

**SUMMARY PLAN DESCRIPTION  
FOR  
Virginia Union University Defined Contribution Retirement Plan**

**SUMMARY PLAN DESCRIPTION  
FOR  
Virginia Union University Defined Contribution Retirement Plan**

**INTRODUCTION**

Effective January 1, 1946, Virginia Union University established Virginia Union University Defined Contribution Retirement Plan to recognize your hard work and good efforts. The Plan is for the exclusive benefit of all eligible Employees and their Beneficiaries with the intention to provide a measure of retirement security for your future.

This Summary Plan Description reflects the plan options as of July 19, 2011.

This Summary Plan Description is a brief description of your Plan and your rights and benefits under the Plan and is not intended to cover every Plan provision. This Summary Plan Description is not meant to interpret or change the provisions of your Plan. A copy of your Plan is on file at your Employer's office and may be read by you, your Beneficiaries, or your legal representatives at any reasonable time. If you have any questions regarding either your Plan or this Summary Plan Description, you should ask your Plan Administrator. If any discrepancies exist between this Summary Plan Description and the actual provisions of the Plan, the Plan shall govern.

GENERAL INFORMATION

**Plan Name:** Virginia Union University Defined Contribution Retirement Plan

**Employer:** Virginia Union University  
1500 North Lombardy Street  
Richmond, VA 23220  
(804) 257-5841

**Employer Tax ID:** 54-0524516

**Three Digit Plan Number:** 001

**Type of Plan:** ERISA

**Administration Type:** Plan Administrator

**Plan Administrator:** Virginia Union University  
1500 North Lombardy Street  
Richmond, VA 23220  
(804) 257-5841

**Plan Administrator ID Number:** 54-0524516

**Legal Agent:** Virginia Union University  
1500 North Lombardy Street  
Richmond, VA 23220  
(804) 257-5841

Service of legal process may also be made upon the Employer or the plan administrator as listed herein.

**Plan Year:** January 1st to December 31st

**Limitation Year:** January 1st to December 31st

**Anniversary Date:** December 31st

**Valuation Date:** Daily

## **PARTICIPATION IN YOUR PLAN**

In order to take advantage of the opportunities provided by your Plan, you must participate in the Plan. There may be certain restrictions to your eligibility and participation. Following is information about how you can participate in the plan.

### **What individuals may become Participants?**

As an Employee of Virginia Union University, you may participate in the Plan once you have met the eligibility requirements.

### **Who is considered an Employee?**

An Employee is an individual who performs services for the Employer as a common law Employee, a minister working as a self-employed individual or an individual covered by a collective bargaining agreement with the Employer.

### **What individuals are not eligible for the Plan?**

The following individuals are not eligible to participate in the Plan:

1. Employees who are considered part-time and work less than 20 hours per week. However, once a part-time employee has worked 1,000 hours then they will be eligible at the end of the 12 month work period during which the required 1,000 Hours are satisfied.

### **What types of contributions are available in the plan?**

The Plan will include the following:

- Elective Deferrals: This type of contribution is also known as salary deferral contributions.
- Employer Non-Elective: This is also known as a Non-Elective Contribution. You are not required to make salary deferral contributions to receive these contributions.
- Employer Matching: In order to receive these contributions you must be making salary deferrals to the Plan. The Employer match is based on the salary deferrals contributed by the Participant.

### **Are there any eligibility requirements to participate in the Plan?**

There are no eligibility requirements for the purpose of making Elective Deferrals to the Plan. An Eligible Employee will be eligible to enter immediately. To be eligible to participate in the Employer's contribution portion of the Plan, you must have attained age 21.0 and have completed one year of Service. Once you have met these requirements, you can enter the Plan on the first day of each calendar month of the Plan Year, coincident with or following the effective date of your salary deferral agreement.

### **How do I start contributing?**

To contribute to your Plan, your Employer will ask you to complete a salary deferral agreement. It is here that you tell your Employer how much of your income you wish to defer into your Plan. These contributions will be deducted from your paycheck based on your pre-tax elections.

