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PERSONNEL POLICIES AND PROCEDURES

INTRODUCTION

The Independent Bankers Association of Texas ("IBAT" or the "Association") is a banking trade association composed of approximately 600 banks chartered to do business in Texas. Member banks served by the Association, both state chartered and national banks, are located in virtually every community in Texas.

IBAT represents the interests of Texas banks with state and federal legislative and regulatory bodies, provides educational programs, and serves as a legal resource for our member banks. It represents independent banks; that is, a locally owned, locally operated bank. An independent bank's deposits come from, and its loans are made in, the area where it is located. It may operate with a single office or may have a limited number of offices or subsidiaries. In either case, its policies are set locally.

IBAT was chartered in 1974 as a nonprofit organization. It owns three subsidiaries, IBAT Services Inc., IBAT Marketing, Inc., and the Main Street Foundation. In addition, it has organized state and federal general political action committees known as IBAT PAC and IBAT Federal PAC.

The accomplishment of IBAT's goals is made possible by the contributions of time and effort by the general membership and through direct leadership of the board of directors and elected officers. The success and future growth of the Association is dependent on the contributions of each staff member. It is through their support and mutual cooperation that the needs, wishes and desires of our member banks are carried out.

We are glad you chose to join the professional staff of IBAT. Our goals are to work together to maintain a pleasant and compatible office atmosphere and a work flow which consistently and efficiently renders the highest quality services to our members. It is hoped that this employee manual will help in attaining these goals.

EMPLOYMENT

STATEMENT OF EMPLOYEE

NOTICE TO EMPLOYEE:

PLEASE READ THIS EMPLOYEE MANUAL AND KEEP IT HANDY FOR FUTURE REFERENCE. YOU ARE REQUIRED TO SIGN THIS SHEET AND RETURN IT TO THE SENIOR VICE PRESIDENT - FINANCE & ADMINISTRATION WITHIN TEN DAYS AFTER YOU RECEIVE THIS MANUAL.

"I have received a copy of the employee manual. I understand that this manual supersedes all previously dated handbooks and/or materials. I have carefully read and I understand all the rules and information contained therein, including the benefits and privileges to which I may be entitled.

"I understand that the Association may from time to time change, modify, alter, add, or substitute new procedures, policies, rules or regulations with the exception of the employment-at-will doctrine concerning working conditions at the Association. Also, any omission, misrepresentation or falsification of employment information on my behalf could jeopardize my employment status with IBAT. In turn, reasonable notification will be provided by the Association of such changes and the rights, obligations and privileges as a result of such alterations. It is expressly understood and agreed by me, my heirs and assigns, that nothing contained in this employee manual or any subsequent changes or modifications thereto shall act as a contract or guarantee of employment."

Employee's Signature

Date: _____

NEW EMPLOYEE ORIENTATION

All newly hired employees will receive an orientation session on their first day of employment with the Association. Designated staff members are responsible for ensuring success of the program. The guidelines are as follows:

A meeting schedule will be prepared prior to the new employee's arrival providing for:

- ◆ Staff introductions, office tour, work area assignment
- ◆ Distribution and review of Employee Manual; overview of organizational structure and reporting requirements
- ◆ Location of restrooms, lunchroom facilities, general office supplies and photocopiers
- ◆ Completion of W-4 Form, I-9 Form, payroll documents, explanation of reporting time worked, paydays, and distribution of office keys
- ◆ Explanation of building security and parking
- ◆ Explanation of insurance benefits, completion of appropriate forms

TERMINATION OF EMPLOYMENT

Employees who elect to resign should give the Association two weeks' notice. The Association reserves the right to accept the resignation and ask the employee to leave immediately with pay, or to ask the employee to work until the effective date of the resignation. Failure to give notice before resignation will result in a notation in the employee's personnel records "resigned without proper notice" and forfeiture of accrued but unpaid vacation time.

Employees who voluntarily terminate will be eligible for rehire. Rehired employees will serve the stated probationary period of employment.

The Association may terminate employees, and all employees are employed at will. The terminated employee shall receive all pay for work performed to the date of termination, and pay for accrued, but unused, vacation time.

EXIT INTERVIEW

All employees who are terminating employment, whether voluntarily or involuntarily, will be required to hold an exit interview to review the following:

- ◆ Exit Interview Checklist;
- ◆ Status of benefits;
- ◆ Salary due;

* Employees who voluntarily resign shall receive their final regular paycheck at the next regularly scheduled pay date. See "Incentive Based Compensation," "Return of Company

Property” and “Vacation” sections for additional information related to the final paycheck.

- * Employees who are involuntarily terminated shall receive their final regular paycheck within six days of the termination date. See “Incentive Based Compensation,” “Return of Company Property” and “Vacation” sections for additional information related to the final paycheck.
- ♦ Timesheets – all timesheets are to be turned in with information filled out through the date of voluntary or involuntary termination. Failure to do so will restrict IBAT’s ability to calculate any possible overtime pay due;
- ♦ Return keys and other Association equipment in the employee’s possession;
- ♦ Return credit cards;
- ♦ Questions and comments.

EQUAL OPPORTUNITY EMPLOYMENT

It is the policy of Independent Bankers Association of Texas not to adversely discriminate based on race, color, religion, gender, national origin, veteran status, or disability with respect to recruitment, hiring, training, promotion, and other terms and conditions of employment, provided the individual is qualified to perform the work available with reasonable accommodation. Further, it is the policy of IBAT to comply voluntarily with the concepts and practices of affirmative action.

Accordingly, all employment decisions shall be consistent with the principles of equal employment opportunity (EEO).

All promotion decisions shall be consistent with the principles of EEO, and only valid qualifications will be required for promotion.

All other personnel actions or programs will be administered in a non-discriminatory manner, provided the individual is qualified to perform the work available with reasonable accommodation.

EMPLOYMENT OF RELATIVES

It is the policy of the Association to hire the best qualified individuals available for Association positions. However, the hiring of relatives of existing employees for full time positions is prohibited unless approved by the President. Family members of full time employees may be considered for part time employment, but may not be hired without the approval of the President.

BUILDING/EQUIPMENT/SUPPLIES

PARKING

The Association provides parking for all of its employees. All parking spaces have been assigned. The Association will tow all cars which are illegally parked at its headquarters building or in the leased spaces. If you are unable to use your parking space because there is construction or we have authorized a visitor to IBAT to use your space, please notify the Senior Vice President – Finance & Administration, who will give you quarters for the parking meters on the street. However, we will not pay parking tickets for employees who park on the street because we are providing quarters and it is each employee's responsibility to keep track of the time that the vehicle is parked.

