

THE UNIVERSITY OF NORTH CAROLINA

SECTION 403(b) PLAN DOCUMENT

JANUARY 1, 2009

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Introduction

The University of North Carolina wishes to create the Plan to comply with section 403(b) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder, and to operate the Plan administratively as if it were maintained by a single employer, and for other respects as if it were being maintained by separate employers. In furtherance of this goal, "Employers", including but not limited to The University of North Carolina and its constituent institutions, may participate in this Plan by executing an Adoption Agreement for The University of North Carolina Section 403(b) Plan Document under which eligible Employees of these Employers may participate in the Plan, according to the Plan's provisions.

Section 1 Definition of Terms Used

The following words and terms, when used in the Plan, have the meaning set forth below.

1.1 "Account". The account or accumulation maintained for the benefit of any Participant or Beneficiary under an Annuity Contract or a Custodial Account.

1.2 "Account Balance". The bookkeeping account maintained for each Participant which reflects the aggregate amount credited to the Participant's Account under all Accounts, including the Participant's Elective Deferrals and Roth 403(b) Contributions, the earnings or loss of each Annuity Contract or a Custodial Account (net of expenses) allocable to the Participant, any transfers for the Participant's benefit, and any distribution made to the Participant or the Participant's Beneficiary. If a Participant has more than one Beneficiary at the time of the Participant's death, then a separate Account Balance shall be maintained for each Beneficiary. The Account Balance includes, if applicable, any account established under Section 6 for rollover contributions and plan-to-plan transfers made for a Participant, the account established for a Beneficiary after a Participant's death, and any account or accounts established for an alternate payee (as defined in section 414(p)(8) of the Code).

1.3 "Adoption Agreement". The respective "Adoption Agreement for The University of North Carolina Section 403(b) Plan Document" as entered into by an Employer.

1.4 "Administrator". The University of North Carolina. Notwithstanding this appointment, the Administrator may designate, by separate agreement, any administrative responsibilities hereunder to one or more persons, committees, Vendors, and/or other organizations. Such a designee is limited only to the authority granted by the Administrator, notwithstanding any language in this Plan Document concerning the Administrator's authority.

1.5 "Annuity Contract". A nontransferable contract as defined in section 403(b)(1) of the Code, established for each Participant by the Plan Sponsor, or by each Participant individually, to hold assets of the Plan, that is issued by an insurance company qualified to issue annuities in the State of North Carolina and that includes payment in the form of an annuity.

1.6 "Beneficiary". The designated person(s) who is/are entitled to receive benefits under the Plan after the death of a Participant, subject to such additional rules as may be set forth in the Individual Agreements.

1.7 “Code”. The Internal Revenue Code of 1986, as now in effect or as hereafter amended. All citations to sections of the Code are to such sections as they may from time to time be amended or renumbered.

1.8 “Compensation”. All cash compensation for services performed for an Employer by an Employee and paid to the Employee, including salary, wages, fees, commissions, bonuses, and overtime pay, that is includible in the Employee’s gross income for the calendar year, plus amounts that would be cash compensation for services to the Employer includible in the Employee’s gross income for the calendar year but for a compensation reduction election under section 125, 132(f), 401(k), 403(b), or 457(b) of the Code (including an election under Section 2 made to reduce compensation in order to make Elective Deferrals under the Plan).

1.9 “Custodial Account”. The group or individual custodial account or accounts, as defined in section 403(b)(7) of the Code, established for each Participant by the Plan Sponsor, or by the Participant individually, to hold assets of the Plan.

1.10 “Disabled”. The definition of disability provided in the applicable Individual Agreement.

1.11 “Elective Deferrals”. Employer contributions made to the Plan at the election of the Participant in lieu of receiving cash compensation. Elective Deferrals are limited to pre-tax salary reduction contributions.

1.12 “Employee”. Each individual who is a common law employee of an Employer performing services as an employee of the Employer, and who pays Federal Insurance Contributions Act (FICA) taxes. This definition is not applicable unless the individual’s Compensation for performing services is paid by the Employer, and shall specifically exclude independent contractors, consultants and other individuals for whose services an Employer does not pay FICA taxes.

1.13 “Employer”. Any entity of the Plan Sponsor, which has Employees and which elects to participate in this Section 403(b) Plan by submitting a properly completed and executed Adoption Agreement. Employers may include The University of North Carolina’s constituent institutions, as defined by N.C.G.S. 116-4, as amended, and other university entities, such as the General Administration, UNC Press, and the University of North Carolina Health Care System.

1.14 “Funding Vehicles”. The Annuity Contracts or Custodial Accounts issued for funding amounts held under the Plan and specifically approved by the Plan Sponsor or Administrator for use under the Plan.

1.15 “Includible Compensation”. An Employee’s actual wages in box 1 of Form W-2 for a year for services to the Employer, but subject to a maximum of \$230,000 in 2008 (or such higher maximum as may apply under section 401(a)(17) of the Code) and increased (up to the dollar maximum) by any compensation reduction election under section 125, 132(f), 401(k), 403(b), or 457(b) of the Code (including any Elective Deferrals under the Plan).

1.16 “Individual Agreement”. An agreement between a Vendor and the Plan Sponsor or a Participant that governs a Custodial Account or an Annuity Contract.

1.17 “Participant”. An individual for whom Elective Deferrals or Roth 403(b) Contributions are currently being made, or for whom such deferrals or contributions have previously been made, under the Plan and who has not received a distribution of his or her entire Account Balance under the Plan.

1.18 “Plan”. The University of North Carolina Section 403(b) Plan.

1.19 “Plan Sponsor”. The University of North Carolina.

1.20 “Plan Year”. The calendar year.

1.21 “Roth 403(b) Contribution”. Any contribution made by a Participant which is designated as a Roth 403(b) Contribution in accordance with Section 10 of this Plan and that qualifies as a Roth contribution under section 402A of the Code. A Roth 403(b) Contribution is an Employee contribution that is: (a) designated irrevocably by the Employee as such on his or her salary reduction/deduction form to be a Roth 403(b) Contribution; and (b) treated by the Employer as includible in the Employee’s income. Unless otherwise provided, such contributions shall be subject to the same annual contribution limitation imposed on Elective Deferrals by section 402(g) of the Code.

1.22 “Severance from Employment”. For purpose of the Plan, Severance from Employment means Severance from Employment with all the Employers. However, a Severance from Employment also occurs on any date on which an Employee ceases to be an Employee of an Employer, even though the Employee may continue to be employed by an entity that is another unit of the State of North Carolina, or a local government, that is not an entity of The University of North Carolina.

1.23 “Vendor”. The provider of an Annuity Contract or Custodial Account, or any organization expressly authorized by such provider to act on their behalf under this Plan.

1.24 “Valuation Date”. Each business day.

Section 2 Participation and Contributions

2.1 Eligibility. Each Employee shall be eligible to participate in the Plan and elect to have Elective Deferrals or Roth 403(b) Contributions made on his or her behalf hereunder immediately upon becoming employed by the Employer.

2.2 Contributions.

(a) **Elective Deferrals.** An Employee elects to become a Participant by executing an election to reduce his or her Compensation (and have that amount contributed as an Elective Deferral on his or her behalf) and filing it with the Employer. This Compensation reduction

election shall be made on the agreement provided by the Vendor, the Administrator, and/or the Employer under which the Employee agrees to be bound by all the terms and conditions of participation in the Plan. The Administrator may establish an annual minimum deferral amount no higher than \$200, and may change such minimum to a lower amount from time to time. At this time the annual minimum deferral amount is \$200. The Participant's elections shall include (i) the designation of the Funding Vehicles and Accounts therein to which Elective Deferrals are to be made and (ii) the designation of Beneficiary, and may be made through a Vendor website or other alternative method provided in an Individual Agreement. Any such elections shall remain in effect until a new election is filed.

Only an individual who performs services for the Employer as an Employee may reduce his or her Compensation under the Plan. Each Employee will become a Participant in accordance with the terms and conditions of the Individual Agreements for such Participant. Except as otherwise provided in this Plan, all Elective Deferrals shall be made on a pre-tax basis. The election to defer Compensation made by each Participant in an Employer's corresponding plan that was in effect on December 31, 2008 shall continue effective January 1, 2009, until such Participant changes an election as permitted under this Section 2.2. An Employee who is not a Participant on January 1, 2009 shall become a Participant as soon as administratively practicable following the date applicable under such Employee's elections.

(b) **Roth 403(b) Contributions.** An Employee may elect to make Roth 403(b) Contributions to this Plan in accordance with Section 10 of this Plan. The Participant's election to make Roth 403(b) Contributions shall be made on the forms provided by the Vendor, Administrator and/or Employer under which the Employee agrees to be bound by all the terms and conditions of participation in this Plan, and shall also include designation of the Funding Vehicles and Accounts therein to which Roth 403(b) Contributions are to be made, as described in section 2.2(a). Any such election shall remain in effect until a new election is filed with the Employer. The Administrator may establish an annual minimum Roth 403(b) Contribution amount no higher than \$200, and may change such minimum to a lower amount from time to time. At this time the annual minimum deferral amount is \$200. Only an individual who performs services for the Employer as an Employee may elect to make Roth 403(b) Contributions under this Plan.

2.3 Information Provided by the Employee. Each Employee enrolling in the Plan shall provide to the Employer at the time of initial enrollment, and later if there are any changes, any information necessary or advisable for the Administrator and Employers to administer the Plan, including any information required under the Individual Agreements which is not otherwise made available to the Vendors.

2.4 Changes in Elective Deferrals Election or Roth 403(b) Contributions. Subject to the provisions of the applicable Individual Agreements, an Employee may at any time revise his or her participation election, including a change of the amount of his or her Elective Deferrals or Roth 403(b) Contributions and a change in the allocation of his or her Elective Deferrals to Roth 403(b) Contributions or vice-versa, his or her designation of Funding Vehicles and Accounts, and his or her designated Beneficiary. A change in the allocation between Funding Vehicles or between Elective Deferrals and Roth 403(b) Contributions shall take effect as of the date provided by the Vendor on a uniform basis for all Participants using such Vendor. A change in the Beneficiary designation shall take effect when the election is accepted by the Vendor.

2.5 Contributions Made Promptly. Elective Deferrals or Roth 403(b) Contributions under the Plan shall be transferred to the applicable Funding Vehicle within a period that is reasonable for the proper administration of the plan, but not later than 15 business days following the end of the month in which the Elective Deferrals or Roth 403(b) Contributions would otherwise have been paid to the Participant.

2.6 Leave of Absence. Unless an election is otherwise revised, if an Employee is absent from work by leave of absence, Elective Deferrals or Roth 403(b) Contributions under the Plan shall continue to the extent that Compensation continues.

