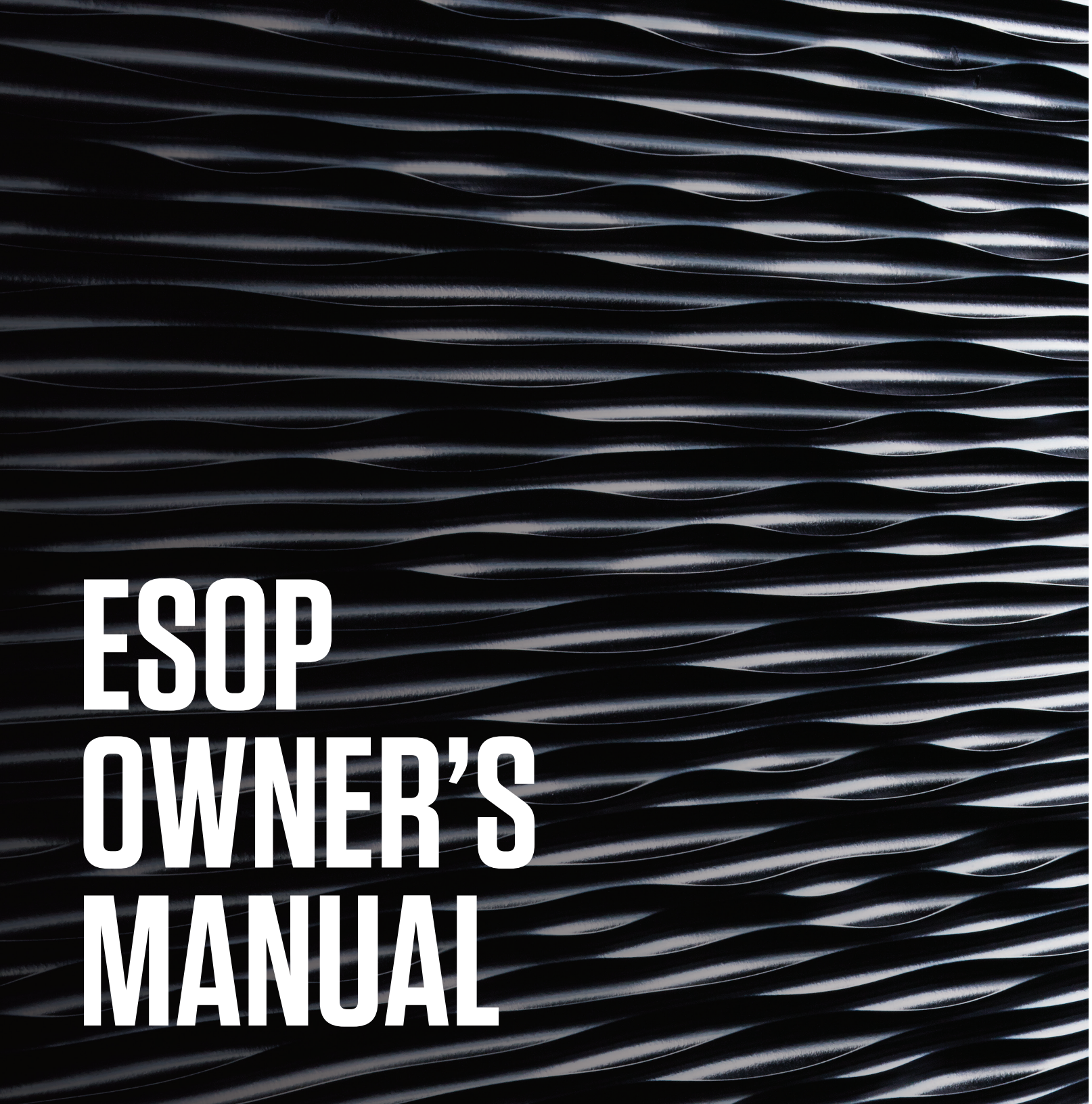

ESOP OWNER'S MANUAL

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Hello, owner!

Thanks to Butler/Till's Employee Stock Ownership Program (ESOP), we are all owners of the company. Yes, we own it. All of it. That includes you. And with ownership comes responsibility. It's up to each of us to understand how an ESOP benefits us—and how to keep the company healthy and strong. Your ESOP Owner's Manual is here to do just that.