### **What Compensation will be used for my Contributions in the Plan?**

The compensation used to calculate your contributions will be based on your total wages reported on Form W-2, plus other deferred compensation not included in your gross taxable income due to 402(h)(1)(B) (SEP deferrals), 125 (Cafeteria Plan), Deemed Section 125 Compensation, 132(f)(4) (Transportation), 402(e)(3) (401(k) and 403(b) deferrals), 457(b) deferrals or Post-Severance Compensation.

Your Compensation will not include commissions, discretionary bonuses or bonuses.

If you enter the Plan on a day other than the first day of the Plan Year, your Compensation will be determined from the first day that you enter the Plan.

The Plan by law must limit your total Compensation to \$255,000 for 2013, an increase from \$250,000 in 2012. This amount will be adjusted for cost of living increases.

**How is Service determined?**

You are credited with Service under the Plan based on Elapsed Time Method. You will not be required to work a certain number of hours; instead your service requirement is met by a period of continuous service during a 12 consecutive month period.

When you fail to work at least 12 consecutive months, you will incur a period of severance.

## **CONTRIBUTIONS**

As a Plan participant, you can contribute a part of your pay on a pre-tax basis (that is, before federal and state income taxes are deducted). When you enroll in the Plan you will select the percentage or dollar amount of your pay you wish to contribute to the Plan.

Your Employer will deduct the amount you've elected from your paycheck and remit these amounts to the Vendor account(s) that you selected under the Plan.

### **What are Pre-Tax salary deferrals?**

Pre-tax deferrals are deducted from your pay before federal income taxes are calculated. This reduces your taxable income by the amount you have elected to save under the Plan. Since your taxable income is reduced, you pay less in current federal income taxes as well as any state or local taxes you may have. This money is accumulated on a tax deferred basis. See Distributions for additional information on tax consequences when you withdraw your money from the Plan.

### **Are there limits to how much I can contribute?**

There are no Plan imposed limits on the amount you may defer.

The IRS limits the maximum amounts that can be contributed on a pre-tax or after-tax salary deferral basis. For 2013, that limit is \$17,500, an increase from \$17,000 in 2012. If you are eligible to make catch-up contributions to the Plan, you may be able to contribute in excess of this limit. See Catch-Up Contributions below.

### **What are Catch-Up Contributions?**

All Employees who are eligible to make Elective Deferrals under this Plan and who have attained age 50 before the close of a Plan Year shall be eligible to make Age 50 Catch-Up Contributions. The Age 50 Catch-Up Contribution will be made in addition to the regular salary deferrals mentioned above. The IRS limits the amount that can be contributed as an Age 50 Catch-Up Contribution. For the 2012 and 2013 tax years and thereafter, that limit is \$5,500.

There is also a Special 403(b) Catch-Up Contribution that your Plan allows for Employees that have more than 15 years of service. The amount allowed is the lesser of:

- a) \$3,000;
- b) \$15,000 reduced by the total Special 403(b) Catch-Up Deferrals made in prior years; or
- c) \$5,000 times the number of years of service minus the total Special 403(b) Catch-Up Deferrals made in prior years.

### **When can I expect my salary deferrals to be deposited?**

Your salary deferrals are transferred to the applicable Funding Vehicle by the 15th business day following the end of month in which the contributions were withheld by your Employer.

### **When can I change my salary deferral election?**

You may make a new election or change an existing election at any time.

You must return your changes or a new salary deferral agreement to your Employer, at least 5 days prior to the effective date of the change.

You may revoke your salary deferral election at any time.

### **What happens if I am contributing to another plan from a different Employer?**

If you participate in two or more deferred compensation plans (which includes 401(k), Simplified Employee Pensions or 403(b) plans) your total deferrals to all plans can not exceed the IRS limits for the year. To avoid paying an excise tax, the excess contributions must be returned to you.

You can designate which plan is to return any excess contributions.

If you elect to have this Plan return your excess contribution, you must notify the Plan Administrator; so that the excess can be returned, along with any earnings, before April 15th of the year after the year in which the deferrals were withheld.

#### **YOUR EMPLOYER'S CONTRIBUTIONS TO THE PLAN:**

In addition to your salary deferrals, your Employer may make other types of contributions to the Plan such as a discretionary Non-Elective Contribution or a discretionary Matching Contribution.

