

AMENDMENT NO. 3
(to Plan as Restated July 1, 1999)

OPTIONAL RETIREMENT PROGRAM OF
THE UNIVERSITY OF NORTH CAROLINA

WHEREAS, The University of North Carolina (hereinafter referred to as the "University") established the Optional Retirement Program of The University of North Carolina (hereinafter referred to as the "Plan") as amended and restated effective July 1, 1999; and

WHEREAS, the Board of Governors of the University reserved the right in Article VI of the Plan to amend the Plan; and

WHEREAS, the Board of Governors of the University is now desirous of amending said Plan in order to make certain changes therein.

NOW, THEREFORE, the Plan is amended, effective as indicated herein, in the following respects:

FIRST CHANGE

Effective January 1, 2002, Section 1.06, the definition of "Compensation," of Article I is amended so that subsection (b) thereof reads as follows:

Effective for Plan Years commencing on or after July 1, 1994 and before January 1, 2002, the limit referenced in subsection 1.06(a) shall be one hundred fifty thousand dollars (\$150,000) (or such other adjusted amount as may be determined by the Secretary of Treasury pursuant to IRC Section 401(a)(17)). Effective for Plan Years commencing on or after January 1, 2002, the limit referenced in subsection 1.06(a) shall be two hundred thousand dollars (\$200,000) (or such other adjusted amount as may be determined by the Secretary of Treasury pursuant to IRC Section 401(a)(17)).

SECOND CHANGE

Section 3.07, Maximum Additions, of Article III is amended so that subsection (a) and subsection (b) (up to paragraph (i)) thereof read as follows:

3.07(a) Forty thousand dollars (\$40,000), as adjusted pursuant to IRC Section 415(d); and

3.07(b) One hundred percent (100%) of the Participant's total non-deferred compensation received from the Employing Institution for such Plan Year. For purposes of this paragraph, "compensation" shall mean a Participant's earned income, wages, salaries, fees for professional services and other amounts received for personal services actually rendered in the course of employment with an Employer maintaining the plan. Effective for Plan Years beginning after December 31, 1997, "compensation" shall include any elective deferrals as defined in IRC Section 402(g)(3) and any amounts which are contributed or deferred by the Employer at the election of the Employee and which are not includible in the gross income of the Employee by reason of IRC Sections 125 or 457, and, effective for Plan Years beginning after December 31, 2000, "compensation" shall include any amounts which are contributed or deferred by the Employer at the election of the Employee and which are not includible in the gross income of the Employee by reason of IRC Section 132(f). "Compensation" shall exclude the following:

THIRD CHANGE

Effective January 1, 2003, Section 4.07, Maximum Option Payable, of Article IV is deleted in its entirety.

FOURTH CHANGE

Effective January 1, 2003, Section 4.09, Payment of Benefits, of Article IV is amended so that the provisions following subsection (c) thereof read as follows:

The following provisions of this Section 4.09 will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year. The following provisions of this Section 4.09 will take precedence over any inconsistent provisions of the Plan. All distributions required under the following provisions of this Section 4.09 will be determined and made in accordance with the Treasury regulations under IRC section 401(a)(9).

(i) (A) The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's "required beginning date."

(B) If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(1) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, then distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.

(2) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, then distributions to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(3) If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(4) If the Participant's surviving spouse is the Participant's sole designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this subparagraph (B), other than clause (1), will apply as if the surviving spouse were the Participant.

For purposes of this subparagraph (B) and paragraph (iii), distributions are considered to begin on the Participant's "required beginning date" (or, if clause (4) applies, the date distributions are required to begin to the surviving spouse under clause (1)). If distributions under an annuity purchased from any insurance company irrevocably commence to the Participant before the Participant's "required beginning date" (or to the surviving spouse before the date distributions are required to begin to the surviving spouse under clause (1)), the date distributions are considered to begin is the date distributions actually commence.

(C) Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the "required beginning date," as of the first "distribution calendar year" distributions will be made in accordance with paragraphs (ii) and (iii). If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of IRC section 401(a)(9) and the Treasury regulations.

(ii) (A) During the Participant's lifetime, the minimum amount that will be distributed for each "distribution calendar year" is the lesser of:

(1) the quotient obtained by dividing the "Participant's account balance" by the distribution period in the Uniform Lifetime Table in section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's age as of the Participant's birthday in the "distribution calendar year"; or

(2) if the Participant's sole designated Beneficiary for the "distribution calendar year" is the Participant's spouse, the quotient obtained by dividing the "Participant's account balance" by the number in the Joint and Last Survivor Table in section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the "distribution calendar year."

(B) Required minimum distributions will be determined under this paragraph (ii) beginning with the first "distribution calendar year" and up to and including the "distribution calendar year" that includes the Participant's date of death.