HOUSEKEEPING

Soft drinks and coffee are provided by the Association for all IBAT personnel. Each employee must assist in keeping the service area clean. All employees are expected to place their dirty eating utensils and coffee cups in the dishwasher. The cleaning crew will run the dishwasher on Friday night, but if it is full due to an IBAT event, it may need to be run earlier in the week by staff.

Remember that many people work here and courtesy is the password. Please be courteous in using the kitchen and clean up after yourself if you make a mess.

SMOKING

Smoking is allowed in designated areas only.

Designated Areas. IBAT is located in a non-smoking building as designated in the building's condominium agreement. Smoking is permitted on the balcony of the third floor and in the parking garage. Smoking is prohibited within 15 feet of the building's main entrance. All other locations are considered nonsmoking.

Complaints. IBAT is not required by law to incur any expense, or make structural or other physical modifications to accommodate the preference of smoking or nonsmoking employees.

SECURITY

The security company is ADT and their number is 800-765-5467, option 2 for monitoring.

Entering the Building

Enter the building through the elevator. If the elevator is locked, use your elevator key to gain access to the office. If the alarm is set, the display on the alarm panel will read "ARMED."

You will have 45 seconds to punch in the security code. *Please remember to deactivate the alarm. If the alarm is set off, it will sound loudly.* After you enter the correct alarm code, the display will read "DISARMED."

Leaving the Building

Turn off all the lights. Make sure the stairwell doors and balcony doors are locked and no one else is left in the building. Make sure the coffee maker, toaster oven and any other fire hazard is turned off or unplugged.

The alarm display will read "DISARMED ~ READY TO ARM." After you enter the alarm code, it will begin beeping (loudly) and the display will read "ARMED." Once the alarm is armed, you will have 45 seconds to exit the building.

NOTE: The Association is aware that there are potential dangers and all employees should be more careful. We would like to remind each employee that if you arrive at work during other than normal business hours there is a possibility that transients will be near the building. If you do not feel comfortable entering the building, please do not do so. Wait until another staff member arrives, or if you feel there is a danger, please call the police and ask them to escort you into the building. We would prefer that you arrive after 7:30 in the morning because by that time most of the transients have left the area. If you are staying late, it would be preferable for the last two people in the building to leave together, rather than one person staying alone.

CONCEALED WEAPONS

The Texas Legislature enacted the concealed handgun law which allows citizens with a permit to carry concealed weapons. There is a provision in that act which permits employers to prohibit carrying of concealed weapons by employees. It is the intent of the association to provide a safe working place for its employees. Accordingly, the power granted in the Concealed Weapon Act to prohibit employees from carrying concealed weapons shall be exercised.

For purposes of this policy, the association's premises includes the association's headquarters building. It does not include any public or private driveway, street, sidewalk or walkway, parking lot, parking garage or other parking area. However, concealed weapons may not be carried into the building from any of those excluded areas.

No association employees shall be permitted to carry concealed weapons onto the premises of the association. This policy shall be communicated in writing to all employees and shall be a permanent part of the Personnel Policies & Procedures. Employees who violate this policy shall be subject to reprimand or other appropriate action as provided in the personnel manual for similar violations of association policy.

OFFICE SUPPLIES AND EQUIPMENT

When supplies are received, the Project Coordinator will unpack the supplies, check them against their shipping document, and then put the supplies away in their proper location in the

workroom. Remember that the workroom is available for everyone – **do not leave your projects in the workroom after you have completed them.** Remove them to your office or another appropriate location. Also remember that the items in the workroom have been assigned a location; please maintain all items such as letterhead, envelopes, and smaller miscellaneous supplies in their proper location.

Brochures, magazines, and other promotional material are to be kept in their appropriate location. There should be no more than three months' worth of magazines kept in the workroom. After three months, extra copies should be disposed of, with the appropriate number of copies kept in the master publications file.

Copies of brochures should be maintained in one location, so that when we have a change in either the price or other information included in the brochure, old brochures may be disposed of and replaced with new ones. Currently all of the brochures are maintained in the back of the workroom near the dead files.

Please do not move any inventory or supplies to another location without consulting with the department that will be affected by your moving the items. We realize that there will be a need for additional space and we will work to accommodate you in any way that we can.

DISPOSAL OF EQUIPMENT/ASSETS

The disposal of surplus equipment will be at the direction of the President. Equipment will be classified as surplus only after a review of the current and expected needs for that type of equipment and the usefulness of a particular piece of equipment in fulfilling the need.

Employees will have the first opportunity to purchase the surplus equipment on a first come, first served basis at its fair market value.

If no employee wishes to purchase the equipment, efforts will be made through various means, including wholesalers, resellers, brokers and advertising to the general public, to sell the equipment.

If no sales are forthcoming, the equipment may be offered to deserving charitable organizations including churches and schools at the discretion of the President.

RETURN OF COMPANY PROPERTY

From time to time, employees may be provided with Association property such as telephones, pagers, computer software, or other types of property in order to facilitate their work for the Association. At the time such property is provided to the employee, the employee may be requested to sign a written consent providing that in the event the property is not returned to the Association, the employee agrees that the final paycheck may be reduced by the then fair market value of the property.

Upon termination, the employee shall promptly return the property to the Association. At that time, the employee will be given a receipt for the property. However, in the event the employee

does not return the property and the employee has signed a written acknowledgment authorizing pay deduction, then the final paycheck shall be reduced for the then fair market value of the property which is not returned. However, under no circumstances shall the employee's final paycheck fall below minimum wage levels.

E-MAIL AND INTERNET POLICY

The following guidelines should be followed in using e-mail and the Internet:

1. *Etiquette.* Profanity, derogatory comments, sexual innuendo or references are never acceptable behavior. Remember that you are a representative of the Association and that any inappropriate communications reflect poorly on IBAT.
2. *Authorization codes/passwords.* Your code or password should not be shared with anyone else. Make sure that you keep it confidential.
3. *Copyrights.* Do not either load into the system or download any item which is copyrighted by someone other than IBAT or IBAT Services.
4. *Personal use.* Internet access is for business purposes. Do not abuse for personal purposes. Excessive use can be grounds for discipline or termination.
5. *Property of IBAT.* E-mail created during employment is the property of the Association. IBAT shall retain copies of all e-mails in accordance with the record retention policies of the Association.

