EVENTUAL DISPOSITION OF THE R.R. PIEPER FAMILY OWNERSHIP OF PPC, INC.

By Richard R. Pieper Sr.

Overview

The original and/or partial motivation of the Richard Pieper Sr.'s establishment of Pieper Electric was the challenge of the apparent absence of good management in the industry; the overt understanding in the business community that Christian principles were not practical in business environments. R. Pieper believed this example would have the greatest value or an effective example of ethical behavior. The example was better understood than funds directed at educating and promoting the same ideals. Sue Pieper supported this to the extent that she has financial security. As time progressed, the evolution of the ethical behavior of the business was better exemplified by what is now the present portion of the Mission Statement "we will conduct ourselves with the teachings of the Old Testament and the example of Jesus".

A part of the thinking of both Sue and Richard is that passing any amount of wealth on to children is an error. It is better that they are assisted and prepared for life than given the material things of life. They generally believe (probably Richard more than Sue) that the right person, given the opportunity and modest resources, will make their own mark in life materially, intellectually or organizationally if they so choose and that the wrong person will be hindered and self image will be diminished if given a large amount of resources that they then proceed to lose or mismanage. They also both believe that they are stewards of what they are given during their lifetime, not owners of.

Objective

To allow the business to continue with the guiding principles of its commitment to ethical behavior, progressive practices and opportunity for employees to be treated generously and responsibly in a progressive environment. (None of the latter can be separated.)

A business must be run as a business for a profit. The owners of the business should be given proper and adequate return on their investment. (See "Methods" for further explanation.) What they do with their returns may not necessarily be for business purposes.

The ownership of PPC would be 20% in the hands of a charitable trust, the remainder with key proven executives who have produced their replacement. A portion of the trust's job would be to encourage the innovation, opportunity and integrity and insist on ethical behavior of PPC and its progressive use of its assets. The trust would be represented by one of the Board members of PPC. The Board members of the trust and PPC, other than this one Board member, would not be overlapping.

Ultimately 80% will be owned by the active executives of PPC firms (companies) who are proven major profit producers and management/executive developers. (See "Methods".)

The following is intended to define in detail and answer logical questions as it relates to all of the above:

Methods

1. Stock will be sold at book value. (Book value is defined as a reasonable, conservative accounting/business practice, not tax accounting but business accounting.) Key executives are to be selected by the Board of PPC to join its ownership and could be called a type of partnership. Prerequisites for initial ownership is someone with proven ability to identify and grow managers, some of whom are clear candidates for executives of the future who will in turn

become owners and growers of executives. This executive development is the key to the regeneration and vitality of the organization. This vitality, coupled with the freedom of decentralized companies, should assure full utilization of talent and creativity. Companies will be allowed to establish their own goals within the guidelines of PPC. The goals allow freedom to develop plans and pursue visions in the manner that they identify for their individual company, market, department and branch. The freedom to grow will assure vitality within the companies to move with the times, needs for a healthy company environment allowing ethical behavior, innovation, opportunity and mutual respect. All of these and more are required for the nurturing of the above concepts, ideals and principles.

2. Key managers who have <u>a major impact</u> (as has always been defined in the past) on their respective companies are to be allowed phantom stock in those companies, as is the present practice. Those key managers who prove to be key executives will be given the opportunity of ownership by the conversion of their phantom stock of the holding company, less a cash payout (if so desired) to those individuals at the effective tax rate at that time to cover their respective declaration of income. Stock is not to be given in any individual company, thus eliminating potential islands. Stock is only to be given at the PPC level to identify common ownership, common goals, a nurturing and development of the PPC team and their common ownership interest. (See "PPC Holding Company" - for its management.)

3. The vision of ownership of key executives' health and vitality of the ownership strategy can be described in the following manner. Three such key owners would represent long-term extinction. Five would represent a minimum of ownership. A dozen or more owners would be ideal on the assumption that there is a reasonable distribution of age of that ownership. No owner could represent more than 30% of the total PPC ownership at once after R. Pieper is phased out. All of this is intended to encourage long-term development and retention of key executives and future vitality of the organization, which is necessary for its ability to purchase out mature owners.

