



# FIND YOUR WAY

## Telligen Employee Stock Ownership Plan Features

The Telligen, Inc. Employee Stock Ownership Plan is an important component of your overall compensation and benefits package. This program along with the 401(k) Retirement Plan provides employee-owners with the opportunity to establish a valuable source of future retirement income. Here are some questions and answers that will give you an overview of the Employee Stock Ownership Plan (“ESOP”) plan feature.

### **What is an Employee Stock Ownership Plan (“ESOP”)?**

An ESOP is a tax-qualified employee-owner benefit plan that is primarily invested in the stock of the company. The ESOP operates through a trust and the contributions made by Telligen Corporation (“Telligen”) are distributed to individual employee-owner accounts within the trust. ESOP contributions will be made to your account on a pre-tax basis and will be subject to taxation upon withdrawal.

### **When am I eligible to enter the ESOP?**

You are eligible to enter the Plan at the beginning of the quarter in which you reach 12 months of employment and 1000 hours of service and are at least age 19 (no paperwork is required). Additionally, once you meet the initial eligibility criteria, effective 1/1/16, you do not have to have completed 1,000 hours of service and be employed on the last day of the Plan Year (December 31) to receive an ESOP contribution.

### **How much stock do I get each year?**

It depends on the amount of the ESOP contribution that Telligen makes.

### **When do I get an updated account balance?**

Once a year, Telligen prepares financial statements for an independent appraisal of the ESOP value. Once the value is known, the allocations can be done. This process occurs after the end of the Plan year (December 31) and your updated ESOP account balance is available on the quarterly statement that follows completion of this work.

### **Who values the stock?**

Since the Telligen Stock is not publicly traded, an annual appraisal is performed to determine the fair market value as of the end of each Plan Year (December 31). The appraiser is selected by the Trustee who is hired by the Telligen Board. The appraiser is independent and qualified in performing this valuation. The Trustee is a fiduciary hired to watch over the ESOP Trust account on your behalf.

### **How is my ESOP account balance determined?**

The value of your account is dependent on the value of the Telligen Stock. Your account balance will be adjusted annually to reflect the annual appraisal, contributions to the Plan, shares that might be contributed, shares that might be bought from terminated participants, distributions, and forfeitures.





### What account types are there in the ESOP?

- **ESOP Discretionary Contribution Account** — this account contains amounts contributed by Telligen on your behalf.
- **ESOP Safe Harbor Contribution Account** — this account contains amounts contributed by Telligen as a Safe Harbor non-elective contribution.
- **ESOP Investment Election Account** — this account contains amounts transferred from the 401(k) to the ESOP, pursuant to a one-time election dated December 31, 2013.

### When shares are bought from terminated participants, how do they affect a participant's account balance?

Telligen typically distributes shares from the ESOP for terminated participants. Terminated participants who have shares distributed see their account balance go down by the shares distributed but the active participants do not receive any of these shares unless they are re-contributed by Telligen at the discretion of the Board of Directors. Telligen can also recycle shares. Recycling shares means that Telligen makes a cash contribution that is allocated to active participants based on compensation. This cash contribution is then used, as needed, to buy the shares of terminated participants. Participant account balances increase to the extent of the contribution that is made to the ESOP.

### Is there a vesting schedule?

Your ESOP Safe Harbor Account and ESOP Investment Election account are always 100 percent vested. Regarding the ESOP Discretionary Contribution Account, effective for all contributions on or after 1/1/16, you are 100 percent vested. Your ESOP Discretionary Contribution Account as of December 31, 2015 is subject to “graded” vesting meaning it is subject to a vesting percentage that is the portion of this account to which you are entitled.

### ESOP discretionary contribution account vesting schedule

Years of service	Vesting percent
Less than 2 years	0%
2 years	20%
3 years	40%
4 years	60%
5 years	80%
6 or more years	100%

### What is ESOP diversification?

Under the Internal Revenue Code requirements, qualified participants have the right to diversify a portion of their ESOP stock holdings. (To diversify in this case means to sell some of your Telligen stock and invest in other investments.) The Plan allows qualified participants to make a transfer to the Telligen, Inc. 401(k) Retirement Plan. The Telligen ESOP has both statutory diversification as well as special diversification.

### When am I qualified for statutory diversification?

You are qualified to diversify at age 55 and have completed ten years of participation in the ESOP (including years of participation in the 401(k)).

