

# KOHLER CO. 401(K) SAVINGS PLAN PARTICIPANT LOAN POLICY

This Loan Policy is effective for loans made on or after June 1, 2015.

## **ARTICLE I. ADMINISTRATION**

Kohler Co., as plan administrator of the 401(k) plans identified in Article VII (together, the "Plan"), is authorized to administer this Loan Policy and to prescribe such forms and rules as it considers necessary or appropriate to administer loans under the terms of the Plan. Kohler Co. has authorized Voya Financial™ (the Administrator) to act as its agent to administer the loan program under its terms and any prescribed forms and procedures adopted by Kohler Co. This Loan Policy may be suspended, amended, or terminated by Kohler Co. at any time.

## **ARTICLE II. CONDITIONS AND LIMITATIONS**

**Section 2.01 Eligibility:** You may apply for a loan if you are a participant who has a vested account balance in the Plan. Loans will not be made to any alternate payee under a QDRO, to beneficiaries, or to terminated participants. By applying for a loan, you certify that the proposed borrowing is for your own purposes and not for the benefit of any other party-in-interest to the Plan (such as an employer or any plan fiduciary). A loan requested after Kohler Co. is on notice that a QDRO may apply to your account will be subject to the Plan's QDRO procedures.

**Section 2.02 Number of Loans Outstanding:** The Plan limits the number of loans that a participant may have outstanding at any one time to one (1) loan. *A defaulted or deemed distributed loan counts toward this total. If you have a defaulted or a deemed distributed loan, you will not be eligible to take another loan until the defaulted or deemed distributed loan balance has been paid back along with any interest owed. A deemed distributed loan offset from your account balance does not count toward this total.* The Plan does not allow for refinancing an existing loan. Refinancing includes the replacement of one loan for another loan.

**Section 2.03 Loan Fees:** The account of a participant requesting a loan on or after September 1, 2015, will be charged a one-time loan origination fee of \$50.00.

**Section 2.04 Maximum Principal Amount:** The maximum principal amount of any loan is the lesser of:  
(a) \$50,000, reduced by the highest outstanding loan balance during the twelve (12)-month period ending on the day before the date the loan is made, or  
(b) 50% of the vested account balance determined on the day of the loan.

**A defaulted loan or deemed distributed loan is considered an outstanding loan in determining the maximum available loan amount.**

**Section 2.05 Minimum Principal Amount:** The minimum principal amount of any new loan request is \$1,000.

**Section 2.06 Duration:** The term, or repayment period, of any loan must be at least one (1) year. For general purpose loans, the maximum repayment period is five (5) years. For a loan used to purchase a primary residence for you, the maximum repayment period is fifteen (15) years. The repayment period you choose must be in one (1) month increments. Your repayments are then amortized based on your payroll frequency.

### **Section 2.07 Repayment**

**(a) Repayment Method:** Your loan will be repaid via payroll deduction in substantially equal installments from each paycheck. Loan repayments are made in after-tax dollars. Partial pre-payment of your outstanding loan balance is not permitted. However, you may repay your entire outstanding loan balance (including all principal, accrued interest, and any other amounts due under the loan) without penalty. To obtain your loan payoff amount, contact a Voya Customer Service Associate at 1-888-401-5722. If your

loan repayment is not made via payroll deductions, payments must be in the form of a certified check, money order, or cashier's check made payable to: Voya Institutional Trust Company, **f/b/o [Your Name]**.

These checks should be mailed to:

**Voya Financial**  
**Attn: Kohler Co. 401(k) Administration**  
**P.O. Box 5166**  
**Boston, MA 02206**

*Personal checks will not be accepted and will be returned.*

**(b) Commencement of Loan Repayment Schedule:** Your first loan repayment will begin as soon as administratively feasible after the loan is issued. If loan repayment is through payroll deduction, it is your responsibility to review your pay stub to ensure your repayments are being made.