SAFETY POLICY

The health and safety of our employees is of paramount importance. Therefore, all employees are encouraged to use good practices when lifting or handling heavy objects as well as when using computers and other equipment. Posture, lighting, furniture, work organization, and work habits can affect the way that an employee feels and works. Good practices include the following:

- ◆ When lifting, never bend from the waist. Bend your knees and let your legs help you lift.
- ◆ When using a computer for a long period of time, be sure to take frequent rest breaks. Look away from the computer at different objects from time to time. These practices ease eye strain and reduce the risk of repeated motion injuries.
- ◆ Use good posture! This means taking advantage of your chair to properly support your back and arms. If necessary, use a foot rest. Also, keep your hands properly curved over your keyboard. If you have problems with this, request a wrist rest.
- ◆ Employees who use the telephone frequently should be careful not to cradle the phone between their ear and their shoulder. If you expect to use the phone for extended periods frequently, consider using the speaker function on your phone or request a headset.

Safety and comfort guidelines with more detailed information have been distributed to all employees. All employees should review these regularly to assure a safer, more comfortable, healthful, and efficient work environment.

CONDUCT—PERSONAL & PROFESSIONAL

STANDARDS OF CONDUCT

IBAT employees are expected to promote and maintain the highest standards of Association service and personal conduct. Accordingly, each employee is expected to:

- ◆ Maintain complete loyalty to the Association that employs me and aggressively pursue its objectives.
- ◆ Hold inviolate the confidential relationship between the individual members of my Association and myself, and the confidential information entrusted to me through the Association office.
- ◆ Serve all members of my Association impartially, and provide no special privilege to any individual member, nor accept special personal compensation directly or indirectly from a member or from any other entity which may accrue or be perceived to accrue private gain in connection with his/her relationship with me in my capacity as a member of the Association staff.
- ◆ Neither engage in, nor countenance, any exploitation of my Association, industry or profession.
- ◆ Recognize and discharge my responsibility and that of my Association to uphold all laws and regulations relating to my Association's activities.
- ◆ Exercise and insist on sound business principles in the conduct of the affairs of the Association.
- ◆ Use only legal and ethical means if I should seek to influence legislation or regulation.
- ◆ Issue no false or misleading statements to the public.
- ◆ Refrain from the dissemination of any malicious information concerning other associations and/or other association executives, officers or employees.
- ◆ Accept my responsibility for cooperating in every reasonable and proper way with other associations with similar objectives.
- ◆ Utilize every opportunity to improve public understanding of the principle of voluntary association.
- ◆ Maintain high standards of personal conduct.
- ◆ Remember that my behavior not only reflects on my own professionalism but also on the association. Therefore, I will exercise sound judgment in consumption of food and alcohol and refrain from actions that could reflect poorly on me and on the association.

CONFIDENTIALITY

The success of any association is largely dependent upon the integrity and confidence of those who conduct its affairs. The staff carries a special responsibility to the Association members who expect the standards we live by to embody honesty, fairness and fidelity. Safeguarding the confidential nature of information regarding the Association, its members, activities and suppliers is essential to the conduct of its business. In addition, all staff are expected to keep confidential any information regarding salaries and financial affairs of the Association. Accordingly, the failure to keep the confidentiality of Association business matters shall be grounds for immediate termination.

CONFLICT OF INTEREST

Employees should not enter into employment relationships with persons or organizations in any activity directly or indirectly detrimental to the Association or where compensation is contingent upon the individual's employment with the Association. Examples of the types of activity which might cause a conflict of interest include the following:

- ◆ Financial interest in an outside concern from which the Association purchases goods or services.
- ◆ Accepting personal compensation for job-related speaking engagements, consulting services, or other activities.
- ◆ Participation in activities unrelated to the Association during normal business hours.
- ◆ Representing the Association in any transaction in which the employee or a member of his or her family has a substantial interest.

These examples do not cover every possible type of conflict of interest but are merely illustrative. Furthermore, a potential conflict of interest should be disclosed to the President and the Executive Committee. In some cases, the activity may be approved by action of the Executive Committee. However, in other cases where a conflict of interest has occurred and prior permission has not been received, the employee will be subject to immediate termination.

Employees are subject to the Code of Conduct of the Association and shall be responsible for completing an Annual Declaration of Personal Circumstances. Such Code of Conduct is in addition to this section relating to conflict of interest.

OUTSIDE ACTIVITIES

As a nonprofit organization, IBAT encourages its employees to participate as volunteers in other nonprofit organizations and trade associations. This enhances the professional skills of our employees and provides a positive contribution to the greater community. However, the following guidelines should be considered.

- ♦ Employment with IBAT is a full-time career. Thus, participating as a director or officer in another organization is permitted if it:
 - * will not interfere with work assignments or performance,
 - * will not involve the possibility of adverse publicity to IBAT, and
 - * does not imply sponsorship by IBAT.

EMPLOYEE DRESS

IBAT's dress code policy will be business casual year-round. Business casual is clothing that is more casual than the regular work week dress but definitely "I am here to do business". In order to apply the term business casual to IBAT, here is a list of do's and don'ts. When there is an occasion that warrants dressing in traditional business attire, staff will receive notice ahead of time.

☺ DO ☺	☹ DON'T ☹
Do wear comfortable clothing.	Do not wear sweats or workout clothing.
Do wear <i>ironed or starched</i> casual <i>slacks or</i> pants such as Khaki's (blue jeans on Fridays <u>only</u>).	Do not wear blue jeans with holes, rips, etc.
Do wear bright, crisp T-shirts.	Do not wear T-shirts with slogans or company logos (including IBAT tees) on them.
Do wear comfortable <i>business</i> shoes. (<i>Nice, clean sneakers/tennis shoes on Fridays only</i> .)	Do not wear flip flops or thong sandals such as one might find at the beach.
Do wear clothing appropriate for whom you will be visiting with today.	Do not wear slacks to meet the Queen of England.

Optional Clothing: *Stockings are optional.*
 Coat and tie are optional.

Bottom line - do not let policy get in the way of good judgment.

Whether it is business casual or regular attire, staff should always avoid dress that is provocative. This includes too short, too low-cut or too tight.

Remember, the change in dress policy is a privilege. Please do not abuse it, or we will be forced to resort back to business attire. Should you have any questions, please feel free to consult your supervisor.

