

**BRAZORIA COUNTY
DEFERRED COMPENSATION PLAN FOR FULL-TIME EMPLOYEES**

PARTICIPANT LOAN POLICY

The Brazoria County Deferred Compensation Plan for Full-Time Employees (the “Plan”) permits loans to be made to Participants pursuant to a written loan policy. Capitalized terms used but not defined herein will have the meanings set forth in the Plan.

This loan policy (the “Policy”) is intended to comply with Treasury Regulation section 1.457-6(f)(2) and Treasury Regulation section 1.72(p)-1. To the extent any term of this Policy conflicts with the requirements of those Treasury Regulations, the Treasury Regulations shall control.

The Plan Administrator is authorized to administer this Policy.

1. **LOAN APPLICATION/BORROWER QUALIFICATION.** Any Participant who is an active employee as of the date of their loan application and who has a vested Account balance of at least \$2,000 may apply for a loan from the Plan in the manner required by the Plan Administrator. A Participant must apply for each loan with an application which specifies the amount of the loan desired and the requested duration for the loan.

All loan applications will be considered by the Plan Administrator within a reasonable time after the Participant applies for the loan.

The Plan Administrator will not investigate the Participant's creditworthiness before making the loan as all loan repayments will be treated as a direct investment of the borrower's Account.

2. **LOAN LIMITATIONS.** The Plan Administrator will not approve any loan to a Participant in an amount which exceeds the lesser of \$50,000 or 50% of his or her vested Plan Account balance. With regard to any loan made pursuant to this program, the following rule(s) and limitation(s) will apply, in addition to such other requirements set forth in the Plan:

- No loan in an amount less than \$1,000 will be granted to any Participant.
- A Participant can have one loan currently outstanding from this Plan and any other retirement plan maintained by Brazoria County.
- Loan refinancing is not permitted.
- Loans will be made from the following accounts in the following order:
 1. Voluntary Deferrals,
 2. Mandatory Deferrals,
 3. Employer Contributions,
 4. Rollover.

3. **EVIDENCE AND TERMS OF LOAN.**

Promissory Note. The Plan Administrator will document every loan in the form of a promissory note signed by the Participant for the face amount of the loan, together with a commercially reasonable interest rate.

Interest Rate. Any loan granted or renewed under this policy will bear a commercially reasonable interest rate (commensurate with rates that a commercial lender would require for a loan made under similar circumstances) established by the Plan Administrator.

Repayments. The loan must require payments bi-weekly through payroll deduction, under a level amortization schedule. The Plan Administrator will require the Participant receiving a loan from the Plan to enter into a payroll deduction agreement to repay the loan. Payments made as required by the loan amortization schedule will be allocated to principal and interest in accordance with the amortization schedule.

After entering into the payroll deduction agreement, the Participant may authorize a repayment amount that is greater than the loan repayment amount required by the loan amortization schedule. Any amounts repaid in excess of the repayment amount required by the loan amortization schedule shall be processed as a prepayment of principal only.

Term. The Plan Administrator will fix the term for repayment of any loan, however, in no instance may the term of repayment be greater than five years.

Investment of the Account. All loan repayments will be considered a direct investment of the Account(s) of the Participant maintained under the Plan. As such, all payments of principal and interest made by the Participant will be credited only to the Account(s) of such Participant.

Loan Expenses. The Plan will charge the Participant's Account balance with expenses directly related to the loan set-up, annual maintenance, administrative charges, and collection of the note.

Effect of Termination of Employment. A Participant may continue monthly repayments by ACH after termination from employment. See Section 9 for information regarding the impact of a default following termination of employment.

Effect of Death. Upon a Participant's death, any outstanding loan balance is due in full within 90 days after the date of death. The outstanding loan balance will be treated as a deemed distribution if the Participant's estate's representative fails to repay the loan within the required period.

4. **SECURITY FOR LOAN.** The Plan will require that adequate security be provided by the Participant before a loan is granted. For this purpose, the Plan will consider a Participant's vested Plan Account balance to be adequate security. However, in no event will more than 50% of a Participant's vested Account balance (determined immediately after origination of the loan) be

used as security for the loan. The Plan shall not make loans to a Participant which require security other than the Participant's vested Account balance under the Plan.

5. **FORM OF PLEDGE**. The pledge and assignment of a Participant's Account balances will be in the form prescribed by the Plan Administrator.

6. **MILITARY SERVICE/EFFECT ON LOAN**. If a Participant takes a leave of absence from the Employer because of "qualified military service" (as set forth in Internal Revenue Code Section 414(u)(5)) and does not receive a distribution of his or her Account balances, the Plan will suspend loan repayments until the Participant's completion of military service. The Plan Administrator will provide the Participant with a written explanation of the effect of the Participant's military service upon his or her Plan loan.

With respect to a leave of absence related to military service, loan repayments must resume upon the completion of such period of military service and the Participant must select one of the options below to pay the remaining portion of the loan payments, including interest accrued during the period of military service:

- The Participant will repay the loan by amortization in substantially level installments over a period that ends not later than the latest permissible term of the loan (i.e., five years from the date of the loan), plus the time period the Participant was actually in United States military service, or,
- The Participant will pay a balloon payment of the remaining unpaid principal and interest at the conclusion of the original term of the loan as determined in the promissory note, or,
- The Participant will increase the amount of the required installments to an amount sufficient to amortize the remaining balance of the loan, plus accrued interest, over the remaining term of the loan.

The Participant must submit their choice of loan repayment in writing to the Plan Administrator within five (5) business days of their return to employment.

7. **UNPAID LEAVE OF ABSENCE (NON-MILITARY)/EFFECT ON LOAN**. The Plan Administrator will suspend loan repayments during an unpaid leave of absence for any reason other than military service for a period of up to 12 months. The Plan Administrator will provide the Participant with a written explanation of the effect of the leave of absence upon his or her Plan loan.

With respect to a non-military unpaid leave of absence, loan repayments must resume upon return to paid employment and the Participant must select one of the options below to pay the portion of loan payments, including interest accrued during the leave:

- The Participant will increase the amount of the required installments to an amount sufficient to amortize the remaining balance of the loan, plus accrued interest, over the remaining original term of the loan.

- The Participant will pay a balloon payment of the remaining unpaid principal and interest, at the conclusion of the original term of the loan as determined in the promissory note.

The participant must submit their choice of loan repayment in writing to the Plan Administrator within five (5) business days of their return to employment.

9. **DEFAULT**. In the event that a Participant fails to make a scheduled loan payment under this Policy and the scheduled payment remains unpaid beyond the last day of the calendar quarter following the calendar quarter in which the Participant missed the scheduled payment, a default on the loan shall occur.

In the event of such default, (i) all remaining payments on the loan shall be immediately due and payable, and (ii) effective as of the first day of the calendar month next following the month in which any such loan default occurs, the interest rate for such loan shall be (if higher than the rate otherwise applicable) the current interest rate being charged on loans from the Plan that are approved by the Plan Administrator in the month in which such default occurs.

After terminating employment, if a Participant has not entered into an ACH agreement with the loan administrator (which, as of 2026, is Voya) for the continuation of loan repayments within 60 days after the date of termination, then the remaining balance of the loan will be deemed offset, making it a final taxable distribution.

10. **AMENDMENT/TERMINATION**. This Policy may be amended from time to time, including an amendment to terminate the Policy.

This Policy has been duly executed on behalf of the Plan Administrator of the Plan.

COUNTY OF BRAZORIA, TEXAS

By: _____

Print Name: _____

Title: _____

Date: _____