

**Sheet Metal Workers' International Association
Local Union No. 73 Annuity Plan**

PLAN RULES RELATING TO LOANS TO PARTICIPANTS

Section 13.1 General

A Participant may borrow from his or her Participant Account for the reasons described in Section 13.2. Loans shall be administered by a Loan Administrator designated by the Trustees.

Section 13.2 Permitted Reasons for Loans

- (a) A Participant will be permitted to take a loan in an amount necessary to satisfy the Participant's immediate and heavy financial need only if the loan is being made for one or more of the following reasons:
- (i) Medical care expenses as described in Internal Revenue Code Section 213(d) (already incurred or necessary in the future) for the Participant or Participant's spouse or the Participant's dependent, as defined in Internal Revenue Code Section 152. Medical Care expenses include expenses for the diagnosis, cure, mitigation, treatment or prevention of disease, as well as for transportation primarily for and essential to this medical care.
 - (ii) Tuition and related educational fees for the next 12 months for post-secondary education for the Participant or the Participant's spouse, child or dependent. Related educational fees include fees, books, equipment required for and courses of instruction and room and board.
 - (iii) Down payment and other costs directly related to the purchase of the Participant's primary residence (excluding mortgage payments).
 - (iv) Payments to prevent the eviction of the Participant from the Participant's principal residence or foreclosure on the mortgage of the Participant's principal residence.
- (b) The Participant may be required to submit any documents to support the need and reason for the loan as may be determined in the discretion of the Trustees or Loan Administrator.

Section 13.3 Amount of Loans

Any loan or loans shall not collectively exceed the lesser of:

- (a) 50% of the vested balance in the Participant Account; or
- (b) \$50,000.

Section 13.4 Loan Terms and Conditions

In addition to such rules and regulations as the Trustees may adopt, all loans shall comply with the following terms and conditions:

- (a) An application for a loan shall be made in writing by the Participant to the Loan Administrator whose action thereon shall be final.
- (b) The period of repayment of any loan shall not exceed five (5) years.
- (c) The minimum amount for any loan shall be \$1,000 and more than one loan may be outstanding at any time, provided no further loans will be provided if Participant is in default.
- (d) Each loan shall be evidenced by such documentation as may be required by the Loan Administrator or the Trustees, including but not limited to a promissory note in the principal amount of the loan and include interest payable through the Plan to the Participant Account.
- (e) Each loan shall bear interest at a rate to be fixed from time to time by the Trustees at an amount approximately equal to 1% over and above the prime interest rate being charged from time to time by local financial institutions designated by the Trustees. The Trustees reserve the right in their discretion to modify the interest rate at any time.
- (f) Accelerated payments on loans shall be permitted without any penalty.
- (g) Loans shall not be available to Alternate Payees, Beneficiaries or former Participants.
- (h) Because the Plan requires distribution in the form of annuities unless waived by the Participant spousal consent for a Participant loan is required.

If the required spousal consent cannot be obtained, the consent will nevertheless be valid if it is established to the satisfaction of the Plan Administrator or the Trustees that such consent cannot be obtained because:

- (i) there is no spouse,
- (ii) the spouse cannot be located,
- (iii) the spouse is held incompetent (in which case, the consent of the spouse's guardian will be required) or
- (iv) unless otherwise required by a qualified domestic relations order, the Participant is legally separated or has been abandoned (within the meaning of local law) and the Participant has a court order to this effect.

Any consent required under this provision will be valid only with respect to the spouse who signs it and once given, will remain irrevocable after the date of the loan.

Section 13.5 Default on Loan

- (a) Any failure to make timely payment of principal and interest, if such failure remains uncorrected on the last day of the calendar quarter following the calendar quarter in which the failure occurred ("cure period") shall be considered a default.
- (b) If the default is a failure to make timely payment, the Loan Administrator shall give notice to the borrower to correct the default within the cure period. If the borrower fails to make timely correction, the Plan shall foreclose on the borrower's benefit(s) which secures the loan in accordance with the following:
 - (i) If at the end of the cure period, the borrower is entitled to a distribution from the Plan, because of termination of employment under Article 7, the unpaid balance of principal and interest of the delinquent loan shall be offset against the borrower's benefit(s) and constitute a distribution.
 - (ii) If at the end of the cure period, the borrower has not incurred a distribution event, then the offset procedure set forth above shall not be instituted and no further action shall be taken with respect thereto until the borrower has a termination of employment under Article 7, died, or has any other distributable event under the terms of the Plan. At that

time, the borrower's account(s) shall be offset and foreclosure of the loan deemed completed.

- (iii) If a borrower's loan fails to meet the requirements specified in IRC §72(p), then such loan shall become a deemed distribution. This normally will occur when a borrower's loan is not repaid in accordance with its terms and it is not possible to foreclose on the security as described above. If this occurs, then immediately following the end of the cure period, the outstanding balance of the loan shall become taxable as if it had been distributed, and a Form 1099-R will be issued to the borrower.
- (iv) If a participant terminates employment under Article 7, then the borrower will be given the opportunity to continue to repay the loan. However, if the participant elects to receive a distribution of his account, then the loan will be in default and must be repaid in full prior to distribution of the account and the loan, including interest shall be offset against the distribution.
- (v) A Participant may not take a loan if any prior loan is in default until the loan including any accrued interest is repaid in full.