**(c) Loan Repayments While On Leave of Absence**

**(i) Paid Leave:** If you are on a paid leave of absence (defined as receiving pay from Kohler Co.), your loan repayments will continue via payroll deduction provided your pay covers the loan repayment amount. If your pay during your leave cannot cover your loan repayment, please see (ii) Unpaid Leave below.

**(ii) Unpaid Leave:** If you are on an authorized, unpaid leave of absence (defined as not receiving pay from Kohler Co. or your leave pay from Kohler Co. is insufficient for your loan repayment to be taken), you are eligible to suspend your loan repayments for the length of your unpaid leave up to a maximum period of one (1) year. Your loan will not be treated as in default during this permissible suspension. Interest on the loan will continue to accrue during the suspension of payments. Although you are not required to make loan repayments during your permissible suspension period, you may elect to have your payroll loan repayment amount reamortized to a monthly amount and continue your loan repayment. The term of the loan will not be changed. If interested, contact Voya at 1-888-401-5722 and ask that your loan be reamortized to a monthly payment based on your authorized, unpaid leave status.

If your unpaid leave continues beyond one (1) year, your loan will be reamortized to a monthly amount and you must resume your loan repayments. Because the term of the loan does not change, you must make a balloon payment equal to the suspended payments and interest on those payments by the end of the term of the loan. If you do not resume your loan repayments or make the balloon payment by the end of the term of the loan, your loan will be considered in default on the last day of the calendar quarter following the calendar quarter in which a required payment was not made.

Loan repayments not made via payroll deductions must be in the form of a certified check, money order, or cashier's check made payable to: Voya Institutional Trust Company, **f/b/o [Your Name]**.

These checks should be mailed to:

**Voya Financial**  
**Attn: Kohler Co. 401(k) Administration**  
**P.O. Box 5166**  
**Boston, MA 02206**

*Personal checks will not be accepted and will be returned.*

If when you return to work your loan is still active, your loan will be reamortized over the remaining term of the loan. The reamortized payments cannot be less than the original loan payments.

Your loan repayments via payroll deductions must be restarted as soon as administratively feasible.

**(iii) Suspension of Loan Repayments for Qualified Military Leave:** If you are on a leave of absence due to active qualified military service, your loan repayments may be suspended for the full period of your military service. For details on options for repaying your loan, please refer to Kohler Co.'s Military Service (USERRA) Policy.

**(d) Loan Funding:** The distribution of the proceeds of your loan will be charged solely against your account balance, and your loan amount will be withdrawn pro-rata from each source in your account: Employee Contribution, Employer Match, and Employee Rollover. All repayments of principal and interest will be credited solely to your account and invested in each source pro-rata based on the source amounts of the original distribution.

In addition, the distribution of the proceeds of your loan will be charged pro-rata from the investment options in which your available vested account balance is invested under the Plan when your loan is taken. All repayments will be invested under your investment elections in the Plan at the time of each loan repayment.

The unpaid principal balance of your loan will be reflected as a receivable in your account.

**(e) Effect of Employment Transfer:** If your plan account balance is transferred to another 401(k) plan sponsored by Kohler Co. because of a change in your employment position, your outstanding loan balance will also be transferred. You must continue making loan repayments under the original terms and conditions of the loan.

**Section 2.08 Interest Rate:** The interest rate charged on your loan will be the Prime Rate reported in *The Wall Street Journal* on the first business day of the month preceding the month in which you request the loan. The interest rate so determined will remain fixed throughout the duration of the loan unless you are called to active military service. Loans granted at different times may bear different interest rates. Interest will begin to accrue on the date the loan proceeds are disbursed to you and will continue to accrue until the loan is paid in full (whether before or after maturity or default). If you are on a qualified military leave, refer to Kohler Co.'s Military Service (USERRA) Policy which describes the maximum rate of interest that may be charged on a loan during the period of your military service.

**Section 2.09 Security:** Each loan will be secured by your assignment of up to fifty percent (50%) of your vested account balance.

