EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

An Employee Stock Ownership Plan (ESOP) is a qualified employee benefit retirement plan similar to a 401(k) or a profit-sharing plan that allow companies to provide cost-effective incentives to their employees on a tax advantaged basis.

WHAT ARE SOME OF THE USES OF AN ESOP?

In addition to providing an incentive to employees through a qualified retirement plan, an ESOP can be used to accomplish the following:

- Allow shareholders to sell their stock tax-free while retaining control;
- Raise additional financing or refinance existing debt so that principal, as well as interest, is paid with tax-deductible dollars;
- Help solve a retained earnings problem;
- Recapture federal income taxes;
- Provide for the acquisition of another company using tax-deductible dollars;
- Provide for motivation through company ownership at no cost to employees;
- Provide employees with beneficial ownership of stock not actual ownership.

COMMON QUESTIONS ABOUT EMPLOYEE STOCK OWNERSHIP PLANS

The following questions and answers highlight some of the important parts of an ESOP Plan. Remember, these are only highlights. If you have any questions about these highlights, the Summary Plan Description or the Plan, you should refer them to the designated Plan Administrator. Throughout these highlights, the terms "we", "us" and "our" will refer to our Company and the Employees of our Company, also known as the Employer.

What is an ESOP?

An ESOP, Employee Stock Ownership Plan, is a qualified retirement trust much like a pension, profit-sharing, or 401(k) plan, except that unlike those other plans, an ESOP trust is designed to invest primarily in the stock of our Company rather than the stock of other companies.

How does an ESOP work?

An ESOP trust borrows money in order to purchase stock from the Company. Each year the Company makes a contribution to the Plan to pay off the debt on the stock so that the stock is owned free and clear in the trust. Each employee is allocated stock on the basis of compensation. The percentage of the employer contribution that is allocated to each employee is equal to the ratio of that employee's percentage of pay to the total payroll.

Why are we sponsoring an Employee Stock Ownership Plan?

We are sponsoring this Plan to reward the efforts of our employees and to give them the chance to enjoy a "piece of the action" and share in the profitability of the Company. However, you must meet the eligibility rules in order to participate.

When will I be eligible to join the Plan?

If you are employed on the last day of the first Plan Year and have completed six (6) months of active employment by the end of the Plan Year, you will join the Plan as of the first day of such Plan Year. Otherwise, you will be eligible to join when you have completed six (6) months of service. You will actually join the Plan as of the first day of the Plan Year in which you meet the eligibility rules. See the Summary Plan Description for more details and the dates for the Plan Year start date and Plan Year end date.

Are all employees eligible to join the Plan?

Yes, all regular full time non-union employees are eligible to join the Plan.

Do I have to contribute money to the Plan in order to participate?

No, you are not required to contribute any money or reduce your take home pay in order to participate in our Plan. All of the benefits come from amounts that the Company contribute to the ESOP on your behalf.

When will I receive payments from the Plan?

The Plan is designed to encourage you to stay with the Company until retirement. Payments will generally begin at your Normal Retirement Date unless you postpone your actual retirement. Your Normal Retirement Date is the Anniversary Date coinciding with or next following your Normal Retirement Age. You will attain your Normal Retirement Age when you reach your 65th birthday, or your 5th anniversary of joining the Plan, if later.

How much will I be paid when I retire?

The amount you are paid when you retire will be based upon the vested value of stock shares purchased in your account at that time, plus any earnings. Your Summary Plan Description tells how we make contributions to the Plan and how they are shared by eligible employees.

How will payments be made when I retire?

When you retire, your account will be paid to you either in one single lump-sum payment or in equal installment payments over a 5 or 10 year period.

What if I stop working before I retire?

If you stop working for us before retirement, the payments you receive from the Plan will be affected by the Plan's rules on "vesting" or the percentage amount of your account that you are entitled to keep based on your eligible Plan Years of service. This means your account balance at the time you stop working is multiplied by your "vesting percentage". The result is your vested benefit, which is what you will actually receive from the Plan. Your "vesting percentage" is dependent upon the number of years you have worked for us and is based on the schedule on the next page:

VESTING SCHEDULE EXAMPLE:

PLAN YEARS OF SERVICE	VESTING PERCENTAGE
Less than 2 years of service:	20%
3 years of service:	40%
4 years of service:	60%
5 years of service:	80%
6 years of service:	100%

What is "vesting" and what is the "vesting schedule"?

Vesting means the percentage of a benefit that cannot be taken away from you, that is non-forfeitable. In the event that you leave, or are laid off, your vested percentage of benefits is based on your future years of service starting with the first year of the Plan. After 3 years of service you will be 20% vested in your allocated stock, 40% after 4 years, 60% after 5 years, 80% after 6 years, and 100% vested after 7 years. If you stay with the Company for 7 or more years, you will be 100% vested. Participants do not get credit for past years of service. Unfortunately, Federal law requires that all employees, new as well as old, are treated the same. The company also does not want to accelerate the vesting for anyone who would leave before the end of 7 years as this might cause a cash drain on the Plan.

