

**RESOLUTION NO. 16-12**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE RUNNING SPRINGS WATER DISTRICT ADOPTING AN AMENDMENT TO THE RUNNING SPRINGS WATER DISTRICT DEFERRED COMPENSATION PLAN, IMPLEMENTATION OF PARTICIPANT LOAN PROGRAM, AND ADDITION OF SELF-BROKERAGE INVESTMENT OPTION**

**WHEREAS**, the Running Springs Water District maintains the Running Springs Water District Deferred Compensation Plan (the “457 Plan”) administered by Nationwide Retirement Solutions, Inc. for the benefit of its employees; and

**WHEREAS**, the District desires to implement a participant loan program under the 457 Plan which shall be administered by Nationwide Retirement Solutions, Inc.; and

**WHEREAS**, the Board of Directors has been provided an administrative agreement entitled the “Participant Loan Administrative Procedures” which sets forth the requirements and procedures for the application, repayment and administration of participant loans from the 457 Plan; and

**WHEREAS**, the Board of Directors has been advised by the District’s legal counsel, Best Best & Krieger LLP, that it will also be necessary to formally amend the 457 Plan to permit the implementation of a participant loan program; and

**WHEREAS**, a proposed form of amendment to the 457 Plan, prepared by Best Best & Krieger LLP, has been submitted to the Board of Directors for consideration and action; and

**WHEREAS**, the terms of the written plan document for the 457 Plan provide that the investment of a participant or beneficiary’s deferred compensation account shall be made at the direction of such participant or beneficiary pursuant to the investment specifications submitted to the Plan Administrator or the investment representative designated by the District; and

**WHEREAS**, the District desires to extend an additional investment option under the 457 Plan and allow participants the opportunity to invest through a self-directed brokerage account program offered by Charles Schwab and known as the Schwab Personal Choice Program; and

**WHEREAS**, it is necessary for the District to enter into a custodial trust agreement with Nationwide Trust Company, FSB (“NTC”) in order to appoint NTC as custodian of any amounts invested under the Schwab Personal Choice Program; and

**WHEREAS**, the Board of Directors has been provided with a 457 Custody Agreement by NTC which sets for the powers and duties to be conferred upon NTC as a custodian for the 457 Plan; and

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors of the Running Springs Water District that:

SECTION 1. The Board of Directors hereby approves the adoption of the Amendment #3 to the Running Springs Water District Deferred Compensation Plan to permit participant loans under the 457 Plan, as heretofore discussed, effective as of August 15, 2012.

SECTION 2. The Board of Directors hereby approves the adoption of the Nationwide Retirement Solutions, Inc. Participant Loan Administrative Procedures under the Running Springs Water District Deferred Compensation Plan.

SECTION 3. The Board of Directors hereby approves the adoption of the 457 Custody Agreement with Nationwide Trust Company, FSB in order to make the Schwab Personal Choice Program available to the participants and beneficiaries of the 457 Plan and name Nationwide Trust Company as custodian of any amounts invested through the Schwab Personal Choice Program.

SECTION 4. The Board of Directors hereby authorizes the General Manager to duly execute the Amendment to the 457 Plan, the Participant Loan Administrative Procedures, and the 457 Custody Agreement on behalf of the District and to notify all eligible employees and participants of the availability of the new plan features under the 457 Plan.

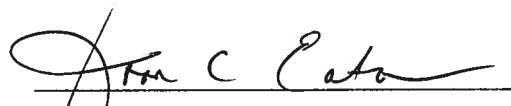
SECTION 5. The Board of Directors further authorizes and directs the General Manager to take such further actions and execute such additional documents as shall be necessary to effectuate the intent of the foregoing resolutions.

**THE FOREGOING RESOLUTION** is adopted and signed this 15<sup>th</sup> day of August, 2012.

RUNNING SPRINGS WATER DISTRICT

  
Kenneth Ayers, Board President

ATTEST:

  
Secretary

**RUNNING SPRINGS WATER DISTRICT  
DEFERRED COMPENSATION PLAN**

**AMENDMENT NO. 3**

RECITALS

A. RUNNING SPRINGS WATER DISTRICT (hereinafter the “Employer”) previously adopted the RUNNING SPRINGS WATER DISTRICT DEFERRED COMPENSATION PLAN administered by Nationwide Retirement Solutions, Inc. (hereinafter referred to as the “Plan”).

