

XYZ Contractors, Inc.

1995 STAFF EMPLOYEE BONUS PLAN

PURPOSE

The purpose of the XYZ Employee Bonus Plan is to focus the attention and efforts of employees on XYZ's financial and operational goals and to share the benefits of increased productivity, cost reduction, team work, and quality improvement with employees as a reward for their contributions to the achievement of these goals.

DEFINITIONS

The terms used in the description of the Bonus Plan are as follows:

Base Salary... The annualized regular cash compensation for an employee, excluding bonus awards, company contributions to employee benefit plans, and other compensation not designated as salary.

Bonus Target... The percentage of an employee's base salary awarded as bonus if the specified company, individual, and team goals are met.

Financial Factor... An adjustment (percentage) applied to the bonus target to reflect the company's actual financial performance compared with the annual Plan Goal. The Financial Factor for 1995 is FF95.

Individual Factor... An adjustment (percentage) applied to the bonus target to reflect the employee's individual performance compared with a set of defined performance expectations. These performance expectations are determined in advance by the employee's manager **and must include specific goals related to, and in support of, the Company's quality objectives.**

Team Factor... An adjustment (percentage) applied to the bonus target to reflect management's rating of the employee's contribution as a team member within his/her department and across departmental lines. Project Teams will conduct a peer review of team members to determine team factors.

FF95... The company's Earnings after all financial items - Client revenue, less the absorbed cost of production, less sales/administration expenses, less fixed asset depreciation, less adjustments, plus income from joint ventures.

Plan Goal... A specific level of company financial performance, measured in terms of FF95.

Plan Year... January 1 through December 31, 1995.

Active Employment Status... Presently working or available for work with XYZ including those employees on vacations, short-term sick leave, jury duty, bereavement leave, military training leave, or excused absence. Does not include employees who are on medical disability leave (unless such leave commenced on or after December 1 of the Plan Year and the employee is expected to return to work within 13 weeks of the commencement of the leave) or employees on unpaid personal leaves of absence.

PARTICIPATION

Participation in this plan will include all full-time and part-time XYZ salaried employees who do not participate in any other incentive or bonus system and are on active employment status with XYZ as of the last working day of the plan year.

Project Managers, Project Construction Managers, Project Administrative Managers and Project Engineers are also eligible to receive an additional bonus accrual under a separate bonus scheme with payout linked to project performance and other factors. This bonus accrual for **Project Managers, Project Construction Managers, Project Administrative Managers, and Project Engineers** is in addition to any bonus that may be payable under this plan.

Employees who terminate employment due to death, disability, or retirement will be eligible for a pro rata bonus for the Plan Year. Employees who terminate during the Plan Year for any other reason will not receive a bonus for the Plan Year.

Participants will be given a bonus target of a percentage of base salary. The percentage is determined by the salary band in which the participant's position is assigned.

Participants must be employees of the company by October 1 of the Plan Year to participate in this plan. Bonus payout for employees with less than one full year's service as of the last working day of the Plan Year will be prorated based upon completed fiscal quarters of service during the Plan Year.

Should any eligible participant's position change to another band, the bonus award will be calculated on a pro rata basis as a percentage of each applicable band's bonus target.

1995 PROGRAM

<u>Band</u>	<u>Bonus Target %</u>
A	4%
B	6%
C	8%
D	10%

PERFORMANCE MEASUREMENT FACTORS

Bonus payments, if any, will be based on the "Company Financial Factor", "Individual Performance Factor", and "Team Factor".

COMPANY FINANCIAL FACTOR

The Company Financial Factor will equal 1.0 when actual FF95 for the Plan Year is equal to the Plan Goal. For each 1% by which FF95 exceeds the Plan Goal, the Financial Factor will increase by 0.01. For each 1% by which the FF95 is below the Plan Goal, the Financial Factor will decrease by 0.025. For example:

99% of Goal = 0.975	101% of Goal = 1.01
98% of Goal = 0.950	102% of Goal = 1.02
97% of Goal = 0.925	103% of Goal = 1.03
80% of Goal = 0.500	120% of Goal = 1.20

No bonuses will be paid if actual FF95 is less than 80% of the Plan goal. The Maximum Financial Factor is 1.20 at 120% of Plan Goal.

INDIVIDUAL PERFORMANCE FACTOR

The Individual Factor will equal 1.0 when the employee's overall performance and accomplishment of the defined objectives **including quality objectives** are evaluated at the level of "Fully Satisfactory". The Individual Factor of 0.0 is to be used for the employee whose performance is below "Minimum Acceptable" on the performance evaluation.