Section 3 Limitations on Amounts Deferred

3.1 Basic Annual Limitation. Except as provided in Sections 3.2 and 3.3, the maximum amount of combined Elective Deferrals and Roth 403(b) Contributions under the Plan for any calendar year shall not exceed the lesser of

- (a) the applicable dollar amount, or
- (b) the Participant's Includible Compensation for the calendar year.

The applicable dollar amount is the amount established under section 402(g)(1)(B) of the Code, which is \$15,500 for 2008, and is adjusted for cost-of-living after 2008 to the extent provided under section 415(d) of the Code.

3.2 Age 50 Catch-up Elective Deferrals and Roth 403(b) Contributions. An Employee who is a Participant who will attain age 50 or more by the end of the calendar year is permitted to elect an additional amount of Elective Deferrals or Roth 403(b) Contributions, up to the maximum age 50 catch-up Elective Deferrals or Roth 403(b) Contributions for the year. The maximum dollar amount of the age 50 catch-up Elective Deferrals or Roth 403(b) Contributions for a year is \$5,000 for 2008, and will be adjusted for cost-of-living after 2008 to the extent provided under the Code. Effective January 1, 2009, the alternative fifteen year catch-up contributions described under section 402(g)(7) of the Code shall not be permitted under the Plan.

3.3 Special Rule for a Participant Covered by Another Section 403(b) Plan. For purposes of this Section 3, if the Participant is or has been a participant in one or more other plans under section 403(b) of the Code (and any other plan that permits elective deferrals or after-tax Roth contributions under section 402(g) of the Code), then this Plan and all such other plans shall be considered as one plan for purposes of applying the foregoing contribution limitations of this Section 3. For this purpose, the Administrator shall take into account any other such plan for which the Administrator receives from the Participant sufficient information concerning his or her participation in such other plan.

3.4 Correction of Excess Elective Deferrals or Roth 403(b) Contributions. If the Elective Deferrals or Roth 403(b) Contributions on behalf of a Participant for any calendar year exceeds the limitations described above, or the Elective Deferrals or Roth 403(b) Contributions on behalf of a Participant for any calendar year exceeds the limitations described above when

combined with other amounts deferred by the Participant under another plan of the Employer under section 403(b) of the Code (and any other plan that permits elective deferrals or Roth contributions under section 402(g) of the Code for which the Participant provides information that is accepted by the Administrator), then the Elective Deferrals or Roth 403(b) Contributions, to the extent in excess of the applicable limitation (adjusted for any income or loss in value, if any, allocable thereto), shall be distributed to the Participant in accordance with applicable IRS guidance. Notwithstanding the foregoing, the correction of excess Roth 403(b) Contributions shall be made pursuant to Section 10.5. Corrective distributions are required to be made within two-and-a-half (2½) months after the end of the calendar year.

3.5 Protection of Persons Who Serve in a Uniformed Service. An Employee whose employment is interrupted by qualified military service under section 414(u) of the Code or who is on a leave of absence for qualified military service under section 414(u) of the Code may elect to make additional Elective Deferrals or Roth 403(b) Contributions upon resumption of employment with the Employer equal to the maximum Elective Deferrals or Roth 403(b) Contributions that the Employee could have elected during that period if the Employee's employment with the Employer had continued (at the same level of Compensation) without the interruption or leave, reduced by the Elective Deferrals or Roth 403(b) Contributions, if any, actually made for the Employee during the period of the interruption or leave. Except to the extent provided under section 414(u) of the Code, this right applies for five years following the resumption of employment (or, if sooner, for a period equal to three times the period of the interruption or leave).

3.6 Annual Contribution Limits. The aggregate amount contributed into a Participant's 403(b) Account under the Plan and any other plan or arrangement operating under section 403(b) of the Code for any year shall not exceed the amount permitted under section 415(c) of the Code based on the Participant's most recent period of service determined under section 403(b)(3) of the Code.

Section 4 Loans

4.1 Loans. Loans shall be permitted under the Plan to the extent permitted by and in accordance with the Individual Agreements controlling the Account assets from which the loan is made and by which the loan will be secured. The Administrator may promulgate Loan Regulations concerning administering loans, which are set out in Appendix B hereto and which may be amended from time to time. The terms of these Regulations are incorporated herein by reference.

4.2 Information Coordination Concerning Loans. Each Vendor is responsible for all information reporting and tax withholding required by applicable federal and state law in connection with distributions and loans. To minimize the instances in which Participants have taxable income as a result of loans from the Plan, the Administrator shall take such steps as may be appropriate to coordinate the limitations on loans set forth in Section 4.3, including the collection of information from Vendors, and transmission of information requested by any Vendor, concerning the outstanding balance of any loans made to a Participant under the Plan or any other plan of the Employer. The Administrator shall also take such steps as may be appropriate to collect information from Vendors, and for the transmission of information to any Vendor, concerning any

failure by a Participant to repay timely any loans made to a Participant under the Plan or any other plan of the Employer.

4.3 Maximum Loan Amount. No loan to a Participant under the Plan may exceed the lesser of:

- (a) \$50,000, reduced by the greater of
 - (i) the outstanding balance on any loan from the Plan to the Participant on the date the loan is made, or
 - (ii) the highest outstanding balance on loans from the Plan to the Participant during the one-year period ending on the day before the date the loan is approved by the Administrator (not taking into account any payments made during such one-year period); or
- (b) one half of the 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 Administrator).

For purposes of this Section 4.3, any loan from any other plan maintained by the Employer or available to Employees, including without limitation any plan operating under sections 401(k) and 403(b) of the Code, shall be treated as if it were a loan made from the Plan, and the Participant's vested interest under any such other plan shall be considered a vested interest under this Plan; provided, however, that the provisions of this paragraph shall not be applied so as to allow the amount of a loan to exceed the amount that would otherwise be permitted in the absence of this paragraph.

Loans are included in taxable income under certain conditions, including (i) if the loan, when combined with the balance of all other loans from plans of the Employer, exceeds the limitations described in Section 4.3, or (ii) if there is a failure to repay the loan in accordance with the repayment schedule. Because the tax treatment of a loan depends on information concerning aggregate loan balances under all annuity contracts and custodial accounts within the Plan (and under all plans of the Employer), information about loan balances under the contracts and accounts of other vendors is needed before making a loan.

4.4 Loan Repayments for Participants in Military Service. Notwithstanding any other provision of the Plan or any Annuity Contract or Custodial Account, loan repayments by eligible uniformed services personnel may be suspended as permitted under section 404(u)(4) of the Code and the terms of any loan shall be modified to conform to the requirements of the Uniformed Services Employment and Reemployment Rights Act.

Section 5 Benefit Distributions

5.1 Benefit Distributions At Severance from Employment or Other Distribution Event. Except as permitted under Section 3.4 (relating to excess Elective Deferrals), Section 5.4

(relating to withdrawals of amounts rolled over into the Plan), Section 5.5 (relating to hardship), Section 8.3 (relating to termination of the Plan), or Section 10.5 (relating to excess Roth 403(b) Contributions), distributions from a Participant's Account may not be made earlier than the earliest of the date on which the Participant:

- (1) has a Severance from Employment,
- (2) dies,
- (3) becomes Disabled, or
- (4) attains age 59½.

Distributions shall otherwise be made in accordance with the terms of the Individual Agreements.

5.2 Small Account Balances. The terms of the Individual Agreement may permit distributions to be made in the form of a lump-sum payment, without the consent of the Participant or Beneficiary, but no such payment may be made without the consent of the Participant or Beneficiary unless the Account Balance does not exceed \$5,000 (determined without regard to any separate account that holds rollover contributions under Section 6.1) and any such distribution shall comply with the requirements of section 401(a)(31)(B) of the Code (relating to automatic distribution as a direct rollover to an individual retirement plan for distributions in excess of \$1,000).

5.3 Minimum Distributions. Each Individual Agreement shall comply with the minimum distribution requirements of section 401(a)(9) of the Code and the regulations thereunder. For purposes of applying the distribution rules of section 401(a)(9) of the Code, each Individual Agreement is treated as an individual retirement account ("IRA") and distributions shall be made in accordance with the provisions of Treas. Reg. § 1.408-8, except as provided in Treas. Reg. § 1.403(b)-6(e).

5.4 In-Service Distributions From Rollover Account. If a Participant has a separate account attributable to rollover contributions to the Plan, to the extent permitted by the applicable Individual Agreement, the Participant may at any time elect to receive a distribution of all or any portion of the amount held in the rollover account.

5.5 Hardship Withdrawals.

(a) Hardship withdrawals shall be permitted under the Plan to the extent permitted by the Individual Agreements controlling the Account assets to be withdrawn to satisfy the hardship. If applicable under an Individual Agreement, no Elective Deferrals or Roth 403(b) Contributions shall be allowed under the Plan during the 6-month period beginning on the date the Participant receives a distribution on account of hardship.

(b) The Individual Agreements shall provide for the exchange of information among the Employer and the Vendors to the extent necessary to implement the Individual Agreements, including, in the case of a hardship withdrawal that is automatically deemed to be necessary to satisfy the Participant's financial need (pursuant to Treas. Reg. § 1.401(k)1(d)(3)(iv)(E)), the Vendor notifying the Employer of the withdrawal in order for the Employer to implement the resulting 6-month suspension of the Participant's right to make Elective Deferrals and Roth 403(b) Contributions under the Plan. In addition, in the case of a hardship withdrawal that is not

automatically deemed to be necessary to satisfy the financial need (pursuant to Treas. Reg. § 1.401(k)-1(d)(3)(iii)(B)), the Vendor shall obtain information from the Employer or other Vendors to determine the amount of any plan loans and rollover accounts that are available to the Participant under the Plan to satisfy the financial need.

(c) Notwithstanding any Individual Agreement, the Plan only permits hardship withdrawals that satisfy the “safe harbor” standards with respect to establishing an immediate and heavy financial need (under Treas. Reg. §1.401(k)-1(d)(3)(iii)(B) and satisfying the lack of other resources requirement (under Treas. Reg. 1.401(k)-1(d)(3)(iv)(E)) including the Vendor notifying the Employer of the withdrawal in order for the Employer to implement the resulting 6-month suspension of the Participant’s right to make Elective Deferrals and Roth 403(b) Contributions under the Plan or any other Plan of the Employer.

