



**Gates Corporation  
U.S. Severance Plan**

**Summary Plan Description  
2019**

# U.S. Severance Plan SPD

## *This Is Your Summary Plan Description (“SPD”) for the Gates Corporation U.S. Severance Plan (the “Plan”).*

*The Plan is offered by Gates Corporation (the “Company”). Where there is conflict between the Plan and SPD, the Plan document will control.*

*This SPD provides important information about your right to receive “Severance Benefits” (as defined below and in the Plan) following a “Qualifying Termination” under the terms of the Plan.*

*No person has the authority to make any oral or written statements or representations inconsistent with the terms described in this document. The Company reserves the right to amend or terminate the Plan at any time and without notice to employees.*

## **Overview**

**About The Plan.** The Plan is designed to provide Severance Benefits to Eligible Employees who experience certain qualifying terminations from the Company or any of its participating U.S. subsidiaries or affiliates (referred to collectively as “Participating Company(ies)”). The Plan is governed by the Employee Retirement Income Security Act of 1974 (“ERISA”), a federal law that regulates employee benefit plans, and is intended to be a welfare plan under ERISA.

**When Is This SPD Effective?** This SPD is effective as of June 1, 2019 and is applicable to Eligible Employees who receive written notification of a Severance Offer on June 1, 2019 or later. Be aware that the Company reserves the right to amend or terminate the Plan at any time.

**Are There Other Severance Pay Programs?** No. This is the only severance pay program available to you. The Plan terms described in this SPD and the Plan override the terms of any other severance plan document, policy, or other program. You may only be eligible for one severance program at a time; severance paid under this program is in lieu of, and not in addition to, any other severance agreement or program.

## **Are you Eligible?**

**Who is the “Employer” For Purposes of this Plan?** When used in this SPD, the term “Employer” means, as to any particular employee, the Participating Company by which such employee is employed as of the date of his or her termination.

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**Who Is Eligible For Benefits?** To be eligible for benefits under the Plan, you must meet the following eligibility requirements:

- Step One: You must be an “Eligible Employee” in a “Qualifying Position”
- Step Two: You must satisfy the below criteria to be considered “Eligible for a Severance Benefit”
- Step Three: You must execute and deliver to Company a non-revocable Confidential Separation Agreement and Release in Full of All Claims (“Separation and Release Agreement”) AND
- Step Four: You must comply with all other duties and obligations set forth in this SPD.

## Step One – “Eligible Employee” Defined:

“Eligible Employee” means a person who holds a “Qualifying Position” at the time of termination of the employment; and who is not an “Excluded Employee” as defined below.

“Qualifying Position” means a non-executive, non-union, full-time or part-time position with a Participating Company as determined in the Company’s sole discretion.

An “Excluded Employee” is an individual who:

- is classified as “temporary” or as an “intern” in the payroll and/or HR systems;
- is an independent contractor, consultant, or is otherwise not classified in a Participating Company’s payroll and/or HR systems as an “employee”;
- is a “leased employee” as defined in Section 414(n) of the Internal Revenue Code;
- is employed by a non-U.S. subsidiary or affiliate of the Company, or has been transferred from a non- U.S. subsidiary or affiliate to a Participating Company for a finite period of time pursuant to a letter of limited assignment;
- is covered by a collective bargaining agreement, unless such collective bargaining agreement provides for his/her coverage under the Plan;
- is involuntarily terminated due to misconduct, including but not limited to violations of the Code of Conduct or other Gates policies;
- has his or her employment terminated due to the failure to report to work / job abandonment;
- has his or her employment terminated voluntarily due to unsatisfactory job performance, as determined in the Company’s sole discretion;
- is offered a comparable position, as determined by the Plan Administrator, with a Participating Company or in connection with (a) outsourcing to a vendor, customer, or distributor, (b) a merger of business groups or companies, or (c) a change of company ownership;
- is notified that his/her employment will be terminated as of a particular future date, and he/she fails to perform services through that termination date;
- is notified of a lay-off or facility shutdown expected to last for less than one year;
- has his or her employment terminated after becoming approved for long-term disability benefits; or
- has his or her employment terminated voluntarily, such as through resignation or retirement.

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Excluded Employees are not eligible to receive Severance Benefits.

*In addition to* the criteria specified above, an individual is also not eligible for Severance Benefits under the Plan if:

- his/her employment terminates by reason of death;
- his/her employment is terminated under the terms of an individual separation arrangement; or
- the Plan is terminated.