HARASSMENT, INCLUDING SEXUAL HARASSMENT

Some acts of harassment and sexual harassment are often informal and unofficial. Sexual harassment is defined as follows: unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature when:

1. Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment.
2. Submission to or rejection of such conduct by an individual is used as the basis for employment decisions.
3. Such conduct has the effect of unreasonably interfering with an individual's work performance or creating an intimidating or offensive working environment. In a trade association this may occur not only in the office but also as a result of contacts with members or vendors doing business with the association.

Therefore, we encourage persons who find themselves the target of harassment to notify their immediate supervisor in order to protect their rights. In the event the employee's immediate supervisor is the source of the harassment, the complaint may be made to the President. Should the President be the source of the harassment, the complaint may be made to any senior officer of the Association and/or the Board of Directors.

All employees are responsible for conducting themselves in ways that ensure others are always able to work in an atmosphere free of sexual harassment.

The following steps are recommended:

1. The harassed employee should clearly explain to the person harassing them the behavior found objectionable, and ask that it cease.
2. The harassed employee should keep a written record of the instances of harassment and the names of any witnesses.
3. Any incident should be immediately reported to the President, immediate supervisor, or any senior staff member or Board member for investigation and resolution of the complaints. Complaints and investigations will be handled confidentially. The Association will take appropriate action to eliminate the harassment and impose disciplinary action on or termination of the employee involved, if warranted. If a nonemployee is involved, other appropriate action will be taken to eliminate the problem.
4. It is the responsibility of every member of management to ensure that this policy is enforced strictly. This responsibility includes ensuring that each employee is aware of the association policy on equal employment opportunity, and that this facility is free from sexual conduct that causes, or reasonably could be considered to cause, an intimidating or offensive working environment.

5. Any victim of an alleged sexual harassment act or employees participating in a sexual harassment inquiry will be protected by federal law from management reprisals.

TELEPHONE COURTESY

The telephone response to any person calling the Association, member bank or otherwise, should always be courteous and businesslike. When properly used, the telephone is a means of promoting membership goodwill and selling Association services. Employees should always:

- ◆ Answer calls promptly.
- ◆ Speak distinctly and in a pleasant manner.
- ◆ If the person being called is absent or unable to take the call, offer to transfer the caller to voice mail or to take a message.
- ◆ Accurately record the caller's name, return telephone number, company or bank name, date and time of the call, and any message left.
- ◆ Promptly deliver all telephone messages to the appropriate staff member through voice mail.
- ◆ When forwarding a call, always explain to the caller to whom you are transferring the call.
- ◆ If you are unsure of where to direct a call, ask the caller for more information, or request assistance from a co-worker in determining the appropriate handling of the call.
- ◆ Assist the caller as you would want to be assisted.
- ◆ Make every effort to satisfy the caller's request.
- ◆ Never leave a caller on hold for more than 30-45 second intervals.

The Receptionist should be the first individual responsible for responding to telephone calls. However, if the Receptionist is away from her desk or if a number of calls have come in at the same time making it difficult to respond, then the other nonexempt employees should assist in answering the telephone. If an employee for whom a call has been received is in conference or has used the "do not disturb" function on the telephone system, then the person responsible for the call should take a message rather than interrupt the ongoing business unless there is a justifiable emergency.

DRUG AND ALCOHOL POLICY

(Non-Testing)

Purpose

The objective of this policy is to develop a drug and alcohol-free workplace which will help insure a safe and productive workplace and to provide education and treatment to our employees. In order to further this objective, the following rules regarding alcohol and illegal drugs in the workplace have been established.

Policy

1. The Association shall implement a comprehensive drug and alcohol abuse education program.
2. Alcoholism and other drug addiction are recognized as diseases responsive to proper treatment, and this will be an option as long as the employee cooperates.
3. The manufacture, distribution, dispensing, possession, sale, purchase, or use of a controlled substance on Association property is prohibited.
4. Being under the influence of alcohol or illegal drugs on Association property is prohibited. The unauthorized use or possession of prescription drugs or over-the-counter drugs on Association property is prohibited.
5. Employees who violate this policy are subject to appropriate disciplinary action including termination.
6. The policy applies to all employees of the Association regardless of rank or position and includes temporary and part-time employees.

Definitions

- A. Association Premises - All Association property including vehicles and parking lots.
- B. Association Property - All Association owned or leased property used by employees such as vehicles, desks, closets, etc.
- C. Controlled Substance - Any substance listed in Schedules I-V of Section 202 of the Controlled Substance Act (21 U.S.C. §812) as amended. Copies are maintained for employee review by the Senior Vice President Finance.
- D. Drug - A drug is any chemical substance that produces physical, mental, emotional or behavioral change in the user.
- E. Drug Paraphernalia - Equipment, a product or material that is used or intended for use in concealing an illegal drug or for use in injecting, ingesting, inhaling or otherwise introducing into the human body an illegal drug or controlled substance.
- F. Fitness for Duty - Ability to work in a manner suitable for the job. To determine "fitness," a medical evaluation may include drug and/or alcohol testing.
- G. Illegal Drug - An illegal drug is any drug or derivative thereof which the use, possession, sale, transfer, attempted sale or transfer, manufacture or storage of is illegal or regulated under any federal, state, or local law or regulation and any other drug, including (but not limited to) a prescription drug, used for any reason other than a legitimate medical reason and inhalants used illegally. Included is marijuana or cannabis in all forms.

- H. Reasonable Cause/Reasonable Suspicion - Supported by evidence strong enough to establish that a policy violation has occurred.
- I. Under the Influence - A state of having a blood alcohol concentration of .08 or more, where "alcohol concentration" has the meaning assigned to it in Article 67011-1, Revised Statutes; or the state of not having the normal use of mental or physical faculties resulting from the voluntary introduction into the body of an alcoholic beverage or a controlled substance.

General Policy Provisions

Any of the following actions constitutes a violation of the Policy and may subject an employee to disciplinary action including immediate termination:

- A. Using, selling, purchasing, transferring, possessing, manufacturing, or storing an illegal drug or drug paraphernalia, or attempting or assisting another to do so, while in the course of employment or engaged in an activity sponsored by the Association, on premises, in owned, leased or rented vehicles, or on business.
- B. Working or reporting to work, conducting Association business or being on premises or in an Association-owned, leased or rented vehicle while under the influence of an illegal drug, alcohol or in an impaired condition.

