



What is an Employee Stock Ownership Plan?

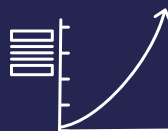
Penmac has been a proud employee-owned company since 2010. The vehicle that allows employee-owners like you to share in the growth and prosperity of Penmac is our Employee Stock Ownership Plan, or ESOP. We make yearly contributions of stock or cash to the ESOP on behalf of our employee-owners.

No action is required to join and there is no cost to you, whatsoever. You are eligible to become a member of the ESOP once you have worked for the company for 1,000 hours in a 12-month period. There are two entry dates: January 1st and July 1st and you will automatically become a member of the ESOP on the next entry date after you've met the eligibility requirements.

Technically, an ESOP is a retirement plan, similar to a 401(k). However, **unlike** a 401(k):



You pay nothing for your shares; Penmac makes all the contributions to your ESOP account



Your account balance is tied to the share value of Penmac, not external securities



All shares are held in a Trust governed by an administrator, called a Trustee

Your ESOP account is subject to vesting. Vesting is the percentage of your ESOP account that is yours and cannot be taken back. The longer you stay at Penmac, the more you vest, and this means that if you leave Penmac before you are 100% vested, all or part of the balance will be forfeited.

All ESOP participants hired prior to 1/1/20 will have a 3-year vesting schedule:

YEARS OF VESTING	1	2	3+
PERCENT VESTED	0%	0%	100%

All ESOP participants hired after 1/1/20 will have a 6-year vesting schedule:

YEARS OF VESTING	1	2	3	4	5	6+
PERCENT VESTED	0%	20%	40%	60%	80%	100%



What are the Benefits?

Every year, we contribute to your ESOP account. Your account grows from these annual contributions and from the reallocation of any forfeitures (the non-vested balances) of employees who leave Penmac. The annual contribution is allocated based on the proportion that your Total Compensation for the Plan Year bears to the sum of the Total Compensation of all Plan participants eligible to receive an allocation.

How will you know what benefits you have earned under the ESOP?



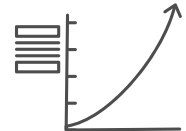
Once a year you will receive an Account Statement- usually in October.



The Account Statement will show the benefits you have earned and the value of those benefits.



The value of your benefits is determined once-a-year by an independent appraiser.



That value is what is used to determine the value of your shares.

How does the company's performance affect your benefits?

The operating financial performance of Penmac as well as prospects for the future of the company are factors used to determine the value of the stock owned by the ESOP. Your account value is impacted by changes in Penmac's stock value, and as a result, the value of your account can go up or down, and in an extreme case, could potentially be worth nothing.

Remember, each ESOP member plays an important role in helping the company achieve success. *The better we do, the more it benefits your ESOP account.*

Payment of Benefits

When/how are benefits paid?

The ESOP benefits are for retirement, so you generally cannot be paid your benefit until after employment ends. Keep in mind that:

- You are only paid to the extent vested.
- Payment generally will not begin until the sixth (6th) year after employment ends and will generally be paid out in five (5) equal installments.
- The distribution is subject to change, and there are some exceptions.

When/how are benefits paid? *(continued)*

- The general rule is that no vested Account will be distributed before the ESOP loan has been repaid in full. Vested account balances under \$10,000 will be distributed as soon as administratively possible in the Plan Year following termination.

Questions?

Email benefits@penmac.com

