

A Closer LOOK At How the CH2M HILL Stock Price is Determined

Shareholders often ask: "How is the CH2M HILL stock price determined, and who is responsible for setting the price?" These are important questions, given the large number of employees who have become owners since the company launched its Internal Market program in 2000.

The quarterly price of CH2M HILL stock is determined by the Board of Directors. The Board takes this responsibility *very seriously* and uses a disciplined process of setting the "Fair Market Value" for CH2M HILL stock.

The Board uses a valuation methodology and process as described below for setting the price, since CH2M HILL stock is not traded on a public stock exchange such as the New York Stock Exchange or NASDAQ.

The valuation methodology used to help set our stock price has two major components: "Going Concern" and "Book Value."

$$\text{Stock Price} = \frac{[(7.8 \times M \times \text{Profit After Tax}) + (\text{Shareholders' Equity})]}{(\text{Weighted Average Common Shares Outstanding})}$$

$$\text{ENTERPRISE VALUE} = \text{GOING CONCERN} + \text{BOOK VALUE}$$


Going Concern takes into consideration the profitability of the firm over the previous four quarters. It includes three components:

1. 7.8 = A constant that approximates fair market value.
2. M = A market factor that is currently set at 1.2, but may be adjusted by the Board based on market conditions.
3. Profit After Tax = Net income for the four fiscal quarters immediately preceding the trade date.

Book Value reflects the amount of equity all shareholders have in CH2M HILL. In simplest terms, it's the difference between the company's assets and liabilities.

Enterprise Value simply combines Going Concern with Book Value to come up with an overall "value" of the firm.

Weighted Average Common Shares Outstanding is the average number of shares outstanding (in shareholders' hands) during the valuation period.

After the stock value is determined using this valuation methodology, it is compared to an enterprise appraisal prepared by an independent appraiser. The appraiser specializes in our industry and compares CH2M HILL's valuation to an industry peer group. This knowledgeable third party analysis provides the Board with another perspective on CH2M HILL's valuation. The Board performs this analysis to make sure that the stock price represents fair market value given our performance and current market conditions.

For more information about CH2M HILL stock price valuation methodology and Employee Ownership opportunities at CH2M HILL, see the Employee Ownership web site at <https://webapps.ch2m.com/oicp/open.html> and the Prospectus for CH2M HILL filed with the U.S. Securities and Exchange Commission (SEC), which can be found on CH2M HILL's external website www.ch2m.com or on the SEC website www.sec.gov.