### How much can I diversify under statutory diversification?

- If you elect to diversify, you can choose up to 25 percent of your shares of company stock (less any amount that you have previously diversified) for the first 5 years.
- In the sixth year, you can choose up to 50 percent of your shares of company stock (less any amount that you have previously diversified).



### **When am I qualified for special diversification and how much can I diversify?**

Effective beginning in the plan year ending December 31, 2018, if you have a balance in your ESOP Investment Election Account, you may request up to 10 percent of the value of the shares you initially acquired in the special one-time election. This 10 percent amount remains the same even if you choose not to take it and decide to take it in future years. In any plan year in which you are eligible for both statutory and special diversification, you can be allowed to receive the greater of the two.

### **May I take an in-service withdrawal other than diversification?**

Yes. If you have an ESOP Investment Election Account balance, you can take an in-service withdrawal if you are at least age 59½. Please contact OneAmerica if you need more information on these withdrawals or refer to the Summary Plan Description (SPD).

### **How do I diversify my ESOP account?**

- You will receive a letter in the first quarter of the year from OneAmerica Retirement Services stating that you are eligible for diversification.
- You will have until the March 31 deadline to complete and return the Diversification Election Form to OneAmerica Retirement Services.
- Your Telligen Stock will be liquidated as soon as possible after the allocation is completed and the proceeds will be paid-out based upon your elections.

### **When can I receive my ESOP balance after I terminate my employment with Telligen?**

If you terminate your employment with Telligen for any reason, your ESOP account balance will commence to be paid in the Plan Year (calendar year) following your termination year. (Example: If you terminate your employment in May 2016, you will be paid as soon as practicable in 2017).

### ***Vested account balance \$1,000 or Less***

Will be distributed to you in cash whether or not you make an election.

### ***Vested account balance \$1,000.01–\$5,000***

Will be distributed as a rollover into an IRA in your name or as a rollover into the Telligen, Inc. 401k plan in your name if you do not make another election.

### ***Vested account balance \$5,000.01–\$50,000.00***

You will be given options for your retirement savings including a rollover into your own IRA, moving to another eligible retirement plan or as a rollover into the Telligen, Inc. 401(k) plan in your name.

### ***Vested account balance greater than \$50,000.00***

You will be given options for this distribution that will be made in five substantially equal annual installments over a five-year period. The first installment will be paid as part of a distribution process with paperwork. The remaining balance will stay in company stock until each installment is paid.

For all above installment distributions, in the case of a participant with an account balance more than \$1,070,000, the five-year period will be extended by one additional year (but not more than five additional years) for each \$210,000 or fraction thereof by which such balance exceeds \$1,070,000. The \$1,070,000 and \$210,000 will be indexed for cost of living increases.

### ***Investment election option***

You have the option to receive your Investment Election Account in five (5) installments or a lump sum. Your Investment Election Amount can be found on your statement.



### How do I receive a distribution of my ESOP account balance after termination?

- You must complete a Distribution Election form to rollover the proceeds from the ESOP.
- You can do that by contacting an OneAmerica Retirement Services Participant Service Representative at **1-800-858-3829** and request to receive a Distribution Election form.

### If I do not take a distribution after termination, what will happen to my Telligen ESOP shares?

Your shares are automatically liquidated, meaning you will not stay invested in Telligen stock. In other words, your account balance does not change at liquidation, but your investment will change. Active participants stay primarily invested in Telligen Stock.

Telligen's board has a right to amend the Plan to change distribution features and you will be notified of any changes via a document called a Summary of Material Modifications.

**Note:** OneAmerica Retirement Services LLC provides administrative and recordkeeping services and is not a broker/dealer or an investment advisor. Neither OneAmerica Retirement Services LLC nor its representatives provide tax, legal, fiduciary or investment advice. For answers to specific questions, please consult a qualified tax advisor, attorney, or financial professional.

**Mutual Funds are sold by prospectus. To obtain a copy of the prospectus, the participant should contact the plan's investment advisor or the mutual fund company directly. Before investing, carefully consider the fund's investment objectives, risks, charges, and expenses. The underlying fund prospectuses contain this and other important information. Read the prospectuses carefully before investing.**

Investing involves risk which includes potential loss of principal.

The use of diversification does not guarantee a profit or protect against loss. Plan participants should carefully consider the risks, tax implications, and retirement investing consequences before taking a distribution from an ESOP.

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