

Operations Manual

November 2, 2022

NPAworldwide

Section E. Financial
Obligations



NPAworldwide™

Recruitment Network

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Section E. Financial Obligations

As a member-owned cooperative, NPAworldwide programs are designed to improve the earnings of the individual members. These programs are developed and planned with the participation of members and are then adopted by vote of the Board of Directors or the membership.

Reporting Acceptances

A major source of income for NPAworldwide is a 5% brokerage payment on cooperative placements between members. Upon learning of an acceptance of a job offer that involves a fellow member, the importing member (representing/billing the client) must immediately notify the exporting member (representing the candidate) of the acceptance, the targeted start date, salary and the billing arrangements. The importer / job-side must complete an acceptance report accurately and fully on the NPAworldwide system within seven (7) days of the acceptance.

Reporting acceptances is a mutual responsibility that begins with the member who is billing the client (importer / job-side). If the importer / job-side fails to report the acceptance, then it becomes the responsibility of the exporter / candidate-side to communicate the acceptance to NPAworldwide. Failure to report an acceptance within seven (7) days is grounds for disciplinary action or expulsion for both members participating in the placement. Members should never be aware of an acceptance that has not been communicated to NPAworldwide Headquarters.

Brokerage Payments

IMMEDIATELY upon receipt of the fee, the billing member sends a copy of the Placement Report with client payment verification (copy of the client check, wire transfer confirmation or other documentation) and 5% of the total payment received to NPAworldwide Headquarters. At the same time the billing member sends a copy of the Placement Report and the client payment verification and 47.5% of the fee to the cooperating member. If the placement information changes between acceptance and receipt of the fee, the billing member should show the changes on the submitted copy. The money received for each cooperative placement is posted in equal (1/2 the total received) amounts to the accounts of the two members involved. Each member then receives credit for one cooperative placement.

Members receiving payment for a cooperative placement involving non-U.S. currencies will disburse the 5% brokerage in U.S. currency, and the affiliate payment should also be made immediately in their local currency. Payments to both NPAworldwide and the affiliate will include a copy of the client payment verification (copy of the client check, wire transfer confirmation or other documentation). If payment is made via wire transfer, the conversion to local currency is done at the time of the wire origination. Evidence of the payment and the conversion rate used by the bank should be provided to NPAworldwide and the affiliate. Brokerage payments to NPAworldwide made via credit card will be processed only in U.S. Dollars, using the conversion rate published on <https://usa.visa.com/support/consumer/travel-support/exchange-rate-calculator.html/> at the time of credit card processing.

The word IMMEDIATE means payment must be made by the close of the next business day. Cooperative placement fees are shared income. The collecting member is in no way entitled to use of the funds that are rightfully a fellow member's and NPAworldwide's. Delay of payment, holding or using such funds, will not be tolerated by the Board of Directors, which takes the position that delay constitutes misappropriation and misuse of such funds.

Gross Receipt Taxes

Members in jurisdictions that levy relevant taxes (e.g. gross receipts, VAT, or GST) should aim to be taxed only on their portion of any split fee. If necessary, they should seek guidance from a qualified professional to avoid being taxed on the full fee. Only 47.5% of the total received is income for the billing member. If local regulations or accounting practices prohibit this partitioning of income to the rightful owners of the income, then before the initiation of a cooperative placement, the exporting member and NPAworldwide must be informed in writing by the fee-collecting member of all local tax requirements. The collecting member is responsible for 100% of the tax liability absent a written agreement stating otherwise.

Installment Payments

In rare cases, the 5% brokerage fee may be paid in installments but only because the payment to the member is being paid in installments, or in the case of contract positions the 5% may be withheld and accumulated until some reasonable portion of the total fee has been collected. In either case, a completed placement report form should accompany the first installment, to assure correct posting to your account. The cooperating member's portion must be paid immediately upon receipt of each installment payment, whether NPAworldwide is paid its 5% brokerage in installments or upon the final installment payment.

Dual Membership and Brokerage

In addition to the Bylaws requirements, some procedural restrictions apply to members having dual membership status. Brokerage is payable on all cooperative placements between members, irrespective of any brokerage requirement of another network even if that affiliation generated the placement activity.

