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12700 KNOTT AVENUE  
GARDEN GROVE  
CALIFORNIA 92841  
714-898-8781  
800-854-6417  
FAX 714-891-9836  
www.cmadishmachines.com

To Our Valued Sales Organization and Independent Contractors:

RE: Non-employee Compensation-Including Fees, Spiffs, Commissions, Prizes, Awards and Other Value Non-employee Forms of Compensation

The subject of non-employee compensation has been brought before CMA again as a complaint and resistance in CMA's responsibility to comply with the law, as written. The Internal Revenue Service has published instructions for the subject compensation that falls under the classification of 1099 miscellaneous income.

CMA, in its course of business, has established an incentive payout that is designated as a "Spiff" that is given out in US dollars when a salesperson for a company or organization, working under an agreement with CMA, allows their employees to accept such cash "Spiffs" as an incentive to sell CMA products. The cash money for Spiffs is subject to reporting at the end of the calendar year as miscellaneous income on form 1099. Miscellaneous income is reportable once it reaches or exceeds the cash dollar amount of \$600.00. It should be noted that amounts under \$600.00 will not be reported for such monies as received in a calendar year.

Why does CMA need an individual's social security number (SS#) at the time any miscellaneous amount is paid out, as in the case of Spiffs? CMA is responsible to calculate at the end of the calendar year all incremental payouts made for the twelve months. CMA does not keep individual cumulative running records to know whether a person has received more or less than the \$600.00 (the key amount). CMA must have the SS# at the time of filing the Federal Tax Form 1099 and does not want to go looking for the person or number after the fact and the \$600.00 is exceeded, thus requiring reporting and a SS#. For this reason, CMA must have an individual's SS# identity at the first payout date.

All social security numbers are filed and kept in strict confidence and are not exposed for public knowledge, other than reporting to the Internal Revenue Service at each year-end should one receive miscellaneous income exceeding \$600.00.

Please understand our responsibility and necessity to require your personal social security number to log in and have available for year-end tax purposes. We do appreciate your concern, but assure you the purpose is due to the regulatory governmental law of the land in which we stand supportive of.

Thank you,

Fred Palmer, CFO