4. Ownership will always buy and sell at book. Pricing at book is intended to have a simple, conservative method of transference of ownership, which eventually is reflected in international accounting standards of the major accounting firms. These practices are well received, tested over time, affected by the morays of society and are consistent with tax laws.

   <u>Ownership is Subject to:</u>

   1. Terms and conditions of the purchased and sale of the stock. It is generally understood, and specifically, that active participation in the company will not exceed the age of 70. That is to say the chief operating officers or ownership will not go beyond the age of 70. (That is not to exclude anyone from being on the active Board or becoming a consultant.) Should the Board terminate any key executive who also happens to be an owner/partner, immediate payout of up to 10% of that person's equity at the time of termination will be made (subject to normal third party company auditors). This will be paid out within 90 days of termination. Dispute on the values will be paid out only after the dispute is formally concluded. The remainder of the stock value will be converted to a note, which will begin to bear interest at prime 12 months after termination. The value of such stock will be effective as of the date of termination. The payoff of any notes will be at the discretion of the PPC Board, but not later than 10 years after the date of termination.

   2. A non-compete agreement to go into the electrical contracting business anyplace in the North American continent will be a part of ownership.

   3. Death or disability will be handled the same as termination.

4. Normal retirement payout can be done as early as 65 but no later than 70 and will include a minimum of 1/3 payout at the time of retirement, a minimum of five equal annual installments thereafter. Determination of value will be based on the annual audit according to the normal practices of the company. No special audit will be conducted. Stock evaluation will be based on the normal annual yearly audit. Date of retirement will be the normal birth date of the retiree. The following audit after that birth date will be the evaluation date and the payout date. It is understood that 90 days is required for an annual audit. To say it another way, 90 days after the audit, which is some time period after the birth date, will be the method of determining value.

5. Quits will be treated the same as terminations.

6. Stock of the company cannot be sold off as a whole but will always be retained by more than three owners. The only circumstance that the company can change the above process is if 90% of the shareholders agree. Any abandonment of the company ownership plan and its subsequent liquidation would be an acknowledgement that the development of the forward management had not occurred in some stage of its history.

7. The company may from time to time, including R. Pieper buyout, find it desirable and prudent to pay for stock in long-term qualified subordinated loans with appropriate interest bearing notes.

<u>The Stages of Phasing Out R. Pieper Ownership</u>:

Stage 1. Key proven executives plan phantom stock will be merged into PPC, expanding the capital base and the ownership.

Stage 2. Foundation trust of Sue and Richard Pieper is activated; 20% of the stock is transferred.

Stage 3. Sue and Richard Pieper, as cash flow allows, are bought out over a 15-year period. During this same period, companies could be acquired who have proven executives. I.e. ability to grow managers for potential executives. A portion or all of the value of those acquisitions could become a part of the partnership/ownership of PPC. By R. Pieper Sr.'s 70th birthday, his and Sue Pieper's interest in PPC will be liquidated/sold.

Stage 4. The original partners are replaced by partners that were not in existence at the time of Richard Pieper's ownership.

<u>PPC Board</u>

Board members made up of a:

1. Construction person with not more than two years out of the construction business at the time of coming on the Board -- broad perspective

2. A financial banker

3. An electrical/mechanical engineer manager or above level, heavy duty

4. A person of any background that the Board would see appropriate

5. The full time chief executive officer of PPC

(One of the above Board members to be represented by the Trust as well.) No Board member is to be a professional who is receiving fees or his firm receiving fees for professional services. Not more than one person from this Board could also be on the Foundation Board. In the case of R. Pieper's premature death, Sue Pieper will be placed on the Board and become corporate treasurer.........

