

Guideline: Profit Sharing

May 8, 2015

Overview

Profit sharing with all employees on all jobs is an important component of Stanley Construction Ltd. total compensation. Linking the achievement of company objectives to individual efforts, is the key driver behind this performance system.

Criteria

The following criteria are to be followed:

#	Category	Criteria
1	Eligibility	<ul style="list-style-type: none">-must be an employee of Stanley Construction Ltd. for the hours worked on the project and when the calculation of payout is finalized-must have completed the required inputs to the process (e.g. survey on others) by the required deadline.-must accept assigned work on non-profit jobs (e.g. community donations)- must not share profit sharing confidential information (e.g. project financial results outside of Stanley or personal scores to anyone)-must not manipulate results (e.g. I will score you 1 if you score me 1)
2	Timing	<ul style="list-style-type: none">-calculation of payout to be completed 30 days after final payment is received from client (typically the holdback)-payout (subject to Payout section below) will then be made 30 days after the final calculation
3	Calculations	<ul style="list-style-type: none">-completed on a project by project basis(excluding projects less than \$500K)-the formula for the calculations is included in the "Calculation" section below
4	Amount to be profit shared	<ul style="list-style-type: none">-20% is the target set by the owners to be available for profit sharing-negative profit on a job will be absorbed by the company-all direct project expenses, estimated taxes, an estimate of overhead and an estimate of warranty will be allocated to all projects
5	Unpaid amounts	<ul style="list-style-type: none">-it is the desire of the owners to invest all unpaid profit sharing amounts in employee training and/or other community investment
6	Team meeting	<ul style="list-style-type: none">-prior to a project, consensus among the project team must be reached for "B" in the Calculation section & the Project Scorecard must be reviewed-the decision must be sent to the VP Op's - if consensus does not occur the owners will decide and the profit share will be reduced to 10%-once the project starts, changes to "B" in the Calculations section can only be made through a unanimous approval of the project team and the owners
7	Projects less than \$500K	<ul style="list-style-type: none">-projects less than \$500K will be consolidated and paid out at year end-all those involved will have an opportunity to review the proposed allocation (to be completed by the appropriate Superintendents)
8	Payout	<ul style="list-style-type: none">-60% of the final calculation will be paid to that employee (subject to applicable deductions)-40% will be invested in a retirement fund for the employee. The ownership of the retirement fund will transfer to the employee after 2 years of employment at Stanley.

Calculation

For all employees contributing to a project (superintendents, project managers, carpenters, laborers, office support staff, etc.) the following criteria will be utilized:

Category	Example	Example explanation
A 20% of total project profitability	20,000	The total project profit was \$100,000 and 20% of it is \$20,000
multiplied by	X	
B % of profit allocation based on project team determined allocations	10%	This employee was allocated 10% of the final amount
multiplied by	X	
C Multiplier from the Project Scorecard	0.7	For this project (and employee score for the last measure) the multiplier was 0.7
Equals	=	
D Total employee payout	\$1,400	The employee will receive this amount (subject to the Payout criteria)

Project Scorecard

Our Vision and Values	Measure	Target**	Weighting
<u>Delivering worry free construction</u>	% client was "worry free" on the project	85% or higher	25%
<u>We are Customer Centric</u>	% client satisfaction (scope, schedule, budget and quality scorecard)	85% or higher	15%
<u>We have Respect as our base</u>	% subtrade satisfaction	85% or higher	15%
<u>We have Efficient processes</u>	# of implemented process improvements that save time/money	Prorated (10 per year)	15%
<u>We are Safety focused</u>	# of Lost Time incidents	0 incidents	15%
<u>We have a Team approach</u>	Multiplier as noted below*	Average of 0.8 or higher	15%

*Each employee working on a project will be required to evaluate all other employees working on the project as either:

- 1 (I want to work with this person on my next project)
- 0.4 (I am OK with this person)
- 0 (I do not want to work with this person again)

**Targets are preliminary, will be adjusted from time to time and communicated at the start of each project.

Change

This guideline is subject to change at the discretion of the owners but will be communicated to all employees.