The foregoing list of conditions is intended to be illustrative and may not be all inclusive; the Plan Administrator shall have the sole discretion to determine whether an individual is eligible for Severance Benefits under the Plan.

In the case of a reduction in force, facility closure, and/or other company restructuring, the Participating Company may, in its sole discretion, elect to extend some or all of the Severance Benefits described in the Plan and this SPD to employees who would otherwise not be considered Eligible Employees under the Plan. In such instances, employees who receive such a severance offer must still comply with all other parts of the Plan and this SPD, including providing and not revoking a Separation and Release Agreement, in order to receive such benefits.

**Step Two – Eligibility Requirements:** If you are considered an “Eligible Employee,” you must meet all of the following rules to be considered “Eligible for a Severance Benefit”:

- You must experience a “Qualifying Termination.” A Qualifying Termination is an involuntary termination of employment, as determined and defined in the sole discretion of your Employer. This includes only circumstances where you have received a written offer of Severance from your Employer, notifying you that your position is being involuntarily terminated under circumstances which make you eligible for Severance Benefits under the Plan.
- You must remain in the employ of your Employer through the date of termination of employment designated in writing by your Employer.
- You must fulfill any and all normal responsibilities of your position, including meeting regular attendance, workload and other standards identified by your Employer, through your termination date.
- You must comply with the provisions in the below section titled “Your Obligations.”

**\*\*\*\*\* If you experience a non-qualifying termination and/or are not an “Eligible Employee” as defined in the Plan and described above, you are not entitled to the payment of any severance or other benefits under the Plan. \*\*\*\*\***

**Step Three – You Must Sign and not revoke a Separation and Release Agreement:** In order to receive the Severance Benefits available under the Plan, you must submit a signed Separation and Release Agreement, in a form acceptable to the Company, to the Plan Administrator on or within the time period described in your Separation and Release Agreement. If you fail to accept your

***NOTE: You are advised to contact your personal attorney at your own expense to review the Separation and Release Agreement.***

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severance offer and provide the signed Separation and Release Agreement within such time frame, the offer of severance shall be deemed revoked and you will no longer be eligible for Severance Benefits under the Plan.

*You may revoke your signed Separation and Release Agreement within seven (7) days of signing the Separation and Release Agreement. Any such revocation must be made in writing and must be **received** by the Plan Administrator within such seven (7) day period. If you timely revoke your Separation and Release Agreement, you will not be eligible to receive any severance benefit under the Plan. If you timely submit a signed Separation and Release Agreement form and do not exercise your right of revocation, you will be eligible to receive Severance Benefits under the Plan.*

**Step Four – Compliance with Plan Rules:** Review this SPD carefully to confirm that you comply with all other rules and obligations required under the Plan.

## **What is the Amount of the Severance Benefits?**

If you are an Eligible Employee, upon a Qualifying Termination and written notice of a severance offer from your Employer, and subject to your provision of an effective, non-revoked Separation and Release Agreement, and the expiration of any revocation period, you will receive the following payments and benefits (collectively, the “Severance Benefits”):

### **(1) Severance Allowance**

Pursuant to the table below, you will receive a Severance Allowance. The Severance Allowance will be equal to your Severance Base Pay for the length of time set forth in the table below. The length of time is determined based on your classification in the Company’s Human Resource Information Systems, at the time of your Qualifying Termination.

**Special rules may apply in the case of a reduction in force or company restructuring as determined in the Participating Company’s sole discretion.**

<b>Years of Service for Employees below Director level, as defined by the Company</b>	<b>Weeks of Severance Base Pay</b>
0 - 4 Years of Service	4 Weeks
5+ Years of Service	1 Week per Year of Service (maximum 26 weeks)
<b>Years of Service for Director level employees, as defined by the Company</b>	<b>Weeks of Severance Base Pay</b>
0 - 12 Years of Service	12 Weeks
13+ Years of Service	1 Week per Year of Service (maximum of 26 weeks)

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## What is Severance Base Pay?

For all purposes of the Plan, “Severance Base Pay” for a salaried Eligible Employee shall be determined by using the applicable regular weekly base salary compensation rate (excluding bonuses and overtime), except for Eligible Employees who are also eligible for sales compensation under a Gates sales compensation plan.

“Severance Base Pay” for employees eligible for sales compensation under a Gates sales compensation plan will include a weekly equivalent of the Eligible Employee’s current year target sales commissions if he/she is eligible and has received sales commissions under the Company sales compensation plan.