Fall-offs, Split Fees, and Brokerage

If a cooperative placement fails (falls-off) and the job-side firm is obliged to give a refund under the terms of its agreement with the employer, NPAworldwide and the candidate-side member will participate in the refund proportionately. The job-side member shall supply NPAworldwide and the candidate-side member with relevant proof (such as a copy of the refund check/electronic funds transfer documents, etc.) that a refund was issued to the client and all correspondence related to the refund. When the job-side member provides the required documentation, NPAworldwide will refund the brokerage payment received and candidate-side member will refund payment received from the job-side member, within 7 days. If that refund takes the form of a credit, NPAworldwide and the candidate-side member

will refund when the client-side member documents that the credit has turned into a financial loss. (For Job Board Fall-offs, see the Job Board Section.)

Collections / Legal Action to Collect Brokerage

Occasionally it will become necessary for the billing member to take legal action in order to collect a placement fee. In that event, the billing member may deduct the legal cost of collection from the gross amount of the fee collected and compute the 5% brokerage fee and the 47.5% share to the cooperating member on the net amount collected.

Discounts for Multiple Placements

Discounts, including those for multiple placements, must be agreed upon in advance and in writing.

Fee Variances and Unbundled Services

At times members are asked to provide additional or partial services. While it is impossible to describe all the circumstances which could arise when a number of services are included in a single fee, and part of that fee becomes a split fee, the exporting member must know the entire circumstances before a candidate is submitted and agree to the arrangements. Such arrangements shall be confirmed in writing.

Retainers

NPAworldwide requires a split of the total fee, inclusive of a retainer or engagement fee associated with the position in which the split occurs. Because of the differences in the types of retainers and the way they are paid (for example, one retainer for multiple positions), the member with the job order is required to clarify any retainers/engagement fees which are to be received from the client for their recruiting efforts when POSTING/SHARING their position in NPAworldwide, or contacting or liaising with another affiliate for assistance on the assignment, and PRIOR to presenting the cooperating member's candidate to the client company. Failure to clarify and gain agreement of the fee in writing prior to arranging an interview can obligate the placing member to payment of a fee equal to 47.5% of that listed in their published fee schedule. NPAworldwide has the option to request copies of client payment records, including credit card payments receipts, copies of the draft, or bank payment records to verify the total fee payment.

While it is impossible to specify every client relationship regarding retainers/engagement fees in this manual, it is required that each member of NPAworldwide follow the spirit of NPAworldwide, and compensate a partner firm honestly and appropriately when a split placement is made where a retainer or engagement fee is involved.

Invoices

Dues are billed on annual basis to its members with a provision for monthly payments. Included on monthly invoices are membership dues and other miscellaneous billings which may accumulate during the month. These invoices are payable upon receipt. Accounts outstanding more than thirty (30) days will be assessed a service fee of 2% per month on the unpaid balance.

Accounts Receivable

Provisions for automatic suspension of member accounts are covered in the Bylaws Article 3, Section G.2.

Checks received in payment on account or as brokerage payment and returned for insufficient funds must be made good, and a \$25 fine will be assessed to the member's account for each occurrence.

Member Resignations

Member firms may request resignation at any time by contacting NPAworldwide Headquarters. The final dues invoice will be issued the month after the resignation request is received. For example, if resignation is requested on October 31, the final dues invoice will be issued in November. If resignation is requested on November 1, the final dues invoice will be issued in December.

Members will be notified of all pending resignation requests, including the effective date of resignation.

Resignations will be finalized once all outstanding dues and brokerage payments have been made, and the remaining terms of the Membership Agreement have been fulfilled.

Indemnification

Article 10, Section B of the bylaws provides that when a member is unable to collect a share of a split fee collected by another member, that reimbursement may be made by NPAworldwide to the member incurring the loss. The Indemnification Fund is the last option to collect unpaid splits or other arbitration ruling awards made by the Board of Directors. No payments will be distributed from the fund for a minimum of 90 days from the award. During this time the aggrieved member must make every effort to collect the money. The collection effort must be documented and made available to the appropriate NPAworldwide officer before any funds are released.

- **Report of Claims** - Claims must be supported by a report of the circumstances surrounding a claim and the details regarding actions taken to collect this amount.
- **Publication of Claims** - When a first claim is received it will be published to the members via the *Vignette* or other necessary methods. This is intended to serve as a notice to other members that there is a problem and that they should carefully scrutinize their dealings with the member involved.

