



IAP/IAA Service Center
 Attn: Customer Service
 P.O. Box 19009
 Greenville, SC 29602-9009
 Tel: (866)363-3290 Fax: (866)368-0095

**Non-Erisa
 403(b) Policy Loan
 Agreement**

Print using dark ink

Check One:

- Industrial Alliance Pacific Insurance and Financial Services Inc. (IAP)
- (DBA in CA as Industrial-Alliance *Pacific* Life Insurance Company, United States Branch)
- (DBA in OR as Industrial-Alliance *Pacific* Life insurance Company)

Policy number _____ Policyowner _____

A. Loan Amount

I would like to request a loan in the amount of \$ _____ (the "Loan Amount") from the Policy identified above.

Please provide the name of the insurance company or retirement plan through which you have (or had) any other policy loan(s), your present loan balance(s), and the highest outstanding loan balance(s) during the last 12 months, including any loan default amounts outstanding:

	Present Outstanding Loan Balance	Name of Plan Or Issuer	Highest Outstanding Loan Balance During Last 12 months
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

B. Terms of Loan and Promissory Note

Check which one of the following applies:

- I agree to repay to the Company the Loan Amount over ____ years (not to exceed five (5) years of the Effective Date of the Loan).
- I represent that the loan will be repaid over ____ years (not to exceed thirty (30) years) and that the loan will be used to acquire a dwelling unit (e.g. house, condominium, or mobile home) which within a reasonable time is to be used as my principal residence (within the meaning of Code section 121) at:

Street/Mailing Address _____

City _____ State _____ ZIP _____

C. Loan And Interest Payments

Method of payment

- Use existing banking information for new loan payments.

Check which one of the following payment method applies: (*Enclose completed Pre-Authorized Check (PAC) form and void check for payment options 1 or 2, below.*)

- 1. Monthly by PAC. Please draw payment on (*5th to 28th only*) _____.
 Please note all existing loan repayments will be combined for withdrawal on this date.*
***Note: The first PAC payment will be withdrawn on the day chosen in the month immediately following the date of the loan. This may result in first PAC being withdrawn less than one month after the loan is processed in our office.**
- 2. Quarterly by PAC.
- 3. Quarterly by direct payment.

D. Terms and Conditions

Part 1: General

The undersigned hereby authorizes the Company to issue a policy loan to the Policyowner.

IMPORTANT: Loans under the Policy are subject to the requirements and limitations imposed by the plan pursuant to which the Policy is maintained (the "Plan"), Code section 72(p), Code section 403(b), this Agreement, and the Company. It is important that you evaluate your ability to repay a loan because the failure to timely pay a loan repayment amount in full will result in adverse income tax consequences (see PART 6: LOAN DEFAULTS).

Part 2: Loan Amount

I understand that the minimum amount that I may borrow is \$500, except that if the Policy is an indexed annuity contract, the minimum amount that I may borrow is \$1,000. The amount that I may borrow may not exceed 50 percent of the Surrender Value of the Policy, except that:

1. If I have additional nonforfeitable accrued benefits under plans of the Employer, the amount that I may borrow may not exceed the lesser of 50 percent of the present value of my nonforfeitable accrued benefit under all plans of the Employer in accordance with Code section 72(p)(2)(D), and
2. If the Surrender Value of the Policy is less than \$20,000, the amount that I may borrow may not exceed the lesser of \$10,000, and the Maximum Percent of the Surrender Value of the Policy specified in the policy contract or 95%, whichever is less.

In no event may the Loan Amount exceed \$50,000, reduced by my highest outstanding loan balance from all plans of my employer during the past 12 months. In addition, the loan is subject to the limitations on the maximum loan amount that are set forth in Code section 72(p)(2)(A), the 403(b) plan document of my employer and reflected in PART 7: DISCLOSURES.

A loan which is in default and outstanding, as discussed below, is considered an outstanding loan.

I understand that, for purposes of determining the maximum Loan Amount permitted, Code section 72(p)(2)(D) shall apply and all plans of an employer (e.g., qualified plans, Code section 403(b) arrangements, and governmental Code section 457(b) plans) and other members of a group of employers, described under Code sections 414(b), 414(c), and 414(m) shall be treated as a single plan.

