

HISTORY OF PPC HOLDINGS EMPLOYEE OWNERSHIP

In March 1987 Richard R. Pieper Sr. attempted to analyze the industry; where it came from, where it is today and where it might be headed in the future. This was a way of trying to understand how we fit into that picture, to allow our path to be in the context of this world industry. What could we learn and what might be prognosticated?

In February 1988 this initial analysis was critiqued at our Semi-Annual Command Briefing by our Board (H. Edgar Lore, Bruce Pieper and Paul Hassett) and combined management group at the time (Bill Adams, Fred Baranowski, Pat Carroll, Bruce Companik, John Gibson, Ron Bierbaum, Ronnie Hinson, Tom Ohlgart and Richard Pieper.) The title of that agenda item was "*The industry today and tomorrow, its implications in your area.*"

In summer of 1988 this analysis was critiqued by John Grau, Executive V.P. of National Electrical Contractors Association; Martin Kraninger, President/Owner/Investor in many businesses; Ralph Johnson, innovator and teacher of small business electrical contracting; Bill Law, President of a tanning company; Shel Lubar, President of a financial banking concern and manager of venture capital funds; Martin Stein, President of a regional optical company; and Robert Johnson Sr., retired electrical contractor. We then developed the Summary Conclusion of the Electrical Contracting Industry.

July 7 & 8, 1988, Ronnie Hinson, Norm Doll and Richard Pieper met with Peter F. Drucker, a brilliant organizational management scientist in our time. The purpose of that meeting was to review the assumptions made in our Summary Conclusion of the Electrical Contracting Industry and its associated three papers.

At the October 1988 Semi-Annual Command Briefing, this analysis was further critiqued by our management group (Bill Adams, Tom Ohlgart, Ronnie Hinson, Ron Bierbaum, John Gibson, Richard Pieper) and Board (H. Edgar Lore, Bruce Pieper and Paul Hassett) and guests Norm Doll and Gary Seeley. This agenda item was "*Drucker and industry year-long concept changes analysis*".

At an August 28, 1990 PPC telephone Board meeting with Ron Bierbaum, Phil McGoohan, H. Edgar Lore, Bruce Pieper and Richard Pieper, the agenda was Richard Pieper's personal ownership plan entitled, "*Eventual Disposition of RR Pieper Family Ownership of PPC Inc. - 2/22/90.*"

At the October 19, 1990 PPC Board meeting it was also discussed and coined the "Noble Experiment". At this time it was leadership criteria "consistent with developing exceptional human beings who could do a better job than you". This item was processed during **1991, 1992 and 1993**.

The Noble Experiment was also reviewed by the Young President's Organization Teleforum Group, businessmen with significant commitment to their faith, serving the Lord and their communities. The majority of these businessmen were CEOs of their companies: John Collet, Collet Ventures; Roger Fleming, The Navigators; Ron Glosser, Chairman of Hershey Trust Company; Ed Gomes, Lionmark Construction; John Grove, York Graphic Services; Richard Hughes, Hinderliter Industries; Jerry Lewis, Princes Partners; Ed Ligon, Orbit Valve; Reverend Gordon McDonald, Trinity Baptist Church-New York; Robert McNair, Cogen Technologies; Levere Montgomery, Montgomery Ventures; Tony Wilson, Hobie Cat Company and Richard Pieper, Chairman of PPC.

The Board asked Richard Pieper to put the Noble Experiment **on hold for three to five years** and then act upon it.

It appeared again on every PPC Board meeting agenda in **1998** (Board members; Philip McGoohan, John Touchett, Susan Lueger and Noel Bailey), **1999** (Board members; Philip McGoohan, John Touchett, Susan Lueger, Noel Bailey and William Elliot) and **2000** (Board members John L. Touchett, Susan Lueger, Noel Bailey and William Elliot).

It appeared that the critical mass of executives who would meet the criteria in the timeline established would not be achievable. At the Semi-Annual Command Briefing held **November 4-6, 1998**, the employee ownership concept was presented to management in attendance (Richard Pieper, Ronnie Hinson, Arnold Geeslin, Danny Buck, Danny Gibson, Bill Thompson, Tom Ohlgart, Norm Doll, Ken Phelps, Bill Adams, Katy Schlidt, John Shamp and guest Ann Pieper).

The original objective of ownership transition was RP's desire to carry out the "Noble Experiment", using a business model rather than a Foundation to promote ethical behavior.

During the last 10 years, the objective's plan was through the development of exceptional leaders. The final test was one's ability to select the proper candidates and transfer all that one knows to them. Hence, allowing that person to become significantly more than they might have been. The ultimate "giving without expectations" and "receiving without expectations" experienced allows that type of transaction.

Why is this new plan better than the previous plan?

During this period of time, it became apparent that the minimum of six candidates for ownership that RP had set up by age 65 (less than three years from now) would not be met. Further, his observations have been that the limit of six and the strong character in key personnel we promote could easily expose the company to downside risks that could "set the ship astray" because of the small number of owners involved. The accountability of a minimum of six owners could have been optimistic (limited number of people with lots of power). It would be easy for a company to go in the wrong direction. The broader-based ownership has less downside in this matter.

Most significant, however, this milestone for ownership was not achievable.

An investigation of 10 other companies that have been employee-owned for more than 50 years proved that transition of ownership and company values could be maintained with a broad base of ownership rather than limited to its key management. This latter program of employee ownership was then considered.

An aside here, the company had a written unsolicited offer to sell for 11-13 times book value and/or 21-24 times EBITA.

The benefits have been well discussed. The absolute validation of some of that is yet to be accomplished, as some is "perceived value to others" rather than "value to oneself".

From RP's perspective, at the time, a milestone to be put in place for employee ownership would be a minimum of 40% of employees with greater than one year of employment taking personal action to buy stock. Anything less than 40% would be "pushing rocks up the hill", possibly not achieving the broad-based ownership and accountability that accompanies it. It may incur the responsibility and costs of limited ownership, but not the value.

In January 1999 Dieringer Research Group sent a mailing to all employees with one year or more of service to determine interest in employee ownership. This was followed up by a telephone survey to determine the number of employees interested in buying stock and how much they would buy at \$20 a share. This resulted in validation of the plan.

The summer of 1999, presentations were made to employees addressing the possible plan and answering any questions that arose in the survey. Employees were also asked to complete a questionnaire indicating their preference on six major issues.

The fall of 1999 a two-part employee ownership survey form was distributed to eligible employees to determine if they were interested in purchasing stock, and to what degree. Further resulted in validation of the plan.

During this period, the various documents of the Proposed Employee Ownership Program were being developed and critiqued via meetings and conference calls by the PPC Board and key management (Richard Pieper, Norm Doll, Ronnie Hinson, Bill Adams, Arnold Geeslin, Ken Phelps, Tom Ohlgart, Kayanne Blackwell, Danny Buck, Danny Gibson, Bill Thompson, John Shamp, Larry Horning and Bob Prowant).

The summer of 2000 the final employee ownership plan and program was presented to all employees.

On September 19, 2000 the stock offering package/Private Placement Memorandum was distributed on to all employees with one year or more of service.

December 2000 - the offering was oversubscribed and the Board increased the offering by 50% and limited any one person to a million dollar purchase.

January 1, 2001 - Employee ownership became effective.