

WELCOME

Sharjo, Inc

EMPLOYEES / SHAREHOLDERS

THE ESOP BRIEFING

WHAT'S AN ESOP?

- A **Company sponsored** employee benefit program
- A **defined contribution** plan that is designed to invest primarily in **Company Stock**
- A plan that shares the rewards and risks of capital ownership

WHAT'S AN ESOP?

- **Employees own a piece of the company**
- **Better yet, it is paid for by Company contributions to the plan**

ESOP Statistics

- About 1 in 10 companies have ESOPs
- Currently over 10,000 Companies with over 13,700,000 employees have an ESOP
- The average account balance is \$67,000 per employee

PHILOSOPHY OF ESOP

- CREATE FINANCIAL SECURITY

LIFE EXPECTANCY TABLE

**RETIREMENT
AGE**

MALE

FEMALE

50

80

84

55

81

84

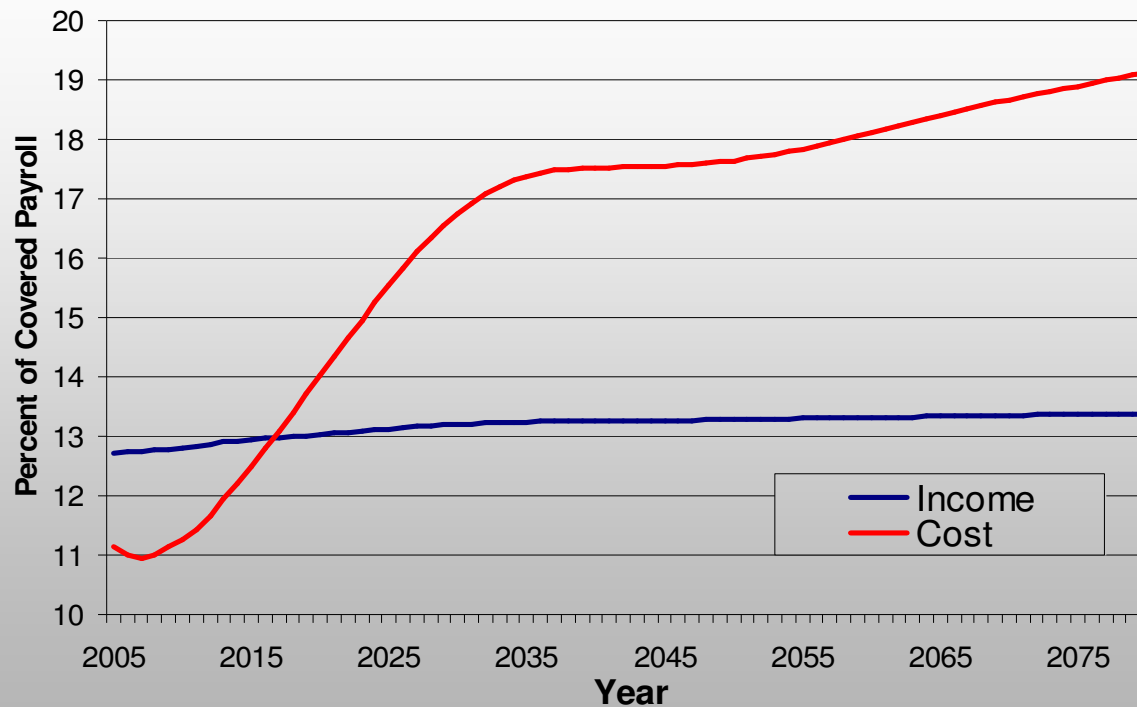
60

82

85

Social Security Collapse

Cost and Income for Social Security, 2005-2080



PHILOSOPHY OF ESOP

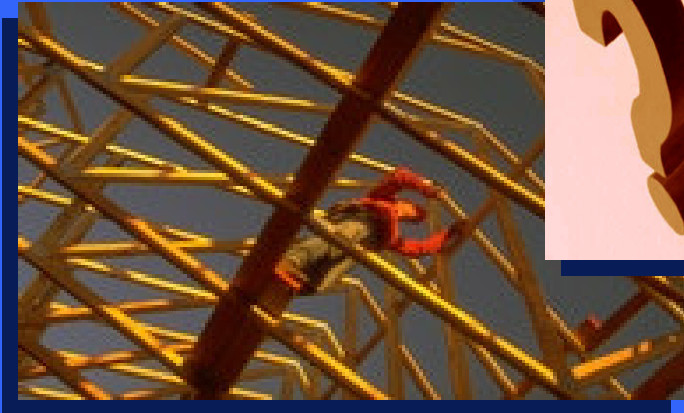
- **BETTER INCENTIVES AND PRODUCTIVITY**

PHILOSOPHY OF ESOP

The Basic Idea

- Nobody washes a rental car
- People work best when they work for themselves.
- If employees own a piece of the company, they are working for themselves.

Do ESOPs Really Increase Employee Productivity ?