I certify that, except as noted in Section A. LOAN AMOUNT, (1) I do not have any other existing outstanding loans under any employer-sponsored plans (including, but not limited to, other Code section 403(b) arrangements, and governmental Code section 457(b) plans) with respect to the employer through which this Policy was issued and which are required to be taken into account for purposes of determining maximum loan amounts, and (2) I have not had any such loan(s) outstanding within the last 12 months.

Part 3: Terms of Loan and Promissory Note

For value received, I agree to repay to the Company the Loan Amount with interest payable at an annual effective rate equal to ____% (not to exceed an annual effective rate of 8.0%), in substantially level amortized payments made at least quarterly on the Loan Repayment Due Date, within the number of years of the Effective Date of Loan, as specified by me in Section B. TERMS OF LOAN AND PROMISSORY NOTE (not to exceed five (5) years, except that a loan used to acquire a dwelling unit which within a reasonable time is to be used as my principal residence may not exceed 30 years). The term of any loan may not extend beyond the Income Date or, if applicable, the "required beginning date" as defined in Code section 401(a)(9)(C).

Part 4: Security for the Loan

In consideration for the loan, I hereby pledge to the Company as the sole security for the loan a portion of the Surrender Value of the Policy equal to the loan balance. The pledged amount will be held in a Collateral Account. Amounts held in the Collateral Account may not be withdrawn, surrendered, transferred, assigned or encumbered in any way. The Collateral Account will be credited with interest at an annual effective rate of not less than 3%. Loan repayments will reduce the Collateral Account. When the loan balance has been repaid in full, the Collateral Account will terminate.

Part 5: Loan and Interest Payments

Repayments will reduce the Collateral Account. Repayments greater than the scheduled loan repayment amount will be used to reduce the loan balance. The loan balance may be repaid in full at any time prior to the due date. If the loan is repaid early, loan interest will be prorated accordingly. **The tax deductibility of loan interest payments on this loan is restricted under the Code. Consult your tax advisor.**

Part 6: Loan Defaults

Unless otherwise provided under the federal tax law and the Plan, and permitted by the Company, if a loan repayment amount is not paid in full on or before the last day of the calendar quarter following the calendar quarter in which the loan repayment amount was due, the entire outstanding loan balance (including accrued interest) will be in default. However, unless otherwise permitted under federal tax law, the Plan, and by the Company, for purposes of the 5-year loan repayment period requirement, a grace period may not extend the loan repayment period beyond 5-years. To the extent and at the earliest possible time permitted by law and the Plan, the Company will offset the Defaulted Loan Amount against the Collateral Account. If the Company offsets a Defaulted Loan Amount during any surrender charge period under the Policy, the surrender charge applicable to such amount will be deducted from your Policy Value. If the Defaulted Loan Amount equals or exceeds the Surrender Value at the time of the offset, the Policy will terminate.

The Company may be unable under federal tax law or the Plan to offset a Defaulted Loan Amount until certain events occur (such as your reaching age 59½, death, disability, severance from employment, hardship, or receiving a distribution to which Code section 72(t)(2)(G) applies). However, at the time a default occurs, the amount of the loan which is in default will be reported to you and to the Internal Revenue Service as a taxable distribution to you for the year in which the default occurs, **even if amounts cannot yet be offset against the Policy at the time of the default under federal tax law.** Such amount may also be subject to an additional 10% income tax penalty.

Further, unless otherwise permitted under federal tax law and the Plan, where the Company is precluded from reducing your Policy Value by the Defaulted Loan Amount under the Code, interest will continue to be charged on such amount at the rate stated in this Agreement until an offset may be made. In such event, interest will continue to be credited in the Collateral Account at the rates described in PART 4: SECURITY FOR THE LOAN until the loan is repaid through offset or a cash repayment. Also, except to the extent the Internal Revenue Service issues additional guidance requiring a contrary result, interest charged on the Defaulted Loan Amount after the default has occurred but before offset may take place due to Code section 403(b)(11), will **not** be treated as a taxable distribution to you. Furthermore, unless the Internal Revenue Service issues guidance to the contrary, the repayment of a Defaulted Loan Amount that has been treated as a taxable distribution, but not yet offset against the Annuity Contract due to Code section 403(b)(11), will be treated as a nondeductible employee contribution for federal tax purposes, and will stop additional loan interest from accruing.