B. The Employer desires to amend the Plan to permit participant loans in accordance with IRS Regulations Section 1.457-6(f).

C. Section 13.01 of Article XIII of the Plan provides that the Employer reserves the right to amend the Plan at any time.

AMENDMENT

NOW, THEREFORE, Employer hereby amends the RUNNING SPRINGS WATER DISTRICT DEFERRED COMPENSATION PLAN as follows:

The following is added as a new Article XVI to the Plan:

**ARTICLE XVI  
LOANS TO PARTICIPANTS**

16.01 Participant Loans. The Employer shall be authorized to direct the Trustee to make loans to Participants and their Beneficiaries upon their application to the Plan Administrator.

16.02 Loan Procedures. The Employer shall adopt a separate written Participant Loan Administrative Procedures forming part of this Plan which shall be incorporated herein by this reference. The Loan Policy shall include, without limitation, the following:

- (a) the identity of the person or entity authorized to administer the Participant loan program;
- (b) the procedure for applying for loans;
- (c) the basis on which loans will be approved or denied;
- (d) limitations (if any) on the types and amount of loans offered;
- (e) the procedure under the program for determining a reasonable rate of interest;

- (f) the types of collateral which may secure a Participant loan; and
- (g) the events constituting default and the steps that will be taken to preserve the Plan assets in event of default.


No loan to any Participant can be made to the extent that such loan would exceed the lesser of (a) \$50,000 reduced by the greater of (i) the outstanding balance on any loan from the Plan on the date the loan is made or (ii) the highest outstanding balance on loans from the Plan during the one-year period ending on the day before the date the loan is approved by the Plan Administrator (not taking into account any payments made during such one-year period); or (b) one-half the present value of the Participant's vested Account Balance (as of the valuation date immediately preceding the date on which such loan is approved by the Plan Administrator).

16.03 Special Rule for Veterans: The suspension of an Employee's obligation to repay a plan loan for the period during which the Employee is performing military service (as described in Section 414(u)(4) of the Code) will not disqualify the Plan from satisfying the prohibited transaction exemption for plan loans.

IN WITNESS WHEREOF, the Employer has caused this amendment to be executed on August 15, 2012.

EMPLOYER:

RUNNING SPRINGS WATER DISTRICT



By: Ryan Gross  
Its: General Manager

APPROVED AS TO FORM AND CONTENT:  
BEST BEST & KRIEGER LLP

By:   
Attorneys for Employer

**DEFERRED COMPENSATION PROGRAM  
PARTICIPANT LOAN ADMINISTRATIVE PROCEDURES**

Nationwide Retirement Solutions, Inc. ("NRS") agrees to administer to the term of the Participant Loan Administrative Procedures as approved by the Sponsor of the Plan. The Sponsor is encouraged to consult with its legal advisors in determining whether the procedures identified herein are appropriate for its Plan.

The Sponsor acknowledges that NRS may need to make changes from time-to-time to the administrative procedures set forth herein and may request amendments to the Plan documents to maintain compliance of the loan program with Internal Revenue Service guidelines. In such a case, NRS will provide you with timely notice of such changes as they become necessary.

The following administrative procedures shall govern the making of loans from the Plan:

**1. Loan Administration.** Sponsor delegates to NRS certain administrative duties regarding the administration of loans from the Plan, which are set forth herein and which may be modified by NRS upon timely notice to Sponsor.

**2. Loan Eligibility.** Any Plan participant is eligible for a loan from the Plan. Each participant is entitled to one (1) loan at any time. In addition, a participant who has defaulted on a previous loan shall not be eligible for another loan from the Plan until all defaulted loans are repaid in full, including accrued interest and fees.

**3. Loan Application and Loan Agreement.** In order to receive a loan from the Plan, an eligible participant must complete a loan application and return it to NRS. A loan application fee of \$50.00\* will be deducted from the participant's account(s). Before a loan is issued, the participant must enter into a legally enforceable loan agreement as provided by NRS on behalf of the Plan. If the Sponsor permits loans for the purchase of the participant's principal residence, the participant will be required to sign a primary residence certificate form and provide NRS with a copy of the contract or other documents relating to the acquisition of the dwelling unit. If the source for a single loan includes both the participant's deferred amounts and eligible rollover amounts, the participant will be required to complete a loan application and loan agreement for each account which will be treated as separate and distinct for all purposes herein except that they will be considered a single loan for purposes of Sections 2, 6, and 10 herein.