(iii) (A) (1) If the Participant dies on or after the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each "distribution calendar year" after the year of the Participant's death is the quotient obtained by dividing the "Participant's account balance" by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows:

The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

If the Participant's surviving spouse is the Participant's sole designated Beneficiary, the remaining life expectancy of the surviving spouse is calculated for each "distribution calendar year" after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For "distribution calendar years" after the year of the

surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's remaining life expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(2) If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each "distribution calendar year" after the year of the Participant's death is the quotient obtained by dividing the "Participant's account balance" by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(B) (1) If the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each "distribution calendar year" after the year of the Participant's death is the quotient obtained by dividing the "Participant's account balance" by the remaining life expectancy of the Participant's designated Beneficiary, determined as provided in subparagraph (A).

(2) If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(3) If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole designated Beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under paragraph (i)(B)(1), this subparagraph (B) will apply as if the surviving spouse were the Participant.

(iv) For purposes of this Section 4.09, the following words and phrases shall have the meanings indicated:

(A) Distribution calendar year – A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first "distribution calendar year" is the calendar year immediately preceding the calendar year that

contains the Participant's "required beginning date." For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to paragraph (i)(B). The required minimum distribution for the Participant's first "distribution calendar year" will be made on or before the Participant's "required beginning date." The required minimum distribution for other "distribution calendar years," including the required minimum distribution for the "distribution calendar year" in which the Participant's "required beginning date" occurs, will be made on or before December 31 of that "distribution calendar year."

(B) Life expectancy – Life expectancy as computed by use of the Single Life Table in §1.401(a)(9)-9 of the Treasury regulations.

(C) Participant's account balance. – The account balance as of the last valuation date in the calendar year immediately preceding the "distribution calendar year" (valuation calendar year), increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date, and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the "distribution calendar year" if distributed or transferred in the valuation calendar year.

(D) Required beginning date – The April 1 of the calendar year following the later of (1) the calendar year in which the Participant attains age 70½, or (2) the calendar year in which the Participant retires.

FIFTH CHANGE

Effective January 1, 2002, Section 4.11, Rollover Distributions, of Article IV, is amended so that paragraph (i) thereof reads as follows:

(i) Definitions

(A) Eligible Rollover Distribution: An Eligible Rollover Distribution is any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: any distribution that is one of a series of substantially equal

periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated Beneficiary, or for a specified period of ten (10) years or more; any distribution to the extent such distribution is required under IRC section 401(a)(9); and any distribution which is made upon hardship of the Employee. For purposes of the preceding sentence, a portion of a distribution shall not fail to be an Eligible Rollover Distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be paid only to an individual retirement account or annuity described in IRC section 408(a) or (b), or to a qualified defined contribution plan described in IRC section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

(B) **Eligible Retirement Plan:** An Eligible Retirement Plan is an individual retirement account described in IRC section 408(a), an individual retirement annuity described in IRC section 408(b), an annuity plan described in IRC section 403(a), a qualified retirement plan described in IRC section 401(a), an eligible deferred compensation plan described in IRC section 457(b) which is maintained by an eligible employer described in IRC section 457(e)(1)(A) and which agrees to separately account for amounts transferred into such a plan from this Plan, or an annuity contract described in IRC section 403(b), that accepts the Distributee's Eligible Rollover Distribution. The preceding definition of Eligible Retirement Plan also shall apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in IRC section 414(p).

(C) **Distributee:** A Distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in IRC section 414(p), are Distributees with regard to the interest of the spouse or former spouse.

(D) **Direct Rollover:** A Direct Rollover is a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

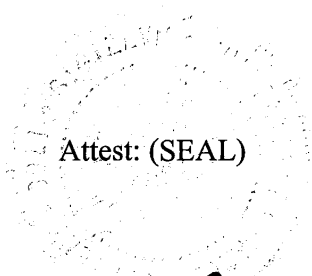
(E) **The Individual Account of a Participant,** who has been provided the notice specified in IRC section 402(f) but who makes no election with regard to an Eligible Rollover

Distribution within thirty (30) days of receiving such notice, shall be distributed directly to the Participant as soon thereafter as is practicable following such thirty (30) day period.

IN WITNESS WHEREOF, the Board has caused this Amendment No. 3 to the Plan to be executed by its Chairman and its corporate seal to be affixed by the Secretary, both duly authorized, effective as indicated herein, but executed this 3 day of January, 2003

Attest: (SEAL)

THE BOARD OF GOVERNORS OF
THE UNIVERSITY OF NORTH CAROLINA


Frances H. Hays By: *J. Bradley Lusk*
Secretary Chairman
Assistant Secretary of the Board of Governors