5.6 Rollover Distributions.

(a) A Participant or the Beneficiary of a deceased Participant (or a Participant’s spouse or former spouse who is an alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code) who is entitled to an eligible rollover distribution may elect to have any portion of an eligible rollover distribution (as defined in section 402(c)(4) of the Code) from the Plan paid directly to an eligible retirement plan (as defined in section 402(c)(8)(B) of the Code) specified by the Participant, or alternate payee under a qualified domestic relations order, in a direct rollover. In the case of a distribution to a Beneficiary who at the time of the Participant’s death was neither the spouse of the Participant nor the spouse or former spouse of the Participant who is an alternate payee under a qualified domestic relations order, a direct rollover is payable only to an individual retirement account or individual retirement annuity that has been established on behalf of the Beneficiary as an inherited IRA (within the meaning of section 408(d)(3)(C) of the Code).

(b) Each Vendor shall be separately responsible for providing, within a reasonable time period before making an initial eligible rollover distribution, an explanation to the Participant, Beneficiary or alternate payee under a qualified domestic relations order of his or her right to elect a direct rollover and the income tax withholding consequences of not electing a direct rollover.

Section 6 Rollovers to the Plan and Transfers

6.1 Eligible Rollover Contributions to the Plan.

(a) **Eligible Rollover Contributions.** To the extent provided in the Individual Agreements, an Employee who is a Participant who is entitled to receive an eligible rollover distribution from another eligible retirement plan may request to have all or a portion of the eligible rollover distribution paid to the Plan. Such rollover contributions shall be made in the form of cash only. The Vendor may require such documentation from the distributing plan as it deems necessary to effectuate the rollover in accordance with section 402 of the Code and to confirm that such plan is an eligible retirement plan within the meaning of section 402(c)(8)(B) of the Code.

(b) **Eligible Rollover Distribution.** For purposes of Section 6.1(a), an eligible rollover distribution means any distribution of all or any portion of a Participant's benefit under another eligible retirement plan, except that an eligible rollover distribution does not include

- (1) any installment payment for a period of 10 years or more,
- (2) any distribution made as a result of an unforeseeable emergency or other distribution which is made upon hardship of the employee,
- (3) for any other distribution, the portion, if any, of the distribution that is a required minimum distribution under section 401(a)(9) of the Code, or
- (4) corrective distribution of excess amounts in accordance with sections 3.6 and 10.7.

In addition, an eligible retirement plan means an individual retirement account described in section 408(a) and 408A of the Code, an individual retirement annuity described in section 408(b) of the Code, a qualified trust described in section 401(a) and 408A of the Code, an annuity plan described in section 403(a) or 403(b) of the Code, or an eligible governmental plan described in section 457(b) of the Code, that accepts the eligible rollover distribution.

(c) **Separate Accounts.** The Vendor shall establish and maintain for the Participant a separate account for any eligible rollover distribution paid to the Plan.

6.2 Plan-to-Plan Transfers to the Plan.

(a) The Administrator may permit a transfer of assets to the Plan as provided in this Section 6.2. Such a transfer is permitted only if the other plan provides for the direct transfer of each person's entire interest therein to the Plan and the Participant is an employee or former employee of the Employer. The Administrator and any Vendor accepting such transferred amounts may require that the transfer be in cash or other property acceptable to it. The Administrator or any Vendor accepting such transferred amounts may require such documentation from the other plan as it deems necessary to effectuate the transfer in accordance with § 1.403(b)-10(b)(3) of the Income Tax Regulations and to confirm that the other plan is a plan that satisfies section 403(b) of the Code.

(b) The amount so transferred shall be credited to the Participant's Account Balance, so that the Participant or Beneficiary whose assets are being transferred has an accumulated benefit immediately after the transfer at least equal to the accumulated benefit with respect to that Participant or Beneficiary immediately before the transfer, after adjusting for any costs or charges disclosed and assessed by the transferring plan.

(c) To the extent provided in the Individual Agreements holding such transferred amounts, the amount transferred shall be held, accounted for, administered and otherwise treated in the same manner as an Elective Deferral or Roth 403(b) Contribution by the Participant under the Plan, except that

(1) the Individual Agreement which holds any amount transferred to the Plan must provide that, to the extent any amount transferred is subject to any distribution restrictions required under section 403(b) of the Code, the Individual Agreement must impose restrictions on distributions to the Participant or Beneficiary whose assets are being transferred that are not less stringent than those imposed on the transferor plan, and

(2) the transferred amount shall not be considered an Elective Deferral or Roth 403(b) Contribution under the Plan in determining the maximum deferral under Section 3.

6.3 Plan-to-Plan Transfers from the Plan.

(a) The Administrator may permit Participants and Beneficiaries to elect to have all or any portion of their Account Balance transferred to another plan that satisfies section 403(b) of the Code in accordance with Treas. Reg. § 1.403(b)-10(b)(3). A transfer is permitted under this Section 6.3(a) only if the Participants or Beneficiaries are employees or former employees of the employer (or the business of the employer) under the receiving plan and the other 403(b) plan provides for the acceptance of plan-to-plan transfers with respect to the Participants and Beneficiaries and for each Participant and Beneficiary to have an amount deferred under the other plan immediately after the transfer at least equal to the amount transferred, after adjusting for any costs or charges disclosed and assessed by the Vendor.

(b) The other 403(b) plan must provide that, to the extent any amount transferred is subject to any distribution restrictions required under section 403(b) of the Code, the other plan shall impose 403(b) restrictions on distributions to the Participant or Beneficiary whose assets are transferred that are not less stringent than those imposed under the Plan. In addition, if the transfer does not constitute a complete transfer of the Participant's or Beneficiary's interest in the Plan, the other 403(b) plan shall treat the amount transferred as a continuation of a pro rata portion of the Participant's or Beneficiary's interest in the transferor plan (e.g., a pro rata portion of the Participant's or Beneficiary's interest in any after-tax employee contributions).

(c) Upon the transfer of assets under this Section 6.3, the Plan's liability to pay benefits to the Participant or Beneficiary under this Plan shall be discharged to the extent of the amount so transferred for the Participant or Beneficiary. The Administrator may require such documentation from the receiving plan as it deems appropriate or necessary to comply with this Section 6.3 (for example, to confirm that the receiving plan satisfies section 403(b) of the Code and to assure that the transfer is permitted under the receiving plan) or to effectuate the transfer pursuant to Treas. Reg. § 1.403(b)-10(b)(3).

6.4 Contract and Custodial Account Exchanges.

(a) A Participant or Beneficiary is permitted to change the investment of his or her Account Balance among the Vendors under this Plan, subject to the terms of the Individual Agreements. An investment change that includes an investment with a Vendor that is not eligible to receive contributions under Section 2 (referred to below as an exchange) is not permitted.

(b) If any Vendor ceases to be eligible to receive Elective Deferrals or Roth 403(b) Contributions under the Plan, the Plan Sponsor may, in its sole discretion, enter into an information sharing agreement as described in Treas. Reg. § 1.403(b)-10(b)(2).

6.5 Permissive Service Credit Transfers.

(a) If a Participant is also a participant in a tax-qualified defined benefit governmental plan (as defined in section 414(d) of the Code) that provides for the acceptance of plan-to-plan transfers with respect to the Participant, then the Participant may elect to have any portion of the Participant's Account Balance transferred to the defined benefit governmental plan. A transfer under this Section 6.5(a) may be made before the Participant has had a Severance from Employment.

(b) A transfer may be made under Section 6.5(a) only if the transfer is either for the purchase of permissive service credit (as defined in section 415(n)(3)(A) of the Code) under the receiving defined benefit governmental plan or a repayment to which section 415 of the Code does not apply by reason of section 415(k)(3) of the Code.

(c) In addition, if a plan-to-plan transfer does not constitute a complete transfer of the Participant's or Beneficiary's interest in the transferor plan, the Plan shall treat the amount transferred as a continuation of a pro rata portion of the Participant's or Beneficiary's interest in the transferor plan (e.g., a pro rata portion of the Participant's or Beneficiary's interest in any after-tax employee contributions).

Section 7 Investment of Contributions

7.1 Manner of Investment. All Elective Deferrals, Roth 403(b) Contributions, or other amounts contributed to the Plan, all property and rights purchased with such amounts under the Funding Vehicles, and all income attributable to such amounts, property, or rights shall be held and invested in one or more Annuity Contracts or Custodial Accounts. Each Custodial Account shall provide for it to be impossible, prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries, for any part of the assets and income of the Custodial Account to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries or for the reasonable costs of administering the Funding Vehicles, as disclosed in the Individual Agreement(s) with a Participant.

7.2 Investment of Contributions. Except as provided in Section 7.4, each Participant, Beneficiary, and payee under a qualified domestic relations order shall direct the investment of his or her Account among the investment options available under the Annuity Contract or Custodial Account in accordance with the terms of the Individual Agreements. Transfers and exchanges among Annuity Contracts and Custodial Accounts may be made to the extent provided in the Individual Agreements and permitted under applicable Treasury Regulations. A change in the investment direction shall take effect as of the date provided by the Vendor on a uniform basis for all Participants using such Vendor.

7.3 Current and Former Vendors. For Vendors who have received funds on or after January 1, 2005, the Administrator shall maintain a list of all Vendors under the Plan. Such list is set out in Appendix A hereto and is hereby incorporated as part of the Plan. Each Vendor and the Administrator shall exchange such information as may be necessary to satisfy section 403(b) of the Code or other requirements of applicable law. In the case of a Vendor which is not eligible to receive Elective Deferrals and/or Roth 403(b) Contributions under the Plan (including a Vendor which has ceased to be a Vendor eligible to receive Elective Deferrals and/or Roth 403(b) Contributions under the Plan and a Vendor holding assets under the Plan in accordance with Section 6.2 or 6.4), the Employer shall keep the Vendor informed of the name and contact information of the Administrator in order to coordinate information necessary to satisfy section 403(b) of the Code or other requirements of applicable law.

7.4 Third-Party Direction of Investments.

(a) A Participant may appoint in writing a “qualifying third-party investment advisor” who will be authorized to direct the Participant’s investments among the investment options then available under the Annuity Contract or Custodial Account. The appointment of a qualifying third-party investment advisor shall be made on such forms as the respective Vendor may require, which forms may include, but not be limited to, a limited power of attorney, valid under applicable state law, which will permit the qualifying third-party investment advisor to assume the investment management responsibilities described in Section 7.2.

(b) For purposes of this Section 7.4, a qualifying third-party investment advisor shall be registered with the United States Securities and Exchange Commission as an investment advisor under the Investment Advisors Act of 1940, and maintain a Series 7 license (“General Securities Registered Representative License”) under the auspices of the National Association of Securities Dealers. Each Vendor may take such steps as necessary to confirm the continued qualification of a qualified third-party investment advisor. Payment of fees for the services of a qualified third-party investment advisor shall be the sole responsibility of the Participant; however, the Participant may direct the Vendor to pay any investment advisory fees from the Participant Annuity Contract or Custodial Account.