- **Resolution of Claims** – After 90 days, starting from the date of publication, claims will be considered closed and subject to Board authorization, the distribution will be made.
- **Conditions Regarding Claims**
 - a. A member submitting a claim and receiving a reimbursement must agree, when appropriate, to execute an assignment of claim to NPAworldwide and to be part of any action or lawsuit to effect recovery. Additionally, the member(s) so indemnified must agree that if NPAworldwide succeeds in recovering fees from the former member in excess of the amount indemnified, such excess will be distributed only after legal expenses incurred by NPAworldwide to bring such action have been deducted. The Board shall have full discretion as to the form and jurisdiction of the action.
 - b. Publication of the suspension, expulsion, or resignation of a member removes the protection of indemnification for any submittals of claims which occur after the date of suspension, termination, or resignation. When and if the member is reinstated, the indemnification protection is restored.

Fee Schedule and Guarantee (Member Profile)

Members have a common goal—to share fees. Each member is an independent business. Each member identifies his/her own fee schedule and is completely free to establish fees to be charged to clients. Each member profile must include a fee schedule. That stated fee schedule must be kept current, reflecting the fee schedule in effect at the present time. NPAworldwide makes no recommendations regarding any member's fee schedule. Each member is required to publish standard guarantee terms in their Member Profile. In the absence of written evidence to the contrary, the guarantee of the job-side member will prevail and the candidate-side member, by consenting to the use of the candidate, is assumed to have accepted the guarantee of the job-side member.

During the placement process, or on occasion when difficulties arise after the candidate has commenced employment, a client may ask for an amendment or change in the guarantee (for example an extension of the guarantee period). The job-side member shall not obligate the candidate-side member to a change of guarantee, without his/her consent in writing. Should the job-side member's agreement provide for replacing the employee instead of providing a refund, the job-side member must give the candidate-side member immediate opportunity to provide a replacement candidate. Failure to offer an opportunity to replace waives the requirement that the candidate-side member contribute to any refund. Unless otherwise agreed to in the job-side member's agreement with customer, the job-side member and candidate-side member will agree to an appropriate timeframe for the candidate-side member to have exclusivity in finding a replacement before the job-side member engages additional resources. It is appropriate for the time to replace the candidate to be similar and consistent with the time to fill the role initially. If the candidate-side member is provided immediate opportunity to replace but is unsuccessful and the replacement is provided without its participation, the job-side member must provide relevant documentation on the replacement to NPAworldwide and the candidate-side member. Upon receipt of such documentation, the candidate-side member will refund the original split amount in full within 7 days. If the replacement is made without the cooperation of any member, NPAworldwide will refund the brokerage originally paid. In no case will the amount refunded by NPAworldwide or the cooperating member be greater than that paid to them for the original placement.

In the case of a retained search, fees are earned at each step in the schedule. The job-side member must share with the candidate-side member the retainers (such as search assignment fee, defined milestone fee and candidate acceptance fee) at the time the search begins. When any step in the retained search process has been reached the job-side and candidate-side members have earned the fee paid and it is non-refundable unless otherwise stated in the retainer agreement and agreed to by both parties.

Exporter / Candidate-side Fee Publications (Add a Candidate Entry Screen)

A member supplying a candidate may determine the minimum fee he/she expects if his/her candidate is placed by another member. That information is provided by submittal of an "Add a Candidate" screen on NPAmarketplace. The candidate submittal form provides the exporting member with options regarding the fee required for each candidate submitted, if placed by another member. The form includes the following choices:

- Any Fee
- A Drop Down menu to choose the minimum fee percentage acceptable for each candidate submitted

Option 1 means the exporting member is willing to accept 47.5% of whatever the placing member receives, while Option 2 allows the exporting member to identify the minimum fee acceptable for each candidate. If no preference is indicated on the cover sheet, "Any Fee" is the default entry.

In the event a fee is received by a placing member that exceeds the minimum fee acceptable identified on a candidate submittal from another member, or if the fee paid exceeds the fee percentage or amount identified by that member on the job order form, the placing member will remit 47.5% of the actual fee collected.