First, a little background.

In 2010, the agency's founders Sue Butler and Tracy Till were looking at their futures as they approached retirement. And they set a goal to exit the company while preserving the culture and value they built over the course of 12 years. They decided selling Butler/Till to a third party wasn't the right move. So Sue, Tracy, and our CFO Melissa Palmer started talking to experts to get their heads around the idea of converting the company to an ESOP.

After a period of company "valuation" and discussing the idea with various banks and law firms, Butler/Till secured a loan from First Niagara Bank and purchased 51% of the agency from the company's namesakes. In the process, an ESOP Trust was established, and those company shares went into it, to be distributed to employee owners over time.

Less than three years later, the bank loan was paid off, and Sue and Tracy prepared to transition from their day-to-day roles at the agency. On April 4, 2014, a second loan funded the final 49% buyout, and Butler/Till became 100% employee owned. By December of the same year, Sue and Tracy said farewell to the company they loved, and moved on to the future, confident their legacy was in capable hands. Ours.

A brief timeline of our ESOP.

- **Fall 2010:** Preliminary valuation to figure out what the company was worth
- **August 30, 2011:** Sue and Tracy sell 51% of company and the ESOP Trust is established
- **Early 2014:** Our first bank loan is paid off—four years early
- **April 4, 2014:** B/T purchases remaining 49% of shares from Sue and Tracy, becoming 100% employee owned
- **April 30, 2014:** Tracy's last day as an employee
- **December 31, 2014:** Sue's last day as an employee

"The ESOP allowed us to achieve two very important objectives in our transition from ownership and day-to-day leadership of Butler/Till. First, it provided the best opportunity for the company to maintain the culture and values that we had worked so hard to instill. Second, but equally as important, it allowed us to reward the many individuals that contributed to the success of the company—in a very tangible way."

Sue

"Becoming an ESOP enabled Sue and me to transition out of the business we both love, while earning a fair market value for the business we started. But most importantly it kept great people at B/T and enabled them to profit from their efforts when they retire. Just like Sue and me."

Tracy

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So, what is an ESOP?

ESOP stands for Employee Stock Ownership Plan. It's a form of an employee retirement plan, in which company shares are distributed to employees. But an ESOP is very different from other types of employer retirement plans.

The main difference: when your actions positively affect the value of the company, you benefit directly from it because the value of your shares goes up. Standard retirement plans may not distribute gain as fairly. It's important to note that the same is true for company losses, too.

What employee ownership means.

Only employees of Butler/Till own shares of the company. Shares that have not yet been distributed are held in a trust on behalf of employee owners like you. And your role as an owner is pretty important. While ownership is primarily a financial benefit, just as with other stock ownership programs, an ESOP is different. That's because you affect the share value by the positive (or negative) impact of your work. When the company does well, you do well.

Not all ESOPs think alike.

No surprise, we're a little different. Some ESOP companies simply see stock ownership as a financial benefit. But around here, we see it as an awesome way that everyone can have a positive impact on the health and value of our company. We all have some skin in the game. Which can be a powerful motivation. It inspires intense collaboration, a vibrant work environment, and a big team of individuals who are all consistently looking for ways to make the company better. Through smarter processes. Better teamwork. Stronger results.

Say it with us: "ESOP strong!"

You've probably seen the fist pumps and heard the hollers. When people around here shout, "ESOP strong!," we're giving a cheer for ownership and empowerment. For the contributions we all make to the effort. To make Butler/Till more profitable. Smarter. More competitive. But just as important, to make this an agency where we all love to work.

How you affect value of Butler/Till:

- You help generate new business and win new clients
- You spot new revenue opportunities with existing clients
- You help improve our processes in order to reduce hours and expenses
- You introduce new service offerings
- You make sure your invoicing is on time and accurate
- You find ways to save money and you're a good financial steward—because unspent money can be put to better use

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How the Butler/Till ESOP works

At Butler/Till, our people are a big part of our product. Your talent. Your savvy. Your relentless optimism. You're the reason our clients buy when they engage with us. As employee owners, we all have rights and responsibilities, and we take them seriously.

Roles, responsibilities, and benefits of ownership.