Preventive Acts

Employees taking drugs prescribed by an attending physician must advise their direct supervisor in writing of the possible effects of such medication regarding their job performance and physical/mental capabilities. This written information must be kept confidential and communicated to the direct supervisor prior to the employee commencing work. All medical information will be kept confidential and the employer, without exception, will punish any breach of privacy and confidentiality in this regard. All prescription drugs must be kept in their original container.

Supervisory and Employee Training

Supervisors will receive training regarding the Drug and Alcohol Policy. All employees will receive copies of the Drug and Alcohol Policy.

Coordination with Law Enforcement Agencies

The sale, use, purchase, transfer or possession of an illegal drug or drug paraphernalia is a violation of the law. The Association will report information concerning possession, distribution, or use of any illegal drugs to law enforcement officials and will turn over to the custody of law enforcement officials any such substances found during a search of an individual or property. Searches will only be conducted of individuals based on reasonable cause; and only of their vehicles, lockers, desks, and closets when based on reasonable suspicion. The Association will cooperate fully in the prosecution and/or conviction of any violation of the law.

Reservation of Rights

The Association reserves the right to interpret, change, suspend, cancel or dispute, with or without notice, all or any part of this Policy, or procedures or benefits discussed herein. Employees will be notified before implementation of any change.

Although adherence to this Policy is considered a condition of continued employment, nothing in this Policy alters an employee's status and shall not constitute nor be deemed a contract or promise of employment. Employees remain free to resign their employment at any time for any or no reason, without notice, and the Association retains the right to terminate any employee at any time, for any or no reason, without notice.

Other Laws and Regulations

The provisions of this Policy shall apply in addition to, and shall be subordinated to, any requirements imposed by applicable federal, state or local laws, regulations or judicial decisions. Unenforceable provisions of this policy shall be deemed to be deleted.

Employee Acknowledgment

I acknowledge that I have received a copy of the Drug-Free Workplace Policy. I also acknowledge that the provisions of the Policy are part of the terms and conditions of my employment and that I agree to abide by them.

Date: _____

Signature of Employee

Print Name

Employee Social Security No.

Note: This policy may be provided to the employee in another language.

COMPENSATION & PERSONNEL RECORDS

PERSONNEL RECORDS

A complete record of employment, including the original application form and/or resume, Employment Eligibility Verification Form (I-9) as required by the U.S. Department of Justice Immigration and Naturalization Service, each written performance evaluation, general progress notes and a compensation history will be kept for each staff member by the Senior Vice President – Finance & Administration.

These files are and remain the property of the Association and are viewed as confidential. Materials contained in these files may not be removed from the possession of the Senior Vice President – Finance & Administration under any circumstances.

Employees may set up an appointment to review the contents of their personnel file in the presence of the Senior Vice President – Finance & Administration. Thus, information contained in a personnel file may not be reproduced in part or whole under any circumstances unless as directed by the President and/or General Counsel.

PERFORMANCE EVALUATION

Each employee's immediate supervisor will formally review job performance at least once annually. New employees shall be evaluated within 90 days of commencement of employment. Performance reviews for the President and General Counsel will occur after the association's annual convention. Each formal appraisal will be shown to the employee and will be discussed in detail.

Formal appraisals will be reviewed by the President. The evaluation form will be signed by the employee and the immediate supervisor, and will be placed in the employee's personnel file along with any written comments submitted during the evaluation session.

SALARY INCREASES

Salary increases are given on a merit basis and are determined by job related criteria and the degree of success the employee demonstrates in reaching or exceeding standards established for his/her job.

Salary adjustments may be granted to ensure each employee is compensated commensurate with his/her performance and responsibility.

INCENTIVE BASED COMPENSATION

From time to time, the Association will hire employee specialists who will bring skills that will be compensated based on measured production.

IBAT's policy will be to bring such skills to the membership using the following guidelines:

- ◆ Establish a set base salary plus an incentive commission structure based on meeting specified production goals.
- ◆ Reasonable expenses may be reimbursed in addition to the base salary and commissions in accordance with association policies.
- ◆ Establish a time frame for payment – for instance, a base paid monthly with adjustments made quarterly.
- ◆ Review production and production goals each quarter.
- ◆ Review policy annually.
- ◆ In the event of early termination, the final paycheck will reflect regular hours (and overtime hours, if applicable) worked, based on the final timesheet submitted. Any commissions due will be paid within six days of when the commission payment is regularly scheduled.

PAYROLL ADMINISTRATION

All employees receive their pay on the 15th and the last day of each calendar month. The normal workweek at the Association begins at 12:01 a.m. Sunday, and ends the following Saturday at midnight. If a payday falls on a Saturday, Sunday, or holiday, the workday immediately preceding such non-workday will be payday. It is strongly recommended that paychecks be distributed through direct deposit. An employee may request a physical check, however. Payroll will be distributed on payday. If you are absent from work on payday and want someone to pick up your check for you, those arrangements must be made in advance with the approval of the Senior Vice President – Finance & Administration. Should a payday occur during the employee's scheduled vacation a request may be made to the Senior Vice President – Finance & Administration to mail your check to your home.

With your paycheck you will receive an earnings statement which itemizes the deductions from your paycheck. These deductions fall into two groups: those required by law and those authorized by you in writing. Deductions required by law are:

1. Federal Insurance Compensation Act (FICA), better known as Social Security – a percentage of your earnings is deducted from each paycheck. It changes by federal law from time to time. The Association matches your payment by contributing an equal amount to your Social Security fund.
2. Withholding Tax – the amount deducted for Federal Income Tax Withholding payments varies depending upon your earnings and the number of exemptions and withholdings you

have authorized on the W-4 (Exemption Certificate) and given to the Senior Vice President – Finance & Administration at the time of employment or other update time.

Voluntary deductions authorized by you may include payments for health, life, or other appropriate insurance premiums, any repayment of advances on your pay, Section 125 plan, and employee contributions to the 401(k) plan. No such deduction(s) will be made from your paycheck unless authorized in writing by you.

Under Texas law, the Association is not required to take action in the event of garnishment, attachment, or judgments against an employee's earnings, except instances involving student loan payments, past-due child support payments and the collection of delinquent income taxes. We expect you to deal responsibly with your creditors. Under circumstances where it affects your work, an employee failing to pay his just debts can be subject to disciplinary action. It is against Association policy for employees to assign their wages to any other person.

