

ABC COMPANY
2010 OWNERS' PLAN
Draft Date July 30, 2010

The following is an initial draft of an Owners' Plan prepared by Larry Hause based on the vision, values, needs, and goals identified by Jack, Darrell, and Dennis. It is expected that this document will change when reviewed by all of the shareholders as a group, evaluated by the board of directors, and as management proceeds with plans for the Company. Note, management will receive only those portions of the Owners' Plan that are required for them to fulfill their responsibilities.

VISION

We see ABC Company moving beyond a _____ company and becoming a - _____ company capable of providing innovative, practical, and profitable solutions to help improve the safety and productivity of our customers' processes and products. We want to maintain our lead in our current _____ markets so long as it continues to make sense, but we see ABC Company as being a company that is continuously looking beyond its current business and being ready and willing to move there if and when needed.

VALUES

Values are the most important principles by which we do business and live our lives. Values are what we are willing to commit to and identify what we expect from others and ourselves.

1. We are committed to ABC Company's "core values" which are the following:
 - Value our customers above all else
 - o Our customers success is our success
 - o We will use measurables to help meet our customers, "out of the box" expectations
 - o ABC Company customers view us as an outstanding partner
 - There are "I"s in teams
 - o Individual initiative is multiplied by the team process
 - o Individuals who practice on their own will be more successful and help make the team more successful.
 - o Talented organizations can help individuals grow
 - Persist, excel, win
 - o Customers reward persistence and excellence with orders.
 - o We learn from wins and losses
 - o Document, Document, Document
 - Laugh and have fun
 - o Winning is fun
 - o Enjoy and respect others
 - o Use open and honest communication
 - o Learn and laugh

2. We are committed to respecting others. By this we mean not looking up or down at anyone.
3. We are committed to clear, honest, and open communication with others and ourselves.
4. We value our personal relationships over making money and climbing the corporate ladder.
5. We value structure, process, and planning, but we don't want structure, process, and planning to keep us from being open to new ideas and opinions or to keep us from taking advantage of unforeseen opportunities and effectively responding to change.
6. We value openness and being able to take advantage of unforeseen opportunities and responding to change, but pursuing new ideas and unforeseen opportunities and responding to change must be done within an agreed upon structure, process, and plan.
7. We value living within our means, and we expect this from ABC Company and ourselves.
8. Regarding ABC Company, we are committed to:
 - a. Keeping ABC Company a family business.
 - b. Growing the Company consistent with our values, needs, and goals.
 - c. Doing business in a fair and equitable manner; this means we do not compete by stealing, cheating, manipulating information, paying off people, or lowering our standards just because other people do.
 - d. Being fair and equitable in hiring, compensating, and evaluating employees and not tolerating inequities.
 - e. Using a decision making process that:
 - invites input from people having relevant information and vested interests in the outcome;
 - involves listening, understanding, and considering that input;
 - empowers employees downstream to make decisions; and
 - reflects what is in the best interests of the entire business and its owners and employees.
9. Regarding our employees:

We are committed to a family-oriented, family-friendly culture. By this we mean:

- a. Respecting the work they do (We treat an employee as if they are the expert in what they do).
- b. Providing competitive wages and benefits that reflect the job's responsibilities, an employee's documented performance as measured by consistent criteria, skill and experience, and are just a little above market.
- c. Caring for our employees' well-being.
- d. Trying to keep employees together, protect their jobs, and help them transition as ABC Company grows and changes.
- e. Striving to create an environment where employees can have fun and support each other while still doing their jobs.
- f. Having an "open-door" policy for employees so they can discuss concerns and promote ideas with their supervisors.

In return, we expect our managers, employees, directors, and ourselves to:

- a. Earn their wages based on written expectations.
- b. Promote our values throughout the Company.
- c. Respect each other.
- d. Work together.
- e. Help each other.
- f. Learn from their efforts and mistakes.
- g. Support the Company's current plans.
- h. Change as they may need to change in order to support the Company's current plans.
- i. Seek input from others; listen, understand, and consider it when making decisions, and base decisions on what is in the best interests of the entire Company and the owners and employees.
- j. Strive to make products consistent with Six Sigma.
- k. Be loyal by keeping confidential proprietary information and not giving away our products or services.
- l. Act in an ethical manner, including not cheating, stealing, lobbying, providing payoffs, and being transparent in their actions and intent.

We are committed to a family-oriented, family-friendly culture. By this we mean:

In return, we expect our managers, employees, directors, and ourselves to:

- g. Trying to accommodate employees facing family challenges and special circumstances.
- h. Giving employees responsibilities and empowering them to make decisions
- i. Being transparent with them when it affects their livelihood or continued employment.

- m. Work to earn the trust of the customer by doing what you say you are going to do and saying what you can actually do.
- n. Help find and train your successor if you want to move up in the Company.

