

DESCRIPTION OF PARTICIPANT LOAN PROCEDURES **THE CITY OF BURLINGAME DEFERRED COMPENSATION PLAN (the "PLAN")**

The above-referenced Plan permits Participants to take a loan from their Account Balance pursuant to specific rules set forth under the Plan. This Description sets forth the general provisions applicable to Participant loans, including the limits on available loans, repayment requirements, and the procedures if a Participant defaults on a Participant loan under the Plan. This Description is designed to describe the loan procedures under the Plan in a non-technical manner. If the non-technical language under this Description conflicts with the loan provisions described under the Plan or Loan Policy, the Plan document or Loan Policy always governs.

Availability of Participant Loans. Participant loans are generally available on a reasonably equivalent basis to all active Employees with an Account Balance under the Plan. Any reference to "Participant" under this Loan Policy is a reference to an active employee of the full-time 457(b) Plan.

To receive a Participant loan, a Participant must contact MassMutual U.S. Retirement Operations at 800-743-5274 or log onto the MassMutual participant website at www.retiresmart.com

Loan Limitations. A Participant may not request a Participant loan to the extent such loan (when added to the outstanding balance of all other Participant loans) exceeds 50% of the Participant's Account Balance. However, in no case may a Participant take out total loans during any 12-month period that exceed \$50,000. For example, if a Participant has a Account Balance of \$40,000, the total amount of Participant loans the Participant may have outstanding at any time may not exceed \$20,000 [50% x \$40,000]. For this purpose, all Participant loans under any plan maintained by the Employer are included.

Minimum Loan Amount. To receive a Participant loan, a Participant must request a loan of at least \$1,000. No loans will be made for less than \$1,000.

Limit on Number of Loans. A Participant may not have more than one Participant loan outstanding at any time.

Reasonable Rate of Interest. All Participant loans will be charged a reasonable rate of interest. For this purpose, the interest rate charged on a Participant loan will be Prime interest rate plus 1 percentage point(s). The Plan Administrator will periodically review its interest rate assumptions to ensure the interest rate charged on Participant loans is reasonable.

If a Participant is in "military service" while he/she has an outstanding Participant loan, the applicable interest charged on such loan during the period while the Participant is in "military service" will not exceed 6% per year provided the Participant provides written notice and a copy of his/her call-up or extension orders to the Plan Administrator within 180 days following the Participant's termination or release from "military service."

Adequate Security. All Participant loans must be adequately secured. The Participant's Account Balance shall be used as security for a Participant loan provided the outstanding balance of all Participant loans made to such Participant does not exceed 50% of the Participant's Account Balance, determined immediately after the origination of each loan.

Periodic Repayment. A Participant loan must provide for level amortization with payments to be made not less frequently than quarterly. A Participant loan must be payable within a period not exceeding five (5) years from the date the Participant receives the loan from the Plan, unless the loan is for the purchase of the Participant's principal residence, in which case the loan must be payable over a period not to exceed 20 years.

Loan repayment method will be ACH. Partial payments are not allowed.

- (a) **Unpaid leave of absence.** A Participant with an outstanding Participant loan may suspend loan payments to the Plan for up to 12 months for any period during which the Participant is on an unpaid leave of absence. Upon the Participant's return to employment (or after the end of the 12-month period, if earlier), the Participant will be obligated to make up any missed payments and accrued interest. Upon return from leave of absence, a Participant loan may be reamortized or subject to a balloon payment to ensure the loan is repaid within the appropriate repayment period.
- (b) **Military leave.** A Participant with an outstanding Participant loan also may suspend loan payments for any period such Participant is on military leave. Upon the Participant's return from military leave, the Participant will be obligated to make up any missed payments and accrued interest. The loan repayment period may be extended for any period while the Participant is on military leave.

Loan Default. A Participant will be considered to be in default with respect to a loan if any scheduled repayment with respect to such loan is not made by the end of the calendar quarter following the calendar quarter in which the missed payment was due. If a Participant defaults on a Participant loan, the Participant will be treated as receiving a distribution of the entire outstanding value of the loan, plus accrued interest. The Plan will issue a Form 1099-R designating the amount as a taxable distribution to the Participant for the year of the default.

Termination of Employment. A Participant loan becomes due and payable in full upon a Participant's termination of employment. Upon a Participant's termination, the Participant may repay the entire outstanding balance of the loan (including any accrued interest) within a reasonable period following termination of employment. If the Participant does not repay the entire outstanding loan balance, the Participant's Account Balance will be reduced by the remaining outstanding balance of the loan. The Plan will issue a Form 1099-R designating the amount as a taxable distribution from the Plan.

For questions regarding the availability of Participant Loans, please contact MassMutual at 800-743-5274.

Adopted this _____ day of _____, 20_____.

Employer (signature) _____

Name: (please print) _____

TITLE: _____