Your paycheck is payment from the Association to you for services rendered, less any applicable deductions. When you get your payroll check, make sure the hours, pay rate, and deductions are correct. If anything on your paycheck is incorrect, take it to the Senior Vice President – Finance & Administration so errors can be immediately corrected. If you must cash your paycheck before the error can be corrected, save the check stub, which is your earnings statement. Present the check stub to the Senior Vice President – Finance & Administration immediately. If you do not report paycheck errors promptly, we will treat your silence as proof of your agreement that all calculations are correct. If you do not understand how to figure your pay or how to read your check, seek help from the Senior Vice President – Finance & Administration so that it can be properly explained to you.

OFFICE HOURS/LEAVE

TIME RECORDS

All nonexempt employees shall maintain appropriate time records in accordance with the record-keeping requirements of the Fair Labor Standards Act. Such time records shall be completed, signed by the employee, and submitted to the immediate supervisor immediately following the end of a pay period. The supervisor shall review and approve the time records and submit to the Senior Vice President – Finance & Administration for appropriate processing.

Any employees who are paid on an hourly basis must submit their time records for the preceding pay period in a timely fashion to ensure accurate paychecks based on actual hours in the work period.

Exempt employees shall maintain appropriate time records to facilitate allocation of expenses to appropriate functions and subsidiaries of the association. Such time records shall be completed as soon as possible after the end of a pay period, submitted to the immediate supervisor, reviewed and approved, and returned to the Senior Vice President – Finance & Administration for appropriate use and maintenance.

BUSINESS OFFICE HOURS

Employees should arrive for the morning's business between 7:30 a.m. and 8:30 a.m. Nonexempt employees should either work only eight hours per day based on arrival time or make appropriate arrangements with their immediate supervisor to adjust departure time one or more afternoons in the week so that total hours worked during any one week do not exceed 40 hours without prior permission for overtime. If at all possible, early departures should not be scheduled for afternoons when large mailings or major work projects are scheduled.

TARDINESS

When an employee knows he/she will be unavoidably late, the immediate supervisor should be notified no later than 8:30 a.m., or as soon thereafter as possible.

If the immediate supervisor is unavailable when the employee calls in, the Senior Vice President – Finance & Administration should be notified immediately so the appropriate staffing arrangements can be made to ensure work flow of their area is not interrupted.

The tardiness policy will be consistently applied to all employees and will be fairly enforced by each supervisor.

Habitual tardiness may be cause for termination. An employee is tardy if he/she is 15 minutes late based on his/her hours.

HOLIDAYS

The Association will observe the same holidays as the banks in Texas, in accordance with the Federal Reserve holiday calendar. The Federal Reserve standard holiday schedule mandates that if January 1, July 4, November 11, or December 25 falls on a Sunday, the following Monday will be observed as a holiday. However, if January 1, July 4, November 11, or December 25 occurs on a Saturday, the preceding Friday will not be observed as a holiday.

The following days will be observed as Association holidays:

New Years Day	January 1
Martin Luther King Day	January (3rd Monday)
Presidents' Day	February (3rd Monday)
Memorial Day	May (last Monday)
Independence Day	July 4
Labor Day	September (1st Monday)
Columbus Day	October (2nd Monday)
Veterans' Day	November 11
Thanksgiving Day	November (4th Thursday)
Christmas Day	December 25

Additional holidays may be approved from time to time by the Board of Directors and/or the President.

If a holiday falls during a normal work week, full time employees should report the day on their timesheets as a normal day worked (8 hours).

Part time employees are not entitled to payment for holidays unless actually worked.

EMPLOYEE LUNCH HOUR

Every employee of the Association is entitled to a one-hour lunch break each day, and all employees are encouraged to take it. Lunch hours should be scheduled with the employee's immediate supervisor in a manner which provides adequate telephone staffing and a timely response to all incoming Association calls.

As the Department of Labor defines a meal break as one where the employee must be completely relieved from duty, lunch hours are to occur away from the employee's desk. If the employee wishes to spend their lunch hour at their desk, for instances such as accessing the internet for personal use, to read, etc., then the employee must refrain from working on projects and duties related to IBAT and its subsidiaries and affiliated companies.

Reduced lunch hours of not less than 30 minutes may be taken from time to time with permission from their immediate supervisor.

VACATION

Except as indicated below, vacation is earned at the rate of .83 days per month, or two weeks per year, by all regular full-time employees. All employees are required to take vacation time earned. Vacation days must be taken in the year earned.

Employees who earn 10 working days of vacation are strongly encouraged to take at least 5 days consecutively. Employees who earn 15 days of vacation are required to take at least 5 days consecutively. Employees who earn 20 or more working days of vacation are required to take at least 10 days consecutively.

No vacation is earned nor may be taken prior to completion of six month's employment. Part-time and temporary employees are not eligible for paid vacation time.

Vacations can be scheduled any time between January 1 and December 31 following six months of employment but are subject to approval by the immediate supervisor and/or the President. However, only one week vacation will be allowed to be used during the period December 15 through January 1. (See "Holiday Staffing" below.)

It is the responsibility of each supervisor to be certain that each department or ongoing function of the Association has adequate staff on duty at all times. In the event staffing requirements cannot be met due to several employees requesting identical vacation schedules, time off will be granted on a seniority basis.

Examples of earned vacation time is as follows:

- ◆ 0 months through 6 months 0 working days
- ◆ 6 months through 1 year up to 5 working days *(6 months x .83 days equals roughly 5 days)*
- ◆ 1 through 4 years up to 10 working days *(12 months x .83 days equals roughly 10 days/year)*
- ◆ 5 through 9 years up to 15 working days *(formula above + an extra 5 days starting year #5)*
- ◆ 10 through 14 years up to 20 working days *(formula above + an extra 10 days starting year #10)*
- ◆ 15 years and over up to 25 working days *(formula above + an extra 15 days starting year #15)*

Any exempt or non-exempt employee who voluntarily resigns and fails to render two weeks' termination notice will forfeit any accrued but unused vacation pay. Also, unused vacation may not be substituted for two weeks' termination notice. Any exempt or non-exempt employee who is involuntarily terminated shall be paid for any accrued but unused vacation time.