10. We expect the Company's upper management to:

- a. Understand the business.
- b. Have direct intimacy with our customers' business and their future.
- c. Understand and value the contribution of sales, employees, customers, technology, business systems, and manufacturing.
- d. Interact with their subordinates, listen to them, respect them, understand their thinking and situation, and integrate their input when making decisions.
- e. Always be a little bit dissatisfied to drive for better results.
- f. Manage the business consistent with plans approved by the Board.
- g. Develop and participate in a Company planning process.

11. We expect the CEO and President to talk with many of the employees, listen to them, support our employees making decisions on their own, and energize the employee base because the employees know what to do.

12. Regarding ourselves as owners, we are committed to:

- a. Considering the needs of our employees.
- b. Acting as though all of the employees are watching us (because as owners they are) and we are being held to a higher standard (because as owners we are).
- c. If employed by ABC Company, having our compensation and performance be subject to the same standards and guidelines as what we use for our employees generally; that is, as owners, we do not get special treatment as employees.
- d. Doing what we say we are going to do.
- e. Following the process we agree to use.
- f. Being held accountable to our commitments and agreements ("Just because I don't follow the process doesn't mean I don't value doing so and am not willing to be held accountable—it means that it is hard to change").

NEEDS

Needs are items we want in the short term and benefits we have now that we want to continue receiving.

1. We need to hire an individual for the position of CEO and President to replace Jack no later than February 28, 2011. We want this person to have the following attributes:
 - a. Able to stay for 5 to 10 years.
 - b. Experience with growing a Company from \$40-45M in sales to \$60-80M in sales; doing the level of planning described in this Owners' Plan; and developing a management team and personnel capable of developing such a plan and executing it.
 - c. Appreciates and supports our values.
2. The hiring of the CEO/President to replace Jack, and how we go about doing it, needs to be planned and this plan must be understood, accepted, and unanimously supported and followed by each of Jack, Darrell and Dennis. We do not want a repeat of what happened in 1995 when Jack first transitioned.
3. We need a plan for how the new CEO/President will be integrated into ABC Company.
4. We need ABC Company to have a management team led by a CEO that can work as a team, develop and implement plans, and run the Company consistent with the Company's plans approved by the board and the values, expectations, needs, and goals in the Owners' Plan accepted by the board.
5. When working on a project, our managers, employee groups, and ourselves need to learn how to focus on the project's goals and how to work as a team to accomplish the goals, and get away from individuals going off in their own directions.
6. We need the Company to take care of its employees consistent with our values and expectations; they and their families are dependent on the success of the Company.
7. We need a system that:
 - a. Balances structure, process, and planning with openness, flexibility, and responsiveness.
 - b. Minimizes the chances of "blow ups" among owners.
 - c. Separates ownership and management so the managers, not the owners, manage the Company.
 - d. Gets all the owners on the same page with respect to ABC Company.
 - e. Provides a way to resolve differences among owners and between owners and management.
 - f. Identifies what owners and directors do and how these groups work with management without either being involved in managing the business.
 - g. Holds the CEO/President accountable (other than by either Darrell or Dennis (or both of them) doing so from inside the Company or by Jack doing so on his own from outside of management).

- h. Provides Jack a position by which he can evaluate the transition and determine if it is successful. Right now, we think this position is as Chair of the Board of Directors. This evaluation will include:
 - the development of a management team,
 - the integration and contribution of the CEO/President,
 - Jack and Jill having sufficient funds to live on without relying on the Company, and
 - Darrell and Dennis demonstrating that they can work together as owners and within management when Jack is not around.
 - i. Results in a plan for each of Darrell and Dennis that:
 - identifies what he wants from the Company, how committed he is at making the Company his career, and how he wants to be involved as an upper level manager;
 - describes the skills, attributes, and experience he needs to develop to accomplish his objective and how that is going to happen;
 - provides the support and resources to make it happen; and
 - evaluates progress on the plan.
 - j. Provides a way by which Darrell and Dennis will be evaluated as an employee currently and for the CEO and/or President spot eventually that is
 - Fair, transparent, and supported by Darrell and Dennis;
 - Done by independent and objective people;
 - Uses objective criteria; and
 - Informs each of Darrell and Dennis of the results of his evaluation and selection.
 - k. Does not put Jill in the middle of Dennis and Darrell or between Darrell and Jack.
 - l. All of the owners can and will support and follow.
8. As owners, we need to understand the power we have with management and other employees, including the CEO/President. We understand that we can undermine the structure, process, and planning by how we communicate and participate within management. We need to develop guidelines that can help us with this.
9. Regarding financial matters, we need:
- a. Dennis and Darrell to continue to receive salary and benefits equal to at least what they are making now and to work about 40-50 hours a week, noting there will be exceptions when they will need to work more.
 - b. ABC Company to distribute ___% of its taxable income to allow us to pay taxes on Company income allocated to us for income tax purposes.
 - c. ABC Company to operate without any of the owners personally guaranteeing Company debt.
 - d. Jack to receive \$1M of what is owed to him on his redemption agreement in 2010 and the balance over three years in monthly installments.
 - e. Additional distributions of \$300,000 annually (this provides Jack/Jill with about \$162K (\$13.5K/month) and the trusts for each of Darrell and Dennis with about \$69K (\$5.5K/month)).

