401(k) Loan Rules and Regulations

The following are the general rules and regulations governing loans made under Murphy & Associates’s 401(k) savings plan.

1. **Loan Application and Processing.** After you have completed a loan application and submitted it to Erik Murphy, you will be notified within ten days of the receipt of the application and of the acceptance or denial of your request. If accepted, this form will be returned to you, along with appropriate loan documentation for your approval and signature. After receipt of the signed documentation, the plan administrator will arrange for a check in the loan amount to be issued to you.

2. **Types of Loans.** Two types of loans are permitted under the plan:
   a. **General Purpose Loans.** You may use the proceeds of these loans for any purpose.
   b. **Principal Residence Loans.** These loans are available to you only to acquire your principal residence. You must provide the plan administrator with adequate documentation to support an application for a principal residence loan, such as, but not limited to, a purchase contract or mortgage commitment letter.

3. **Spousal Consent.** If you are married at the time you apply for a loan, you must obtain spousal consent to qualify for a loan.

4. **Number of Loans.** No more than two loans may be outstanding from you at any given time. The amount of your loans may not exceed the maximum limit stated in paragraph 6. If you have two loans outstanding at any given time, one must be a principal residence loan and the other must be a general purpose loan.

5. **Minimum Amount.** The minimum amount of a loan is $500, provided the assets required to provide this source of the loan are sufficient.

6. **Maximum Amount.** The maximum amount of a loan will be the lesser of:
   a. $50,000, reduced by the highest outstanding balance of loans to you from the plan during the year ending on the day before the loan was made; or
   b. 50 percent of your nonforfeitable vested account under the plan.

7. **Frequency of Loans.** After complete repayment of a loan under the plan, a participant must wait at least six months from the last repayment before eligibility for another loan.

8. **Term of Loan.** A general purpose loan must be repaid within 60 months (five years). A principal residence loan must be repaid within 120 months (ten years).
9. **Interest Rate.** The interest rate for each new loan will be a competitive rate set by the plan administrator on a periodic basis, not to exceed the rate under applicable state usury laws. Trust earnings will not accrue on funds withdrawn for a loan. Payments of interest will be treated not as earnings of the plan as a whole but rather of the participant’s accounts.

10. **Processing Fees.** Loan processing fees will be deducted from your account prior to the issuance of your loan and for each year thereafter that your loan is outstanding.

11. **Payments.** You will be furnished with a loan amortization schedule. The Internal Revenue Code requires that the loan be amortized in level installments with payments no less frequently than quarterly. If you so elect, payments of principal plus interest will be deducted from your paycheck each pay period pursuant to a payroll deduction authorization that you will have executed.

12. **Termination of Employment.** Upon the termination of your employment with Murphy & Associates, Inc. (including your death or retirement), the unpaid balance of your loan will become immediately due and payable. The plan will allow thirty days from the date of your termination for full repayment. If full repayment of your loan is not made within thirty days, the unpaid balance of your loan will be deducted from your account and treated as a distribution prior to any other distribution being made to you or your beneficiary.

13. **Defaults and Penalties.** Since your full account balance is pledged as security for the loan, the plan administrator has against you all the rights of a secured creditor under the Uniform Commercial Code. A loan will be considered to be in default if you fail to make a scheduled principal or interest payment or fail to repay the loan within the prescribed period after termination of your employment. Once your loan is determined to be in default, the plan administrator may (a) deduct the full amount of the unpaid balance of your loan from your account or (b) cause the unpaid principal and interest to be paid by collection from you. The plan administrator also has the right to assess your account for the costs incurred or interest lost due to the default or to collect such amounts from you. In the event a loan default is treated as a distribution under the plan, you will have to pay taxes on the distribution and the additional 10 percent tax on early distributions, if applicable.

14. **Distribution Withholding.** In the event that a loan default is treated as a distribution under the plan, 10 percent of the unpaid balance of the loan must be withheld for federal income tax purposes, unless you have elected in writing not to have withholding apply.

15. **Assignments.** An approved loan will automatically meet the exception to the assignment or transfer of benefits restrictions set forth in the plan without further action by the participant or the plan administrator.
16. **Prepayment.** The unpaid balance may be repaid in full at any time after one year from the date of the origination of the loan. Partial prepayments are not permitted.

17. **Leaves of Absence.** Loan payments during leaves of absence with or without pay must be continued. You are responsible for making timely payments to the plan administrator during a leave of absence without pay.

18. **Amendments.** At the discretion of the plan administrator, these loan rules and regulations may be changed at any time provided they are changed in a uniform and nondiscriminatory manner (unless such change will violate the plan), provided no such change will affect outstanding loans unless the participant/borrower agrees to the change.

____________________________ ____________________
Participant’s signature  Date