority or guardianship as it may deem appropriate prior to distribution of the benefit. Such distribution shall completely discharge the Employer from all liability with respect to such payment.

9. Restrictive Covenants. As a condition for the Employer's acceptance and execution of this Agreement, and in consideration of the increased Base Salary and other compensation improvements to be provided to Employee by Employer hereunder, Employee shall (on or before the Effective Date) sign and deliver to the Employer the Confidentiality and Non-Competition Agreement, which the Employer also agrees to accept and execute as of the Effective Date. After both parties have signed the Confidentiality and Non-Competition Agreement, the Employer agrees to promptly deliver a fully executed copy of the Confidentiality and Non-Competition Agreement to Employee.

Notwithstanding anything herein to the contrary, if this Agreement or Employees' employment with the Employer is terminated by either party for any reason (or no reason), the provisions of the Confidentiality and Non-Competition Agreement shall survive the termination of this Agreement and Employee's termination of employment.

10. Taxes. The Employer shall deduct from all payments made hereunder all applicable Federal or State taxes required by law to be withheld from such payments.

11. Entire Agreement. This Agreement, the Insurance Agreement and the Confidentiality and Non-Competition Agreement contain the entire understanding of the parties hereto in respect of the employment relationship contemplated hereby; and

supersede all prior agreements and understandings between the parties with respect to the subject matter of such agreements.

12. Modification. Except as otherwise expressly provided in this Agreement, it may be modified only by a written instrument approved by the Executive Committee and executed and delivered by the parties hereto.

13. Section Headings. Section headings describing the content of particular Sections and paragraphs of this Agreement are for convenience only; and are in no way to be construed as part of this Agreement or as a limitation of the scope of the particular Sections or paragraphs to which they refer.

14. Law to Govern. This Agreement shall be construed and enforced in accordance with the laws of the State of [\[insert state\]](#).

15. Arbitration. If any controversy or claim arising out of this Agreement cannot be settled, it shall be determined by arbitration in accordance with the terms of the Uniform Arbitration Act, _____ Statutes Sections _____, except as hereinafter modified.

Either party may, by written notice to the other within ten (10) days after a controversy has arisen hereunder, appoint an arbitrator. The other party shall, by written notice, within 10 days after receipt of such notice by the first party, appoint a second arbitrator; and in default of such second appointment, the first arbitrator appointed shall be the sole arbitrator. If two (2) arbitrators have been appointed, they shall, if possible, agree on a third arbitrator and shall appoint him by written notice signed by both of them (and a copy shall be mailed to each party hereto within ten (10) days after such appointment).

On final appointment of the arbitrator(s), such arbitrator(s) shall hold an arbitration hearing at the registered office of the Employer within ten (10) days after the final appointment. At the hearing, the laws of evidence of the State of [\[insert state\]](#) shall apply; and the arbitrator(s) shall allow each party to present his case, evidence, and witnesses, if any, in the presence of the other party, and shall within thirty (30) days of the appointment of the last or sole arbitrator, render the award of the arbitrator(s), including a provision for the payment of costs and expenses of arbitration to be paid by one or both of the parties hereto as the arbitrator(s) deem just.

If three arbitrators are appointed, the award of the majority of the arbitrators shall be binding on the parties hereto, shall be reviewed only in accordance with the terms of the Uniform Arbitration Act, _____ Statutes Section _____ and a court judgment upon the award may be entered in any court having competent jurisdiction thereof.

This Section 15 shall not apply to any dispute between the parties under the Confidentiality and Non-Competition Agreement.

IN WITNESS WHEREOF, Employee has executed this Agreement and the Employer has caused this Agreement to be executed by its duly authorized officer on the day and year first written above.

By:

Councilor
EMPLOYER

Employee

SCHEDULE 1

EMPLOYMENT AND INCENTIVE AGREEMENT BETWEEN _____ CORPORATION AND _____

(For the Fiscal Year beginning May 1, 2000)

Description of Management Incentive Bonus Components*	Percentage of Base Salary at Planned or Budgeted Level	Maximum Percentage of Base Salary
1. Strategic/Business/Marketing Plans	3.0%	5.0%
2. Product differentiation/Sales staffing/Customer response	5.0%	8-1/3%
3. Customer loyalty/Interdependence (indispensability)	4.0%	6-1/3%
4. Staff alignment (competency)/Vendor relationships/Technical capabilities	3.0%	5.0%
Total of Management Incentive Bonus Components	15.0%	25.0%

* Each Management Incentive Bonus Component, and its planned or budgeted level for this Fiscal Year, is defined below.

1. Strategic/Business/Marketing Plans.

(a) This component means:

[TO BE INSERTED BY NACM BOARD]

(b) The planned or budgeted level for this component is:

[TO BE INSERTED BY NACM BOARD]

2. Product differentiation/Sales staffing/Customer response.

(a) This component means:

[TO BE INSERTED BY NACM BOARD]

(b) The planned or budgeted level for this component is:

[TO BE INSERTED BY NACM BOARD]

3. Customer loyalty/Interdependence (indispensability).

(a) This component means:

[TO BE INSERTED BY NACM BOARD]

(b) The planned or budgeted level for this component is:

[TO BE INSERTED BY NACM BOARD]

4. Staff alignment (competency)/Vendor relationships/Technical capabilities.

(a) This component means:

[TO BE INSERTED BY NACM BOARD]

(b) The planned or budgeted level for this component is:

[TO BE INSERTED BY NACM BOARD]