If I stop working before my retirement, when will my vested amount be paid?

If you stop working for us, your vested amount will normally be paid at your death or retirement. You may, however, elect to have your vested amount paid at an earlier date, but not until one year after the close of the Plan Year, which is five years following the Plan Year in which you terminate employment (in other words, the sixth year after you left). Payment will not include any Company Stock acquired with the proceeds of a loan until the close of the Plan Year in which such loan is repaid in full. Small vested amounts ($3,500 or less) will automatically be paid to you within a reasonable time after you stop working.

What if I die before I retire?

Your beneficiary will be entitled to 100% of your account balance upon your death (plus the proceeds of any life insurance if a policy was purchased for you). If you are married, your death benefit will be paid to your spouse unless you and your spouse name someone else.

Can I withdraw money from the Plan while I'm still working?

The Plan is designed to pay benefits at retirement. The Plan normally does not allow payments to be made while you are still working for the Company.

How am I taxed on the contributions to/payments received from the Plan?

Normally, you will not have to pay income taxes on money held by the Plan until you actually receive a payment. There may, however, be ways that you can lower or delay the amount of tax that you have to pay when you do receive money from the Plan. When you receive a payment, the Plan Administrator will give you a more detailed explanation of these choices. However, the tax rules are very complex and you should always consult a qualified adviser when you become eligible to receive a payment.

How do I get money out of the ESOP?

As a retirement plan, the ESOP is meant to be long term savings vehicle to fund retirement. As a Stock Ownership Plan, the ESOP is designed to own stock, not cash. When you retire, die, become totally disabled or terminate employment, the Company will buy back your stock.

How much will my stock be worth and how much will I be paid?

Each year the Company will be appraised and the stock valued by an independent appraiser. The appraiser will use government approved standards to determine "fair market value" which is the price a willing buyer would pay a willing seller. Your Stock will be redeemed at the price determined by the appraisal for that year. The amount that you will be paid will be equal to the value of your vested shares.

What happens if I leave the Company?

If you are terminated, laid off, or quit you will be paid your vested accrued allocated benefit five years after you leave the Company. This is the law and is designed to prevent a problem in the event that an employee is hired back within a 5 year period. After this 5 year period, you will be paid your benefit over a 5-10 year period unless it is a small amount in which case it will be paid in a lump sum. The Company is also protecting itself and the Plan from someone leaving the Company and going into competition with the Company with money received from the ESOP.

What if I retire, die or become disabled?

In the event of retirement, death, or total disability there is no 5 year wait.

What contributions are required from me?

There are no contributions required from employees for the ESOP. There is no cut in pay or wage reductions.

So is this a "no-money-down deal"?

Yes. All contributions to the ESOP are made by the Company. It costs you nothing to participate.

Why is the Company doing this, and what is the Company getting out of this?

It has always been the goal of the Company's management team to share the benefits of stock ownership. The ESOP is a tax-advantaged way to share beneficial stock ownership with the employees. The Company also enjoys certain tax advantages which will allow the Company to reinvest cash flow and non-taxable earnings into the future growth of the Company.

Why does the Government favor ESOP Companies?

Congress believes that the best way of insuring America's Growth is to spread the benefits of capital ownership. Most people enjoy the fruits of their labor through wages, but never enjoy the benefits of capital accumulation. The ESOP remedies this.

Will the ESOP cause any changes in management?

No, the management of the Company will stay the same. The Board of Directors and management will still run the Company on a day to day basis. The shares held by the ESOP will have pass-through voting for major issues such as termination of the business or selling all the company's assets.

How does my participation in the Plan affect my IRA contribution?

The IRA rules do not allow a person who is an active participant in a qualified retirement plan (such as ours) to make a fully tax-deductible IRA contribution unless the person's adjusted gross income is below $32,000 (in the case of a single individual) or $52,000 (in the case of a married individual filing a joint return). Generally, once you join the Plan, you are considered to be an active participant. If you do not qualify for a fully deductible IRA contribution, you may still contribute to an IRA, but your contribution will be either only partially deductible or not deductible at all based on your Modified Adjustable Gross Income (MAGI). Participation in the ESOP, however, does not affect your non-deductible contribution to a Roth IRA.

NOTE: These questions and Answers are not meant to be a substitute for a thorough reading of your Summary Plan Description. The provisions of the Employee Stock Ownership Plan are very complex. It is not possible to fully explain all aspects of the Plan in these short Questions and Answers. You should always consult the Summary Plan Description if you have any questions about your Plan. If, after reading the Summary Plan Description, you still have questions, you should contact your Plan Administrator for further information.