**4. Loan Repayment/Maximum Loan Term.** Repayment of any loan made to a participant shall be made in a manner and pursuant to the terms set forth in loan agreement. The participant receiving a loan shall be required to furnish the information and authorization necessary to effectuate the foregoing payments prior to the commencement of a loan. The maximum term over which a loan may be repaid is five (5) years (fifteen (15) years if the Sponsor permits loans for the purchase of the participant's principal residence).

In the event that a participant elects to receive a distribution from the Plan (other than a distribution due to an unforeseeable emergency or other in-service withdrawal) at a time when such person has a Plan loan outstanding, the principal and any accrued interest with respect to such loan shall be taxable.

**5. Loan Amortization.** Each loan shall be amortized in substantially equal payments consisting of principal and interest during the term of the loan. Payments of principal and interest shall be made in a manner and pursuant to the terms set forth in the loan agreement on a monthly basis in equal amounts, except that the amount of the final payment may be higher or lower. Before the loan is made, the participant will be notified of the date on which the first payment will be deducted and the dates on which subsequent payments are due.

\* These fees, rates, and minimums are subject to change by NRS upon reasonable notice to the Plan Sponsor. Loan fees will appear as administrative charges on Participant Statements. NRN-0445AO-1011

**6. Loan Frequency/Renegotiations.** Each participant may have only one (1) Plan loan outstanding at any given time. A Plan loan which is in default, even if the defaulted loan was treated as a "deemed distribution" under federal regulations, shall be treated as an outstanding loan until such participant's account balance is offset by the amount of principal and accrued interest under the loan. NRS shall offset a defaulted loan at any time that is administratively practicable, including but not limited to severance from employment by the Participant or upon a request for a distribution from the Plan. A participant will be granted a loan no more frequently than two (2) times in any twelve (12) month period. A new loan shall not be granted prior to the repayment of an outstanding loan.

**7. Default.** The participant must pay the full amount of each payment (principal and interest) on the date that it is due by having sufficient funds in the account designated for loan payments through the ACH process. If NRS is unable to process a payment on the date due because the participant fails to have sufficient funds in the account on that date, NRS will assess a fee of \$25.00 that will be deducted from participant's account(s) and will send written notification to the participant. The participant shall be in default for the entire amount of the loan UNLESS the participant does each of the following: 1) contacts NRS, 2) mutually agrees with NRS on a date, which is within 30 days of the missed payment on which funds sufficient to cover the missed payment will be in the account and; 3) actually pays the missed payment. Failure to make such a payment through mutually agreeable terms shall cause the participant to be in default for the entire amount of the loan. The loan also shall be defaulted upon the death of the participant or if the participant commences or has commenced against participant a bankruptcy case. No additional loans shall be made to a participant who has defaulted on a Plan loan and who has not repaid all defaulted loans in full, including accrued interest and fees.

**8. Loan Prepayment.** The entire amount of a loan, including outstanding principal and any accrued interest, may be paid without penalty prior to the end of the term of the loan in the manner prescribed by NRS. However, payments made that are less than the remaining principal amount of the loan and any accrued interest with respect to the loan, or which are not paid in the form prescribed by NRS, are not permitted.

**9. Loan Security.** By accepting a loan, the participant is giving a security interest to the Plan in his or her vested Plan balance as of the date of the loan process date, together with all additions thereof, to the Plan that shall at all times be equal to 100% of the unpaid principal balance of the loan together with accrued interest.

**10. Maximum/Minimum Loan Amount.** The maximum amount of any loan permitted under the Plan is the lesser of (i) 50% of the Participant's vested account balance (not including any value attributable to applicable life insurance or deemed IRA account) less any outstanding loan balances under the Plan or (ii) \$50,000 less the highest outstanding loan balance during the preceding one-year period. The minimum loan amount permitted is \$1,000.00\*. Loans shall be made in accordance with these limits and those limits imposed under federal regulations without regard to any other loans received by the participant from any other investment provider under the Plan or any other plan of the employer. The participant and not NRS shall at all times remain responsible for ensuring that any loan received under the Plan is in accordance with regard to any other loans received by the participant under any other plans of the participant's employer. Any tax reporting required as a result of the receipt by a participant of a loan that exceeds the limits imposed by federal regulations shall not be the responsibility of NRS, unless it is determined that such limits were exceeded solely as a result of a loan made through NRS as service provider. Consequently, NRS shall not be required to account for loans made pursuant to a plan other than this Plan or loans made under this Plan that are made by another provider.

