

CHAPMAN UNIVERSITY TAX-DEFERRED ANNUITY RETIREMENT PLAN

Participant Loan Policy

This Participant Loan Policy, including Article VIII, section 8.2 of the Plan Document which is reproduced below, describes the rules for participant loans from the Chapman University Tax-Deferred Annuity Retirement Plan (the "Plan"), effective March 1, 2013 (the "Effective Date"). All loans will be made strictly in accordance with the provisions of the Plan and in accordance with this Loan Policy. In the case of any item not covered by this Policy, or in the event of any conflict between this explanation and the Plan, the Plan document will control.

A. LOAN PROGRAM

1. Participant loans from the Plan are only available to active employees; however, participants who terminate their employment with Chapman University or Brandman University (the "Administrator"), may continue to repay any outstanding loans.
2. TIAA and Fidelity are the Plan's only investment sponsors allowed to issue participant loans as of the Effective Date.
3. The Plan offers two types of loans: General Purpose and Residential loans intended for the purchase of a principal residence.
4. Participants may have a maximum of two (2) outstanding loans in total at any time from all sources. Participants who currently have more than two loans will be allowed to pay down their current loans but will not be eligible for future loans until they currently have only one or no loans outstanding and otherwise meet the loan requirements herein.
5. A defaulted loan will be considered an outstanding loan until the defaulted loan(s) plus accrued interest is repaid in full.
6. Loans are only available to participants who provide the necessary documentation.
7. No loans shall be made to a married Participant unless the Participant's spouse consents to the loan in writing before a plan representative or notary public within the ninety (90) day period prior to the date of the loan.
8. Questions regarding loans should be directed to Chapman University Office of Human Resources.

- B. LOAN APPLICATION. A Participant who desires a loan must request a loan by following the required application procedures:

TIAA	Fidelity
Online by logging into your account at www.tiaa.org or by phone at 800-842-2252.	By calling 800-343-0860.

- C. DENIAL OF LOAN. The Participant will be informed if the Participant's Account balance is not sufficient to fund the full amount of the loan the Participant desires. If a previous loan from the Plan, or any other plan maintained by the Employer or a Related Employer, has been treated in whole or in part as defaulted, and has an unpaid balance, then the request for a loan may be denied. Only employees with respect to the Plan as defined in Section 3(14) of ERISA are eligible for a loan.

D. AMOUNT OF LOAN

1. Maximum Amount. A loan to a Participant from the Plan and any Related Plan (when added to the outstanding balance of all other such loans to the Participant) shall not exceed the lesser of:
 - (a) \$50,000 (reduced by the excess (if any) of the highest outstanding balance of loans from the Plan to the Participant during the 12-month period ending on the loan application date, over the outstanding balance of loans from the Plan to the Participant on the date such new loan is made); or
 - (b) 50% of the Participant's vested Accounts.
2. Minimum Amount. The minimum amount of any loan shall be One Thousand Dollars (\$1,000).

E. NUMBER OF LOANS. A Participant may have no more than two (2) loans outstanding at any time from all funding sources.

F. INTEREST RATE. The rate of interest will be commensurate with the rate of interest charged on similar commercial loans by persons or institutions in the business of lending money in the same geographical location as the Employer.

TIAA	Fidelity
The interest rate will be fixed for the term of the loan and will be equal to the Federal Reserve Board Bank prime loan rate plus 1 percent at the time of the loan origination.	The Prime rate plus one percentage point. Rate updated quarterly.

G. TERM OF LOAN. A loan must be repaid within the time period agreed to by the Participant and Plan Trustee. In order for the loan to be nontaxable to the Participant, five (5) years will be the longest permitted repayment period for a General Purpose loan. If the loan proceeds are used to acquire the Participant's principal residence, the repayment period shall not exceed fifteen (15) years. A Participant may prepay a loan without penalty.

H. PROMISSORY NOTE AND COLLATERAL. If the loan is approved, the Participant must sign a promissory note and security agreement. The promissory note, or associated collateral agreement, will provide that the loan is secured by 50% of the Participant's vested Accounts.

I. REPAYMENT. The promissory note will specify when repayment must be made. In order for the loan to be nontaxable to the Participant, the loan must be repaid in substantially equal payments of principal and interest not less frequently than quarterly.

J. LEAVES OF ABSENCE. If a Participant takes a bona fide approved leave of absence without pay or at a rate of pay (less applicable withholdings) that is less than the amount of the repayments

under the loan terms, loan payments may be suspended during the period of the leave. The maximum suspension period is the shorter of one (1) year, even if the leave extends beyond one year, or the period ending on the date when the Participant returns to paid employment. Interest will accrue on the loan during the suspension period. The amount of each repayment after the leave ends must be at least as great as the repayment amount required under the original terms of the loan, and the loan must be repaid within the original term of the loan (or if later, within the maximum permissible term of the original loan as set forth in Section F above) either by increasing the amount of each repayment, a balloon payment, or otherwise. If the Participant is performing service in the United States Uniformed Services in accordance with Internal Revenue Code § 414(u)(4) during the leave, then the suspension period may be as long as the period of such Uniformed Services, even if the suspension exceeds one year. Also in that event, the loan term may be extended beyond the date described immediately above, so long as the loan is repaid, by amortization of substantially level installments, over a period that ends not later than such date plus the period of the Participant's Uniformed Services.