**Section 2.10 Loan Default:** If you fail to make an installment repayment on your loan when due, the Administrator will give you written notice of your right to cure this failure by making up missed repayments or repaying the loan in full within a prescribed period. If your failure to make an installment repayment continues beyond the expiration of this cure period, the Administrator will consider this a default in the repayment of the loan. The law requires that a default be declared no later than the last business day of the calendar quarter following the calendar quarter in which your last payment was due but not paid. Your loan may be defaulted in other circumstances; such as if you declare bankruptcy, the Administrator determines that your ability to repay your loan is substantially impaired or if any representation regarding your loan made by or on your behalf proves to be false in any material respect when made. If you request a residential loan, your loan will default if you fail to provide documentation of the purchase of your primary residence as described in Article VI below. If you default on your loan, your outstanding loan balance will be treated as a deemed distribution for federal income tax purposes (i.e., a distribution from the Plan subject to all applicable taxes and penalties). The Internal Revenue Service will be notified of this distribution from your account and you will receive a 1099-R the following January for you to use for your tax filing. In addition, a 10% federal excise tax may apply for early payment. The amount of a deemed distribution will comprise the entire outstanding balance of the loan during the default, including any accrued interest to that date. A deemed distributed loan will continue to be a debt you owe to your account and will appear on your account statements. Any deemed distributed loan must be repaid in full, including accrued interest, for you to be eligible to take another loan from the Plan.

**Section 2.11 Termination of Employment:** If you terminate employment with an outstanding loan balance, upon request, Voya will (a) reamortize your loan to a monthly amount and (b) provide you with instructions on how to continue making your loan repayments. If you do not continue to make loan repayments or you do not pay off your loan in full, the unpaid loan balance will be treated as a deemed distribution, as described in Section 2.10 Loan Default, and will be subject to taxes and penalties. The Internal Revenue Service will be notified that you received a distribution from your account and you will receive a 1099-R the following January for you to use in your tax filing.

When a distributable event occurs, your vested account balance is reduced (offset) by your outstanding loan balance to repay the loan. A distributable event occurs when you request a distribution from the Plan or your account balance is cashed out.

*It is your responsibility when your employment with Kohler Co. ends to contact Voya at 1-888-401-5722 to request your loan be reamortized to a monthly repayment and to continue making your loan repayments. Failure to continue making your loan repayments will cause your loan to default.*

**Section 2.12 Irregular Pay from Kohler Co.:** If you cannot repay your loan via payroll deductions while an active employee because your pay is irregular, it is your responsibility to contact Voya at 1-888-401-5722 to arrange for loan repayments to be made outside of your payroll deductions. Inconsistent pay from Kohler Co. typically results from a change in employment classification (e.g., a change from full- or part-time status to casual or seasonal status or 100% commission where you do not receive regular pay checks). Loan repayments will be required monthly or upon such terms as the Administrator may impose under the terms set forth by the Plan.

Loan repayments not made via payroll deductions must be in the form of a certified check, money order, or cashier's check made payable to: Voya Institutional Trust Company, f/b/o [Your Name].

These checks should be mailed to:

**Voya Financial  
Attn: Kohler Co. 401(k) Administration  
P.O. Box 5166  
Boston, MA 02206**

*Personal checks will not be accepted and will be returned.*

**Section 2.13 Death:** If you die while any portion of your loan remains outstanding, your Plan beneficiary(s) will repay the loan in full. If your beneficiary does not repay your loan in full, the unpaid loan balance will be treated as a deemed distribution to you as described in Section 2.10 Loan Default, and will be subject to taxes. The Internal Revenue Service will be notified of this distribution and your estate will receive a 1099-R the following January for your estate to utilize in your tax filing.

### **ARTICLE III. APPLICATION PROCEDURE**

To request a loan, contact Voya by accessing KOHLER.voyaplans.com or by calling 1-888-401-5722. Voya will inform you of the maximum amount you may borrow, the interest rate that will apply, and the amount and number of payroll deductions required to repay your loan based on the desired term.