**11. Suspension of Loan Payments.** NRS may suspend a participant's obligation to repay any loan under the Plan during the period in which the participant is performing service in the uniformed services as may be required by law. At the expiration of any suspension of loan payments period, the outstanding loan balance, including any accrued interest and fees, will be re-amortized and the participant will be required to execute an amended Loan Agreement.

\* These fees, rates, and minimums are subject to change by NRS upon reasonable notice to the Plan Sponsor. Loan fees will appear as administrative charges on Participant Statements. NRN-0445AO-1011

**12. Loan Interest Rate.** The interest rates for a Plan loan shall commensurate with interest rates being charged by entities in the business of lending money under similar circumstances. Generally, the rate assumed will be Prime Rate + 1.00%\*. The Prime Rate shall be the prime rate published by the Wall Street Journal two weeks prior to the end of the most recent calendar-year quarter. NRS may adjust the loan interest rate for participants entering active duty in the military services as may be required by law.

**13. Annual Loan Maintenance and Asset Fees.** An annual loan maintenance fee of \$50.00\* will also be deducted from the participant's account until the loan is repaid in full. The amount of the outstanding loan balance will be subject to the maximum asset fee, administrative charge or such other fees NRS is entitled to receive under its separate agreement with the Sponsor.

**14. Loan Default Fee.** At the time when a default occurs, a \$50.00\* loan default fee will be deducted from the participant's account. This charge will only affect participants who fail to make a required loan payment.

**15. Loans for the Purchase of a Principal Residence.** All loans issued by the Plan will be general loans to be repaid in five (5) years unless the Sponsor affirmatively elects to offer loans for the purchase of the participant's principal residence, which may be repaid in fifteen (15) years. Such loans shall be solely secured by the participant's vested account balance. All administrative procedures set forth herein shall apply to such loans.

If the Plan Sponsor elects to permit loans for the purchase of the Participant's principal residence, please check this box.

**16. Loan Correction.** In the event an error occurs in the administration of the loan, NRS may undertake correction of the error in accordance with methods proscribed by the IRS or through any IRS correction program.

The undersigned Sponsor hereby adopts these Participant Loan Administrative Procedures, effective for loans issued on or after the effective date set forth below, and instructs NRS to administer loans made to Plan participants in accordance with these terms.

The Sponsor acknowledges the following: (i) that the Sponsor has decided to offer loans under the Plan and is instructing NRS to administer loans under the Plan; (ii) that it understands that, as a result of offering loans under the Plan, the Plan participants could be subject to adverse tax consequences upon default of the loan; (iii) that the Sponsor has independently weighed these risks, and despite the risks has determined that offering loans under the Plan is in the best interest of Plan participants; and (iv) NRS shall not be liable for any adverse tax consequences described in (ii), except as specifically stated under paragraph 10 herein, resulting from the Plan Sponsor's decision to offer loans under the Plan.

Plan Sponsor ("Sponsor"): Running Springs Water District

Street Address: 31242 Hilltop Blvd.

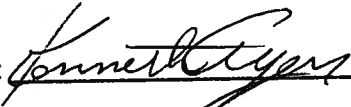
City, State, Zip Code: Running Springs, CA 92382

Plan Name ("Plan"): 457 Plan

Entity No.: 0037232

Effective Date: August 15, 2012

\* These fees, rates, and minimums are subject to change by NRS upon reasonable notice to the Plan Sponsor. Loan fees will appear as administrative charges on Participant Statements. NRN-0445AO-1011

By:  Kenneth Ayers  
Its: President of the Board of Directors  
Email Address: \_\_\_\_\_  
Date: August 15, 2012

In the event that you decide to offer loans from your Plan to Participants, you will need to return to NRS at Nationwide Retirement Solutions, PO Box 182797, Columbus OH 43272-8450, Attn: Loans Administrator a fully executed original of this document and a fully executed original of the enclosed Plan Document Amendment. NRS cannot begin processing Participant loans from your Plan until it receives fully executed originals of both of these documents.