Decrease Expenses by 2%

	BEFORE ESOP	AFTER ESOP	
Sales	\$ 10,000,000	\$ 10,000,000	0%
Costs	<u>9,600,000</u>	<u>9,400,000</u>	(2%)
Profits	\$ 400,000	\$ 600,000	50%

Increase Revenues by 2%

	BEFORE ESOP	AFTER ESOP	
Sales	\$ 10,000,000	\$ 10,200,000	2%
Costs	<u>9,600,000</u>	<u>9,600,000</u>	0%
Profits	\$ 400,000	\$ 600,000	50%

Increase Revenues 2% and Decrease Expenses 2%

	<u>Before ESOP</u>	<u>After ESOP</u>	<u>% Change</u>
Sales	\$10,000,000	\$10,200,000	2%
Expenses	\$9,600,000	\$9,400,000	2%
Profits	\$400,000	\$800,000	100%

How an ESOP Account Grows

- Employer Contributions
- Forfeitures
- Company Stock Appreciation
- S-Corp Distributions
- Interest and Earnings on Other Investments

How Might Your ESOP Account Grow?

Compensation (& grows @5%/yr)	\$ 60,000
Contribution (@10% of Comp)	\$ 6,000
After 10 Years (w/ no Company growth)	\$ 75,468
Value in 10 years if stock grows @ 10% per year	\$115,782

**There are no guarantees-
Actual contributions depend on profits!**

Which company would have been the best investment for 2008 ?

- Xerox ?
- Nokia ?
- Dow Jones Industrial Average ?
- Apple Computer ?
- Citigroup ?
- Best Buy ?
- Sharjo, Inc ?

xerox



Stock price ↓ 50.8% in 2008.

NOKIA

Disconnecting People

Stock price ↓ 59.4% in 2008.

DOW JONES

The logo for Dow Jones, featuring the words "DOW JONES" in a bold, blue, sans-serif font. A blue swoosh underline is positioned beneath the text, starting under the 'D' and ending under the 'S'.

Stock price ↓ 37.4% in 2008.

The Citigroup logo is displayed in a white rectangular box. The word "citigroup" is written in a blue, lowercase, sans-serif font. The letter "j" is replaced by a red umbrella. A yellow lightning bolt strikes the top of the umbrella. The background of the slide is blue with diagonal stripes.

citigroupj

Stock price ↓ 77.2% in 2008.



Apple

Stock price ↓ **56.9%** in 2008.



Stock price ↓ 46.6% in 2008.

Which company would have been the best investment for 2008 ?

- Xerox ? ↓ **50.8%**
- Nokia ? ↓ **59.4%**
- Dow Jones Industrial Average ? ↓ **37.4%**
- Apple Computer ? ↓ **56.9%**
- Citigroup ? ↓ **77.2%**
- Best Buy ? ↓ **46.6%**
- Sharjo, Inc ?

ESOP is a long-term program

**Your benefits will increase in
direct proportion to the long
term growth and success of
the Company**

The background is a solid blue color with several diagonal stripes of a slightly darker shade of blue running from the top-left to the bottom-right. The stripes are spaced evenly and create a sense of movement and depth.

Why Did Sharjo, Inc Form An ESOP?

To provide additional security for your retirement.

To reward employees for their contribution to the company's success.

To help provide for the succession of the business and create liquidity for the current shareholders.

The background is a solid blue color with several diagonal stripes of a slightly darker shade of blue running from the top-left to the bottom-right. The stripes are spaced evenly and create a sense of movement or depth.

**HOW DOES THE PLAN
OPERATE?**

THE EFFECTIVE DATE

July 1, 2008

Plan Year

- Starts on July 1st and ends on June 30th of each year.

ELIGIBILITY

You are eligible to join the plan if you have completed 1,000 hours of service during the Plan year

YOUR COMPANY'S CONTRIBUTIONS TO THE ESOP:

- COME FROM THE COMPANY'S PROFITS
- COMPANY'S CONTRIBUTION IS DISCRETIONARY AND WILL BE DETERMINED BY THE BOARD OF DIRECTORS EACH YEAR

ALLOCATIONS

EACH YEAR ANY CONTRIBUTION THAT THE COMPANY MAKES TO THE PLAN IS DIVIDED AMONG ALL THE ELIGIBLE PARTICIPANTS IN PROPORTION TO COMPENSATION.

**EMPLOYEES ACQUIRE A RIGHT
TO THEIR BENEFIT
DEPENDING ON THEIR YEARS
OF SERVICE.**

THIS IS KNOWN AS “VESTING.”

VESTING

- IF YOUR EMPLOYMENT ENDS BECAUSE OF DEATH, DISABILITY OR RETIREMENT, YOUR ACCOUNTS WILL BECOME FULLY VESTED AND NO PART WILL BE SUBJECT TO FORFEITURE.