#### **Are there requirements to receive the Employer Contributions?**

To be eligible to receive the Employer Contribution to the Plan you must have completed a minimum of 3 calendar months of services and 1 hour in each month.

#### **What are Matching Contributions?**

As an incentive to make salary deferrals to the Plan your Employer may contribute a certain percentage or dollar amount each year. This type of contribution is known as a Matching Contribution.

#### **What Salary Deferrals are eligible to receive Matching Contributions?**

Pre-tax salary deferral contributions, age 50 Catch-up Contributions and special 403(b) Catch-up Contributions will be matched at the same rate.

#### **How are Matching Contributions determined?**

The amount of the match depends on your salary deferrals.

Each year your Employer may contribute a discretionary percentage that is allocated proportionately to your salary deferrals.

There are no additional limits imposed on the Matching Contributions.

#### **How is the Non-Elective Contribution determined?**

Your share of the discretionary Non-Elective Contribution is based on the relationship of your Compensation to the total Compensation of all participants in the Plan. For example, if your Compensation is \$20,000 and if the total Compensation for all Participants is \$1,000,000, your share would be 2% of the Employer's discretionary Non-Elective Contribution. In our example, if the Employer's contribution is \$30,000, your share would be:

$$\begin{aligned} \$30,000 \times (\$20,000/\$1,000,000) &= \$600 \text{ or} \\ \$30,000 \times .02(2\%) &= \$600 \end{aligned}$$

#### **When can I expect the Employer's contributions to be deposited?**

The Employer Contributions are normally paid by the Company either during the Plan Year or after the close of the Plan Year (within the time during which the Company has to file its federal tax return).

#### **Can I roll money into the Plan?**

Your Plan allows an employee who had a retirement account with a previous Employer to directly transfer the previous account balance into the Plan.

You may roll money into the Plan from:

- \* an eligible plan described in Code Sections 401(a), or 403(a), excluding after-tax Employee contributions;
- \* an annuity contract described in Code Section 403(b), excluding after-tax Employee contributions;
- \* an eligible plan under Code Section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state;
- \* an Individual Retirement Account or Annuity described in Code Sections 408(a) or (b) that is eligible to be rolled over and would otherwise be includible in gross income; and
- \* a custodial account described in Code Section 403(b), excluding after-tax Employee contributions.

In-kind rollovers are not permitted.



## VESTING

You are always 100 percent vested in your salary deferral contributions and any Employee contributions that you add or roll into your account.

If you terminate employment before you meet the requirements for retirement, the distribution from your Employer's contribution account(s) will be limited to the vesting percentage you earned during your years of employment with the Employer who sponsors this Plan.

### **How much will I be entitled to receive from my Employer Accounts if I leave before retirement?**

If you are no longer employed due to termination and you have:

Employer Matching Contributions:

you are entitled to 100% of your Employer's Matching Accounts, upon participation in the Plan.

Employer Non-Elective Contributions:

you are entitled to 100% of your Employer Contribution Accounts, upon participation in the Plan.

### **What are my Beneficiaries entitled to if I die?**

Your Beneficiary will be entitled to receive 100% of your account.

### **What am I entitled to if I become disabled?**

You will be entitled to 100% of your account.

### **What happens to the account balance that I am not vested in?**

After you receive your distribution, the non-vested percentage of your account will be forfeited and may be used to offset plan expenses or to reduce the Employer's contribution to the Plan.

If you are re-employed before incurring five consecutive one year breaks in Service, you may repay the amount you received as a distribution. Then, your vested and non-vested accounts will be held in separate accounts until you become 100% vested.

## **PARTICIPANT ACCOUNTS**

Under Virginia Union University Defined Contribution Retirement Plan, the money you deposit is transferred to the Vendor issuing the annuity contract or custodial account, to which you hold an Individual Agreement.

### **Can I take a loan from my accounts?**

Your Plan permits loans.

Additional information can be found in the Plan's Loan Policy.

### **Who controls the investment of my account?**

You are responsible for the investment of your account.

### **What investments are used?**

This information will be provided by the financial institutions managing the investment options.

Contact your Plan Administrator for information concerning which investment options are currently available.