(c) Neither the Plan Sponsor, Employer nor Vendor are responsible for the appointment of any qualifying third-party investment advisor under this Section 7.4, and the selection, monitoring and retention of a qualifying third-party investment advisor are exclusively the decision of a Participant.

(d) The Administrator may promulgate regulations concerning qualifying independent third-party investment advisors, which are set out in Appendix C hereto, and which may be amended from time to time. The terms of these regulations are incorporated herein by reference.

7.5 Fiduciary Status of Plan Sponsor and Employer. Plan Sponsor and Employer are not fiduciaries in a Participant’s selection of the Funding Vehicles or related Vendors.

7.6 Regulations Regarding Investments. The Administrator may promulgate regulations concerning investments, which are set out in Appendix D hereto, and which may be amended from time to time. The terms of these regulations are incorporated herein by reference.

Section 8 Amendment and Plan Termination

8.1 Termination of Contributions. The Plan Sponsor has adopted this Plan with the intention and expectation that contributions will be continued indefinitely. However, the Plan Sponsor has no obligation or liability whatsoever to maintain the Plan for any length of time and may discontinue contributions under the Plan at any time without any liability hereunder for any such discontinuance.

8.2 Amendment and Termination. The Plan Sponsor reserves the authority to amend or terminate this Plan at any time, provided however that any amendment which reduces contractual rights or benefits under an Individual Agreement shall apply prospectively only except as required under the Code and applicable Treasury Regulations promulgated thereunder.

8.3 Distribution upon Termination of the Plan. The Plan Sponsor may provide that, in connection with a termination of the Plan and subject to any restrictions contained in the Individual Agreements, all Accounts will be distributed, provided that the Plan Sponsor and Employers do not make contributions to an alternative contract under section 403(b) of the Code that is not part of the Plan during the period beginning on the date of plan termination and ending 12 months after the distribution of all assets from the Plan, except as permitted by the Treasury Regulations.

Section 9 Miscellaneous

9.1 No Alienation or Assignment of Benefits. Except as provided in Section 9.2 and 9.3, the interests of each Participant or Beneficiary under the Plan are not subject to the claims of the Participant's or Beneficiary's creditors; and neither the Participant nor any Beneficiary shall have any right to sell, assign, transfer, or otherwise convey the right to receive any payments hereunder or any interest under the Plan, which payments and interest are expressly declared to be non-assignable and non-transferable.

9.2 Qualified Domestic Relation Orders. Notwithstanding Section 9.1, if a judgment, decree or order (including approval of a property settlement agreement) that relates to the provision of child support, alimony payments, or the marital property rights of a spouse or former spouse, child, or other dependent of a Participant is made pursuant to the domestic relations law of any State ("qualified domestic relations order"), then the amount of the Participant's Account Balance shall be paid in the manner and to the person or persons so directed in the qualified domestic relations order. Such payment shall be made without regard to whether the Participant is eligible for a distribution of benefits under the Plan. The Administrator shall establish reasonable procedures for determining the status of any such decree or order and for effectuating distribution pursuant to the qualified domestic relations order.

9.3 IRS Levy. Notwithstanding Section 9.1, the Administrator may direct payment from a Participant's or Beneficiary's Account Balance the amount that the Administrator finds is

lawfully demanded under a levy issued by the Internal Revenue Service with respect to that Participant or Beneficiary or is sought to be collected by the United States Government under a judgment resulting from an unpaid tax assessment against the Participant or Beneficiary.

9.4 Tax Withholding. Contributions to the Plan are subject to applicable employment taxes (including, if applicable, FICA taxes with respect to Elective Deferrals and Roth 403(b) Contributions, which constitute wages under section 3121 of the Code). Any benefit payment made under the Plan is subject to applicable income tax withholding requirements (including section 3401 of the Code and the Employment Tax Regulations thereunder). A payee shall provide such information as the Administrator, Employer, and/or Vendor may need to satisfy income tax withholding obligations, and any other information that may be required by guidance issued under the Code.

9.5 Payments to Minors and Incompetents. If a Participant or Beneficiary entitled to receive any benefits hereunder is a minor or is adjudged to be legally incapable of giving valid receipt and discharge for such benefits, or is deemed so by the Employer, benefits will be paid to such person as the Employer may designate for the benefit of such Participant or Beneficiary. Such payments shall be considered a payment to such Participant or Beneficiary and shall, to the extent made, be deemed a complete discharge of any liability for such payments under the Plan.

9.6 Mistaken Contributions. If any contribution (or any portion of a contribution) is made to the Plan by a good faith mistake of fact, then within one year after the payment of the contribution, and upon receipt in good order of a proper request approved by the Administrator or Employer, the amount of the mistaken contribution (adjusted for any income or loss in value, if any, allocable thereto) shall be returned by the Vendor directly to the Participant or, to the extent required or permitted by the Administrator, to the Employer; however, if the mistake occurred with the allocation of Elective Deferrals and Roth 403(b) Contributions within a Participant's Account with a Vendor, such amount may be reallocated by the Vendor.

9.7 Procedure When Distributee Cannot Be Located. The Vendor, Administrator or Employer shall make all reasonable attempts to determine the identity and address of a Participant or a Participant's Beneficiary entitled to benefits under the Plan. For this purpose, a reasonable attempt means

- (a) the mailing by certified mail of a notice to the last known address shown on the Vendor's, Employer's or the Administrator's records,
- (b) notification sent to the Social Security Administration or the Pension Benefit Guaranty Corporation (under their program to identify payees under retirement plans), and
- (c) the payee has not responded within 6 months.

If the Vendor, Administrator or Employer is unable to locate such a person entitled to benefits hereunder, or if there has been no claim made for such benefits, the funding vehicle shall continue to hold the benefits due such person.

9.8 Incorporation of Adoption Agreements and Individual Agreements. The Plan, together with the Adoption Agreements and Individual Agreements, is intended to satisfy the

requirements of section 403(b) of the Code and the regulations thereunder. Terms and conditions of the Adoption Agreements and Individual Agreements are hereby incorporated by reference into the Plan, excluding those terms that are inconsistent with the Plan or section 403(b) of the Code.

9.9 Governing Law. The Plan will be construed, administered and enforced according to the Code and the laws of the State of North Carolina.

9.10 Headings. Headings of the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof.

9.11 Gender. Pronouns used in the Plan in the masculine or feminine gender include both genders unless the context clearly indicates otherwise.

9.12 No Employer Liability. Employer shall have no liability for the payment of benefits under the Plan provided that the providers of the applicable Annuity Contracts and Custodial Accounts receive written direction for the payment of benefits in accordance with Section 6. Each Participant shall look solely to the providers of applicable Annuity Contracts and Custodial Accounts for receipt of payments or benefits under the Plan.

Section 10

Roth 403(b) Contribution Provisions

10.1 Separate Accounting Requirements. A Participant's Roth 403(b) Contributions shall be allocated to a separate account maintained for such contributions. Contributions and withdrawals of Roth 403(b) Contributions, and earnings or losses thereon, shall be credited and debited to each Participant's Account and shall be separately accounted for under each Participant's Account. Gains, losses, and other credits or charges shall be separately allocated on a reasonable and consistent basis for each Participant's Roth 403(b) Contributions. Except as provided in Section 10.5, no contributions other than Roth 403(b) Contributions and properly attributable earnings may be credited to each Participant as a Roth 403(b) Contribution.

10.2 Deposit Requirements. Roth 403(b) Contributions shall be deposited with the applicable Funding Vehicles as soon as practicable in accordance with Section 2.5 of the Plan, unless an earlier date is required under state law.

10.3 Direct Roth Rollovers From the Plan. Notwithstanding Section 5.6 of the Plan, Participants may only make a direct rollover of a distribution of Roth 403(b) Contributions (and earnings thereon) to another 403(b) plan with Roth contribution features; to a 401(k) Plan with Roth contribution features; or to a Roth IRA described in section 408A of the Code, and only to the extent the rollover is permitted under the rules of section 402(c) of the Code.

10.4 Roth Rollovers into the Plan. Notwithstanding Section 6.1 of the Plan, direct rollovers of Roth 403(b) Contributions and Roth 401(k) contributions and earnings thereon from another 403(b) plan with Roth contribution features, or from a 401(k) Plan with Roth contribution features are permitted, provided that the Funding Vehicles selected by a Participant will accept such Roth Rollovers. Direct rollovers shall only be permitted if the transmitting plan satisfies the

conditions set forth in section 402A(e)(1) of the Code and only to the extent the rollover is permitted under the rules of section 402(c) of the Code.

10.5 Correction of Excess Contributions. To the extent consistent with the administrative procedures of a Vendor and/or Administrator under the Plan excess Contributions may be returned in a uniform manner without respect to an employee's status as a highly compensated or nonhighly compensated employee.

10.6 Roth Caveat. Employer, Administrator and providers of Annuity Contracts and Custodial Accounts shall utilize good faith compliance efforts to conform to the requirements applicable to Roth 403(b) Contributions based on applicable IRS guidance related to such contributions. The Plan shall be administered and interpreted in the manner necessary to ensure compliance with such guidance.

Section 11 Plan Administration

11.1 Promulgating Notices and Procedures. The Administrator is given the power and responsibility to promulgate certain written notices, policies and/or procedures under the terms of the Plan and disseminate same to the Employers, which will disseminate them to the Participants, and the Administrator may satisfy such responsibility by the preparation of any such notice, policy and/or procedure in a written form which can be published and communicated to a Participant in one or more of the following ways: (a) by distribution in hard copy; (b) through distribution of a summary plan description or summary of material modifications thereto which sets forth the policy or procedure with respect to a right, benefit or feature offered under the Plan; (c) by e-mail, either to a Participant's personal e-mail address or his or her Employer-maintained e-mail address; and (d) by publication on a web-site accessible by the Participant, provided the Participant is notified of said web-site publication. Any notice, policy and/or procedure provided through an electronic medium will only be valid if the electronic medium which is used is reasonably designed to provide the notice, policy and/or procedure in a manner no less understandable to the Participant than a written document, and under such medium, at the time the notice, policy and/or procedure is provided, the Employee may request and receive the notice, policy and/or procedure on a written paper document at no charge.

11.2 Finality of Administrative Decisions. The Administrator's interpretation of Plan provisions, and any findings of fact, including eligibility to participate and eligibility for benefits, are final and will not be subject to "de novo" review unless shown to be arbitrary and capricious.

