



## Powell Industries, Inc. Employees Incentive Savings Plan (Plan #09346)

### PARTICIPANT LOAN POLICY (Effective 1/1/2016)

This participant loan policy has been established by the Plan Administrator for Powell Industries, Inc. Employees Incentive Savings Plan - 401(k) Plan (the "Plan") pursuant to the terms of the Plan. These loan provisions form a part of the Plan, and the Plan Administrator may change these loan provisions if and when the Plan Administrator finds it necessary or desirable to do so.

The Plan is intended to assist you to save for retirement. You should be aware that by taking a loan from your Plan accounts, you may affect your earnings and limit your wealth accumulation in the Plan.

<b>Loan Eligibility</b>	<p>Active employees who are a participant in the Plan, will be eligible to take out loans, as follows:</p> <ul style="list-style-type: none"><li>• You have an account balance of at least \$2,000.00</li><li>• You have less than 2 outstanding general purpose loans</li><li>• You have less than 1 outstanding principal residence loan</li><li>• You are not on a leave of absence</li><li>• You have not paid off a loan within the last 14 days</li><li>•</li></ul>
<b>Application Procedure for General Purpose Loan</b>	<p>If the loan eligibility requirements have been met, you may apply for a pre-approved general purpose loan online by accessing the Fidelity NetBenefits website at <a href="http://www.401k.com">www.401k.com</a> or by calling 1-800-535-5095. You can opt to have the loan proceeds paid to you by having a check mailed to your address of record (allow 7-10 days) or by electronic funds transfer (EFT). The set up for an EFT can take up to 7-10 days and then another 2-3 days to receive funds. Once an EFT is set up, any future loans would take 2-3 days to receive funds. Spousal consent <i>is not</i> required to obtain a loan.</p>
<b>Application Procedure for Principal Residence Loan</b>	<p>If the loan eligibility requirements have been met, you may apply for a principal residence loan online by accessing the Fidelity NetBenefits website at <a href="http://www.401k.com">www.401k.com</a> or by calling 1-800-535-5095. Documentation to substantiate the loan is required before a principal residence loan can be approved. To determine whether a loan is being requested to purchase a primary residence, a copy of the Purchase &amp; Sale Agreement or Construction Contract will need to be provided. You can opt to have the loan proceeds paid to you by having a check mailed to your address of record (allow 7-10 days) or by electronic funds transfer (EFT). The set up for an EFT can take up to 7-10 days and then another 2-3 days to receive funds. Once an EFT is set up, any future loans would take 2-3 days to receive funds. Spousal consent <i>is not</i> required to obtain a loan.</p>
<b>Fees</b>	<p>A loan setup fee of \$50.00 and an annual loan maintenance fee of \$25.00, billed \$6.25 per quarter is charged for each loan. These fees will be deducted pro-rata from all investment options in your account under the Plan.</p>
<b>Term</b>	<ul style="list-style-type: none"><li>• General Purpose Loan - one month to sixty (60) months.</li><li>• Principal Residence Loan - one month to one-hundred twenty (120) months</li><li>• Loan refinancing is not permitted.</li></ul>

<b>Number and Frequency</b>	A Participant will be permitted to have a maximum of <b>three</b> loans outstanding at any time, two general purpose loans and one principal resident loan. There is a 14 day waiting period in between the time one loan is paid off and a new loan initiated.
<b>Minimum / Maximum Amounts</b>	<p>The minimum amount that may be borrowed is 1,000 with a minimum account balance of \$2,000.</p> <p>The maximum amount that may be borrowed is the lesser of (a) or (b)  (a) \$50,000 reduced by the highest outstanding loan balance of loans during the 12 month period ending on the day before the new loan is made or  (b) One-half of the Participant's Vested Account reduced by any outstanding loan balance on the date the new loan is made.</p> <p>At the time loan is made, up to 50% of your vested account balances under the Plan will be considered as security for a loan.</p>
<b>Interest Rate</b>	The Loan Interest Rate (LIR) service used by the plan's record keeper, Fidelity, is an automated process that updates the LIR on a monthly basis and is applied to new loans only. This service is based on the Reuters prime rate + 1% for both general purpose and principal residence loans.
<b>Order of Withdrawal and Repayments</b>	<ul style="list-style-type: none"> <li>• Loans will be prorated from all the Participant's investments.</li> <li>• Loans are borrowed from all available sources in the account including the option to borrow with or without stock.</li> <li>• The first repayment will be due as soon as administratively possible.</li> <li>• Loan repayments will be made through an after-tax payroll deduction and applied to the loan.</li> <li>• Loan repayments will be made to the same contribution type from which the money was withdrawn and based on current investment elections.</li> </ul>
<b>Prepayments</b>	<ul style="list-style-type: none"> <li>• A Participant will have the right to prepay his or her loan in full at any time prior to maturity without penalty.</li> <li>• Prepayments must be made in full EFT (electronic funds transfer), cashier's check or money order made payable to the Trustee, Fidelity and sent directly to Fidelity per the loan repayment instructions. No personal checks will be allowed.</li> <li>• No partial loan repayments are allowed by the Plan.</li> </ul>
<b>Leave of Absence</b>	<ul style="list-style-type: none"> <li>• If a borrowing Participant takes an approved leave of absence, the loan repayments will stop and repayments suspended for a period not to exceed 12 months. Upon return from LOA, the loan(s) will be re-amortized but will not be extended beyond five years from the original date of of a general purpose loan or ten years from the original date of a principal residence loan.</li> <li>• For <b>military leave</b>, payments may be suspended for up to five years and the duration of the loan extended by the period of time of the military leave, up to five years, when the person returns.</li> </ul>

**Termination of Employment**

- If a Participant's employment is terminated for any reason, including death, the unpaid loan balance will automatically be re-amortized to monthly and the Participant can continue loan payments directly to Fidelity through ACH payments. Otherwise, the loan(s) will need be paid in full to prevent default. (See Defaults and Remedies below.)
- Loans are not available to Participants who have terminated employment.
- When a terminated Participant receives a distribution from the plan, any unpaid loan balance will be included in the taxable distribution and reported to the IRS on Form 1099-R. Copies will be mailed by January 31 of the year following the year in which the default occurred. Regular income taxes, plus any IRS penalties may apply.

**Defaults and Remedies**

- A loan will be declared in default if no payment is made for 90 days or longer, unless non-payment is due to an approved disability or military leave of absence.
- Once the loan is declared in default, the entire unpaid principal balance will be reported to the IRS on Form 1099-R as a taxable distribution. Copies will be mailed by January 31 of the year following the year in which the default occurred. Regular income taxes, plus any IRS penalties may apply.

By: \_\_\_\_\_

Julie Spears, Plan Administrator

Date: \_\_\_\_\_