### **Does my plan offer life insurance?**

No life insurance policies shall be purchased.

## **DISTRIBUTIONS**

Under certain circumstances, the Plan will provide for you to receive a distribution. You must check the terms of each Individual Agreement to determine when the distribution is permitted.

Generally, you will be permitted to take a distribution from your Elective Deferrals when you reach age 59.5; your employment ceases; if you die or become disabled; or if you experience a financial hardship.

### **Does my plan allow hardship distributions?**

Your plan permits hardship distributions from your salary deferrals.

You may request a hardship distribution for one of the following reasons:

- \* Medical Care - expenses for or necessary to obtain medical care for yourself, your spouse, dependents, or named primary beneficiaries.
- \* Principal Residence - costs directly related to the purchase of your principal residence (not including mortgage payments).
- \* Eviction and/or Foreclosure - need to prevent eviction from your principal residence and/or foreclosure on the mortgage of your principal residence.
- \* Tuition - payment of tuition for the next 12 months of postsecondary school education for yourself, your spouse, dependents, or named primary beneficiaries.
- \* Funeral Expenses - payments for burial or funeral expenses for your parents, your spouse, your children, dependents, or named primary beneficiaries.
- \* Principal Residence Repair - expenses for repair of damage to your principal residence that qualify for the casualty deduction (as defined in IRC 165, determined without regard to whether the loss exceeds 10% of adjusted gross income), if permitted by the Plan.

The hardship distribution cannot exceed the amount necessary to meet your financial hardship. The Plan Administrator may request proof that the amount requested does not exceed the financial hardship.

If you receive a hardship distribution, you will not be allowed to make Elective Deferral to the Plan for six (6) months following the date of your hardship distribution.

### **Does the plan allow for In-Service distributions?**

An In-Service Distribution is one that you receive while you are actively employed. The primary purpose of the Plan is to provide benefits to you upon your retirement; however, you may request an In-Service Distribution of all or a portion of some of your accounts:

You may receive an In-Service Distribution:

- when you reach age 59.5;
- from Elective Deferrals and Safe Harbor Contributions after age 59.5; and
- from any account that is not subject to the age 59.5 restriction.

### **Does the Plan have Disability Benefits?**

Should you become permanently disabled while a Participant under this Plan, you will receive 100% of your account balance. In general, "Disability", which is defined in the Individual Agreement, means a medically determinable physical or mental impairment, which can be expected to result in death or to last for a continuous period of at least 12 months and renders you incapable of performing your duties with your Employer.

If it is determined you are disabled, your payments will be paid according to the applicable Individual Agreement.

**What are distributions due to a Domestic Relations Order?**

In general, contributions made by you or your Employer, for your retirement, are not subject to alienation. This means they cannot be sold, used as collateral for a loan, given away or otherwise transferred. They are not subject to the claims of your creditors. However, they may be subject to claims under a Domestic Relations Order (DRO).

The Plan Administrator may be required by law to recognize obligations you incur as a result of court ordered child support or alimony payments. The Plan Administrator must honor a "Domestic Relations Order," which is defined as a decree or order issued by a state court (or other state authorized body) that obligates you to pay child support or alimony, or otherwise allocates all or a portion of your assets in the Plan to "an alternate payee" such as your spouse, child or other dependent. If a DRO is received by the Plan Administrator, all or portions of your benefits may be used to satisfy the obligation. It is the Plan Administrator's responsibility to determine the validity of a DRO.

Distributions pursuant to a Domestic Relations Order are permitted anytime on or after the date the Plan Administrator determines that the Domestic Relations Order is a Qualified Domestic Relations Order under the Plan.

For this purpose, the "earliest possible retirement age" under the Plan means the earlier of: (a) the date on which the Participant is entitled to a distribution under the Plan, or (b) the later of the date the Participant attains age 50, or the earliest date on which the Participant could begin receiving benefits under the Plan if the Participant separated from service.

Participants and Beneficiaries can obtain, from the Plan Administrator, without charge, a copy of the Plan's procedures governing Domestic Relations Orders.