11.3 Appointment of Administrative Committee. The Administrator may appoint one or more members to an Investment or Administrative Advisory Committee to be known as the "Committee" (or such other name as the Plan Sponsor may select), to which the Plan Sponsor may delegate certain of its responsibilities as Administrator. Members of the Committee need not be Participants or beneficiaries, and officers and directors of the Plan Sponsor and Employers will not be precluded from serving as members. A member will serve until his or her resignation, death, or disability, or until removed by the Administrator. In the event of any vacancy arising by reason of the death, disability, removal, or resignation of a member, the Administrator may, but is not

required to, appoint a successor to serve in his or her place. The Committee will select a chairman and a secretary from among its members. Members of the Committee will serve in such capacity without Compensation. The Committee will act by majority vote. The proper expenses of the Committee, and the Compensation of its agents appointed pursuant to Section 11.4, if any, will be paid in accordance with Section 11.5.

11.4 Powers and Duties of the Administrator. The powers and duties of the Administrator will include (a) appointing the Plan's attorney(s), accountant, actuary, or any other party needed to administer the Plan; (b) to the extent necessary to comply with the Code and Treasury regulations, directing the Vendors with respect to payments from the Accounts; (c) deciding if a Participant or Beneficiary is entitled to a benefit from the Plan; (d) communicating with Employees regarding their participation and benefits under the Plan, including the administration of all claims procedures; (e) filing any returns and reports with the Internal Revenue Service, or any other governmental agency; (f) reviewing and approving any financial reports, investment reviews, or other reports prepared by any party under (a) above; (g) establishing a funding policy and investment objectives consistent with the purposes of the Plan; (h) construing and resolving any question of Plan interpretation; and (i) making any findings of fact the Administrator deems necessary to proper Plan administration.

The Administrator may delegate specific responsibilities, or delegate partial responsibilities, in writing to Employers, including some of the powers and duties set out above in this Section 11.4 and the authority to execute documents unless the Administrator revokes such delegation. The Vendors will be notified in writing of any such delegation of responsibilities, and the Vendors thereafter may rely upon any documents executed by the appropriate Administrator.

11.5 Compensation and Expenses. The allocation of costs and expenses associated with operating the Plan shall be as described in the Adoption Agreement.

11.6 Requirements of Employer Participation. Each participating Employer agrees to be liable to The University of North Carolina and all other participating Employers for any claims, taxes, costs, or expenses of any kind incurred by the Plan or other participating Employers as a result of the participating Employer's failure to fulfill its obligations and duties with respect to the Plan. The participating Employer agrees to pay The University of North Carolina and any other participating Employers for any claims, taxes, costs, or expenses incurred by The University of North Carolina or other participating Employers at any time as a result of the participating Employer's error/act/omission.

By signing an Adoption Agreement for The University of North Carolina Section 403(b) Plan, an Employer acknowledges that, although such Employer may withdraw from the Plan and cease to be an Employer for purposes of participating in the Plan, after such withdrawal the participating Employer will remain fully responsible for any claims, taxes, costs or expenses associated with any operational defects in the Plan created, or contributed to, by such Employer while the Adoption Agreement was in effect. Each participating Employer further acknowledges that, in the event that an operational defect is created under the Code in the Plan that requires The University of North Carolina to consult counsel and/or prepare materials to correct such operational defect, such as described in the Revenue Ruling 2008-50 (or any subsequent Revenue Ruling describing the Employee Plans Compliance Revolution System), such Employer will cooperate

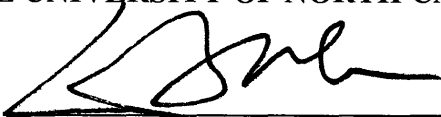
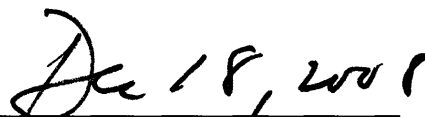
fully with The University of North Carolina in preparing the response to any operational defects created by the participating Employer. The cost of any such correction, including any excise taxes or penalties which may be assessed against the Plan as a consequence of entering into a Compliance Statement with the Internal Revenue Service, shall be paid by such Employer to the extent that the actions of such Employer created, or contributed to, the need for such Compliance Statement. Each participating Employer acknowledges that The University of North Carolina shall have sole responsibility to determine if an operational defect has occurred in the Plan, and the extent to which the participating Employer caused or contributed to such defect.

11.7 Right of Participating Employer to Amend Adoption Agreement. Each participating Employer reserves the right to terminate its Adoption Agreement upon 90 days prior written notice to the Administrator, and, upon the termination of an Adoption Agreement, the Annuity Contracts and Custodial Agreements shall become part of such Employer's individual plan which shall be maintained under section 403(b) of the Code.

IN WITNESS WHEREOF, The University of North Carolina has caused this Plan to be executed this ___ day of _____, 2008.

Plan Sponsor:

THE UNIVERSITY OF NORTH CAROLINA

By:  _____ 
Erskine B. Bowles Date Signed

Title: President

Effective Date of the Plan: January 1, 2009

Appendix A
Approved Vendors and Custodians

Approved Vendors

Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF)

Fidelity Investments, which includes an annuity through Principal Financial Group

Approved Custodians

JPMorgan Chase Bank, N.A.

Fidelity Management Trust Company

APPENDIX B

Loan Regulations The University of North Carolina Section 403(b) Plan January 1, 2009

The intent of these Regulations is to provide Eligible Borrowers (defined below) in The University of North Carolina Section 403(b) Plan with detailed loan information.

Terms in these Regulations have the same definition as used in The University of North Carolina Section 403(b) Plan document.

A Loan Administrator/Record Keeper is not responsible for providing financial or tax advice to Eligible Borrowers regarding the impact that a loan or a defaulted loan may have on the Eligible Borrowers' accounts. Borrowers may wish to discuss borrowing money from their retirement plans with their financial and tax advisors.

Definitions

Loan Administrator and Record Keeper:

1. Fidelity Investments Institutional Operations Company
2. Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF)

Plan Name:

The University of North Carolina Section 403(b) Plan (hereinafter, "the UNC Section 403(b) Plan")

Accounts:

Accounts used to calculate and fund the available loan amount include the following sources within the investments in mutual funds and annuities:

Salary Deferral
Roth
After-Tax
Rollover

Employer contributions to 403(b) accounts may not be a source for loans.

1. **Regulations.** The Plan Administrator may promulgate such Regulations, as it deems desirable, concerning loans from the UNC Section 403(b) Plan. All such Regulations, as amended from time to time, shall be deemed a part of the Plan for purposes of Internal Revenue Service (IRS) Regulations. This Regulation may be amended at any time subject to requirements in the UNC Section 403(b) Plan document and IRS regulations.

2. **In General.** Upon the request of an Eligible Borrower in a manner acceptable to a Loan Administrator/Record Keeper, and subject to the conditions of these Regulations, a Loan Administrator/Record Keeper shall make a loan from the Plan to the Eligible Borrower.

Manner to Request Loans:

Telephone Call to Record Keeper:

Fidelity at 800-343-0860

TIAA-CREF at 800-842-2733

Via the web

Eligible Borrower:

To be eligible, a borrower must meet both of the tests below:

A. The person shall be a member of one or more of the following groups:

Actively Employed Participant,

Terminated Participant,

Beneficiary of a Participant, or

Alternate Payee under a Qualified Domestic Relations Order

(This is intended to include all Participants); and

B. The person shall be seeking a loan only from a Vendor (i) currently approved by the UNC Section 403(b) Plan, or (ii) a Vendor formerly approved in an Employer's prior 403(b) Plan which has a data aggregator agreement in place with TIAA and which is able and willing to send data to the data aggregator using the industry recognized Spark standards.

(Exclusion: These Regulations do not apply to any Vendor formerly approved in an Employer 403(b) Plan when the Vendor has not received any contributions from the Participant after January 1, 2005.)

3. ***Spousal Consent.*** Not Required

4. ***Maximum Loan Amount.*** No loan or combination of loans to an Eligible Borrower under the 403(b) Plan may exceed the lesser of:
 - (a) \$50,000, reduced by the greater of
 - (i) the outstanding balance on any loan from the Plan to the Borrower on the date the loan is made, or
 - (ii) the highest outstanding balance on loans from the Plan to the Borrower during the one-year period ending on the day before the date the loan is approved by a Loan Administrator (not taking into account any payments made during such one-year period); or
 - (b) one half of the value of the Borrower's vested Account Balance (as of the Valuation Date immediately preceding the date on which such loan is approved by a Loan Administrator).

For purposes of this section, any loan from any other plan maintained by UNC, the UNC Employer, or which UNC employees could participate, including without limitation any plan operating under sections 401(k) and 403(b) of the Code, shall be treated as if it were a loan made from the Plan, and the Borrower's vested interest under any such other plan shall be considered a vested interest under this Plan; provided, however, that the provisions of this paragraph shall not be applied so as to allow the amount of a loan to exceed the amount that would otherwise be permitted in the absence of this paragraph.

Loans are included in taxable income under certain conditions, including (i) if the loan, when combined with the balance of all other loans from plans of the Employer, exceeds the limitations described above, or (ii) if there is a failure to repay the loan in accordance with the repayment schedule. Because the tax treatment of a loan depends on information concerning aggregate loan balances under all annuity contracts and custodial accounts within the Plan (and under all plans of the Employer), information about loan balances under the contracts and accounts of other Vendors is needed before making a loan. Prior to making a loan, any Vendor shall provide information to, and check the records of, the data aggregator service provided to the Plan by TIAA-CREF.

5. ***Minimum Amount of Loan.*** The minimum amount for any single loan under the Plan is \$1,000.

6. ***Number of Loans.*** There is no limitation on the number of loans from TIAA; the number of loans with Fidelity is limited to six (6).

7. **Note; Security; Interest.** Each loan shall be evidenced by a note or a check signed by the Eligible Borrower and shall be secured by 50% of the Eligible Borrower's vested interest in his/her Accounts on that date the loan is issued.
8. **Loan Interest Rate.** A loan from Fidelity shall bear interest of Prime plus 1%; a loan from TIAA shall bear interest as established by the Participant's annuity contract/certificate.

For Fidelity, when the rate is based on Prime, Prime is determined:

1. the First Business Day of each Calendar Quarter , OR
2. by an automated service, when available.

Interest Rate is Updated: By the Loan Administrator

9. **Repayment.** Loans shall be repaid as described below, in the format required by the applicable Record Keeper, and will be invested according to each Participant's current investment allocations. The documents evidencing a loan shall provide that payments shall be made not less frequently than quarterly and over a specified term as determined by the applicable Loan Administrator. Such documents shall also require that the loan be amortized with principal and interest combined to create level payments. A loan may be repaid in full at any time.

