

Heritage Products, Inc. Retirement Savings Plan

LOAN PROCEDURES

The Plan as reflected above permits loans to Plan participants and beneficiaries who are "parties-in-interest" to the Plan. All references in these loan procedures to participants shall mean participants and their beneficiaries who are "parties-in-interest" to the Plan, as defined in ERISA 3(14). The Plan Administrator (or a person properly designated to act on his or her behalf) is authorized to administer the Plan loan program. Participants are entitled to apply for a loan according to the following rules.

Processing Fee - American United Life Insurance Company (AUL) will assess a \$75 loan-processing fee to originate each loan. AUL reserves the right to change this fee at any time upon delivery of written notice to the Contractholder.

Application - Loans are available to all Plan participants (except as provided immediately below this paragraph) on a reasonably equivalent basis and will be made without regard to race, color, religion, sex, age, or national origin. A Plan participant must make application for a loan by completing a Loan Application form and submitting it to the Plan Administrator. The Plan Administrator will determine whether a participant qualifies for a Plan loan, applying such criteria as a commercial lender of funds would apply in like circumstances with respect to the participant. The participant will be required to provide any supporting information deemed necessary by the Plan Administrator to determine whether a loan should be granted.

Loans to owner-employees, shareholder-employees, or any family members of owner-employees or shareholder-employees are not permitted. The Department of Labor has not issued an exemption from the prohibited transaction rules under ERISA.

If a Corporation elects S corporation status and does not obtain from the Department of Labor an exemption from the prohibited transaction rules under ERISA which prohibit loans to owner-employees, shareholder-employees, or any family members of owner-employees or shareholder-employees, any loans to such employees will be demanded to be paid in full prior to the year for which the S corporation election will be effective. Additionally, any employee who is going to become an owner-employee, shareholder-employee, or a family member of an owner-employee or shareholder-employee after a corporation has become an S corporation will be demanded to pay off his or her loan in full before becoming such an employee.

Loans will be granted for any purpose.

No more than 1 loan may be outstanding at a time for a participant.

No loan will be approved until at least 3 months after the issuance of a previous loan.

Should a borrower default on his or her loan, the Plan Administrator will not approve a new loan for at least 12 months following a participant's default on a prior loan.

Loan Amount - The maximum amount of a loan (when added to the outstanding balance of all other loans for the participant in all plans of the Employer) will not exceed the lesser of:

- (a.) \$50,000 reduced by the excess (if any) of:
- 1) The highest outstanding balance of loans from the Plan during the one-year period ending on the day before the date on which such loan will be made, over
 - 2) The outstanding balance of loans from the Plan on the date such loan will be made; or
 - 3) 50 percent of the present value of the participant's vested benefit under the Plan (determined without regard to any deductible employee contributions).

The minimum loan amount is \$1,000.00.

Loan Withdrawal - Loans may be taken from the following contribution sources:

Y	Rollover
Y	Prior Plan
Y	Employee Elective Deferrals
N	Employee Mandatory
Y	Vested Employer Matching
N	Other Vested Employer
N	Safe Harbor Non-Elective
N	Safe Harbor Match
N	Qualified Non-elective Deferral

Note: Withdrawal will be made pro-rata from investment options and pro-rata from allowable contribution sources on a first-in/first-out basis (withdrawing from the oldest money first).

Security - All loans must be adequately secured. For this purpose, the Plan may consider a participant's vested interest under the Plan to be adequate security. However, in no event shall more than 50% of a participant's vested interest in the Plan (determined immediately after origination of the loan) be used as security. It shall be the policy of the Plan not to make loans that require security other than the participant's vested interest in the Plan.

Spousal Consent - The participant's spouse must consent in writing to using the vested accrued benefit as security for the loan unless this is a cash only plan exempt from the qualified joint and survivor annuity rules.

Interest Rate - The Plan Administrator will establish a reasonable rate of interest, which will provide the Plan with a return comparable to the rates being charged by lending institutions in the same geographic locale as the Employer for loans made under similar circumstances. A loan will carry the same rate of interest throughout its term, and the interest rate in effect for each loan will be the rate established by the Plan Administrator at the time the loan application is submitted. Interest paid on the loan is credited to the borrower's account.

Repayment - The term of the loan must be at least 12 months. Repayments (which must be made at least quarterly) may be made for a period of up to 5 years; however, if the loan is for the borrower to acquire his or her principal residence, repayments may be made for a period of one year up to 30 years.

