



You've got questions?

We've got answers...



## What is an ESOP?

An ESOP - the letters stand for **Employee Stock Ownership Plan** - is a retirement plan that invests primarily in the stock of the company sponsoring it. It is similar, in many ways, to 401(k) and profit sharing plans. Your company sets aside money and company stock for you in the ESOP to help you prepare for retirement. You do not pay taxes on the money and stock put into the plan on your behalf - or on any earnings that accumulate over the years - until you take a distribution from the plan. If you roll that distribution over to an individual retirement account or another retirement plan, you can defer taxes even longer.

## How is the ESOP different from the company's 401(k) plan?

The primary differences between ESOPs and 401(k) plans are (1) your ESOP invests primarily in your company's stock, while a 401(k) plan generally offers various mutual funds for you to invest in; and (2) ESOPs generally accept only employer contributions - money put into the plan by your employer for you - while 401k plans permit employees to invest their own money in the plan.

### ESOP

invests primarily in company's stock

accepts only employer contributions

### 401(k)

invests primarily in various mutual funds

permits employees to contribute

## Can I put my money into the ESOP instead of the 401(k)?

You cannot put your money into the ESOP. The ESOP is set up to accept only contributions from your employer. 401(k) plans are an important component of retirement planning.

## Why should I care about my company's ESOP?

Your ESOP can be an important component of your retirement. As long as you continue to work for your company, you will generally receive additions to your account in the ESOP. If the company does well due to your hard work and that of your fellow employees, among other factors, your account will also benefit from the increase in the value of your company over the years. In this way, your ESOP can provide resources for you to use in your retirement.

## Who is watching out for the ESOP?

A trustee is legally required to protect the benefits that you and all other participants in the ESOP have accumulated and will accumulate. This trustee can be an individual person, a group of people or an entity (often known as a trust company). The trustee for our ESOP is GreatBanc Trust Company.

## Who is Crowe and how are they involved with the ESOP?

Crowe Horwath LLP is our ESOP's third party administrator. This means that they perform all the calculations that determine the cash and shares allocated to your account each year, track your ESOP account balances from year to year, calculate your vested percentage and make sure that the ESOP complies with all the tests required by law. They will also notify the company when you are eligible to receive a distribution or diversification. Crowe Horwath LLP is a large national CPA firm; administering ESOPs and testing them for tax compliance is one of their specialties.

## Where is my portion of the ESOP kept?

The assets of the ESOP - primarily company stock and cash - are held in the ESOP trust, a special entity established for the ESOP. Your portion of the ESOP assets are recorded in an ESOP account established under your name.

## Can I just get more money now in higher wages instead of participating in the ESOP?

You cannot. The company's contribution to the ESOP on your behalf is intended to help you accumulate retirement savings and is not available to you as current income.

## BENEFITS OF AN ESOP

- provides employees with a significant retirement benefit
- protects the integrity of a business by assuring that it will not be dismantled
- protects jobs
- the business will receive numerous tax benefits

### **If the price of the stock starts going down, can I move my money in the ESOP to another investment?**

As an employee-owner you stand to gain from increases in the price of the company stock in your ESOP account over time; however, as is true for any shareholder, you bear the risk that the stock in your ESOP account will not increase and may even decrease. No money can be moved.

### **How is the price of the stock in the ESOP determined? How often?**

The price of the stock in the ESOP is determined annually by the ESOP trustee working in conjunction with a qualified valuation company. These companies specialize in determining the value of ESOP-owned business.

### **Can I check the price of our stock in the newspaper?**

Your company's stock is not publicly traded and you will not find its price in newspapers or online stock websites. Your company's stock is not available for purchase by the general public, as are the stocks whose price you see listed in the newspaper or online. The price of your company's stock changes only once per year, when the valuation is completed. You can see the stock price on your participant statement.

### **How can I increase the value of my account in the ESOP?**

Since the value of your ESOP account is based in large part on the value of the company's stock, anything you can do to help your company succeed and grow can also help your ESOP account balance grow. Your part in this depends on your role as an employee, but any actions from improving efficiency and cutting expenses to increasing sales could increase the value of your ESOP account.