Repayment Method -Standard

Repayment allowed by automated clearinghouse (ACH)
No Employer payroll deduction is allowed.

Repayment Method - Terminated Employees

Repayment allowed by automated clearinghouse (ACH)

Payment Period of Loan

59 Months for Personal Loans, and
180 Months for Principal Home Purchase Loans

Approved Leave of Absence Suspension

Up to 12 Month Suspension for Non-military Leave of Absence;

Loan repayments by eligible uniformed services personnel may be suspended as permitted under section 404(u)(4) of the Code and the terms of any loan shall be modified to conform to the requirements of the Uniformed Services Employment and Reemployment Rights Act.

10. ***Repayment Upon Separation from Service or 100% Distribution.*** At the time benefits are to be distributed or an Active Participant separates from service the rules below will apply.

Separation from Service

Borrower is allowed to continue loan payments by automated clearinghouse (ACH).

11. ***Default on Loans.*** The Loan Administrator shall treat a loan in default if:

- (a) any scheduled repayment remains unpaid at the end of the calendar quarter following the calendar quarter in which the scheduled repayment was due (unless payment is not required for a Participant who is on an approved leave of absence), or
- (b) an outstanding principal balance exists on a loan after the last scheduled repayment date.

Upon default or termination of employment, the entire outstanding principal and accrued interest shall be immediately due and payable. If a distributable event (as defined by the Code) has occurred, the Loan Administrator/ Record Keeper shall demand payment of the promissory note and offset the Participant's vested interest in his/her Account by the outstanding balance of the loan. If a distributable event has not occurred, the Loan Administrator/ Record Keeper shall demand payment on the promissory note and offset the Participant's vested interest in his/her Account as soon as a distributable event occurs.

Determination of Loan Default:

Loan Administrator/Record Keeper Determination under the Automatic Loan Default Service

Eligibility for a Loan after a Loan Default: Borrower may not apply for any additional loans from the UNC Section 403(b) Plan while a loan is in default.

Repayment of a Loan in Default with Fidelity Only

Once a loan is in default, the borrower has the option of making a single payment to pay off the defaulted loan. Such payment will be treated as an increase in the borrower's cost basis under the plan.

Tax Reporting of Defaulted Loans

A defaulted loan will result in taxable income to the borrower. If the borrower is a Participant and is also under age 59 ½ on the date of the default, the IRS 10% early distribution penalty may apply. Income taxes and the penalty do not apply to any defaulted value that relates to after-tax contributions. If the borrower does not have a distributable event on that date of the default, the IRS treats the default as a "deemed default" and the amount of the default is not eligible to be rolled over to an IRA or another retirement plan. In January of the calendar year following the default an IRS form 1099-R will be issued to note the amount of taxable income and the IRS will be provided this information.

The IRS form 1099-R shall be issued by Record Keeper.

12. Note as Plan Asset. The note evidencing a loan to an Eligible Borrower under this document shall be an asset of the Plan which is allocated to the Accounts of such Eligible Borrower, and shall, for purposes of the Plan, be deemed to have a value at any given time equal to the unpaid principal balance of the note plus the amount of any accrued but unpaid interest.

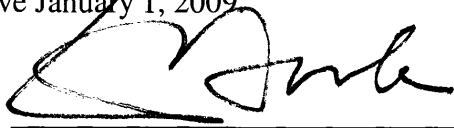
13. Nondiscrimination. Loans shall be made available under these procedures to all Eligible Borrowers on a reasonably equivalent basis, except that the Loan Administrator may make reasonable distinctions based on creditworthiness.

14. Fidelity Fees. A \$50.00 loan fee will be deducted from the Eligible Borrower's account in order to be processed. A \$6.25 maintenance fee will be deducted from the Eligible Borrower's Account on a quarterly basis in addition to the loan application fee. These fees shall be paid to the Record Keeper.

TIAA-CREF Fees. None

The University of North Carolina (Plan Sponsor) hereby adopts these Regulations effective January 1, 2009.

By:



Erskine B. Bowles
President



Date Signed

APPENDIX C

Regulations on Approved Vendor Representatives and on Independent Third-Party Registered Investment Advisors The University of North Carolina Section 403(b) Plan January 1, 2009

I. Definitions

Terms in these Regulations have the same definitions as used in The University of North Carolina Section 403(b) Plan document.

II. Use of Independent Third-Party Investment Advisors

The University of North Carolina Section 403(b) Plan (hereinafter “UNC Section 403(b) Plan”) approved Vendors will provide certain investment education or advice through their employees or agents. However, Participants may select an independent third-party investment adviser [who must be registered with the U.S. Securities and Exchange Commission as an investment advisor under the Investment Advisors Act of 1940 (and with any other applicable federal or state agencies) and maintain a Series 7 license (“General Securities Registered Representative License”) under the auspices of the National Association of Securities Dealers] of his/her own choosing to advise him/her on investments with a Vendor, pursuant to the process and restrictions that may be applied by UNC in this and other policies and documents and by the Vendor. Any independent third-party investment adviser that a Participant engages shall be selected solely by that Participant, and the Participant shall use such independent third-party investment adviser at his/her own risk and is solely responsible for such choice. When a Participant uses an independent third-party investment adviser, he/she may authorize the Vendor(s) designated in the Salary Reduction Agreement to pay the independent third-party investment adviser’s fees from the Participant’s account with the Vendor(s).

III. Solicitation Practices at Campuses/Entities.

A. Compliance with Regulations. All UNC Section 403(b) Plan Vendors, their representatives, Participants, and independent third-party investment advisors must comply with these Regulations and the policies of the Employer.

B. In-Person Cold-Calls Prohibited; Promotional Phone Calls Limited. Representatives of Vendors and independent third-party investment advisors may not make in-person, promotional cold-calls on Employees at their campus/worksites when the Vendor/third-party investment advisor has no prior relationship with the Employee. In addition, promotional telephone calls to Employees must not interfere with the academic or institutional programs and activities of the University of North Carolina and Employers. Vendor representatives and independent third-party

investment advisors may not utilize Employer internal mail or electronic mail system for solicitation purposes.

C. Approved Vendors Invited to Employer's Campus/Site. Currently approved UNC Section 403(b) Plan Vendors may enroll Participants in the UNC Section 403(b) Plan subject to the terms and conditions contained in these Regulations. The Employer's Human Resources Officer or his/her designee may invite currently approved UNC Section 403(b) Plan Vendors to the Employer's campus/site to conduct educational seminars that may include marketing and sales presentations.

D. Sales Presentations/Service. Independent third-party investment advisors and representatives from currently approved UNC Section 403(b) Plan Vendors shall be permitted to make sales presentations/provide advice to 403(b)-eligible Employees on the Employer's premises, under the following conditions:

(1) Only at the Employee's Request. Individual Employees may request that a currently approved UNC Section 403(b) Plan Vendor's representative or an independent third-party investment advisor provide information about proposed plans or investments to them during working hours. Such meetings may occur in the Employee's office. However, such presentations must not interfere or disturb the normal business of the Employer. An independent third-party investment adviser is not eligible to seek or use any conference room or other common area of an Employer's buildings for sales presentations.

(2) Representative of Currently Approved Vendor as a Guest of the Employer. Any group meetings to disseminate information about enrolling Participants in the UNC Section 403(b) Plan are to be sponsored by either UNC or the Employer, only through the Human Resources Officer or his/her designee. A currently approved UNC Section 403(b) Plan Vendor's representative shall:

(a) act in compliance with these Regulations and all applicable policies and procedures of the Employer;

(b) prior to any presentation, provide a signed copy of these Regulations, acknowledging it has been read, to the Employer's Employee Benefits Office; and

(c) conduct all sales and presentation activity in conformity with the policies and procedures of UNC and Employers.

E. Prohibited Gifts. No Vendor representative or independent third-party investment advisor shall provide gifts or monetary rewards directly or indirectly to any Employee of the UNC System or of an Employer for information on newly eligible Employees or for referrals of prospective clients.

F. Notification of Violations. All UNC Employers shall report violations of these Regulations to the 403(b) Vendor and the UNC General Administration's Employee Benefits Office.

G. Disqualification. Vendor representatives and independent third-party investment advisors, who have violated these Regulations willfully and/or repeatedly, may be disqualified from any sales, service, or other activity at the UNC System and at/on any UNC Employer's campus/site, at the discretion of the UNC General Administration's Employee Benefits Office. Multiple violations of these provisions by representatives of a Vendor may result in removal of the Vendor from UNC's currently approved list of UNC Section 403(b) Plan Vendors in the determination of the UNC 403(b) Plan Administrator. Multiple violations of these provisions by an independent third-party investment advisor may result in disciplinary action, up to and including revocation of the independent third-party investment advisor's privilege to solicit/advise on the premises of UNC Employers.

IV. Investment Advisory Fees.

A. Participants may pay independent third-party investment advisory fees with tax-deferred funds in their UNC Section 403(b) Plan account(s) only when all of the following conditions are met:

(1) The fees shall be paid directly to the individual registered investment advisor who provides advice to the Participant, unless provided otherwise in the agreement between the Participant and investment advisor.

(2) The individual independent third-party investment advisor shall be registered with the Securities and Exchange Commission and any other applicable federal or state agencies, and shall be engaged full-time in the business of providing investment advice.

(3) The Participant and the independent third-party investment advisor shall enter into a contract for a term of no more than one year. A contract that automatically renews each year shall be acceptable as long as both parties have the right to sever the relationship, with reasonable notification, at any time.

(4) The Participant shall authorize the Vendor, in a manner acceptable to the Vendor, to pay independent third-party investment advisory fees with tax-deferred funds from their UNC Section 403(b) Plan account(s).


B. Except as provided in Section III, a UNC Employer shall not prohibit Participants from utilizing independent third-party investment advisors.

C. Agreement Between Participant and Independent Third-Party Investment Advisor. An independent third-party investment advisory agreement is deemed to be between the Participant and the independent third-party investment advisor. No representative of a UNC Employer will participate in or sign any agreement, authorization, or other document pertaining to investment

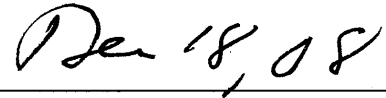
advisory agreements. No UNC Employer representative will provide investment advice to Participants nor make recommendations with regard to independent third-party investment advisory agreements or advisors. A decision on investment advisory services will remain at all times strictly the responsibility of the Participant.

The University of North Carolina (Plan Sponsor) hereby adopts these Regulations effective January 1, 2009.

