

The University of Central Florida 403(b) Plan

Loan Policy

This Loan Policy is adopted by The University of Central Florida, the Plan Administrator of The University of Central Florida 403(b) Plan (the "Plan"), and is effective as of the date of execution.

Pursuant to an election in the Adoption Agreement, the Employer has elected to allow the Plan vendors to make loans to participants from the Plan. The Employer conveys to each vendor that offers participant loans the responsibility of assisting with the administration of this Loan Policy. This Loan Policy outlines the rules under which this Loan Program shall be administered. Generally, all such loans shall be made in compliance with the Internal Revenue Code of 1986 (the "Code"), and applicable regulations. In addition, the following specific rules shall apply.

1. Administration. The Loan Program will be administered by the Plan Administrator, with the assistance of the vendors, who, subject to the terms of this Loan Policy, shall determine all issues governing its operation, including, but not limited to, the eligibility of participants to receive loans, the terms and conditions of those loans, and the treatment of loans that are in default. Subject to the express provisions of this Loan Policy and the Plan, any determination by the Plan Administrator in conjunction with a loan, shall be made in its sole discretion.

2. Availability of Loans. Loans shall be made available to all participants under the Plan who are parties in interest, subject to the terms and conditions set forth in this Loan Policy. All such loans shall be made without regard to any individual's race, color, religion, sex, age, or national origin.

3. Application for Loans. Participants who are eligible to receive a loan from the Plan may apply for a loan with their respective 403(b) vendor(s). If the participant is eligible for the loan, the loan application will be authorized and processed by vendor.

Applicants must repay loans on a periodic basis as determined by the vendor, and payments typically may be made through direct debit/automatic payment from a participant's account at a financial institution. No more than one (1) loan per participant may be outstanding at any time. If you already have an outstanding loan, you must pay off the existing loan before requesting a new one. In addition, the refinancing of an existing loan will not be permitted.

4. Approval/Denial of Loan Applications. The vendor(s) shall evaluate each loan application to determine whether the applicant is qualified to receive a loan and whether the amount, requirements, and purpose of the requested loan are consistent with the terms of the Code, the Plan and this Loan Policy. The vendor(s) shall have the discretion to determine whether the applicant's request for a loan satisfies the requirements of the Plan and this Loan Policy.

The vendor(s) shall respond to each loan application within a reasonable time. If an application for a loan is denied, the vendor(s) shall indicate the reasons for that denial. In that case, the applicant

may request reconsideration of his or her application and may submit additional evidence in support of reconsideration. The Plan Administrator shall then reconsider the application and respond within thirty (30) days of the date the request for reconsideration is received. The determination of the Plan Administrator upon reconsideration shall be conclusive and final.

5. Purpose of Loans. A participant may request two types of loans: general purpose loans and primary residence loans. A participant may request a general purpose loan for any reason permitted under the Code. A general purpose loan must be repaid within five (5) years. A participant may request a primary residence loan to purchase a primary residence for personal use. A primary residence can be a house, condominium, co-op, mobile home, or a new home constructed by a builder or by the participant. A primary residence loan must be repaid within fifteen (15) years.

6. Loan Terms.

Maximum Loan Amount. No loan shall exceed (when added to the outstanding balance of all other loans from the Plan to an applicant) the lesser of:

(i) \$50,000, reduced by the excess (if any) of:

(I) the highest outstanding balance of all loans made from the Plan to that applicant during the one year period ending on the day before the date on which the loan is made, over

(II) the outstanding balance of all loans from the Plan to that applicant on the date on which the loan is made, or

(ii) the greater of (i) 50% of the vested account balance of that applicant in the Plan (as of the valuation date immediately preceding the date on which the loan was approved) or (ii) \$10,000.

For purposes of determining the Maximum Loan Amount, all plans maintained by the Employer are aggregated and treated as a single plan and any loan made from any other plan maintained by the Employer and any Related Employer shall be treated as if it were a loan made from the Plan and the Participant's vested interest under any such other plan shall be considered a vested interest under the Plan. Additionally, the Florida Optional Retirement Program for the State University System ("SUSORP") and the State of Florida Deferred Compensation Plan ("Florida 457(b) Plan") are aggregated with the Plan. In addition, any assignment or pledge of any portion of the Participant's interest in the Plan and any loan, pledge, or assignment with respect to any insurance contract purchased under the Plan will be treated as a loan under the Plan.

Minimum Loan Amount. The minimum loan available under this Plan will be \$1,000.

Loan Interest Rates and Fees. Interest rates and any applicable loan processing fees are determined by the applicable vendor and the particular investment funds made available by that vendor. Loans shall carry the same interest rate throughout their term.