HOLIDAY STAFFING

In order to ensure adequate staffing over the Christmas and New Year's holidays, the association has instituted the following policy:

1. Each employee will be permitted two "shopping days." These days can be used for any purpose, but must be taken between Thanksgiving and December 15; the days may **not** be carried over to any other dates over the holiday period. The shopping days must be approved by the employee's immediate supervisor so as to ensure that departmental needs and/or service to the membership during this period are not compromised.
2. Only one week vacation will be allowed to be used during the period December 15 through January 1. Other accrued vacation time must be taken during the year. Vacation time may not be carried over from one year to the next...you use it, or lose it.
3. The IBAT office will close no later than 2:00 p.m. on Christmas Eve and New Year's Eve. One person per department will be required to be present when the office is open during these periods.

LEAVE OF ABSENCE/SICK PAY

All requests for leaves of absence must be directed to the employee's immediate supervisor.

Routine absences will be defined as follows:

Routine Absences. Absence of an employee from his/her regularly assigned duties as a result of 1) personal illness, minor injury, medical/dental examinations or treatment of employee or employee's dependent child(ren); 2) death or illness of a member of the employee's immediate family or household; 3) inclement weather; 4) funerals for other than immediate family; 5) approved personal business.

Employees will accrue one day full pay protection for absence at the beginning of each calendar month commencing on the date of employment, but not to exceed 12 days per year. Accrued leave of absence up to 12 days can be carried over to the next calendar year, but should not exceed a total of 24 working days.

For non-exempt employees, benefits will be paid on an hour-for-hour basis. For exempt employees, benefits will be paid in full day increments in accordance with federal law.

Special Absences. Necessary absence of an employee for any of the following reasons: 1) temporary military training; 2) jury duty; 3) subpoenaed court appearance; or 4) home destruction or death of immediate family member (immediate family member includes spouse, children, brother, sister, parent or parent of spouse); 5) temporary medical disability.

Special absences for all employees will be handled in the following manner:

1. Jury Duty—Full pay will be paid for absence due to jury duty for that period for which leave of absence time has accrued. Employee may retain all jury pay. If released from jury duty for all or a portion of a work day, employee must report to work for the balance of that day.
2. Subpoenaed Court Appearance—Full pay will be paid for the period in which leave of absence has accrued when subpoenaed by the court.
3. Death or Home Destruction of a Member of Immediate Family—Employees will be paid up to 3 work days (per event) due to death or home destruction of a member of the employee's immediate family which requires employee's presence.

The immediate supervisor may inquire about any absence to determine whether benefits should be paid. If any absence is considered excessive, unwarranted, or not promptly reported, pay may be withheld, and disciplinary measures may be taken.

Approval to pay or withhold pay will be consistently applied throughout the Association, and in conformance with any applicable law or regulation.

4. Temporary/Medical Disabilities—Any necessary leave due to accident, illness, pregnancy or the like, will be handled as follows:

Once an employee has exhausted all accrued vacation and paid sick leave and continues to be unable to work, he/she will be continued in an unpaid leave of absence status for a period not to exceed 90 days. During this period the employee will be continued as a member of the Association's group health insurance plan. Should the absence be greater than 90 days, and the Association must fill the position, the employee shall be eligible to return to work on a first available comparable job opening basis.

OVERTIME

It is the intent of the Association to comply with all applicable state and federal laws relating to wages and hours including the Fair Labor Standards Act and the regulations applicable thereto. This includes, but is not limited to, adherence to rules relating to minimum wage, overtime, and equal pay for equal work. Accordingly, the following guidelines shall be observed:

Exempt Employees—Certain categories of employees are exempt from the application of the Fair Labor Standards Act. Employees of the Association who are exempt fall into the following categories:

- ♦ Executives. This includes employees whose primary duty is to manage an enterprise, department or subdivision. An executive must customarily direct work of two or more employees and have authority to hire and fire or suggest changes in status of other employees. Executives customarily and regularly exercise discretionary powers.
- ♦ Administrative Employees. The primary duty includes performance of office work relating to management policies or general business operations. They work under only general supervision along specialized or technical lines requiring special training, experience or

knowledge or execute under only general supervision special assignments and tasks. They customarily and regularly exercise discretion and independent judgment. Non-exempt work must be less than 40 percent of weekly hours.

- ♦ Professional Employees. These individuals perform work requiring specialized study. Other duties include work predominantly intellectual and varied (not routine) which cannot be standardized in point of time. They consistently exercise discretion and judgment.

General Rules:

1. All non-exempt salaried employees shall be entitled to overtime pay at a rate equal to one and one-half times their regular hourly rate, computed in accordance with the Fair Labor Standards Act rules, for hours worked in excess of 40 hours per week. Each work week shall be considered on its own. There shall be no averaging of work weeks within a pay period to determine whether overtime rates are applicable.

Example: If an employee's annual salary is \$21,840, then divide that by 52 work weeks to equal \$420 per week, which is a regular rate of \$10.50 for 40 hours worked. If the employee obtains permission from their supervisor to work overtime and works 50 hours that week, the regular rate is then \$8.40 (\$420 divided by 50 hours). In addition to the salary, half the regular rate, or \$4.20, is due for each of the 10 overtime hours, for a total of \$462 for the week. If the employee works 60 hours, the regular rate is then \$7.00 (\$420 divided by 60 hours). In that case, an additional \$3.50 is due for each of the 20 overtime hours, for a total of \$490 for the week.

In no case will the regular rate be less than the minimum wage required by FLSA. Due to the rare occurrence that an excess number of overtime hours is worked in a week and the regular rate ends up being less than the current minimum wage level, then minimum wage rates will supersede the regular rate and will be used for that week's calculations.

2. Hours worked shall also include hours devoted to training and educational activities required by the Association in the course of the employee's duties. Time spent in training programs, lecture, and meetings shall not be included if attendance occurs outside regular working hours; attendance is voluntary; employee does no productive work while attending; and a program, lecture or meeting is not directly related to the employee's job.
3. Prior to working more than eight hours in any day or 40 hours in any week, a non-exempt employee must obtain the prior approval of his or her immediate supervisor.
4. Exempt employees are expected to work the number of hours needed to accomplish the objectives of the association and complete assigned projects. From time to time, this will result in working in excess of 40 hours per week. However, exempt employees who regularly work more than 40 hours in any week or who experience particularly demanding work schedules on a periodic basis may apply to their immediate supervisor for time off. However, such time shall be determined by the supervisor in light of staffing needs, projects in progress, and any other relevant factors.