By:



Erskine B. Bowles
President



Date Signed

APPENDIX D

The University of North Carolina

Section 403(b) Plan

Regulations Regarding Investments

**January 1, 2009
Amended April 27, 2009**

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ADDENDUM A

REGULATIONS REGARDING INVESTMENTS

The University of North Carolina Section 403(b) Plan

I. THE PLAN AND ITS GOALS

The University of North Carolina (hereinafter “UNC”) has established a consolidated Section 403(b) Plan in response to federal tax regulations effective January 1, 2009. This is a voluntary Plan established using a multiple employer model. Each campus or entity participating in this Plan has had a separate Section 403(b) Plan in the past. It was the considered judgment of university and campus officials that it was more cost effective and would result in better compliance with tax regulations to operate a consolidated Plan. The Plan operates pursuant to Section 403(b) of the Internal Revenue Code. General oversight of the Plan is the responsibility of The University of North Carolina (“UNC”), which may designate one or more persons for substantial administrative responsibilities.

The purpose of the Plan is to:

- Provide UNC employees an additional vehicle for retirement savings
- Provide retirement income to supplement benefits from Social Security and the North Carolina Teachers’ and State Employees’ Retirement System/Optional Retirement Program
- Provide portability of accumulated contribution balances
- Provide flexibility by offering participants a broad choice of investment and distribution options

The Plan’s goals are to:

- Provide an attractive benefit that will help the University recruit and retain the best faculty and staff in a competitive national market
- Provide access to diversified and distinct investment alternatives that are sufficient in number to foster investment diversity across asset classes and investment horizons
- Provide flexibility for participants to direct their employee contributions
- Provide flexibility for participants to change their investment elections on a regular basis
- Provide adequate income for participants at retirement

Definition of Key Terms

- (a) “Custodian” means the person(s) or entity(ies) named in any separate custodial agreement forming a part of this Plan, and any successors.
- (b) “Employer” means The University of North Carolina or any of its constituent institutions and affiliated entities.
- (c) “Funding Vehicles” means the annuity contracts or custodial accounts that satisfy the requirements of Sections 403(b)(1) and 403(b)(7), respectively, of the Internal Revenue Code issued for funding accrued benefits under this Plan.
- (d) “Investment Advisory Committee” serves as advisers to the General Administration Staff.
- (e) “Investment Options” means mutual funds or other Funding Vehicles.
- (f) “Plan” means the University of North Carolina Section 403(b) Plan. The Plan maintains account balances of participants in which contributions are accumulated, investment earnings and losses are credited and debited, and from which certain operating expenses of the Plan may be paid.
- (g) “President” means the President of The University of North Carolina.
- (h) “Selected Vendor(s)” means mutual fund companies, insurance companies, or other financial organizations designated by the President for providing Investment Options.
- (i) “Staff” means those persons employed by UNC General Administration who serve as advisers to the President with respect to the Plan.

Responsibility and Authority

The President has oversight responsibility for the Plan as follows:

- (a) The President shall review and approve the Plan’s Regulations Regarding Investments (“Regulations”) and any subsequent revisions;
- (b) The President shall designate the mutual fund companies, insurance companies, or other financial organizations from which Investment Options are to be selected;
- (c) The President shall designate the Custodian(s), if applicable, for any separate custodial agreement to hold any of the assets of the Plan;

- (d) The President or his/her designee shall review, at least annually, the performance and investment management expenses of the Investment Options in the Plan designated as the lifecycle investment options and core investment options;
- (e) The President shall designate the Investment Options for use under the Plan;
- (f) The President or his/her designee shall approve the form and contents of such documents as, annuity contracts, custodial account agreements, record keeping agreements, compliance coordinator data exchange agreements, mutual fund contracts, and custodial agreements; and
- (g) The President or his/her designee shall ensure participants have access to a description of the Investment Options available under the Plan including investment objectives, expenses, risk and return characteristics.

The Staff is responsible for day-to-day operations of the Plan in accordance with Plan documents, these Regulations and decisions of the President, and applicable law. The Staff will provide input to the President to facilitate the President's decision making responsibilities.

Purpose of These Regulations Regarding Investments

The purpose of these Regulations is to provide guidance concerning selecting and monitoring of certain Investment Options offered to participants in the Plan. These Regulations are not a contract with the Plan or any Plan participants; instead, these Regulations are intended to provide guidance that may be useful in shaping the financial thinking about investment objectives and risk management by the President. No guarantee is/can be given about future investment performance, and these Regulations cannot be construed as offering such a guarantee.

The Plan's investment program is defined in the various sections of these Regulations by:

- Stating in a written document the President's expectations, objectives, and guidelines for the investment of the Plan's core assets.
- Setting investment guidelines for the President to utilize in the selection of lifecycle and core Investment Options that will provide participants with adequate investment choices to meet their objectives and manage the level of overall risk for their accounts.
- Establishing formalized criteria to monitor, evaluate, and compare the performance results achieved by lifecycle and core investment funds (as described below) on a regular basis, and their adherence to the guidelines set forth in these Regulations.

- Developing guidelines to ensure compliance with any applicable fiduciary requirements. The President also intends the program to comply with all applicable laws and regulations.

In addition, these Regulations are intended:

(a) *To Address Fiduciary Obligations*

It is important to act with skill, care, prudence, and diligence in all matters relating to the Plan and to perform duties with respect to the Plan in the interests of the participants and their beneficiaries and in accordance with the governing Plan document.

(b) *To Record Policy*

The President or his/her designee will review on an annual basis investment performance and investment management expenses for lifecycle and core investment options, as described below. The formation of judgments and the actions to be taken on those judgments will be aimed at matching the needs of the participants with Investment Options available to the participants. The President views this program as an ongoing, long-term activity that should not be influenced by cyclical fluctuations in the investment market.

(c) *To Promote Understanding Among Various Functional Roles*

These Regulations are also intended to serve as a reference tool, and a communications link between the President and

- campus management;
- General Administration's other professional advisors and service providers;
- General Administration's investment managers.

Legal and Regulatory Environment

The Plan is subject to federal and state tax law and supporting regulations. The assets of the Plan shall be invested and managed in accordance with the following legal principles.

1. All transactions undertaken on behalf of the Plan shall be solely in the interest of participants and their designated beneficiaries; and
2. Investments shall be managed with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims.

Investment Options, collectively, shall be diversified so as to allow the participant(s) to minimize the risk of large losses, unless under some unforeseen extraordinary circumstances it would clearly not be prudent for the President to do so.

II. CONTEXT OF REGULATIONS REGARDING INVESTMENTS

Investment Objective

The investment objective of the Plan is to provide participants with an opportunity to create portfolios with varied aggregate risk and return characteristics. This is best accomplished by offering participants a broad range of investment alternatives.

The Investment Options are grouped under four categories or tiers.

Tier 1 should include a series of lifecycle funds for those participants who desire for an investment professional to make their asset allocation decision. The lifecycle series should offer participants a choice of target allocations.

Tier 2 should include core investment funds representing the primary asset classes (stocks, bonds and short-term investments) each of which will have sufficiently different risk and return characteristics so that, taken together, they enable a participant to arrange a portfolio with aggregate risk and return characteristics according to his/her desires.

Additional Investment Options in Tier 3 and Tier 4 are intended for use by more sophisticated investors who understand how to research, evaluate and monitor their own investments. Tier 3 includes an expanded selection of popular annuity accounts and/or mutual funds that are offered by the Selected Vendor(s) for direct investment using their account administration system. Tier 4 provides access to an even wider range of mutual funds through an investment “brokerage window” offered by the Selected Vendor(s).

Risk Tolerances

These Regulations recognize the difficulty of each participant achieving his/her investment objectives in light of the uncertainties and complexities of contemporary investment markets. These Regulations also recognize that participants should and will seek to assume different individual levels of risk exposure in order to achieve their various investment objectives.

Plan participants may wish to tolerate some interim fluctuations in market value and rates of return in order to achieve their investment objectives. However, as to Tier 1 lifecycle and Tier 2 core investment options, it is the President’s goal to offer investment vehicles whose performance patterns adhere to their stated investment objectives and style. Therefore, when evaluating the series of lifecycle funds and core investment funds, the President or his/her designee will separately consider each investment’s risk and return characteristics compared to the relevant benchmark in order to discharge effectively UNC’s responsibilities under the Plan in the best overall interests of Plan participants and their beneficiaries.

III. INVESTMENT ALTERNATIVES

Investment Options

Based on participants' varying risk tolerances, the following types of Investment Options should be made available for Plan participants. Participants may select a specific lifecycle fund or diversify among the core funds in order to achieve their own optimum level of risk and return.

Tier 1 - Lifecycle Investment Options

The Plan's investment choices include a series of lifecycle Investment Options. These funds provide pre-set asset allocations based upon an anticipated retirement date, for those participants who do not feel comfortable making their own asset allocation decisions. The asset allocation for lifecycle funds will generally become more conservative as the target retirement date approaches. The lifecycle fund offered by each Selected Vendor that is closest to a participant's normal retirement age or date, shall be designated as the default fund in a situation where a participant does not make a fund selection.

Tier 2 - Core Investment Options

See Addendum A to these Regulations for a summary of benchmarks and peer groups for each asset class. Refer to the individual fund Prospectuses for detailed descriptions of the options. A description of the asset classes represented in the plan follows:

General Asset Class Category Descriptions	
Principal Protection (Money Market, Fixed Accounts)	<ul style="list-style-type: none">■ Seek the highest level of stable income consistent with the safety of principal afforded by the portfolio's investments.■ The portfolio may hold U.S. Government and Agency securities and other money market securities issued by corporations.■ The portfolio may be an annuity contract issued and secured by the general account investments of the insurance company.
Bond	<ul style="list-style-type: none">■ Provide current income with the ability for security price appreciation.■ The portfolio will be limited primarily to fixed income securities rated either BBB or better by S&P or Baa or better by Moody's. The average quality rating will be A or better by Standard and Poor's or Moody's.

Asset Class Category Descriptions Continued on the Next Page

Asset Class Alternatives (continued...)