GOALS

Goals are what we want in the longer term.

1. We want ABC Company to continue to be family-owned. We are open to incentive payments for upper management that is tied to profits or stock value (phantom stock, for example), but we want actual shares kept within the family.
2. We do not want the business to adversely affect family relationships.
3. We want Darrell and Dennis to:
 - a. Get along as employees, owners, and brothers.
 - b. Be able to be open with each other, even confrontational if need be, but not to take confrontation personally and be able to continue to work together.
 - c. Have fun working together.
 - d. Grow and develop in their careers consistent with their talents and interests.
 - e. Have job and financial security, now and in the future.
 - f. Understand the different options they have at the Company in addition to becoming CEO and work out and accept their respective roles and responsibilities.
 - g. Find a place in the Company that provides them with the opportunity they are looking for, the financial return they would like, is consistent with their passion and skills, and otherwise meets their values, needs, and goals and those of their family.
4. We want ABC Company to grow. By growth, we mean increasing sales to about \$60M to \$80M a year. We want the growth to be consistent with the following:
 - a. Sales being sustainable.
 - b. Growth can be organic or through acquisitions.
 - c. Meet our vision, values, expectations, needs and goals; maintain our culture; and retain our talent, or, in the alternative, explain how these items will need to change to meet the growth goal.
5. We want a budget for 2011 before the end of 2010 and a long-term plan in 2011 that addresses how ABC Company can accomplish our growth goal and also the following:
 - a. An assessment of:
 - the Company's current strengths and weaknesses;
 - how it stacks up with the competition;
 - life of its current products;
 - the potential of extending the life of current products, expanding the breadth of existing product lines within current core markets, and leveraging the Company's existing technology and experience to provide labeling and marking beyond _____ in ways that leap frogs over the competition (providing labeling and marking in the same way as our competitors do does not add value to our customers, does not leverage our existing technology and experience, and requires us to compete on price rather than charging more for the value we provide to the customers); and
 - where management thinks the Company can be in 10 years.

- b. Specific goals for the Company as a whole and each of its primary divisions, including product sales, development, and manufacturing, that are needed to achieve our growth.
 - c. How the Company is going to accomplish its goals.
 - d. What tactics of the plan is going to be done in the first year, second year, etc.
 - e. What the Company needs to implement the plan, considering products, expertise, experience, people, capital, equipment, technology, space, financing, ownership support, etc.
 - f. Financial projections for sales, gross margins, profit, financial return on investment, and cash available to meet the owners' financial needs and goals.
 - g. A sales plan.
 - h. A marketing plan.
 - i. An implementation plan.
 - j. Description of how our Owners' Plan will be accomplished under the plan or, if parts of the Owners' Plan cannot be met, how doing so might impact the growth goal and suggestions on what changes are needed in the Owners' Plan to obtain our growth goal.
 - k. Benchmarks by which the plan will be evaluated.
6. Darrell and Dennis would like to know:
- a. How Jack is planning to spend his time when he is no longer the CEO/President. They want to know this so they can help him with not being involved in management so he can enjoy retirement and so the new CEO/President and management team have a chance to develop.
 - b. What Jack needs for Jill and him to transfer their remaining shares in ABC Company to Darrell and Dennis.
 - c. What happens to Jack's shares if he dies before they are transferred to Darrell and Dennis.
 - d. What are the terms of the trusts that hold the shares for their benefit.
7. Regarding financial matters, we would like:
- a. ABC Company to pay Jack the balance owed on the redemption in 2010 (about \$2M).
 - b. A one-time distribution of \$2M to the owners in 2010 (this provides Jack and Jill with about \$1.1M and the trusts for each of Darrell and Dennis with about \$460K).
 - c. Annual distributions in 2011 and beyond equal to \$420,000 annually (this amount provides Jack/Jill with about \$226K a year (\$19K/month) and the trusts for each of Darrell and Dennis with about \$96K (\$8K/month)).
 - d. To know what financial return Jack needs from the Company to complete the transfer of shares to Darrell and Dennis.
 - e. Each owner to understand what he or she needs financially from the Company long term to "live within our means" (considering life style, college education, spouses working or not, retirement, etc.). This information helps identify the amount and timing of expected distributions from the Company, the amount of risks the owners are willing to take, the ability of owners to make adjustments if profits decline, and how much owners want to invest outside of ABC Company as a way to manage risk, "save for a rainy day" and prepare for their personal transition.