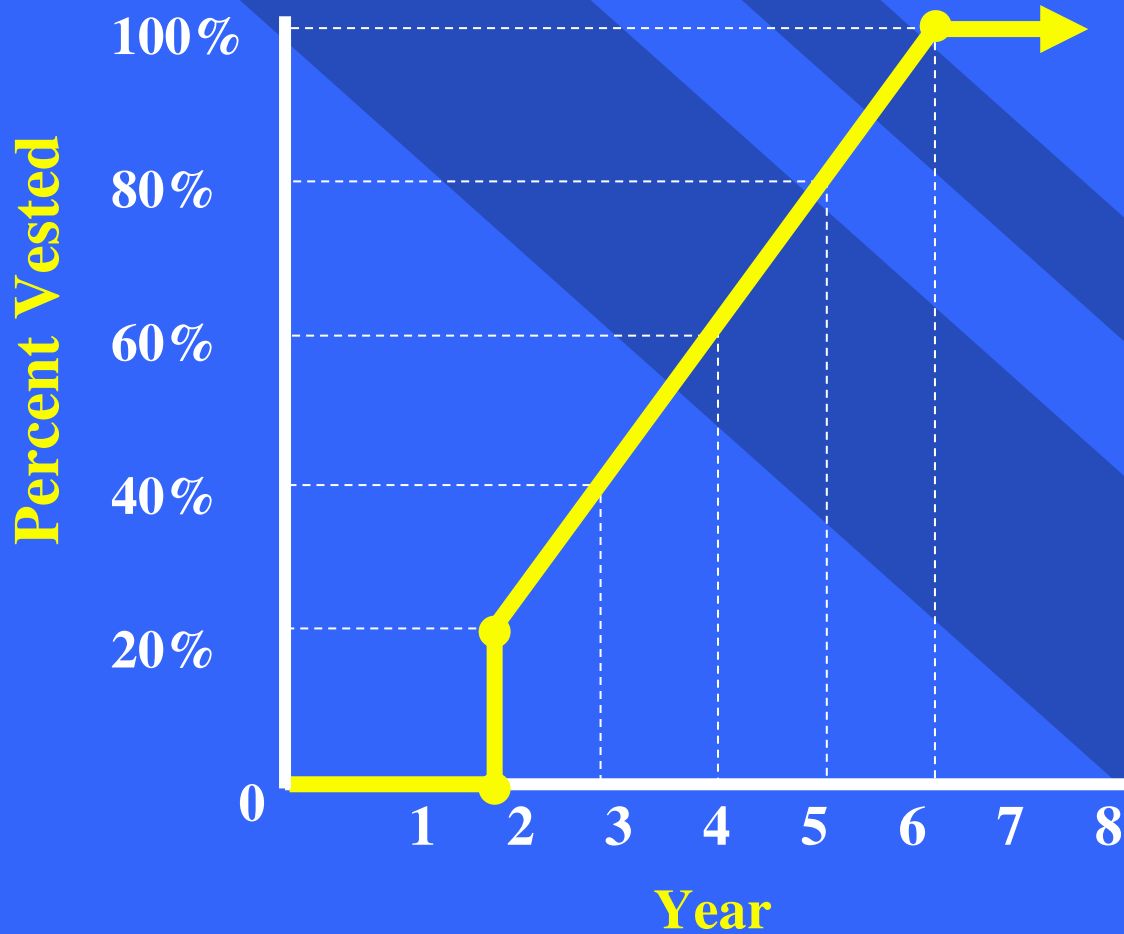
VESTING

- IF YOUR EMPLOYMENT ENDS FOR ANY OTHER REASON, YOUR VESTED INTEREST IS DETERMINED BY YOUR YEARS OF SERVICE.

YEAR OF SERVICE

- Each fiscal year in which an employee has at least 1,000 hours of service

6-Year Graduated Vesting



GRADUATED

Year	%
1	0
2	20
3	40
4	60
5	80
6	100

RETIREMENT

- Normal Retirement is defined as attaining age 65

DISTRIBUTIONS

Retirement, Death & Disability

- ACCOUNT BALANCES OF LESS THAN \$1,000 WILL BE PAID OUT IN LUMP SUM
- ACCOUNT BALANCES OVER \$1,000 WILL BE MADE IN SUBSTANTIALLY EQUAL INSTALLMENTS OVER A PERIOD OF 5 YEARS, STARTING AS SOON AS POSSIBLE AFTER THE PLAN YEAR END

DISTRIBUTIONS

Termination

- ACCOUNT BALANCES OF LESS THAN \$1,000 WILL BE PAID OUT IN LUMP SUM
- ACCOUNT BALANCES OVER \$1,000 WILL BE MADE IN SUBSTANTIALLY EQUAL INSTALLMENTS OVER A PERIOD OF 5 YEARS AFTER A 5 YEAR BREAK IN SERVICE WITH THE COMPANY

Tips for Success

- Remember...it's a process.
- It takes time...
- You'll have some rough waters...



In Summary...

- “If you could get all the people in an organization rowing in the same direction, you could dominate any industry, in any market, against any competition, at any time.”
 - Excerpt from the book: The Five Dysfunctions of a Team authored by Patrick Lencioni

Congratulations !

**You are now
employee owners**