Ownership versus management
We're all owners, but we aren't all part of the Executive Leadership Team. Management is a function; ownership is a financial stake. All owners contribute to the successes (and failures) of the company. But only the management team sets the vision for the future and decides what we will pursue to get there.

Control versus participation
Stock ownership in an ESOP is meaningful because you participate in making the stock more valuable. Unlike shareholders of Coca-Cola or Apple who have no participation, everything you do in your role at B/T can positively or negatively affect the value of the company.

Benefits of the long term
Retirement is a long way off for many of us. Depending on your age, you may not see the benefits of your ESOP shares immediately. Great news, though: the longer you stay with the company, the more shares you'll accumulate, and the better set up you are for your future. Even better, your funds grow without any contributions from you—you don't even have to think about it.

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Our Board and ELT

Roles and responsibilities.

Board of Directors

Sue Butler, Tracy Till, Mary Sczudlo, Steven Robins, Kimberly Jones, Peter Infante, Melissa Palmer, Bruce Kelley

Executive Leadership Team

Kimberly Jones, Peter Infante, Melissa Palmer

Board of Directors

Purpose

Primary role is to provide insight, advice, and support to the executive management team.

- Oversee the Executive Leadership Team (ELT) and company performance; guides and judges the ELT
- Conduct useful, two-way discussions about the key decisions facing the company
- Seek out sufficient industry and financial expertise to add value to decisions
- Define the roles and behaviors required by the Board and the boundaries of the ELT and Board responsibilities
- Undertake projects related to Board structure, composition, and process

Decision-making authority

- Approval of the company mission/vision/purpose statement
- Approval of the annual business plan (includes high-level account plans, sales/marketing plan, strategic plan, departmental plan, and annual budget)
- Seek and nominate new Directors to the Board as needed
- ELT hiring and compensation
- Capital structure and indebtedness
- Risk management and insurance policies
- Acquisitions, divestitures, and capital expenditures above $50,000

Executive Leadership Team

Purpose

Primary role is the financial and operational management of the company.

- Develop and execute the annual business plan (includes high-level account plans, sales/marketing plan, strategic plan, departmental plan, and annual budget)
- Set the company mission/vision/purpose and ensure successful execution
- Set operational policies and practices
- Develop financial strategy/reporting
- Maintain relationships with key external business partners (e.g., banking, insurance, and IT providers)

Decision-making authority

- Approval of account and departmental tactical plans (overall strategy and budgets approved by the Board)
- Expenses greater than $2,500 and less than $50,000 (which would require Board approval)
- Position justifications
- Promotion decisions
- Non-ELT management compensation, annual merit increases, spot bonuses, and company-wide bonus program
- Director level and above performance assessment
- Organizational structure and succession plan
- New vendor selections (relationships that exceed $10,000, e.g., agency management systems, benefit providers, research providers, facilities, etc.)

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About the ESOP Communications Committee

The ESOP Communications Committee, or ECC, is a team of employees from across departments whose primary role is to keep the rest of the agency in the know. The ECC is made up of nine or more members, and each person has a different title and has been here for a varying number of years. Members serve two-year terms, beginning each August. The ECC is an advocate for employees, and serves as a resource to everyone.

This group:

- Gets employees up to speed on the advantages of an ESOP, as well as their roles and responsibilities
- Puts together educational programs for employees, like onboarding and financial literacy
- Makes sure each employee is aware of his or her contribution to the success of Butler/Till—not only financially but also through maintaining our corporate culture, including living by our principles
- Organizes ESOP-related activities such as the July statement announcement and ESOP month (in October)
- Attends ESOP conferences to keep everybody here updated on ESOP legal issues—and to find out what works well at other ESOP companies

ECC membership.

Each June, a portion of the ECC seats open up as some of the committee members finish their terms. If you're interested in joining the ECC, you can nominate yourself for membership. Any employee owner that is an active participant of the plan is eligible. All nominations are reviewed by the ECC, and new members are selected by a majority vote.

Members can't be reelected to the committee once they've already served. This ensures that all employees have a chance to serve—and bring fresh ideas and perspective to the committee.

Officers are informally appointed each year by the committee for the following roles: Vice Chair • Co-Chair • Secretary • Treasurer

ECC meetings happen twice each month. And each year, the committee looks at new projects to recommend to senior management. Peter Infante is the sponsor of the committee.

