

# Employee Stock Ownership Plan

## Frequently asked Questions

### What are the 3 things that make up your ESOP account?

#### Contribution, Forfeitures & Earnings/Dividends

*Contribution* is 100% Company contributed and shared proportionately based on your wages (typically around 12% of pay).

*Forfeitures* come from terminated Partner's accounts. Any unvested amount is split between the remaining eligible participants. (typically around 2% of pay).

**\*You are eligible for a Company contribution and forfeitures if you work at least 1000 hours in the plan/calendar year.**

*Earnings* are dollars received based on Company growth; each participant receives the same percentage based on the amount of Stewart's shares they own.

*Dividends* (if declared) are a type of earning based on shares you hold at a particular time; Dividends are 100% vested to you *regardless of your current vesting status*.

### What is my ESOP compensation?

Your ESOP compensation comes from your total gross wages, which is listed on your last paycheck of the year.

You can also use your W-2 wages if you add back in any pre-tax deductions (health/dental/medical spending) that you paid in the year.

### How are earnings determined in my account?

Earnings are allocated to your account based on your account balance at the time the ESOP is valued. Your account receives the same % as everyone else, unless you make any early withdrawals such as dividend payouts, diversification elections, emergency withdrawals, or retirement payments. Withdrawals reduce the amount of earnings you receive so your account grows slower.

### What is vesting and what does it mean to me?

Vesting is the % of your account that becomes yours based on your years of active ESOP participation (not years of service with the Company)

Working 1000 hours each year = 1 plan yr of service in ESOP

**Vesting Schedule: 2 plan years of service** (1000 hrs) = **20%** vested in ending balance

**3 plan years of service** (1000 hrs) = **40%** vested in ending balance **5 plan years of service** (1000 hrs) = **80%** vested in ending balance

**4 plan years of service** (1000 hrs) = **60%** vested in ending balance **6 plan years of service** (1000 hrs) = **100%** vested

If you become 100% Social Security Disabled (SSDI) or die while working, your account becomes 100% vested regardless of years of service.

If Dividends have posted to your account, your vested percentage will reflect more than the schedule above because the dividend is 100% vested immediately.

**Note:** *If you terminate employment with less than six years of service you will be entitled to the corresponding vested percent on your statement (line B) and the remainder of the account will forfeit back to the Plan after a 5 year break in service occurs.*

### Why is a beneficiary form important?

This form designates who gets your ESOP money upon your passing. (Your account becomes 100% vested, if it's not already, and if you were active upon death).

The primary beneficiary receives your ESOP balance upon your passing and the contingent beneficiary receives the balance should your primary not be alive upon your passing. Life events such as marriage/divorce, birth/adoption and death, should be considered when updating any beneficiary form.

**The beneficiary designation we have on file for your ESOP overrides any "statement" you have listed in your Will and /or Estate.**

### Can I name someone other than my spouse as my primary beneficiary?

New York State does not allow you to disinherit your spouse from a retirement plan. Your spouse can waive their right to your balance or share their benefit by filling out the Spousal Waiver to Rights on the back of an original beneficiary form.

### How can I make a change to my ESOP beneficiary form?

You can use the form you receive with your annual statement or call Personnel (ext.3200) for a new form.

A good time to review your beneficiaries is when you get your ESOP statement each year. There is also a blank beneficiary form on the partner page at [www.stewartshops.com](http://www.stewartshops.com). You can print and send it in with your shop's paperwork or mail to: PO Box 435 Saratoga Springs, NY 12866.

### What happens to my account if I die?

If you are an active working partner and pass away, your account becomes 100% vested, if it's not already. Your primary beneficiary will receive a letter outlining their options: keep the dollars in the ESOP to continue to grow or to withdraw the money.

Some required minimum distributions may apply to your beneficiary. They will need to provide us with your death certificate and are subject to taxes, however, not the 10% early withdrawal penalty. It is important that your beneficiaries are aware that this benefit is available to them.

### How can I receive my ESOP dollars?

If you qualify for early retirement, which age 55 with 7 years of service **or**, if hired after 1/1/18, age 55 w/10 years of service.

You qualify for normal retirement at age 62. You're eligible for a partial, immediate payout in either case.

If you terminate employment with a vested balance, final payments are made the following May 1st after our valuation.

This is a taxable benefit so upon termination you will receive a letter regarding your balance with your options and a special tax notice.

### Can I leave my balance in Stewart's stock?

You can leave your ESOP balance in stock if you have 20+ years of service or qualify for retirement. The Post Retirement Liquidation Plan requires incremental decreases to the stock in your account proportionately over years 6-10 of inactive status. You will have the option to remain in the ESOP and invest with NBT Wealth Management, roll to your own investment choice or receive cash.

### Can I take a loan or emergency withdrawal from my ESOP account?

Yes, you can borrow or withdraw up to 1/3 of your vested balance, not to exceed \$50,000.

IRS limits loans & withdrawals for the following reasons: purchase of principal residence, college expenses, extraordinary medical expenses, funeral expenses, expenses to prevent foreclosure/eviction, or qualified expenses from damage to your principal residence.

The loan term is 5 years and is paid back in equal payroll deductions (260 pymts + interest). Loans do not impact your ESOP balance.

Withdrawals are not recommended because of loss of retirement dollars and tax consequences.

### Important dates and contact information:

The Plan is valued annually on December 31. Your annual statement is printed and sent to your shop in early April after the external audit is complete.

It's very important to keep your yearly statement in a safe place. If you need another copy, please call Personnel.

The Plan's address is Stewart's Shops Corp. ESOP, PO Box 435 Saratoga Springs, NY 12866.

Attn: Angela Mash / Personnel: 518-581-1201 Ext. 3415 or 3200.