- If applying for a residential loan, you must submit an executed offer to purchase or documentation of the intended or actual purchase of your primary residence to Voya and follow up with the proof of purchase as described in Article VI below.
- Loan checks will be mailed to you based on the address on record when the loan is issued.
- You can provide your bank information on the participant website so loan proceeds are sent via ACH directly into your bank account. You must submit the bank account information to Voya via the participant website at least 7 calendar days prior to requesting your loan. Also, once you establish your

ACH banking information on the participant website, the default method of payment for all future withdrawal transactions will be ACH.

You are encouraged to seek professional tax advice before requesting a Plan loan to fully understand the potential negative tax consequences if a loan default occurs.

#### **ARTICLE IV. APPROVAL OR DENIAL**

Your loan application will be approved if the requested loan and any documentation required by the Administrator comply with the requirements of this Loan Policy. If a loan application is denied, a Voya representative will inform you of the reason(s) for the denial with reference to the requirements for the Loan Policy on which the denial is based.

#### **ARTICLE V. PROMISSORY NOTE AND SECURITY AGREEMENT**

By cashing or depositing the check for your loan, you are agreeing (and will be legally obligated) to repay the loan under the Truth in Lending Disclosure Statement and this Loan Policy.

Together, your endorsed or negotiated loan check, the Truth in Lending Disclosure Statement, and this Loan Policy will constitute your Promissory Note and Security Agreement regarding your loan. This means that:

*You acknowledge and agree that the loan repayments described in the payment schedule of the Truth in Lending Disclosure Statement (including interest and other finance charges) will be made by payroll deduction unless you are on an approved unpaid leave of absence or you terminate your employment. You assign and grant to the Plan a security interest of up to fifty percent (50%) of your vested account balance, not to exceed the balance of your loan immediately after it is made, as collateral for the prompt and full repayment of the loan. You consent to the possible foreclosure of the loan if a distribution of your account occurs.*

If for any reason you do not wish to accept the loan on these terms, do not cash or deposit the check, but mark the front of the check VOID and return it immediately to Voya. Any such returned check will be reinvested in your account on a current market basis, not retroactively to the date the loan was issued.

Your Truth in Lending Disclosure Statement, with this Loan Policy, is also your permanent record of your loan. Keep these documents, and a copy of the loan check with your financial records. Your quarterly participant statement from Voya will show how much you have repaid on your loan and how it has been reinvested under your investment elections.

The terms and conditions of this Loan Policy and your Promissory Note and Security Agreement are expressly subject to the Plan. Except to the extent preempted by Federal law, the Loan Policy and your Promissory Note and Security Agreement will be governed by the laws of the State of Wisconsin without giving effect to principles of conflict of laws.

#### **ARTICLE VI. VERIFICATION OF RESIDENTIAL PURCHASE**

If you requested a residential loan, you must provide a copy of one of the following as proof of purchase of your primary residence:

- Closing statement signed by you (as the buyer) and signed by the seller of the dwelling unit or property verifying payment; or
- Property Deed listing you as owner.

This documentation must be returned to Voya within 120 days after your loan has been issued. If you do not return the required documentation to Voya within this timeframe, your loan will default as described in Section 2.10 Loan Default.

The documentation should be mailed to:

**Voya Financial**  
**Attn: Kohler Co. Administration**  
**P.O. Box 24747**  
**Jacksonville, FL 32241-4747**

**ARTICLE VII. PLAN NAMES**

This 401(k) participant loan policy applies to the following plans identified below and supersedes any prior 401(k) participant loan policy. If any conflicts arise between this participant loan policy and any plan provisions, other than the immediate loan provisions, the actual plan document will govern.

**Kohler Co. 401(k) Savings Plan for Administrative Associates**  
**Kohler Co. 401(k) Savings Plan**

**CERTIFICATE OF ADOPTION OF THE  
KOHLER CO. 401(K) SAVINGS PLAN  
PARTICIPANT LOAN POLICY**

I certify that the attached Participant Loan Policy has been adopted by the plan administrator effective for loans made on or after June 1, 2015.

**KOHLER CO.**

By: Shannon Naujock

Name: Shannon Naujock, ERPA, QPA, QKA