## If I leave the company, how much of the ESOP money allocated to me do I take with me?

Each Participant will vest in the ESOP money based on the following schedule:  
Less than 2 years = **0%** | End of 2 years = **20%** | End of 3 years = **40%**  
End of 4 years = **60%** | End of 5 years = **80%** | 6 or more years = **100%**

## How often will my ESOP account balance change?

Your ESOP account balance will change only once per year.

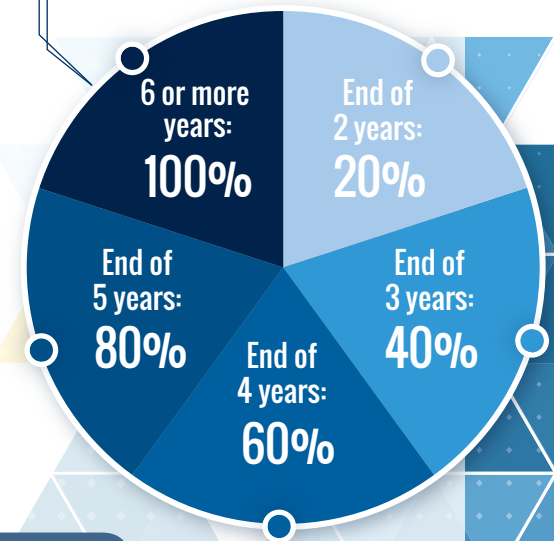
## Are there other investments in the ESOP besides company stock?

Your ESOP may hold investments other than company stock, but the ESOP must be designed to hold primarily company stock. Other investments will generally include cash and other low risk investments.

## Are participant loans available?

There are no participant loans allowed under the ESOP.

## ESOP VESTING SCHEDULE



# OWNERSHIP AND VOTING

## Will I own actual shares of the company's stock?

The shares of stock in your account and in the accounts of your fellow participants are legally owned by the ESOP trust, not by each individual participant. Like a person who actually owns shares of stock, you will benefit from any gain in the value of the stock while it is in your account. Also like a direct owner, you bear the risk of the price of the stock not rising.

While ESOPs sponsored by publicly traded companies (generally those companies whose shares can be bought and sold on exchanges such as the NYSE or NASDAQ) allow participants to receive distributions of company stock when they retire or leave the company, most privately-held companies do not. When you retire or leave the company, you will receive cash equal to the value of the vested shares in your account at that time.

## As an employee-owner, will I have control over how the business is run?

While you are able to help the company succeed and grow in many ways, you and the other ESOP participants will not run the company - that is the responsibility of management team.

## Are there any voting rights associated with the stock in my ESOP account?

Yes, as an ESOP participant, you will be permitted to vote on certain decisions that affect the company. The security laws of the state in which your company is incorporated determine the decisions on which you will be permitted to vote, but these are generally limited to significant issues such as the sale of the company.

# ELIGIBILITY AND ALLOCATIONS

## How do I enter the ESOP?

Employees are entered into the plan automatically if they meet the criteria for entry:

- Age 21 or older
- Worked 1000 hours in the plan year
- Employed on 12/31 of the plan year

## Can I elect to not participate in the ESOP?

Most ESOPs do not allow employees to elect out. Keep in mind that, even if you are permitted to do so, electing out of the ESOP will cause you to miss out on company contributions made into the ESOP and on any earnings on the stock and other assets in the ESOP.

## How does my account balance in the ESOP grow?

Your ESOP account balance grows as more stock and cash are allocated to it each year. Also, the company stock in your account may earn dividends or increase in value over time. Similarly, the cash or other non-stock assets in your ESOP account may earn interest or otherwise increase in value.

## ESOPS BY THE NUMBERS

1956

First ESOP is established

1974

Federal government creates statutory framework for ESOPs

6,941

Amount of ESOPs in the U.S in 2014

13,500,000

U.S. employees participating in ESOPs