General Asset Class Category Descriptions	
Core Equity	<ul style="list-style-type: none"> ■ Provide broad equity market exposure with the opportunity of capital appreciation and income through dividends. ■ This option may be actively or passively managed to a particular broad market index such as the Standard & Poor's 500 Index. ■ This fund will invest primarily in large cap stocks.
Style Based Equity	<ul style="list-style-type: none"> ■ Primary focus is to provide capital appreciation. ■ Managers are seeking advantages in the market place through their particular strategy. Funds offered in this category will have a style specific orientation such as value or growth. ■ This type of fund will invest primarily in mid to large capitalization stocks of U.S. domiciled corporations.
International/Global Equity	<ul style="list-style-type: none"> ■ This option will provide investors with exposure to a broad range of stocks largely based outside of the U.S. ■ Currency hedging may also be employed by the manager with the primary objective to protect currency translation exposure or create an initial position in a country. ■ International funds will invest primarily in non-U.S. markets. Global funds will invest in foreign and domestic markets.
Aggressive Equity	<ul style="list-style-type: none"> ■ Broad category that encompasses funds with investments specifically in small or mid capitalization stocks. ■ Managers seek to outperform the appropriate benchmark during a market cycle and are willing to take risks to achieve this objective. ■ Managers may seek advantages in the market place through their particular strategy. Funds offered in this category may have a style specific orientation such as value or growth. ■ This option has the opportunity to dramatically under perform or out perform the broad market during different market periods.

Fixed Accounts may be subject to the terms and conditions of an annuity contract issued by an insurance company. Investment in such annuities is secured by the general assets of the issuing

insurance company and the participant investing in these accounts assumes the associated credit risk.

The issuers of fixed annuities to be offered as Fixed Account investment options must maintain the following minimum financial strength ratings from at least two rating agencies:

- A from A.M. Best;
- A from Standard & Poor's;
- A2 from Moody's;
- A from Fitch.

The financial stability and financial strength ratings of the issuer are among a number of factors to be considered; some other factors are the terms and expenses related to the annuity contract, crediting rate history, rate reset method.

Tier 3 - Expanded Selection of Annuity Account/Mutual Fund Investment Options

Under Tier 3, popular annuity accounts and/or mutual funds are offered by the Selected Vendor(s) for direct investment using their account administration system. These options are subject to change by the Selected Vendor(s) and are intended for use by more sophisticated investors who understand how to research, evaluate and monitor their own investments. This Tier will also include any investment option after it is removed from the lifecycle and/or core investment options lineup in Tiers 1 and 2. These Investment Options will not be monitored by the President or his/her designee.

Tier 4 - Brokerage Window Investment Option

Tier 4 provides access to an even wider range of mutual funds through an investment "brokerage window" offered by the Selected Vendor(s). This Investment Option is intended for experienced investors who are comfortable with the responsibility for selecting investments, and maintaining/trading their own investment brokerage account as a separate part of their Plan account. Additional fees and transaction costs will be incurred by participants who use Tier 4 and terms and conditions are subject to change by the Selected Vendor(s). Use of the "brokerage window" and investments thereunder will not be monitored by the President or his/her designee.

Summary of Investment Options

The Plan's investment choices are designed to:

- Provide an opportunity for a participant to exercise control over assets in his/her individual account.
- Provide a participant or beneficiary an opportunity to choose, from a broad range of investment alternatives, the manner in which the assets in his/her account are invested.

Performance Objectives and Selection Criteria for the Lifecycle and Core Investment Options

In designating Tier 1 and Tier 2 Investment Options, the President has thoughtfully considered how best to allocate UNC's limited resources to assist the maximum number of employees and achieve the greatest benefit to them. Tier 3 and Tier 4 Investment Options have been designated for those sophisticated investors who seek access to a far broader range of funds and who have sufficient knowledge, or access to knowledge, in making their choices. Tier 3 and Tier 4 Investment Options will not be monitored by the President or his/her designee.

The goal of these Regulations is to monitor the investment management expenses and performance of the lifecycle and core Investment Options. It is in the best interest of the Plan's participants and beneficiaries that performance objectives be established for each lifecycle and core Investment Option.

The Tier 1 and Tier 2 Investment Option performance objectives and criteria items will include but are not limited to the following:

- Manager's adherence to his/her stated investment objectives and style
- Performance Numbers
 - Long-term focus
 - Above median results relative to peer group and above market benchmark over cumulative (3 and 5 year periods) and rolling 3-year periods
 - Net of fees basis
- Value Added and Risk Statistics, including:
 - Sharpe Ratio
 - Alpha
 - Beta
 - Standard Deviation
 - Downside Risk
- Qualitative Factors such as:
 - Assets under management
 - Manager tenure
 - Organizational structure and stability
- Expenses of funding vehicles relative to comparable portfolio

IV. OPERATIONAL GUIDELINES

Frequency of Measurement

The President or his/her designee shall measure and review compliance with these Regulations at least annually.

Investment Performance

The President or his/her designee will review investment performance to determine if the lifecycle and core Investment Options offered under the Plan continue to provide the participants with a broad range of choices with competitive returns relative to appropriate benchmarks and peer groups as defined in Addendum A to these Regulations.

It is not expected that these Regulations will change frequently, although the President or his/her designee will review these Regulations periodically. In particular, short-term changes as defined by industry standards in the financial markets should not require adjustments to these Regulations.

Review of Investment Options

The President or his/her designee will:

- Review each lifecycle and core Investment Option's adherence to these Regulations for that offering.
- Compare each lifecycle and core Investment Option's return with appropriate indices or benchmarks and peer groups as defined in Addendum A.
- Identify any material changes in the lifecycle and core Investment Option's organization, investment philosophy, and/or personnel.

Review of Plan Fees and Participant Activity

The President or his/her designee will:

- Review total Plan fees for lifecycle and core investments, including those of any third party administrator, the directed Custodian and Investment Option fees.
- Review aggregate participant balances and elections.

Fund Termination

Lifecycle and core Investment Options will be reviewed for possible replacement at least annually. The President will avoid Investment Options with an inconsistent investment

approach. Therefore, the President or his/her designee will monitor lifecycle and core Investment Options offered under the Plan on several key indicators for possible inconsistency, as set out below.

Fixed annuities may be immediately closed to new contributions if the financial strength ratings of the issuer fall below the minimum ratings or there are reasons to believe that the issuer will be unable to maintain the minimum ratings. Contributions will be redirected for investment in the money market investment option. Fixed annuities may also be replaced due to reasons that are applicable to all other investment options.

Reasons for replacement may include, but are not limited to the following:

- Significant under performance relative to the fund's benchmark and peer group.
- Acceptance of significantly more risk than the fund's benchmark index.
- Change or loss of key personnel, such as a fund manager and those servicing the account.
- Significant change, increase, or loss of assets under management.
- Evidence that actual portfolio characteristics do not follow published investing style.
- Performance patterns not logically explainable in terms of the published style, or performance out-of-step with a manager's style peer group, particularly (but not exclusively) if resulting in under performance or excessive volatility.
- The identification by the President or his/her designee of more suitable funds.

None of these indicators shall be taken to be conclusive evidence of inconsistency. Such a finding will be based upon the facts and circumstances of each situation.

Investment Options

The President or his/her designee may use whatever resources are deemed appropriate to secure and evaluate qualified lifecycle and core Investment Options during the selection process, including but not limited to search firms, consultants and the Investment Advisory Committee. The President may expand or contract the number of lifecycle and core investment fund choices in the asset categories as deemed appropriate to meet the objective of providing a broad array of investment choices, which offer competitive returns at competitive and reasonable expense levels. The number of lifecycle and core investment funds selected will be considered in the context of selecting a manageable number of Investment Options that provide comprehensive coverage along the risk/return spectrum. Manager skill and cost to the Plan (and participants) will be considered in establishing an efficient roster of lifecycle and core options to implement these Regulations.

The President may change or terminate the expanded selection of annuity account/mutual fund Investment Options and the brokerage window Investment Option for any reason deemed sufficient.

V. MODIFICATION AND REVISION OF REGULATIONS

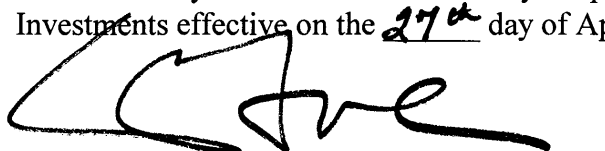
The President or his/her designee will consider at least annually whether any elements of these Regulations need revision. Key occurrences, which could result in modification of these Regulations, include, but are not limited to:

- (a) impractical time horizons;
- (b) changes in the operating environment or objectives and priorities;
- (c) issues found to be important, but not covered by these Regulations; and
- (d) long-term changes in market trends, economic conditions, or investment opportunities that are materially different from those used to set these Regulations.

The President views these Regulations as having dual functions; on the one hand, these Regulations are the basic tool for the execution of the investing program, and on the other hand these Regulations are a dynamic document which is responsive to any needs for fundamental or minor change. The President does not believe it is desirable or productive to react to short-term situations but rather takes a long-term view of offering this Plan and the Investment Options to participants.

VI. ADOPTION OF REGULATIONS

The University of North Carolina hereby adopts these Amended Regulations Regarding Investments effective on the 27th day of April, 2009.



Erskine B. Bowles
President

April 27, 2009
Date Signed

ADDENDUM A

BENCHMARKS AND PEER GROUPS FOR INVESTMENT OPTIONS

<u>Asset Class</u>	<u>Investment Benchmark</u>	<u>Peer Group</u>
<u>Principal Protection</u>		
Money Market	90-Day U.S. T-Bills	Money Market
Fixed Account	1 - 3 year Treasuries	
<u>U.S. Fixed Income</u>		
Core Fixed Income	Lehman Bros. Aggregate Index	Core Bond
Inflation Indexed Bonds	Lehman Bros. Inflation Notes Index	Intermediate Government
<u>Lifecycle Funds</u>	Custom Benchmarks	
<u>U.S. Large Cap Equity</u>		
Blend	S&P 500 Index	Large Cap Blend
Value	Russell 1000 Value Index	Large Cap Value
Growth	Russell 1000 Growth Index	Large Cap Growth
Broad Market	Russell 3000, Wilshire 5000	Broad Market
<u>U.S. Mid Cap Equity</u>		
Blend	Russell Mid Cap Index	Mid Cap Blend
Value	Russell Mid Cap Value Index	Mid Cap Value
Growth	Russell Mid Cap Growth Index	Mid Cap Growth
<u>Small Cap Equity</u>		
Blend	Russell 2000 Index	Small Cap Blend
Value	Russell 2000 Value Index	Small Cap Value
Growth	Russell 2000 Growth Index	Small Cap Growth
<u>International Equity</u>		
International	MSCI EAFE Index	Non U.S. Core
Global	MSCI World Index	Global Equity
<u>Specialty Funds</u>	TBD	

NOTES:

- All actively managed funds are expected to out perform the market benchmark and provide above median results relative to its peer group over the majority of observable cumulative and rolling three-year periods.
- For indexed/passively managed options, performance should be within a reasonable tolerance of the index it is replicating after taking into consideration the fund's expense ratio and above median relative to its peer group over the majority of observable cumulative and rolling three-year periods.