PPC Holding Company

Holding company with no overhead other than the chief executive officer and one part-time administrative person. All the rest of the functions are to come out of the individual companies. Sold services to each other depending upon the various expertise that the sister companies excel in. See the "TeamPower" manual for the how-to of this.

PPC would function very much as it is now with the opportunity to continue to expand the number of sister companies that it has. Decentralizing wherever possible, giving maximum authority to the lowest level possible, practicing homeostatic control at every juncture for every function, profit and cost center alike. Homeostatic control department-to-department, branch-to-branch, company-to-company.

Dividends will be paid to the trust in the following manner:

> The 20% preferred stock will be a preferred common that will pay 8% dividends based on the annual equity of their portion of the stock. Any long-term notes subordinated would pay interest at prime plus 3-5%.

Some questions to be answered if they aren't already implied in the above:

1. Business continuation - yes

2. Stock ownership - up to 20% by the foundation. The remainder by proven executives who have shown the Board that they can produce managers and future executives who will be their replacement owners. The proving ground for these potential owners will be the participants of phantom stock and the individual companies. Phantom stock offered to those who have a major impact on their individual company profitabilities and are proved growers of supervisors who in turn manage departments or branches. This phantom stock in each company is limited to one to three people per company on an assumption that the companies will not become overly large, and if they do will be spun off into other companies. Where personnel completely change positions, by exception any phantom stock may be transferred by the suggestion of the Chief Operating Officer or, if retired, by the approval of the Holding Company Board. This is to be informal on the part of the Chief Operating Officer of that company with his recommendation to the PPC Board. Those companies that are private will be totally owned by PPC and ownership by key executives will take the form of phantom stock to those executives who, in the opinion of the Chief Operating Officer of that company, are in a position to make a major impact on that company. The phantom stock is to be similar to its present nature in that if personnel are making a major contribution there is reason to keep them. If they aren't making a major contribution, the company probably is not prospering and the value of the phantom stock has not appreciated.

3. Where companies are public, normal stock options in those companies to key employees would be a part of the ownership thinking.

4. Voting control of all companies would be with PPC.

5. Voting control of the operating companies should always be at PPC level with business types who are involved in the business. Experience and competence of the type of PPC businesses should always be contained in the PPC Board.

6. Retirements of individuals should recognize that up to the age of 70 the energy and intellectual commitment is valid for someone up to 70 as an operating officer. Between the ages of 55 and 70, clearly the Chief Operating Officer should be a coach and mentor, staying out of the way of the growing company or companies. After 70, an owner becomes a mentor and after 80 the mentor should be a friend.

7. Heir apparent in Pieper Electric ....This is to be determined by the PPC Board.

8. The question of children having stock in PPC or its companies -- the answer is no. Bequests to the children will be done out of the personal estate of Richard and Sue Pieper, which is adequate to more than care for and give them opportunities to realize their life's' ambitions. If one member of the family should be interested, they may find their way within the company with the criteria that has already been outlined for everyone else. If that is not favorable, disposition of their interests in a small company could be sold to them should they not meet the executive requirements and be interested in ownership.

9. The personal estate of Sue and Richard Pieper are reasonably cared for in the form of retirement accounts, cash and real estate.

10. In the case of premature death of Richard Pieper, Sue Pieper.........

11. Indemnification personally by Sue or Richard Pieper are not within the context of any of the above. The company should stand on its own both financially and managerially.

12. Banks and bonding companies need to be communicated continuously on the capacity of the company's continuity of management. This has generally been done with the banks, one-on-one with the above individuals and others. It needs to be improved upon in the area of bonding, as it relates to (continuity of management).

<u>The Trust</u>

Its Board is to be made up of a financial banker, an educator, a socially inclined manager/executive; I.e. social agencies, children of Sue and Richard Pieper and, during their lifetime, Sue and Richard Pieper. Non-family member tenure would be a maximum of 15 years. In the case of Richard Pieper's premature death, Sue Pieper will be place on the PPC Board until age 65.

<u>The Stages of Activity of the Foundation</u>

.............Of a personal nature