If a participant is in "military service" while he/she has an outstanding participant loan, the applicable interest charged on such loan during the period while the participant is in "military service" will not exceed 6% per year provided the participant provides written notice and a copy of his/her call-up or extension orders to the Vendor or Plan Administrator within 180 days following the participant's termination or release from "military service." For this purpose, "military service" is as defined in the Soldier's and Sailor's Civil Relief Act of 1940 as modified by the Servicemembers Civil Relief Act of 2003. The participant may voluntarily waive this 6% interest limitation and the Vendor or Plan Administrator may petition the court to retain the original interest rate if the ability to repay is not affected by the Vendor or participant's activation to military duty.

Repayment Period. All loans made under this Plan shall be repaid within a period of five years, however, any loan used to acquire any dwelling unit that is to be used (determined at the time the loan is made) as the principal residence of the participant must be repaid within a reasonable period of time, not to extend beyond fifteen (15) years.

Amortization. The Internal Revenue Code requires that all loans must be amortized in substantially equal payments, made no less frequently than quarterly, over the term of the loan. As stated in Section 3 of this Loan Policy, loans may be repaid on a periodic basis as determined by the vendor through the use of repayment coupons or by direct debit/automatic payment from a participant's account at a financial institution.

Loan Disbursements. Loan proceeds shall only be disbursed to participants within a reasonable period of time after the Plan Administrator approves such loan.

Collateral. Loans from this Plan must be secured by the participant's account balance in the Plan and no other collateral may be pledged.

7. Prepayments. A prepayment in full of the outstanding loan principal and accrued interest may be made at any time. A partial prepayment shall not be permitted.

8. Military Service. A participant with an outstanding participant loan also may suspend loan payments for any period such participant is on military leave, in accordance with Code § 414(u)(4). Upon the participant's return from military leave (or the expiration of five years from the date the participant began his/her military service, if earlier), loan repayments will recommence under the amortization schedule in effect prior to the participant's military leave, without regard to the five-year maximum loan repayment period. Alternatively, the loan may be reamortized to require a different level of loan payment, as long as the amount and frequency of such payments are not less than the amount and frequency under the amortization schedule in effect prior to the participant's military service.

9. Loan Funding. Loan amounts shall be taken from a participant's current account balance. The Plan intends this loan program not to place other participants at risk with respect to their interests in the Plan. In this regard, all participant loans will be administered as a participant directed investment

of that portion of the participant's account balance equal to the outstanding principal balance of the loan. The Plan will credit that portion of the participant's interest in the Plan with the interest earned on the note and with principal payments received from the participant. Loan repayments will be deposited to participants' investment funds according to the practices of the vendor.

10. Loan Processing Costs. The Vendor may charge certain administrative fees to service participant loans. Documentary stamp taxes are also imposed on participant loans. All loan processing costs and documentary stamp taxes specified in this Section 10 shall be paid by the borrowing participant.

11. Procedures for Loan Default. A participant will be considered to be in default with respect to a loan if any scheduled repayment with respect to such loan is not made by the end of the calendar quarter following the calendar quarter in which the missed payment was due.

If a participant defaults on a participant loan, the Plan may not offset the participant's account balance until the participant is otherwise entitled to an immediate distribution of the portion of the account balance which will be offset and such amount being offset is available as security on the loan, pursuant to Section 9. For this purpose, a loan default is treated as an immediate distribution event to the extent the law does not prohibit an actual distribution of the type of contributions which would be offset as a result of the loan default. The participant may repay the outstanding balance of a defaulted loan (including accrued interest through the date of repayment) at any time.

Pending the offset of a participant's account balance following a defaulted loan, the following rules apply to the amount in default.

- (a) Interest continues to accrue on the amount in default until the time of the loan offset or, if earlier, the date the loan repayments are made current or the amount is satisfied with other collateral.
- (b) A subsequent offset of the amount in default is not reported as a taxable distribution, except to the extent the taxable portion of the default amount was not previously reported by the Plan as a taxable distribution.
- (c) The post-default accrued interest included in the loan is not reported as a taxable distribution at the time of the offset.

If a participant defaults on a participant loan taken from Roth 403(b) account balances, the outstanding loan amount is considered a deemed distribution. However, if the applicable vendor does not consider the deemed distribution an outstanding obligation and allows the participant to repay the outstanding loan amount in full, the repaid loan will not count against the outstanding loans of no more than (1) outstanding loan at a time, and the participant will be eligible to request a new loan.

12. Termination of Employment. If a Participant terminates employment, he or she may continue to make periodic payments to the vendor as referenced in Section 3 of this Policy. However,

if the Participant's subsequently defaults with respect to such payments, the outstanding loan amounts will be considered a deemed distribution. If the outstanding loan balance of a deceased participant is not repaid, the outstanding loan balance shall be treated as a distribution to the participant and shall reduce the death benefit amount payable to the Beneficiary.

13. Participant Loan Rollovers. The Plan shall not accept the "rollover" of the promissory note of a participant loan from a "qualified" plan maintained by another employer.

14. Amendment or Termination. The Plan Administrator may amend or terminate this Loan Policy at any time.

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