

# Employee Stock **OWNERSHIP PLAN**

We **OWN IT**

Border States is 100 percent employee-owned through our Employee Stock Ownership Plan (ESOP). We are one of the 100 largest ESOP companies in the United States.



**An Employee Stock Ownership Plan (ESOP) is a tax-deferred employee retirement benefit plan. ESOPs are designed by law to invest primarily in company stock.**

### HOW DID BORDER STATES BECOME AN ESOP COMPANY?

Border States established its ESOP in 1984 to transfer company stock from a majority shareholder to the employees and to maintain private ownership of the company. On April 1, 2000, we became 100 percent ESOP-owned.

### WHAT DOES BEING AN EMPLOYEE-OWNER MEAN?

Our ESOP provides employee-owners with a means to accumulate an ownership interest in Border States. We participate in open-book management. We also have generous profit sharing bonuses, strong stock growth and ESOP contributions.

Employee-ownership is a significant part of our culture, and our success stems from the dedication of our employee-owners. When our customers are successful, we are successful. Being an employee-owner means:

- » You have a stake in the company and an opportunity to share in the rewards of our success.
- » You have a responsibility to use your talent and company resources to ensure the company achieves its strategic goals.
- » Success of the company will lead to personal financial rewards.

### HOW DO I BECOME A PARTICIPANT IN THE ESOP?

Employee-owners automatically enter the plan on April 1 of the fiscal year in which they have completed 1,000 hours of service.

### WHO CONTRIBUTES TO THE ESOP?

Unlike a 401(k) plan, participants do not contribute their own money to the ESOP. The company makes all contributions to the ESOP.

### HOW DOES MY ESOP ACCOUNT BALANCE GROW?

Each year, the company makes contributions of stock or cash to the ESOP. The contribution amount is determined by the company's profits for the year.

- » With normal contributions, stock value growth and forfeitures, ESOP participants could have a significant balance in their ESOP account at retirement time.

### WHEN DO I BECOME FULLY VESTED IN THE ESOP?

When an employee-owner completes 1,000 hours of service in a fiscal year they become eligible for a year of vesting.

| Completed years of service | Vested portion of account |
|----------------------------|---------------------------|
| 1 year                     | 20% vested                |
| 2 years                    | 40% vested                |
| 3 years                    | 60% vested                |
| 4 years                    | 80% vested                |
| 5 years                    | 100% vested               |

### HOW CAN EMPLOYEE-OWNERS AFFECT THE VALUE OF THE COMPANY STOCK?

Achieving our annual budgets and strategic goals increases our stock value. Growth in the company's top line sales and bottom line profitability positively impact our stock growth. The work our employee-owners do to continuously improve our company performance has a positive impact on the company's stock value and their ESOP account balance.

### WHEN DO EMPLOYEE-OWNERS RECEIVE THEIR ESOP BENEFIT?

Our ESOP is designed to be a retirement plan for employee-owners; however, if a vested employee-owner leaves the company for any reason, they will receive the vested value of their ESOP account. Distributions are made in the fall after the end of the fiscal year in which you retire or leave the company.

### SHARING IN THE BENEFITS AS EMPLOYEE-OWNERS

Being 100 percent employee-owned provides great benefits for everyone. We are provided an opportunity to have a challenging career and amass significant personal wealth. As employee-owners, we all have a vested interest in making sure Border States continues to grow and remains a successful company. If we help our customers succeed, enhance teamwork, improve our profitability and productivity, and are good stewards of our assets, we will share in the benefits as owners.