

El Dorado County 457 Plan Participant Loan Program

Pursuant to the terms of El Dorado County 457 Plan, loans to Participants shall be made in accordance with the following procedures:

1. **Loan Administration.** El Dorado County 457 Plan and/or the custodian or trustee or investment committee shall be authorized to administer the loan program. However, certain administrative duties and responsibilities have been delegated to Nationwide Retirement Solutions (NRS), the administrator of the Plan.
2. **Loan Eligibility.** Any Plan Participant may apply for a loan. Each Participant is entitled to one (1) loan(s) at a time. In addition, a Participant who has defaulted on a previous loan shall not be eligible for another loan from the Plan at any time.
3. **Loan Application.** In order to receive a loan from the Plan, an eligible Participant must complete a loan application and return it to NRS. A loan application fee of \$50.00 will be deducted from the Participant's account.
4. **Loan Repayment/Maximum Loan Term.** Repayment of any loan made to a Participant shall be deducted automatically from the account in a financial institution designated by the Participant and approved by NRS for payment of the loan through the ACH process. The Participant receiving a loan shall be required to furnish the information and authorization necessary to effectuate the foregoing deductions prior to the commencement of a loan.

The maximum term over which a loan may be repaid is five (5) years (fifteen years if the loan is to purchase the participant's principal residence). A loan must be repaid at termination of employment.

In the event that a Participant or his or her Beneficiary or spouse elects to receive a distribution from the Plan (other than a distribution due to an unforeseeable emergency or other in-service withdrawal) at a time when such person has a Plan loan outstanding, the principal and any accrued interest with respect to such loan shall be deducted from the amount of the distribution. If the amount of such distribution is not sufficient to repay the outstanding balance of the loan (including principal and accrued interest), the Participant, or his or her estate, if applicable, shall be liable for and shall continue to make payments on any balance still due from him or her.

5. **Loan Amortization.** Each loan shall be amortized in substantially level payments consisting of principal and interest during the term of the loan. Payments of principal and interest shall be deducted automatically through the ACH process on a monthly basis in equal amounts, except that the amount of the final payment may be higher or lower. Before the loan is made, the Participant will be notified of the date on which the first payment will be deducted and the dates on which subsequent payments are due.
6. **Loan Frequency/Renegotiations.** Each Participant may have only one (1) Plan loan outstanding at any given time. A Plan loan which is in default, even if the defaulted loan was treated as a "deemed distribution" under federal regulations, shall be treated as an outstanding loan until such Participant's account balance is offset by the amount of principal and accrued interest under the loan (generally, after the Participant terminates employment with El Dorado County 457 Plan or requests a distribution from the Plan.) A Participant will be granted a loan no more frequently than two (2) times in any twelve (12) month period. Under no circumstances may loan terms be renegotiated. A new loan shall not be granted prior to the repayment of an outstanding loan.

7. **Default.** The Participant must pay the full amount of each payment (principal and interest) on the date that it is due by having sufficient funds in the account designated for loan payments through the ACH process. If NRS is unable to process a payment on the date due because the Participant fails to have sufficient funds in the account on that date, NRS will send written notification to the Participant. The Participant shall be in default for the entire amount of the loan UNLESS the Participant does each of the following: 1) contacts NRS at the Deferred Compensation Service Center, 2) mutually agrees with NRS on a date, which is within 30 days of the missed payment on which funds sufficient to cover the missed payment will be in the account and; 3) actually pays the missed payment by having sufficient funds in the account on the agreed upon date so that NRS successfully withdraws the assets through the ACH process. Failure to make such a payment through mutually agreeable terms shall cause the Participant to be in default for the entire amount of the loan.

The Participant shall not be permitted to repay the loan prior to the occurrence of a distributable event once default has occurred. For purposes of federal regulations, a "deemed distribution" shall occur upon default. No additional loans shall be made to a Participant who has defaulted on a Plan loan and who has not repaid the loan in full, including accrued interest.