Repayments are deposited into the contribution source, e.g., Employee Elective Deferral, that the loan proceeds were withdrawn from. Loan repayments are allocated to the borrower's current investment election within each contribution source.

Borrowers who are on the Employer's payroll must make loan repayments by after-tax payroll deduction. Each borrowing participant must enter into an irrevocable payroll deduction agreement with the Employer. American United Life Insurance Company (AUL) will not accept personal checks from the borrower and the Employer will remit repayments to AUL.

Loan repayments will not be due during an approved leave of absence, provided the leave of absence does not last longer than one year, and the borrower is either without pay or is being paid at a rate of pay (after income and employment taxes have been taken) that is less than the amount of the repayment required by the loan during the duration of the leave.

After returning from a leave of absence meeting the above requirements, the remaining balance on the loan will be paid off using one of the two following methods as determined at the time repayments resume:

- (1) The loan will be re-amortized so that the loan will be repaid not later than five years after the date of the original loan (unless the loan is for a principal residence, in which case the loan must be repaid not later than thirty years after the date of the original loan). The re-amortization of the loan balance cannot result in repayments being less than repayments required prior to the leave of absence, or
- (2) The loan repayments will resume after the leave of absence in the same amount that loan repayments were required before the leave of absence. At the end of the loan term, as determined at the time the loan was made, the remaining loan balance will be due in full.

If a leave of absence lasts longer than one year, loan repayments will become due on the first anniversary of the leave of absence.

Loans may not be consolidated or refinanced.

Full and partial prepayments are permitted; however, no loan may be paid off before it has been in existence for a period of one full year unless the borrower's employment has been terminated. All loans contain a demand feature requiring repayment in full upon the borrower's termination of employment (except for approved leaves of absence).

There is a three-month grace period for loan repayments; however, the grace period will not extend repayments beyond the maximum permitted duration (as restricted in the first paragraph of this section).

Default – The Plan Administrator is solely responsible for determining if a loan should be defaulted. If so determined by the Plan Administrator, a default of a loan shall exist upon, but shall not be limited to, the occurrence of any of the following acts, events, or conditions:

- (a.) Failure to make payment by the end of the repayment grace period
- (b.) Failure to maintain an automatic after-tax payroll deduction repayment arrangement, except for approved leaves of absence provided the leave of absence does not last longer than one year and the borrower is either without pay or is being paid at a rate of pay that is less than the amount of the repayment required by the loan during the duration of the leave
- (c.) A warranty or representation made by the participant that is false or is believed to be false by the Plan Administrator
- (d.) The death of the borrower
- (e.) Borrower makes an assignment for the benefit of creditors, files a petition in bankruptcy, is adjudicated insolvent or bankrupt, or becomes a subject of any wage earner plan under the federal Bankruptcy Code as now or hereafter in effect or under any applicable state insolvency law
- (f.) There is started against the borrower any bankruptcy, insolvency, or other similar proceeding which has not been dismissed by the 60th day after the date on which the proceeding was started, or the borrower consents to or approves of any such proceeding or the appointment of any receiver for the borrower or any substantial part of the borrower's property, or the appointment of any such receiver is not discharged within 60 days
- (g.) The required spousal consent (to the borrower's use of his or her accrued benefit in the Plan to secure the borrower's loan obligations) is revoked or otherwise becomes invalid or inoperative
- (h.) Interruption of the borrower's status as a "party-in-interest" with respect to the Plan
- (i.) Impairment of the value or priority of the security interest pledged by the borrower
- (j.) Termination of employment when the loan is not repaid in full, except for approved leaves of absence
- (k.) Failure to make payment at the end of one year of an approved leave of absence


The Plan Administrator must notify the recordkeeper (AUL) and participant of a loan default. Notification to the participant must include consequences associated with default, including establishment of the loan as a taxable event subject to personal income and penalty taxes.

If the Plan permits in-service withdrawals for participants who have attained age 59½ and qualify for such withdrawal, a defaulted loan will be deemed an in-service withdrawal to the extent available to cover the loan. This withdrawal is subject to personal income tax.

Amendment - These loan procedures may be amended in writing from time to time.

Supersedure - On the date these loan procedures are adopted, all prior loan procedures shall be superseded. Loans taken from the Plan prior to the date that these loan procedures are adopted shall continue according to the loan procedures in effect at the time the loan was granted.

Authorization -


9-8-03
 Employer's Signature Date