A nitty gritty Q&A

How do I become a Butler/Till ESOP participant?

You must be at least 21 years old and have completed 1,000 hours of work at Butler/Till in a calendar year.

How are shares allocated to participants' accounts?

The contribution of shares is based on your compensation and number of available shares. The formula is as follows:

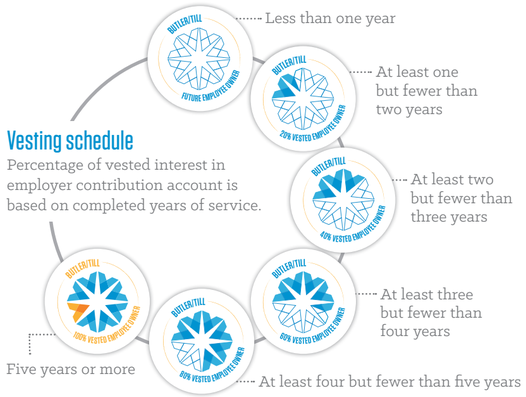
$$\frac{\text{Your total compensation}}{\text{All ESOP participants total compensation}} \times \text{\# of shares released} = \text{\# of shares you receive}$$

So, am I a shareholder?

No. Legally, only the ESOP Trust can own shares. That's why you don't get a stock certificate. But you are an owner, and own the success and failure of the company, and are the beneficiary of the shares that are allocated in your name. But you don't technically own them.

What does "vesting" mean with regards to the ESOP?

Vesting measures the percentage of your ownership and is based on years of service.



How does B/T keep me informed of my ESOP account balance?

Each July, Butler/Till distributes a statement of account activity for the preceding year to all participants (active and terminated). For example, in July 2016, statements were distributed to all participants with account balance information as of 12/31/2015.

Can I contribute my own money to the ESOP?

No, the Plan does not allow for individual employee contributions to the ESOP Trust.

What happens when we run out of shares?

As employees leave Butler/Till, their shares go back into the ESOP Trust for redistribution.

Can I borrow money out of my ESOP account?

No. Unlike the 401k plan, you cannot borrow money from your ESOP account.

When do I start getting my money?

The timing of your distribution depends on how large your vested portion is. Upon retirement or other termination, employees meet with HR to discuss details regarding Butler/Till's ESOP distribution policy.

What documents are available for me to learn more about my ESOP benefit?

You can seek out Melissa Palmer, Amy Moyer, or any member of the ECC at any time, if you have questions. Also, Butler/Till's ESOP Summary Plan Description is available for viewing here:
Q:\Quality Documents\HR\Benefits\Summary Plan Descriptions & Summary Annual Reports

In what form do I receive my money?

You will receive your distribution in cash subject to our company's distribution policy. If you receive a distribution prior to normal retirement age, you have the option of converting your distribution to another retirement account (IRA/401k). Cash distributions are subject to taxes and possibly an early withdrawal fee if you are not at retirement age.

Glossary

Distribution
Cash payments made upon leaving the company for reasons of death/disability, retirement, or termination.

ESOP
Employee Stock Ownership Plan, is an employee benefit plan known as a defined contribution plan. It must be primarily invested in employer securities and which may use borrowed money to acquire the employer securities.

Privately held
Refers to a corporation where stock is not traded on a recognized stock market.

Repurchase obligation
With reference to ESOPs, this is the obligation of a privately held company to buy back its stock at fair market value for future distribution to retired, deceased, disabled, or terminated employees.

Shares
A company share (or share of stock) is a portion of the ownership of the company and represents a claim on the assets and earnings. Owners receive shares of the company in relation to their compensation.

Trust
The Employee Stock Ownership Trust holds all the assets (shares) of B/T. Shares are distributed to employees from the Trust, and sold back to the Trust when an employee terminates.

Valuation
This refers to the company's value as measured in dollars, as determined by an independent firm. The total value is divided by the number of shares the corporation has, determining the individual share value. Many things affect value, including revenue and income assumptions of future growth. Employees can impact the value by bringing in new business and by finding ways to save money through efforts such as Level Up!

Vesting
Process by which ESOP participants earn non-forfeitable rights to shares allocated to them. Vesting percent increases over time and participants are fully vested in five years.

WE **OWN** IT. > ALL OF IT.