

LOAN APPLICATION

As a participant in _____ (Plan).

I, _____ Participant), Hereby make application to the Trustees of the plan for a loan in the amount of \$_____. I request said loan for a period of _____ years.

The purpose of the loan is : (fill in purpose)

If my loan is granted by the Trustees, I hereby agree that I will repay the loan in _____ Installments (equal to payroll frequency, i.e. weekly, biweekly, semi-monthly, etc.) and that payments must be made by payroll withholding. I further understand that the Plan shall charge me a reasonable rate of interest on my loan repayments (normal interest rate is First National Bank, Abilene, Prime Rate +1%).

I hereby acknowledge and understand that I will be required to pledge all or a portion of my Vested Account Balance or Vested Accrued Benefit as security for the loan.

Participant's Signature Date

Social Security Number

Witness Date

Trustee Date

LOAN POLICY

- 1. Loan Application.** Any Plan participant may apply for a loan from the Plan. A participant must apply for each loan in writing with an application which specifies the amount of the loan desired, the requested duration for the loan, and the source of security for the loan. The Trustee(s) will not approve any loan if the participant is not credit-worthy.

In order to be credit-worthy, the participant must have established in his or her community, a reputation which would entitle him or her to a similar loan from a commercial or business lender. In applying for the loan from the Plan, each participant must give full authority to investigate his or her credit-worthiness.

- 2. Limitation on Loan Amount.** The Trustee(s) shall not approve any loan to a participant in an amount which exceeds the greater of \$10,000 or fifty percent (50%) of his or her non-forfeitable accrued benefits, as reflected by the books and records of the Plan. The maximum aggregate dollar amount of loans outstanding to any participants 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.
- 3. Evidence of Loan.** The Trustee(s) shall document every loan in the form of a promissory note signed by the participants for the face amount of the loan, together with the interest not to exceed two (2) percentage points above the prime interest rate in effect on the date the Trustee(s) approve the participant's loan, payable at least quarterly under a level amortization schedule. The loan may permit a suspension of payments for a period not exceeding one (1) year which occurs during an approved leave of absence.

The Trustee(s) shall fix the term for repayment of any loan; however, in no instance shall the term of repayment be greater than five (5) years, unless the loan qualifies as a home loan. The Trustee(s) may fix the term for repayment of a home loan for a period not to exceed fifteen (15) years. A "home loan" is a loan used to acquire a dwelling unit which, within a reasonable time, the participant will use as a principal residence.

Participants should note the law treats the amount of any loan (other than a "home loan") not repaid five (5) years after the date of the loan as a taxable distribution on the last day of the five year period. If a participant extends a non-home loan having a five year or less repayment term beyond five years, the balance of the loan at the time of the extension is a taxable distribution to the participant.

- 4. Security for loan.** A participant shall secure each loan with an irrevocable pledge and assignment of the non-forfeitable amount of the borrowing participant's accrued benefit under the Plan or other security (e.g., principal residence) the Trustee(s) accepts and finds to be adequate, or both participants' accrued benefit and other security. The Trustee(s) may request the borrowing participant to secure each loan with other assets acceptable to the Trustee(s).
- 5. Form of Pledge.** If the participant secures the loan wholly or partly with his accrued benefit, the pledge and assignment of his accrued benefit shall be in the form provided by the Trustee(s).