Importer / Job-side Fee Publication (Add a Position Entry Screen)

A position submittal must include a specific fee or specific fee percentage. It is assumed that a member responding to that position opening is acknowledging the acceptance of the fee identified on the position and is knowledgeable of the sending member's published fee schedule which may include a statement of deviation from established percentages. Statements of deviation do not apply if a specific percentage or fee amount is stated on position.

In the absence of a written understanding between the members making a split placement, the member submitting the candidate that identifies a minimum fee acceptable will be paid that minimum fee by the importing member, irrespective of whether the importing member accepted a lower fee from the client. Importing members should always clarify the fee being split prior to submitting candidates to a client.

Deviations from the Published Fee Schedule

There is an obligation to inform the member submitting a candidate, in writing, early in the placement process that a deviation from the standard or published schedule is involved in a pending placement except where the candidate submitted has been marked positively "Any Fee Acceptable."

Should a member consider submitting an affiliate's candidate to a client company that has a stated policy limiting the length of time that referral will be honored for payment of a fee, the affiliate representing that candidate must be informed before such referral and be given the opportunity to refuse the submittal of the candidate. For example, some client companies have stated policies that any candidate received from a placement firm and placed during the ensuing 6 months (or any other defined period) will be acknowledged for fee payment. After six months the candidate's file is retained by the company and if employed, no fee is paid. Under those conditions, the affiliate must be given the opportunity to not have the candidate submitted to that company initially.

Contract Compensation Formulas

If a contract split occurs, the profit will be split 47.5% to the importer / job-side, 47.5% to the exporter / candidate-side, and 5% to NPAworldwide unless otherwise agreed upon in advance. Alternate methods should be agreed upon (preferably in writing) prior to commencement of employment by the contractor.

If the importing firm is funding the payment of the contractor, such a split placement can follow one of two prescribed formulas. Other options must be agreed to in advance.

- **Option 1:** 66% to the importer / job-side and funder, 29% to the exporter / candidate-side, 5% to NPAworldwide of the gross amount billed, minus:
 - contractor's salary
 - federal or state mandated taxes and benefits
 - benefits provided to the contractor
 - per diem provided to the contractor

This formula is intentionally weighted favorably to the importer / job-side/funder because the importer / job-side/funder assumes the sole risk and responsibility for managing that receivable. While brokerage and the trading partner's share of the margin are not payable until the client pays, the importer / job-side/funder is exposed to the full extent of the employee's gross wages. With this formula, if the receivable cannot be collected for any reason during the course of the contract, the exporter / candidate-side will not be held liable for any portion of that receivable.

- **Option 2:** 47.5% to the importer / job-side, 47.5% to the exporter / candidate-side, and 5% to NPAworldwide of the gross profit per hour. Acceptable operating costs to be deducted in determining the gross profit are:
 - contractor's salary
 - federal or state mandated taxes and employee benefits
 - benefits provided to the contractor
 - the cost of money
 - per diem provided to the contractor

In the event that the cooperating firms elect to share the account receivable liability as a condition of this formula, a separate written agreement to that effect is required.

Contract-to-Hire

Occasionally in the course of a contract, the client will request permission to hire the contractor as a permanent employee. Typically the importer / job-side will charge a buy-out fee. In such a case, the importer / job-side, exporter / candidate-side and NPAworldwide will split the buy-out fee 47.5%, 47.5% and 5% respectively.

Change in the Terms of the Contract

Any change in either the pay rate (to the contract employee) or the bill rate (to the client) must be approved in writing by both the importer / job-side and the exporter / candidate-side. Brokerage and split-fee payments shall reflect the changes.

Length of Contract

Like all other NPAworldwide activity, contract placement activity does not expire. If a contract has been estimated to end after a certain number of months but continues for a longer term, all parties will participate in split placement revenue for the duration of the contract. If a contract is reduced in length, all parties split the profit for the actual term of the contract.

Verification of hours and payment

An accounting of hours and profit must be sent to both the affiliate and NPAworldwide at least monthly, or upon receipt of the client's payment. This information can be verified by copies of signed time cards, hours billed to contract client, payment summary from client or payroll/funding source report etc. It is acceptable to issue a profit check to your affiliate and NPAworldwide either weekly or monthly as is appropriate and convenient.