**How will I receive my distribution?**

The form and amount of your distribution will be determined under the income option of the Individual Agreements that you are invested in. If you are married, you may be required to take your benefit as a joint and survivor annuity.

The Plan Administrator will furnish you with explanations of the joint and survivor annuities, and/or the life annuities options available under the Plan. You will be given the option of waiving the joint and survivor annuity during the 30 to 180 day period before the annuity payment is to begin. If you are married and decide to waive the joint and survivor annuity, your spouse must consent to the waiver. Your spouse's consent must be signed before a notary public or a plan representative. Any waiver you make can be revoked later. However, your spouse cannot revoke his/her consent to the waiver without your permission. The Plan Administrator will provide you with the necessary forms to waive the joint and survivor annuity.

Under certain circumstances, the law requires that your distribution begin no later than April 1 of the year following the date you reach age 70.5 (the date six months after your 70th birthday).

You should check the terms of each Individual Agreement that you are invested in.

**Will the plan automatically distribute any of my benefit?**

If your benefit is \$5,000.00 or less, the Plan may elect to make a mandatory distribution. If so, you will receive your distribution in the form of a single lump-sum payment. However, if your benefit exceeds \$1,000.00 and you do not complete a distribution election form, the Plan Administrator may automatically roll your distribution over into an IRA.

**How will my Distributions be taxed?**

The benefits you receive from the Plan will be subject to ordinary income tax in the year in which you receive the payment, unless you defer taxation by a "rollover" of your distribution into another qualified plan or an IRA. Also if you were born before January 1 1936, your tax may be reduced by special tax treatment such as "10-year forward averaging."

VERY IMPORTANT NOTE: Under most circumstances, if you receive a distribution from this Plan, twenty percent (20%) of your distribution will be withheld for federal income tax purposes, unless you instruct the Administrator of this Plan to transfer your distribution DIRECTLY into another qualified plan or an IRA. You must give these instructions to the vendor making the distribution, or the Plan Administrator no more than 90 days before the date you receive the payment. Also, unless you sign a waiver form, the Plan Administrator must wait at least 30 days after receiving your instructions before making the payment, to allow you time to change your decision, unless you waive the waiting period.

In addition to ordinary income tax, you may be subject to a 10% tax penalty if you receive a "premature" distribution. If you receive a distribution upon terminating employment before age 55 and you don't receive the payment as a life annuity, you will be subject to the 10% penalty unless you roll over your payment. If you take a hardship withdrawal before age 59.5, the withdrawal will usually be subject to the 10% penalty. But, there is no penalty for payments due to your death or disability.

As the rules concerning "rollovers" and the taxation of benefits are complex, please consult your tax advisor before making a withdrawal or requesting a distribution from the Plan. As required by law, the Plan Administrator will provide you with a brief explanation of the rules concerning "rollovers."

## **OTHER IMPORTANT INFORMATION**

### **Are my benefits protected?**

Except for the requirements of a Domestic Relations Order, your Plan benefits are not subject to claims, indebtedness, execution, garnishment or other similar legal or equitable process. Also, you cannot voluntarily (or involuntarily) assign your benefits under this Plan.

### **Can the Plan be amended or terminated?**

The Employer has reserved the right to amend or terminate the Plan. However, no amendment can take away any benefits you have already earned. If your Plan is terminated, you will be entitled to the full amount in your Account as of the date of termination, regardless of the percent you are vested at the time of termination.

### **Claims for Benefits**

If you do not receive a distribution when due, or you have another claim under the Plan, a written claim can be filed with the Vendor who issued your Individual Agreement and the Plan Administrator. The Plan Administrator will then check the validity of the claim with the Vendor who issued your Individual Agreement and take the necessary steps to resolve the problem.

The Plan Administrator or the Vendor shall notify you in writing of the amount of benefit to which you are entitled, the duration of such benefit, the time the benefit is to commence and other pertinent information concerning your benefit. This will include information on the appeal process.

If the Plan Administrator or the Vendor denies your claim for benefit, in whole or in part, you will receive a written notice within ninety (90) days after receipt of the claim unless special circumstances require an extension of time for processing the claim. You can appeal the decision in writing within the prescribed period of time.

