Loan Policy

City of Jonesboro, Arkansas ("Employer") has adopted the following Loan Policy pursuant to the terms of the City of Jonesboro, Arkansas Non-Uniformed Employees 457(b) Retirement Savings Plan and Trust ("Plan") and designates INTRUST Bank, N. A. ("INTRUST") as the Administrator of the Loan Program. As Loan Administrator, INTRUST is responsible for providing a process for a Participant to request a Participant loan from the Plan, for approving or denying each loan request and for instructing the Plan's Trustee to make the loan to the Participant. This policy sets forth the rules of the Loan Program.

Loan Program

Loan Application – Any Plan Participant who is considered a Party-In-Interest as defined in Section 3(14) of the Employee Retirement Income Security Act ("ERISA") may apply for a loan from the Plan subject to the limitations and conditions under this Loan Program. Loans shall not be made available to highly compensated employees in an amount (expressed as a percentage of vested account balance) greater than is made available to other employees. A Plan Participant who has a defaulted loan is not eligible for another loan. Loan requests must be made in one of three ways:

- Through the Voice Response Unit by calling 1-877-410-9984.
- Via the Internet by going to www.nesteggu.com.
- By telephoning a Customer Solutions Center at 1-866-412-9026

The Loan Administrator will consider all loan applications. If a Participant's vested account balance in the Plan is sufficient and the Participant has no defaulted loans, the loan request will automatically be approved. If asked, the Participant will be required to provide any supporting information deemed necessary by the Loan Administrator in making its decision to approve or deny the loan request.

Limitations On Loans – The Loan Administrator will not approve any loan to a Participant in an amount that exceeds 50% of his or her vested accrued benefit. The total aggregate amount of loans outstanding (including loans in default but not yet offset) to any Participant may not exceed $50,000, reduced by the excess of the Participant's highest outstanding Participant loan balance during the 12-month period ending on the date of the loan over the Participant's current outstanding Participant loan balance on the date of the loan. With regard to any loan made pursuant to this program, the following rules and limitations apply in addition to such other requirements set forth in the Plan:

- Loans will not be made in a principal amount less than $1,000.
- A nonrefundable loan origination fee of $100 is charged for each loan requested.
- A maximum of TWO loans are permitted to be outstanding at any time.
- No existing loan may be renewed or refinanced, whether or not increased by an additional loan amount.
- All loans made pursuant to this program will be considered a directed investment under the Plan. As such, all payments of principal and interest made by the Participant will be credited only to the Participant's investment elections. The Plan also will charge the Participant's account balances with expenses directly related to the loan.

Evidence And Terms Of Loan – The Participant will receive a copy of the promissory note representing the terms of the loan, an amortization schedule, a loan confirmation and a check representing the loan proceeds unless the loan is for a home loan and the term of the loan is greater than five years. The Participant's negotiation of the check representing the loan proceeds will be the Participant's agreement to the loan terms, the pledge and assignment, and payroll deduction. If the loan is for a home loan and the term of the loan is greater than five years, the Participant will be required to sign a promissory note, pledge and assignment. The Participant's negotiation of the check representing the loan proceeds will be the Participant's agreement to the loan terms, the pledge and assignment, and payroll deduction. All loans will bear a commercially reasonable rate of interest, which Employer has determined to be the Wall

Street prime rate at the time of the loan plus one percentage point. Changes in the prime rate will be implemented by the Loan Administrator when it is reasonably administratively feasible to do so.

The loan must provide for periodic repayments under a level amortization schedule through payroll deduction, the frequency of repayments based on the Employer's payroll cycle. In no event may repayments be made less frequently than quarterly.

For all loans, prepayment of principal and interest shall be allowed only if the entire remaining outstanding loan balance is paid in full.

The term of repayment of a loan must not be greater than five years.

A loan, if not otherwise due and payable, is due and payable on termination of the Participant's employment or on termination of the Plan, notwithstanding any contrary provision in the promissory note. Nothing in this loan policy restricts Employer's right to terminate the Plan at any time.

The law treats the amount of any loan not repaid as agreed as a loan default. A defaulted loan not paid within the cure period will be deemed distributed and result in income tax consequences to the Participant.

<u>Suspension Of Payments During Leave Of Absence</u> – Your loan payments may be suspended for up to one year during an approved leave of absence. However, under no circumstances may the loan term be greater than five years.

<u>Military Service</u> - If a Participant takes a leave of absence from the Employer because of service in the military, the Plan shall suspend loan repayments until the Participant's completion of military service or until the Participant's fifth anniversary of commencement of military service, if earlier. The Employer will provide the Participant with a written explanation of procedures to extend the payment term for a military leave of absence and the effect of the Participant's military service on his or her Plan loan.

<u>Collateral For Loan</u> - A Participant shall secure a loan with an irrevocable pledge and assignment of an amount equal to the amount of the loan up to 50% of the Participant's vested account balance in the Plan determined as of the date the loan is granted. The Loan Administrator will not permit the Participant to secure a loan with any other collateral, including a mortgage.

<u>Default</u> - The Loan Administrator will treat a loan as in default if any of the following events occur:

1. A scheduled payment is not timely made; or
2. A loan is not paid in full after termination of employment; or
3. The Participant receives a distribution of the Participant's entire vested account balance (including any loans).

<u>Cure Period</u> - In the event a Participant misses a scheduled payment, the Participant may cure the default by making all missed payments before the expiration of the cure period. The cure period shall expire on the last day of the calendar quarter following the calendar quarter during which the event of default occurred. Notwithstanding the previous sentence, the cure period may not extend beyond the original maturity date of the loan.

<u>Acceleration And Offset</u> - Upon default and the expiration of the cure period, the then outstanding principal balance and unpaid interest calculated to the last day of the cure period shall be immediately due and payable. If allowed by the Plan, the vested accounts in the Plan provided as security for the loan shall be offset by the amount of such outstanding principal balance and unpaid accrued interest. In the case of a

Participant who is actively employed on the date of default this offset will not occur until the Participant separates from service with the Employer unless the Participant is entitled to an in-service distribution. If the Participant is entitled to an in-service distribution, the outstanding principal balance and unpaid accrued interest will be offset against the Participant's account balance. No notice shall be required prior to the offset. The Loan Administrator will treat the note as repaid to the extent of any permissible offset and report it as a taxable distribution to the Participant. If the Plan does not permit an immediate offset, the then outstanding principal balance and unpaid interest calculated to the last date of the cure period shall be treated as a deemed distribution and reported as taxable income to the Participant. If the default is treated as a deemed distribution, the unpaid balance will continue to accrue interest until the outstanding principal and accrued interest is paid in full.

<u>Accounting For Loan</u> - A loan made to a Participant will be made only from the Participant's vested account balance. If a loan is made from a Participant's account that is invested in more than one investment fund, the amount withdrawn in order to make the loan shall be charged to each investment fund in the same proportions as the account is invested in each investment fund. All repayments of principal and interest shall be reinvested in accordance with the Participant's investment elections in effect at the time the repayment is received, and if the loan was taken from more than one account, repayments to the accounts shall be made on a pro rata basis.

Adopted this _____ day of _____________________, ____________.

City of Jonesboro, Arkansas

By: ____________________________

Title: ____________________________