Part 7: Effect of Loan Balance on Surrenders and Death

Upon surrender of the policy or death, the entire outstanding loan balance will be immediately due and payable and, to the extent not repaid, will be offset against the Collateral Account. Hence, the surrender value or the death benefit will be reduced by the Loan Balance.

Part 8: Disclosures

Definitions

Code – the Internal Revenue Code, as amended from time to time, and the regulations issued thereunder.

Collateral Account – the portion of the Policy Value held in reserve as security for the loan

Defaulted Loan Amount – the loan balance, including any accrued and unpaid interest, until the loan is repaid in cash or through an offset.

Effective Date of Loan – the date the Company approves the loan.

Employer – the employer that sponsors the Policy in connection with which this loan is requested, and any related employers required to be taken into account in accordance with Code section 72(p)(2)(D).

ERISA – the Employee Retirement Income Security Act of 1974, as amended.

Loan Agreement – the Application for Loan and Loan Agreement from governmental Section 403(b) Annuity Contracts.

Loan Balance – the principal loan balance outstanding at any given time for loans made or renewed, plus any unpaid interest.

Loan Repayment Due Date – the same day of each calendar month or calendar quarter as the Effective Date of Loan.

Maximum Percentage – the maximum percentage specified in the policy contract.

Policy – the policy contract with respect to which this loan is requested.

Surrender Value – the cash surrender value, or net surrender value, with respect to and as further defined in your Policy through which this loan is made.

The Company – (Industrial-Alliance *Pacific* Life Insurance Company). (Insurance and Financial Services. Inc.)

Loan Requirements

- A. This Agreement may not be used for loans on contracts issued in connection with any ERISA arrangement.
- B. Pursuant to Code section 72(p)(2)(A), a loan, when added to the outstanding balance of all other loans made to you from all plans of your employer, may not exceed the lesser of:
 - 1. \$50,000, reduced by the excess, if any, of your highest outstanding balance of loans from all plans of your employer during the one-year period ending on the day before the date on which the loan is made, over the outstanding balance of loans from all such employer plans on the date the loan is made; and
 - 2. The greater of (a) one half of the present value of your “nonforfeitable accrued benefit” under the plan (within the meaning of Code section 72(p)(2)(A)(ii)), and (b) \$10,000.
- C. If the Policy is an indexed annuity contract, loans may be secured only by the Fixed Account under the Policy.
- D. A loan may not be taken from a Policy under which annuity payments have begun.
- E. A loan may not be taken from a Policy under which payments are being made under a systematic withdrawal option.
- F. A loan may not be taken from a Policy if there are any loan default amounts which are outstanding.

The Company cannot give tax advice to its policyholders, nor interpret the tax law as it relates to your situation. The Company assumes no responsibility for current or future tax consequences resulting from this transaction. You should consult your tax advisor about the tax consequences associated with taking a loan under your Policy and entering into this Agreement.

I acknowledge that I have read and accept the terms of this Agreement, including the Disclosures. I understand this loan will be subject to the terms of the Policy as endorsed, and that the loan will be administered in accordance with Sections 403(b) and 72(p) of the Code. I acknowledge that I am responsible for complying with the Code requirements that govern the terms of this loan and agree that the Company is providing this loan to me based on the information and representations I have provided in this Agreement. I hereby release the Company and its successors, assigns, servants, and agents from any and all actions, causes of action, claims, and demands whatsoever that may arise from this transaction. I acknowledge that I am responsible for obtaining all necessary tax advice from my own tax advisor concerning the tax consequences of taking this loan and agree that the Company is not giving me tax advice.

Executed at _____ this _____ day of _____ 20____	
City, State	Month Year
_____	_____
Name of Witness	Name of Policyowner
_____	_____
Signature of Disinterested Witness	Signature of Policyowner
<i>(Please print clearly)</i>	
Address of Witness _____ Telephone (_____) _____ - _____	
City _____	State _____ ZIP _____
Address of Policyowner _____ Telephone (_____) _____ - _____	
City _____	State _____ ZIP _____

<i>(Signature of Policyowner’s Spouse, if married residents of community property state)</i>	

Employer/Plan Administrator: (if Required)

I acknowledge that I have been informed of the amount and terms of the policy loan to which this Agreement applies, and the plan participant's application for a policy loan is (check only one):

- Approved, as applied for
- Approved for \$ _____
- Not approved

Employer Representative/Plan Administrator's Signature _____ Date _____

Name *(Please print clearly)* _____ Title _____