

BANNER HEALTH SYSTEM 401(k)/403(b) LOAN POLICY

Loans shall be made available to all qualifying Participants on a reasonably equivalent basis. Loans are not considered distributions and are not subject to federal or state income taxes, provided they are repaid as required. While Participants do pay interest on the loan, both the principal and interest are reinvested in their account. Loans will be based on the following procedures:

1. Eligibility for Loans

All participants are eligible for plan loans.

2. Loan Application

The Plan Administrator will administer Plan loans. Participants may apply for a loan by calling Fidelity at 1-800-343-0860 between 8:00 AM (ET) and Midnight (ET) on any business day. Participants must complete the loan application, sign, obtain spousal consent when necessary and return the form to Fidelity Investments for processing. The Plan Administrator is responsible for approving or denying loans. Participants will incur a set-up fee and annual maintenance fee for the loan.

3. Loan Amount/ Number of Loans

The minimum loan amount is \$1000. The maximum loan amount is the lesser of one-half of the vested Account Balance or \$50,000 reduced by the highest outstanding balance in the Account during the prior twelve-month period. The vested Account Balance will be used as collateral for any loan.

Participants may have two outstanding loans at any given time.

4. Interest Rate/ Maturity of Loan

Loans will bear an interest rate of the prime rate plus one percent as of the date of Application. The interest rate will remain the same for the duration of the loan.

5. Repayment of Loan

As of January 1, 2003, all new loans must be repaid by electronic bank draft. If a participant has one outstanding loan as of the date they apply for a new loan, the outstanding loan will also be converted to electronic bank draft repayment. Participants with a Status Code of Per Diem, Pool, Registry, Disabled, or Terminated must repay loans by electronic bank draft. Loans must be repaid within five years.

6. Loan Proceeds

Loan proceeds will be withdrawn from available Contribution sources and investment options in the order established by the Trustee.

7. Default or Termination of Employment

A loan will be in default if any scheduled payment remains unpaid at the end of the calendar quarter following the calendar quarter in which the scheduled payment was due or there is an outstanding principal balance existing on a loan after the last scheduled payment date. Upon default or death, the entire outstanding balance and accrued interest will be immediately due and payable. Additionally, Participants will be deemed to have received a taxable distribution from the Plan.

If the Participant is repaying the loan by paycheck reduction, upon termination of employment, a Participant may elect to set-up electronic bank draft loan repayment rather than take a deemed distribution from the Plan. Should the electronic bank draft loan repayment authorization be revoked prior to the final principal and interest payment being received, the loan will be defaulted.