- K. **DEFAULT.** A loan will be in default if the Participant fails to make a scheduled payment and if such failure is not corrected within the period (if any) specified in the promissory note. A loan is generally considered to be in default if the loan is not repaid prior to the time that the Participant (or beneficiary) receives a distribution from the Plan. In the event of default, the Plan may, at the time that a Participant is entitled to a Plan distribution, deduct the full amount of the loan's unpaid balance, including accrued interest, from the Participant's Accounts. The Plan may also take other legal action to enforce the terms of the loan and may access the Participant's Accounts for any costs incurred in connection with the default. The Administrator may withhold amounts from the Participant's paycheck to collect on the loan and for expenses of collection.
- L. **FEES.** The administrative expense to establish and maintain the loan shall be as follows:

TIAA	Fidelity
Loan initiation fee (General Purpose Loan): \$75 Loan initiation fee (Residential Loan): \$125 Annual Maintenance: \$25	Loan initiation: \$75 Annual Maintenance: \$25 (\$6.25 quarterly)

- M. **WARNING.** If you do not repay a Plan loan on a timely basis, you might be subject to significant adverse tax consequences. Before borrowing, you are advised to consult with your personal tax and financial advisors to understand the legal and tax consequences of borrowing and in the event of default.
- N. **AMENDMENT AND INTERPRETATION OF POLICY.** The Retirement Plan Investment Review Committee (the "Committee") is charged under the Plan with establishing and administering this Loan Policy. The Committee may modify this Policy from time to time or may terminate the Plan loan program. The Committee has discretion to interpret the provisions of this Loan Policy. The Committee's decisions regarding the application or interpretation of this Loan Policy are final and binding on participants.

- O. FURTHER DETAILS. Further details governing loans will be set forth in the Promissory Note and associated loan documents. These are legal documents which you are advised to review.
- P. ARTICLE VIII, SECTION 8.2 OF THE PLAN. Article VIII, section 8.2 of the Plan document, which addresses loans from the Plan, reads as follows:

8.2 Participant Loans

8.2.1 Loan Conditions. The Plan may make loans to Participants on such terms as the Fund Sponsors may prescribe from time to time. However, the vested balance of the Participant's Accumulation Account must remain sufficient to cover any income tax withholding requirements under Code Section 3405 in the event the loan is treated as a distribution.

8.2.2 Amount of Loan. The principal balance of a Participant loan shall not exceed the lesser of (a) Fifty Thousand Dollars (\$50,000) reduced by the excess, if any, of (1) the highest outstanding loan balance from the Plan during the one year period ending on the day before the date such loan is made, over (2) the outstanding balance of loans from the Plan on the date such loan is made, or (b) one-half of the sum of the Participant's vested Accumulation Account balances. For purposes of applying the above limitations, all loans from any plans maintained by the University and all Related Employers which are qualified under §§401(a) or 403(b) of the Code shall be aggregated.

8.2.3 Funding Vehicles. Each Fund Sponsor is responsible for all information reporting and tax withholding required by applicable federal and state law in connection with distributions and loans. To minimize the instances in which the Participants have taxable income as a result of loans from the Plan, the University shall take such steps as may be appropriate to coordinate the limitations on loans set forth in this Section 8.2, including the collection of information from Fund Sponsors, and transmission of information requested by any Fund Sponsor, concerning the outstanding balance of any loans made to a Participant under the Plan or any other plan of the University or a Related Employer. The University shall also take such steps as may be appropriate to collect information from Fund Sponsors and transmission of information to any Fund Sponsor, concerning any failure by a Participant to repay timely any loans made to a Participant under the Plan or any other plan of the University or a Related Employer.

8.2.3 Loan Provisions. Any loans under this Section 8.2 shall have a specific maturity date and bear a reasonable rate of interest in an amount to be determined by the Fund Sponsor, or if the Fund Sponsor does not establish a rate, by the Administrator. All loans shall be secured by the Participant's vested interests in the Plan and such other collateral which, in the discretion of the Administrator, is necessary to adequately secure the loan. No loan shall be made to a married Participant unless the Participant's spouse consents to the loan in writing before a plan representative or notary public within the ninety (90) day period prior to the date of the loan. All loans shall require that substantially equal payments of principal and interest be made at least quarterly. Notwithstanding the foregoing, loan repayments will be suspended under this Plan as permitted under Section 414(u) (4) of the Internal Revenue Code.

8.2.4 Loan Term. All Loans shall be required to be repaid within five (5) years; provided, however, that this five (5)-year limitation shall not apply to any loan used to acquire, construct, reconstruct, or substantially rehabilitate any dwelling unit which within a reasonable time is to be used (determined at the time the loan is made) as a principal residence of the Participant or a member of the Participant's family as defined in Section 267(c) (4) of the Code.

8.2.5 Default. Should the Participant fail to repay the loan within the time prescribed or default on any of the loan terms as defined in Internal Revenue Section Regulations, the Plan shall: (1) enforce the rights of the Plan against any or all real or personal property securing the loan; or (2) take such other remedies as may be available under the law.

8.2.6 Funding Vehicles. All Loans shall comply with the requirements of any applicable Funding Vehicle, the terms of which applicable to loans are incorporated herein by this reference.

8.3 Written Procedures.

This loan program shall be administered in accordance with the rules set forth in written procedures established by the Administrator. Such written procedures shall include, but need not be limited to the following:

- (a) The identity of the person or position authorized to administer the Participant loan program;
- (b) The procedures for applying for Plan loans;
- (c) The basis on which loans will be approved or denied;
- (d) The limitation, if any, on the types and amounts of loans offered;
- (e) The procedure for determining a reasonable rate of interest to be charged for Plan loans, provided that such rate (i) shall be selected by the Fund Sponsor (or, if not selected by the Fund Sponsor, the Administrator) and adjusted from time to time as necessary when any loan is granted, renewed, or otherwise modified and (ii) shall provide a return commensurate with the interest rates charged by persons in the business of lending money for loans which would be made in similar circumstances;
- (f) The types of collateral which may secure a Participant's loan; and
- (g) The events constituting default and the steps that will be taken to preserve Plan assets in the event of such default.