## **PARTICIPANT RIGHTS UNDER ERISA**

As a participant in Virginia Union University Defined Contribution Retirement Plan you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA).

### **Receive information about your Plan and your benefits:**

ERISA provides that all Plan participants shall be entitled to:

Examine, without charge, at the Plan Administrator's office all documents governing the Plan and a copy of the latest annual report filed by the Plan with the U.S. Department of Labor.

Obtain copies of all Plan documents and other Plan information upon written request to the Plan Administrator (the Administrator may make a reasonable charge for the copies),

Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Obtain a statement telling you whether you have a right to receive a benefit at Normal Retirement Age and if so, what your benefits would be at Normal Retirement Age if you stop working under the Plan now. If you do not have a right to a benefit, the statement will tell you how many more years you have to work to get a right to a benefit. This statement must be requested in writing and is not required to be given more than once a year. The Plan must provide the statement free of charge.

### **Actions by Plan fiduciaries:**

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries.

No one, including your Employer may fire you or otherwise discriminate against you in any way to prevent you from obtaining a retirement benefit or exercising your rights under ERISA.

### **Enforcing your rights:**

If your claim for a benefit is denied in whole or in part, you have the right to know why this was done and to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request written materials from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator.

### **Assistance with your questions:**

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court.

If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

If you have questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.



## **APPENDIX 1 - LOAN POLICY**

Pursuant to the terms of Virginia Union University Defined Contribution Retirement Plan ("the Plan") the Plan Administrator has adopted a participant loan program as part of such Plan and Trust. All loans granted or renewed on or after the shall be made in accordance with the provisions specified in the Plan and under this Loan Policy. The Plan intends this loan program to comply with all applicable requirements under the Internal Revenue Code and by the Department of Labor. Violating the terms of this Policy may cause a loan to be treated as a taxable distribution from the Plan.

### **Administration of Program.**

Virginia Union University is responsible for the administration of this loan program. All loan requests and other inquiries should be delivered to:

Virginia Union University  
1500 North Lombardy Street  
Richmond, VA 23220  
(804) 257-5841

### **Application Procedure.**

The Loan Administrator will make loan applications available to any individual who has a vested interest under the Plan.

An eligible individual defined within this Policy may apply for a loan from the Plan by returning a completed loan application to the Loan Administrator.

The Loan Administrator will review the loan application for completeness. Incomplete applications will be returned and must be resubmitted for consideration. All loan applicants must meet the requirement of this Policy for consideration and approval. If the loan applicant fails to meet the requirement of this Policy and receives a loan disbursement, the loan will be treated as a "deemed distribution" and reported as taxable to the IRS.

### **Basis for Approvals.**

Loans are available to all actively employed participants without regard to any individual's race, color, religion, sex, age or national origin.

Each application is reviewed on a nondiscriminatory basis, however its approval will depend on the participant's creditworthiness.

If a participant defaulted on a previous loan, their loan application may be denied. In addition, if a participant submits a loan application at a time when a decision concerning a domestic relations order is pending or the Plan Administrator is on notice that divorce is in progress, the loan request will be placed on hold until the order is finalized or the determination period expires.

Once the loan is approved, a Promissory Note will be generated and issued to the participant. The participant must sign the Promissory Note to acknowledge and document the participant's receipt of the loan disbursement from the Plan and to affirm his obligation to make the required repayments.

Approved loan applications will be processed 5 days after you submit an application.

### **Terms of the Loan.**

Subject to the limitations on the amount of any loan, a participant may request a loan for any purpose.

**Loan Amounts.**

The Loan Administrator will determine the available loan amount at the time the loan request is approved. The maximum amount of any loan is the lesser of \$50,000 or 50% of the vested interest of the participant in the Plan; reduced by the participant's highest outstanding loan balance in the previous twelve months and the existing loan balance; even if all or a portion of this amount has been repaid.

To calculate the maximum loan amount, the participant's vested interest in all plans established or maintained by the Employer or a Related Employer of the Employer will be considered. Notwithstanding, the Plan limits the minimum amount of any loan to \$1,000.

An individual may have no more than 2 loan(s) outstanding at any one time.