For an hourly Eligible Employee, “Severance Base Pay” will be calculated by multiplying his or her hourly rate of pay as of the date employment is terminated by either: a) forty (40) hours for a full time hourly employee or b) thirty (30) hours for a part time hourly employee. Bonuses, overtime and other payments are not considered part of the Severance Base Pay for hourly Eligible Employees.

**What is a Year of Service?** A “year(s) of service” for all purposes of the Plan shall be determined from your most recent date of hire until your date of termination of employment with the Employer, rounded down to the nearest full 12-month period (including any service with a predecessor company provided that such service is recognized by your Employer according to your Employer’s personnel records, is continuous uninterrupted employment service, and you were an active employee at the time of the acquisition). No credit will be provided for a particular year of service unless such Eligible Employee has actively worked for the entire 12-month period. For example, an Eligible Employee who has actively works for 6 years and 7 months will be considered to have 6 Years of Service for purposes of this Plan.

## *(2) COBRA Subsidy*

To support you in maintaining healthcare coverage, if you are currently enrolled in Gates’ benefits at the time of your Qualifying Termination, and are eligible to continue medical coverage under COBRA, you will receive a supplemental cash payment based on your position with your Employer: Eligible Employees below Director level, as defined by your Employer, will receive a cash payment of \$2,500; Director-level Eligible Employees, as defined by your Employer, will receive a cash payment of \$5,000. You will be liable for taxes on this amount. You may purchase COBRA coverage from your Employer, so long as you qualify under the COBRA rules, or choose to secure coverage elsewhere, such as through a healthcare exchange.

## *(3) Outplacement Assistance*

In the case of a reduction in force, Eligible Employees will be offered outplacement services provided by a vendor selected by your Employer. In all other instances, an Eligible Employee’s eligibility for outplacement services is in the sole discretion of your Employer.

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## Other Obligations

**You Must Keep Information Confidential.** You may have access to trade secrets and other confidential and proprietary information (“Confidential Information”) with regard to the business of your Employer. The disclosure or improper use of such Confidential Information (or the breach of any restrictive covenant agreement(s)) will cause serious and irreparable injury to your Employer. For that reason, any Eligible Employees with such access (or who are subject to a restrictive covenant agreement(s)) shall acknowledge in the Separation and Release Agreement that (i) they will not at any time, directly or indirectly, disclose Confidential Information to any third party or otherwise use such Confidential Information for their own benefit or the benefit of others, (ii) they will not breach any restrictive covenant agreement(s), and (iii) payment of severance pay under the Plan shall cease if an Eligible Employee discloses or improperly uses such Confidential Information or breaches such restrictive covenant agreement(s).

**Cooperation with Company on Legal Matters.** You must cooperate with the Company and its legal counsel in connection with any current or future investigation or litigation relating to any matter in which you were involved or of which you have knowledge or which occurred during your employment. Such assistance shall include, but not be limited to, depositions and testimony, and shall continue until such matters are resolved.

**You May Not Disparage the Company.** In addition, you are not permitted to disparage the Company, its subsidiaries or affiliates, or its employees or directors to any person, company, or other entity.

**You Must Return Company Property.** In order for you to begin receiving severance pay under the Plan, you are required to: (i) return all Employer property (including, but not limited to, confidential information, keys, credit cards, documents and records, identification cards, equipment, laptop computers, software, and cell phones); (ii) complete any outstanding performance evaluations; and (iii) repay any outstanding bills, advances, debts, etc. due to your Employer as of your date of termination of employment with the Employer.

## Other Important Information

**What about my Bonus Payment?** Bonus payments will be determined under the terms of the relevant bonus policy. Please refer to the applicable bonus policy documents for more information.

**When Will You Receive Your Severance Benefits?** Unless otherwise, noted, your Severance Allowance will be paid in installments in accordance with your Employer’s regular payroll payment schedule following your date of termination of employment. Any Severance Benefit which becomes payable will be paid only after the receipt of the signed Separation and Release Agreement and the expiration of the seven (7) day revocation period. Your Employer reserves the right, in its sole discretion, to pay your Severance Benefits in a lump sum. In the

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event that you should die during the severance pay period, any remaining Severance Benefits will be paid to your estate in accordance with the normal payroll schedule.

