

# Choice One Engineering Corporation Stock Purchase Plan

Simplified version for the purpose of education.

## Purpose

To **reward employees** who continuously exhibit the **personal characteristics** of a company shareholder by providing them an opportunity to invest in the future of the company.

To **increase the value of being a part of the company** by providing qualified employees ownership.

To demonstrate the **opportunity** that can be afforded to **employees who exhibit the personal characteristics** of a company shareholder at all times.

To provide a **strong foundation for the future of the company** by establishing an ownership core that **will provide leadership** via the personal characteristics of a company shareholder driven by the **core values**.

To **provide a compatible market for the future divestiture of stock** by **retiring company shareholders**.

## Qualification Criteria

The Board meets annually to review the status of existing company shareholders and the eligibility of qualified employees. Each employee is reviewed by the Board individually, and any change in ownership status must be determined by a unanimous vote of the Board. The general guidelines are:

**Service Requirement:** Must have a minimum of three consecutive full years of employment with Choice One as of January 1 of the year in which eligibility will be determined. Seasonal employees are not eligible to be selected as qualified employees.

**Personal Characteristics:** Must exhibit personal character that will drive the development of the company. Character traits that an employee must exhibit are:

- **Company's Core Values:** Facilitate the enhancement of the Company's culture by living its Core Values.
- **Ability to collaborate:** Be able to delegate, build strong relationships with project teams, employees, clients, and others.
- **Open-minded:** Willing to consider alternative ideas and try new processes.
- **Self-reliant:** Ability to think and act independently.
- **Being self-fulfilled:** Put a high value on the fulfillment their Company provides them.
- **Passionate:** Personal passions align with the Company's business.
- **Driven:** Will do what it takes to see the business grow.
- **Goal-oriented:** Sets goals to have clarity about where to go and how to get there.
- **Focused:** Ability to focus on the bigger picture while handling immediate issues and tasks.
- **Curious (inquisitive):** Always reading and asking questions and wants to learn everything.
- **Action oriented:** Always seeking ways of differentiating the Company from its competitors.
- **Confident:** Has a steady, quiet confidence in own abilities that does not border on arrogance or egotism.
- **Humble:** Ability to ask for help when needed, give credit where credit is due, admit wrongdoings, and accept constructive criticism.
- **Risk-Tolerance:** Willingness to reinvest in the Company to ensure its success.

# Employee Acquisition of Shares

An employee may acquire shares of the company by accepting an offer from the Board to do so. Shares are bought and sold January 1 each year. Employees may be offered shares up to the maximum number or percentage of shares based on the following:

## **President – 90 shares**

The President will own up to a maximum of 90 shares.

## **Chief Production Officer – 70 shares**

The Chief Production Officer will own up to a maximum of 70 shares.

## **Professional – 20 shares**

An employee with either a Professional Civil Engineer's or Professional Surveyor's license in a state which Choice One performs business may own up to 20 shares.

## **Non-Professional – 10 shares**

A full-time employee, who works on average at least 40 hours per week, who does not hold a P.E. or P.S. license in a state which Choice One performs business may own up to 10 shares.

## **Part-Time – 6 shares**

A part-time, non-seasonal employee who averages less than 40 hours per week may own up to 6 shares.

## **Founder – Additional 10 shares**

An employee who was hired as a full-time employee on or before April 24, 1995, may own an additional 10 shares above the maximum allowed for their employee type.

*Any shareholder who as of the date of the adoption of this plan owns more than the maximum number or percentage of shares permitted sell the excess shares back to the company prior to January 1, 2021 at the price and on the other terms and conditions set forth in the Stock Redemption Agreement.*

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## Withdrawal

Selling stock back to Choice One happens when:

Termination or cessation of employment

Turning 60

Absence from working for twelve months, caused by illness or other disability; or

A determination by the Board of Directors that the shareholder is no longer exhibiting the "Personal Characteristics" as required by the qualification criteria.

## Gradual Reduction of Shares After Withdrawal

The shareholder will sell all shares owned at age 60 back to Choice One based on the following schedule:

**1/3** of all shares (rounded up to the nearest whole share) will be redeemed by the end of the calendar year in which the shareholder turns 60

**1/2** of the remaining balance of such shares shall be redeemed by the end of the calendar year in which the shareholder turns 61

**The balance** of the shares shall be redeemed by the end of the calendar year in which the shareholder turns 62

# Share Valuation Calculation

The redemption price shall be an amount equal to the Share Value at the close of the last fiscal year of the Corporation preceding the date of the death or withdrawal.

The "Share Value" shall be the weighted average "Net Revenue per Share" of the Corporation for the five (5) fiscal years ended on or preceding the valuation date less the amount of borrowed funds per share as of the valuation date. The Share Value shall be determined on the accrual basis in accordance with generally accepted accounting principles.

"Net Revenue per Share" shall be the adjusted total revenue of the Corporation less (a) fees paid by the Corporation to sub-consultants and (b) the amount of any insurance proceeds received by the Corporation as the result of death of a Shareholder plus the excess of the amount of current assets over ten percent (10%) of the previous year's total expenses, all as determined from the Corporation's Income Statement and Balance Sheet for the applicable fiscal years. The weighted average Net Revenue per Share for such period shall be calculated by multiplying the most recent fiscal year's Net Revenue per Share by five (5); the second most recent fiscal year's Net Revenue per Share by four (4); the third most recent fiscal year's Net Revenue per Share by three (3); the fourth most recent fiscal year's Net Revenue per Share by two (2); and the fifth most recent fiscal year's Net Revenue per Share by one (1), adding such products together, and then dividing the total sum by fifteen (15).

## VALUE OF FIRM

= Revenue - Direct Consultant Services + Current Assets - 10% of Total Expenses

	<b>\$5,997,772</b>	Total Revenue	{ From Income Statement
-	<b>\$130,228</b>	Direct Consultant Services	{ From Income Statement
+	<b>\$1,250,153</b>	Current Assets	{ From Balance Sheet
-	<b>\$389,409</b>	10% Total Expenses	{ From Income Statement

**\* \$6,728,288** 2017 VALUE OF FIRM

**VALUE PER SHARE (VPS)** = Value of firm / # of Shares

$$\frac{\$6,728,288 \text{ Value of Firm}}{235 \text{ # of Shares}} = \mathbf{\$28,631 \text{ VALUE PER SHARE}}$$

## COMPOSITE VPS

$$= \frac{(2013 \text{ VPS} \times 1) + (2014 \text{ VPS} \times 2) + (2015 \text{ VPS} \times 3) + (2016 \text{ VPS} \times 4) + (2017 \text{ VPS} \times 5)}{15}$$

$$= \frac{(\$21,863 \text{ VPS} \times 1) + (\$20,666 \text{ VPS} \times 2) + (\$23,638 \text{ VPS} \times 3) + (\$25,033 \text{ VPS} \times 4) + (\$28,631 \text{ VPS} \times 5)}{15}$$

$$= \mathbf{\$25,160 \text{ 2018 COMPOSITE VALUE PER SHARE}}$$