**Sources for a Loan - Accounts and Investment Options.**

The Loan Administrator shall select the accounts and investment fund or funds from which the amount necessary to grant the loan shall be taken in a non-discriminatory manner.

**Interest Rate and Fees.**

Interest will be charged on each Loan. From time to time, the Loan Administrator will review the interest rate charged for a loan, with the intention of providing the Plan with a return commensurate with the interest rates that a commercial lender would charge for loans made under similar circumstances. The interest rate will take into account your creditworthiness and the terms of the loan.

The interest rate on the loan will be based on the prime rate of interest published by Wall Street Journal as of plus 1 percent.

Once the interest rate is determined, the amount of the loan will be amortized according to the selected repayment terms. Each repayment will include both principal and interest until the loan is no longer outstanding in the Plan.

**Security for a Loan.**

All loans must be adequately secured with at least fifty percent (50%) of the present value of a participant's vested interest in the Plan. The security interest shall be determined and measured at the time the loan is granted. Each participant must secure each loan with an irrevocable pledge and assignment of at least fifty percent (50%) of their vested account balance under the Plan.

**Repayment Terms.**

With limited exceptions, the Internal Revenue Code requires a loan to be repaid through level installment payments at least quarterly, over a period not to exceed five (5) years.

Under this Loan Policy, a loan is required to be repaid within five (5) years, starting from the payment date outlined in the Promissory Note.

However, if the loan application is for a residential loan and the Loan Administrator confirms that there is sufficient documentation that the entire proceeds of the loan will be used to acquire a dwelling unit that will be used as their principal residence, within a reasonable time, then this residential loan must be repaid within 30 years of the original date of the loan.

A principal residence is a house, apartment, condominium or mobile home (not used on a transient basis) established and used as the participant's principal dwelling unit.

Loans are to be repaid based on substantially level amortization over the term of the loan with payments

made each pay period.

**Special Provisions for Military Service:** The Loan Administrator may temporarily suspend loan repayments, if a participant is not actively employed due to a qualified military leave or because they are performing service in the uniformed services (as defined in chapter 43 of title 38 United State Code). In addition, the period of military suspension will extend the original loan term.

Once the military service has ended, loan repayments must resume. The loan must be repaid in full by the end of its original term plus the period of military service.

For example, if the loan was due in 5 years, and the military leave was for 18 months, then the Loan Administrator would extend the 5 years, by the length of the military leave. The final installment payment would be due within 6 years and 6 months of the date it was originally issued.

In addition, upon receipt of proper notice of active military service, the Loan Administrator will reduce the interest rate on any outstanding Loan to six percent (6%) during a period of military service.

#### **Refinancing.**

At the discretion of the Loan Administrator, when a participant returns to work after a leave of absence or military leave, the repayment frequency or repayment amount on an outstanding loan balance may be re-calculated or re-amortized and subsequent payment made according to a new level amortization schedule. This change is treated as a minor modification to the exiting Promissory Note.

#### **Default.**

A loan is in default when a scheduled installment payment has not been received by the scheduled due date. If the participant fails to arrange for the repayment of the missed payments, in a manner that is reasonably acceptable to the Loan Administrator, the remaining principal and accrued interest on the loan shall be declared due and payable.

The missed payment must be received by the last day of the calendar quarter following the calendar quarter in which the last scheduled installment payment was due. After this date, the Loan Administrator will notify the participant in writing that the loan is in default and that the outstanding loan (including accrued interest) will become taxable and treated as a "deemed distribution".

The defaulted loan (outstanding principal plus accruing interest) will be reported as personal income on Form 1099R. It will be subject to federal and state income taxes, and a 10% penalty tax, if the default occurs before age 59.5.

The participant is still under an obligation to the Plan to repay the loan. Therefore the Promissory Note will remain outstanding. This outstanding loan obligation will not be offset against the participant's vested account balance until he or she severs their employment with Employer sponsoring the loan program, retires, dies, becomes disabled and takes their final distribution; or until he or she reaches the earliest date on which an in-service distribution is permitted under the Plan.

## **APPENDIX 2 - PLAN EXPENSE POLICY**

The Plan Expense tab of the Summary Plan Description screen has not been filled out. You must fill this tab out for this document to print properly.