A deemed distribution is treated as a distribution from the Plan for federal (and possibly state or local) income tax purposes; therefore, amounts treated as a deemed distribution will be subject to federal, state and/or local income taxes, and certain excise taxes and penalties will apply. The Participant will receive a tax form prior to January 31st of the following year reflecting this deemed distribution.

8. **Loan Prepayment.** The entire amount of a loan, including outstanding principal and any accrued interest, may be paid without penalty prior to the end of the term of the loan in the manner prescribed by NRS. However, payments made that are less than the remaining principal amount of the loan and any accrued interest with respect to the loan, or which are not paid in the form prescribed by NRS, are not permitted.

9. **Loan Security.** By accepting a loan, the Participant is giving a security interest in their vested Plan balance as of the date of the Loan Process Date, together with all additions thereof, to the Plan that shall at all times be equal to 100% of the unpaid principal balance of the loan together with accrued interest.

10. **Maximum/Minimum Loan Amount.** The maximum amount of any loan permitted under the Plan is the lesser of (i) 50% of the Participant's vested account balance or (ii) \$50,000 less the highest outstanding loan balance during the preceding one-year period. The minimum loan amount permitted is \$1,000. Loans shall be made in accordance with these limits and those limits imposed under federal regulations without regard to any other loans received by the Participant from any other investment provider under the Plan or any other plan of El Dorado County 457 Plan. Any tax reporting required as a result of the receipt by a Participant of a loan that exceeds the limits imposed by federal regulations shall not be the responsibility of NRS, unless it is determined that such limits were exceeded solely as a result of a loan made through NRS as service provider. Consequently, Nationwide shall not be required to account for loans made pursuant to a plan other than this Plan or loans made under this Plan which are made by an investment provider other than Nationwide Life Insurance Company.

11. **Loan Distribution/Repayment Mix.** The loan amount shall be withdrawn proportionately among the current investment options in which the Participant's account is invested. In no case, however, shall a Participant's investment in life insurance be reduced. Loan payments will be invested according to the investment allocation percentages selected by the Participant with respect to ongoing deferrals (or the latest such investment allocation percentages filed with Nationwide). The entire amount of each loan payment shall be allocated to the Participant's account.

12. **Loan Interest Rate.** The interest rate for any loan shall be established by NRS at prime + 1%. These interest rates shall commensurate with interest rates being charged by entities in the business of lending money under similar circumstances.

13. **Loan Application Fee.** An application fee of \$50.00 will be deducted from the Participant's account at the time of loan origination. This fee is non-refundable.

14. **Annual Loan Maintenance Fee.** An annual loan maintenance fee of \$50.00 will also be deducted from the Participant's account until the loan is repaid in full.

15. **Loan Finance Charge.** Until the loan has been repaid in full, that portion of the account designated for loans equal to the Participant's outstanding loan balance shall be credited with interest at the rate fixed by the company for the term of the loan, less the Actuarial Risk Fee. Specific loan terms are disclosed at the time of the loan application and issuance.

16. **Loan Default Fee.** At the time when a default occurs, a \$50.00 loan default fee will be deducted from the Participant's account. This default fee will be applied on an annual basis thereafter on the anniversary of the default date, until the loan is repaid upon the occurrence of a distributable event. This charge will only affect Participants who fail to make a required loan payment.

The undersigned hereby adopts this Participant Loan Program, as of the _____ day of _____, 20_____, effective for loans made on or after _____ day of _____, and instructs NRS to administer loans made to Plan Participants in accordance with these terms.

El Dorado County 457 Plan acknowledges the following: (i) that it has instructed NRS to offer loans under the plan; (ii) that it understands that, as a result of offering loans under the Plan, El Dorado County 457 Plan, its Participants, and/or the Plan could be subject to adverse tax consequences; (iii) that El Dorado County 457 Plan has independently weighed this risk and has determined that offering loans under the Plan is in the best interest of El Dorado County 457 Plan, its Participants, and the Plan; and (iv) NRS shall not be liable for any adverse tax consequences described in (ii), except as specifically stated under paragraph 10, resulting from El Dorado County 457 Plan's decision to offer loans under the Plan.

Employer:
El Dorado County

By: _____

Date: _____