**Are You an Employee While You Receive Severance Benefits?** No. Although you may receive your Severance Benefits over time, you will be considered terminated and no longer an “active employee” on your date of termination, or as provided in your individual Separation and Release Agreement if applicable.

**Can my Severance Allowance End Early?** Yes. Your Severance Allowance will immediately cease if you:

- are rehired by any Participating Company,
- provide services to a Participating Company in a capacity other than as an employee (e.g., as an independent contractor), or
- you are determined by the Plan Administrator and/or Participating Company, in its sole discretion, to be in breach of any confidentiality obligation or other restrictive covenant with a Participating Company, the Separation and Release Agreement, or any other provision of the Plan, including any obligation described in the “Other Obligations” section above.

**What About Your Outstanding Debts?** If, as of your date of termination, you have outstanding debts to your Employer or any benefit plans, your Employer has the right to reduce the amount of Severance Benefits in an amount necessary to satisfy your outstanding debts.

**Can the Company Reduce the Benefits In This SPD?** Yes. The Company may, in its sole discretion, reduce, increase, eliminate, or otherwise adjust the amount of your Severance Benefits, but only on a prospective basis. Any such changes to benefits will be communicated to you before you sign the Separation and Release Agreement. Any payment in lieu of notice made to you pursuant to the Worker Adjustment and Retraining Notification Act (WARN) will be counted toward your total Severance Period.

**Will Benefits Under this Severance Plan Offset My Other Benefits?** Possibly. In some cases, Severance Benefits will be subtracted from your workers’ compensation or long term disability benefits. Check with your Employer’s benefits department for more information.

**Are Your Benefits Taxable?** Yes. Severance Benefits shall be treated as your wages for tax purposes and will be provided on an after-tax basis. Severance Benefits will be subject to all applicable payroll deductions for wages.

### **Claim Information**

**How Do You File a Claim For Benefits?** Generally, you need not make a claim for benefits under the Plan (other than completing and not later revoking the Release Agreement). However, a claim for benefits under the Plan must be made in writing to the Plan Administrator within six months of the date when you believe you are eligible. The Plan Administrator’s contact information is listed at the end of this document.



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**How Are Claims Processed?** The Plan Administrator shall process the claim within ninety days following receipt of the claim, or, if the Plan Administrator determines that special circumstances require an extension for processing the claim, within 180 days following receipt of the claim. If such an extension is required, the Plan Administrator shall, within the first ninety days following receipt of the claim, provide you with a written notice of the extension, which notice shall explain the reason for the extension and provide a date by which a claim determination is expected.

**What Happens If Your Claim is Denied?** In the event that any claim for benefits is denied in whole or in part, you will be notified of such denial in writing within the applicable time period. The notice advising of the denial will specify the reason or reasons for denial, make specific reference to pertinent Plan provisions, describe any additional material or information necessary for you to perfect the claim (explaining why such material or information is needed), and advise you of the procedure for the appeal of such denial.

**How Do You Appeal a Denial?** All appeals shall be made by the following procedure:

- The individual whose claim has been denied shall file with the Plan Administrator a notice of desire to appeal the denial. Such notice shall be filed within 60 days of notification by the Plan Administrator of claim denial, shall be made in writing, and shall set forth all of the facts upon which the appeal is based. Appeals not timely filed shall be barred. The claimant shall be provided, free of charge and upon request, reasonable access to and copies of all documents, records and other information relevant to the claim.
- The Plan Administrator shall review the individual's appeal by considering the merits of the claimant's written presentations, the merits of any facts or evidence in support of the denial of benefits, and such other facts and circumstances as the Plan Administrator shall deem relevant. As part of the review, the Plan Administrator shall review and consider all material submitted by a Eligible Employee, regardless of whether such material was submitted as part of the original claim.
- The Plan Administrator shall render a determination upon the appealed claim within sixty days following receipt of the appeal, or, if the Plan Administrator determines that special circumstances require an extension for processing the appeal, within 120 days following receipt of the appeal. If such an extension is required, the Plan Administrator shall, within the first sixty days following receipt of the appeal, provide the Eligible Employee with a written notice of the extension, which notice shall explain the reason for the extension and provide a date by which an appeal determination is expected.
- Within the applicable time period described in the previous paragraph, the Plan Administrator shall provide the claimant with a written statement describing the determination and the reasons therefore. If the determination is a denial of the appeal, the written statement shall also make specific reference to pertinent Plan provisions, explain that the individual is entitled to receive, free of charge and

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upon request, reasonable access to and copies of all documents, records and other information relevant to the claim, and inform the claimant of his or her right to file suit under Section 502(a) of ERISA. The determination so rendered shall be binding upon all parties.