Individual performance will be measured in relation to overall performance on the job, accomplishment of goals established for the Plan Year, and attainment of the Company's quality objectives. Generally, three to five individual performance goals will be defined for each employee by the supervisor and/or department manager. These goals should be consistent with the company, department and/or team objectives and must be approved as part of a written plan by the employee's Department Manager, Project Manager, or higher level management. The participant and his/her manager should work throughout the year to make sure the objectives are current and reflecting changing business conditions. Any change in objectives during the Plan Year must be documented in writing and signed off by both the employee and the relevant manager. Objectives will relate to expectations for the business.

Objectives should be set to improve performance and operational efficiency, support strategic/functional business/development plans, address client needs and achieve the Company's quality commitments. Objectives should have the following attributes: 1) be measurable; 2) clearly/specifically defined; 3) controllable by the individual; 4) realistic with adequate performance stretch; And 5) possess an apparent level of challenge/risk. Where appropriate, objectives should be weighted to reflect importance and/or degree of difficulty.

The Individual Factor will be determined at the end of the Plan Year by relating the job performance rating and accomplishment of objectives to any weighted factor assigned. Performance will be documented on the appropriate Company Performance Appraisal form. The Individual Performance Factor will be assigned using the rating scale shown below.

<u>Job Performance Rating</u>	<u>Performance Evaluation</u>	<u>Individual Factor</u>
Unsatisfactory	< 2.0	0.00
Minimum Acceptable	2.0 - 2.99	0.75

Fully Satisfactory	3.0 - 3.99	1.00
Commendable	4.0 - 4.99	1.25
Exemplary	> 4.99	1.50

Ratings must average 2.0 or better on the employee's Annual Performance Appraisal for the employee to be considered for a bonus payment. Bonus payments will not be made to any employee who is evaluated as performing his/her assignments at less than the "Minimum Acceptable" level.

TEAM FACTOR

The Department Manager will give all his/her participants a Team Factor, to be agreed upon by the President and Vice President, Human Resources. Project Teams will conduct a peer review of team members to determine team factors. The Team Factor can range from .8 to 1.2 and will be a factor in award determination.

AWARD DETERMINATION

The bonus target is combined with the Financial Factor, Individual Factor, and Team Factor to determine the actual bonus award that will be paid, according to the formula shown below.

Base		Bonus		Financial		Individual		Team		
Salary	x	Target %	x	Factor	x	Factor	x	Factor	=	Bonus

NOTE: The following examples are for illustration purposes only.

Example 1: A participant earning a base salary of \$50,000 per year, bonus target of 10% of base, FF95 of 110% of goal, individual performance of Commendable, team factor of 1.1:

$$\$50,000 \times 10\% \times 1.10 \times 1.25 \times 1.10 = \$7,562.50$$

Example 2: A participant earning a base salary of \$28,000 per year, bonus target of 4% of base, FF95 of 96% of goal, individual performance of Commendable, team factor of 1.2:

$$\$28,000 \times 4\% \times 0.90 \times 1.25 \times 1.20 = \$1,512.00$$

Example 3: A participant earning a base salary of \$48,000 per year, bonus target of 6% of base, FF95 of 100% of goal, individual performance of Fully Satisfactory, team factor of 1.2:

$$\$48,000 \times 6\% \times 1.00 \times 1.00 \times 1.20 = \$3,456.00$$

Example 4: A participant earning a base salary of \$60,000 per year, bonus target of 8% of base, FF95 of 80% of goal, individual performance of Exemplary, team factor of 1.2:

$$\$60,000 \times 8\% \times .50 \times 1.5 \times 1.20 = \$4,320.00$$

ADMINISTRATION

The President and Vice President, Human Resources will be responsible for reviewing all performance ratings and award levels to ensure that they are consistent and that they accurately reflect the company's and employee's relative performance for the Plan Year.

Bonuses, if any, will be paid only after the closing of the Company's financial statements for the Plan Year (generally in the first quarter of the next fiscal year) and are contingent upon approval of the Company's Board of Directors. Bonuses will not be included in any benefit calculations, but will be subject to all applicable withholding taxes.

RESERVATIONS TO MANAGEMENT

The establishment of this Plan or the granting of a bonus payment shall not constitute any contract with or confer any legal right on any employee against the company or any representative of the Company.

XYZ Management reserves the right to amend, discontinue, or modify the terms of this incentive program with or without notice at anytime and for any reason, including the convenience of XYZ. Interpretation of any aspect of this program is the exclusive prerogative of XYZ management.

The Plan and any actions taken hereunder are subject to all Federal or State laws and regulations now in effect or which may be later enacted.

APPROVED:_____

DATE:_____