**When Can You File Suit?** You must exhaust the above procedures before filing a lawsuit in federal court pursuant to Section 502(a) of ERISA. Any lawsuits must be filed within one year of the date you exhaust the claims and appeals procedures described above.

### **Legal Terms**

**The Company Reserves the Right to Amend and/or Terminate This Plan.** The Company reserves the right to amend this Plan, in whole or in part, or to discontinue or terminate the Plan, at any time in its sole discretion. No amendment, discontinuance or termination, however, may adversely affect the rights of any individual without his or her written consent, if such person is then receiving Severance Benefits under the Plan.

**Governing Law and Venue.** This Plan is intended to be governed by and will be construed in accordance with ERISA, or, if applicable, the laws of the state of Colorado. Any legal action related to this Plan and any referenced agreements or award documents shall be brought only in a federal court located in the state of Colorado. The Eligible Employee accepts the jurisdiction of these courts and consents to service of process from said courts for legal actions related to this Plan and any referenced agreements or award documents.

**IRS Code Section 409A:** Notwithstanding any provision of the Plan to the contrary, if any benefit provided under the Plan is subject to the provisions of Code Section 409A, the provisions of the Plan will be administered, interpreted, and construed in a manner necessary to comply with Code Section 409A or an exception thereto. Notwithstanding any provision of the Plan to the contrary, in no event shall the Company (or its employees, officers, or directors) have any liability to any Eligible Employee (or any other Person) due to the failure of the Plan to satisfy the requirements of Code Section 409A or any other applicable law. See the Plan for more information regarding Section 409A.

**Severability.** If any provision of the Plan is held to be invalid or unenforceable, its invalidity or unenforceability will not affect any other provision of the Plan, and the Plan will be construed and enforced as if such provision had not been included.

**No Assignments Permitted.** None of the payments, benefits or rights of any Eligible Employee shall be subject to any claim of any creditor, and, in particular, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of such Eligible Employee, except as required by law. No Eligible Employee shall have the right to alienate, anticipate, commute, plead, encumber or assign any of the benefits or payments which he or she may expect to receive, contingently or otherwise, under this Plan.

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**No Contract of Employment.** Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Eligible Employee, or any person whosoever, the right to be retained in the service of any Participating Company, and all Eligible Employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

**Unfunded Plan.** The Plan is not funded. Instead, Severance Benefits are paid out of the general assets of the Company. The Plan does not give an individual any right to, or interest in, any assets of the Company.

## Plan Information

**Plan Name.** Gates Corporation Severance Plan  
**Plan Number.** The Plan number is 595  
**Plan Year.** 1/1-12/31

### **Contact Information:**

- *Plan Sponsor:* Gates Corporation  
1144 Fifteenth Street, Suite 1400  
Denver, CO 80202
- *Plan Sponsor EIN:* 84-0857401
- *Plan Administrator:* EVP Global Human Resources

Service of legal process should be directed to: Gates Corporation, c/o The Corporation Company, 7700 E. Arapahoe Rd., Suite 200, Centennial, Colorado 80112. Service may also be made upon the above identified Plan Administrator at: Gates Corporation, 1144 Fifteenth Street, Suite 1400, Denver, Colorado 80202.

## STATEMENT OF ERISA RIGHTS

As an Eligible Employee in the Plan, you are entitled to certain rights and protection under ERISA. ERISA provides that all Plan participants shall be entitled to:

### Receive Information About the Plan and Benefits:

- Examine without charge, at the Plan Administrator's office and at other specified locations such as worksites and union halls, all documents governing the Plan or the Plan, including a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan or the Plan, including copies of the latest annual report

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(Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.

## Prudent Actions by Plan Fiduciaries:

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called “fiduciaries” of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and Beneficiaries. No one, including your Employer, your union or any other person, may fire you or otherwise discriminate against you in any way solely in order to prevent you from obtaining a benefit or exercising your rights under ERISA.

## Enforce Your Rights:

If your claim for a benefit under the Plan is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits that is denied, or ignored, in whole or in part, you may file in a State or Federal court after you have exhausted the Plan’s internal claims procedures. If it should happen that Plan fiduciaries misuse the Plan’s money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

## Assistance with Your Questions:

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.