5. From time to time, travel to and from work-related events is required. Travel time hours less meal time hours during normal work hours, Sunday through Saturday, are subject to possible overtime for non-exempt employees. On the timesheet, record travel time, less meal time, under the correct corresponding department.

Example: Suppose a non-exempt employee is required to work at an IBAT seminar in Houston. If this employee travels on Sunday, the travel time that occurs during the employee's normal business hours (for example, 8:00 a.m. to 5:00 p.m.) is included on their timesheet. Assume the employee leaves home at 3:30 p.m., takes a 30 minute meal break at 4:00 p.m., and arrives at the hotel in Houston at 7:30 p.m. The employee will record travel time between 3:30 p.m. and 5:00 p.m., when the normal work day ends, and subtract 30 minutes for the meal break. So, one hour will be recorded on the employee's timesheet.

EMPLOYEE BENEFITS

PROFIT-SHARING PLAN

The IBAT Profit Sharing Plan is designed to reward employees for long and valued service by providing them with retirement benefits which will contribute substantially to their economic well-being and to the security of their families after retirement. See the Senior Vice President – Finance & Administration for a copy of the Summary of Plan Provisions.

401(K) PLAN

IBAT employees may also participate in a 401(k) plan. Employees may contribute up to 15% of their gross salary. The association will contribute 50% of the employee's contribution (up to a maximum contribution by IBAT of a full 3% of salary).

MEDICAL AND LIFE INSURANCE

IBAT, at its expense, provides all full-time employees with selected major medical, long-term disability, and term life insurance effective the first of the month after 30 days of employment. The specific coverages, eligibility periods and benefits payable under these policies are described in insurance company brochures which may be obtained from the Senior Vice President Finance.

The employee bears the cost of dependent coverage if selected. The monthly cost is processed as a payroll deduction. Current rates are available from the Senior Vice President Finance.

EDUCATION

With the prior approval of the President, any employee who would like to continue education may take selected courses from any accredited educational course sponsored by the American Society of Association Executives, Texas Society of Association Executives or similar associations or accredited universities or technical institutes and be reimbursed for all enrollment fees and necessary expenses in connection with satisfactory completion of the course. The General Counsel and Deputy General Counsel shall be expected to attend continuing legal education courses in accordance with the requirements of State Bar of Texas regulations.

New employees who receive training courses outside the association shall be requested to reimburse the association for the expenses of the training in the event they voluntarily terminate their employment within six months of commencement of their employment.

Any employee who voluntarily terminates employment within one month after receiving outside training at the expense of the association shall reimburse the association for the out of pocket costs of such training.

MISCELLANEOUS

POLITICAL AND CHARITABLE CONTRIBUTIONS

Political and charitable contributions by the Association staff are strictly voluntary and are made at the employee's discretion.

CORPORATE CREDIT CARDS/CASH ADVANCES

Certain staff members of the Association are called upon from time to time to travel on behalf of the Association. It is management's philosophy that employees should not be asked to spend personal monies on behalf of the Association's business, and therefore credit cards will be provided designated individuals, and/or cash travel advances will be supplied on request.

Key staff members will be provided a travel and entertainment card to be used solely on Association business. Those individuals driving a company car will be provided gasoline credit cards to facilitate payment of expenses incurred while driving a company vehicle.

If at any time these credit cards are misused, (i.e., for personal use) management will take disciplinary action against the employee. If any credit card is lost or stolen, the employee should immediately notify the Senior Vice President – Finance & Administration and the card will be replaced as soon as possible.

All expenditures, whether cash or credit card, must be accounted for on a staff expense voucher. Employees using cash advances should settle their account with the Association immediately following the trip for which a cash advance was requested.

All single expenditures of \$25.00 or more must be accompanied by a receipt. Requests for reimbursement or expense vouchers should be submitted in accordance with general board policies for travel and entertainment and board of directors and committee meetings. Thus, those policies provide the appropriate guidelines for documentation.

Expense vouchers should be submitted to the Accounting Department at least every two weeks. Each expense voucher must be approved by the employee's immediate supervisor and all vouchers will be reviewed by the President.

TRAVEL AND ENTERTAINMENT

Due to the nature of the Association and the varied nature of its activities and its business interests, a wide variety of travel and entertainment costs are expected to be incurred. The underlying guide regarding such expenditures is a cost/benefit analysis. However, such analysis is not readily quantifiable in the area of legislative and other public affairs activities. In these areas, the Association will rely on the guidelines of its budget and the judgment of the President, subject to the overview of the Executive Committee.

Receipts detailing date and amount spent shall be submitted no less frequently than twice a month. However, they may be submitted immediately after an event. Processing of expense vouchers shall be completed in approximately two weeks. Reimbursement requests shall be on appropriate completed forms with adequate documentation in accordance with the policies for Board of Directors and Committee meetings.

Travel and Entertainment Expenses

ALL ITEMS IN THIS POLICY ARE TO BE CONSIDERED IN CONJUNCTION WITH THE OPERATING POLICIES AND PROCEDURES OF THE ASSOCIATION.

IBAT has company credit cards for which each employee is personally responsible for the charges incurred each month.

Employees should complete an expense report immediately after the expense is incurred. The expense report should have a total of expenses by expense classification. (Note, hotel bill receipts should be split between meals, room charges, and other incidentals.) In accordance with IRS regulations, all meals over \$25 will include a receipt and a notation indicating the purpose, those present, date, location, and business discussed. The Accounting Assistant will math check and agree the expense reports to the supporting receipts and then code the expenses by the description on the report. The expense report of the President will be reviewed and approved by the in-house legal counsel. The expense checks will be issued, at the latest, within fourteen days of the receipt of the report. **EACH EMPLOYEE IS RESPONSIBLE FOR SUBMITTING THE EXPENSE REPORT ON A TIMELY BASIS IN ORDER TO AVOID INTEREST CHARGES ON THE CREDIT CARDS. EXPENSE REPORTS AND CREDIT CARD STATEMENTS SUBMITTED ON THE DUE DATE OR STATEMENT DATE ARE LATE AND INTEREST CHARGES WILL NOT BE PAID BY IBAT.** IBAT will make every effort to ensure that association credit cards have a 25 day grace period from date of purchase. On those cards without a grace period, IBAT will pay the interest charges and every effort will be made to obtain new credit cards.

Employees requesting travel advances should estimate the amount and have it approved by the department head. The travel advance should then be obtained from the accounting department. Accounting will record the travel advance as an account receivable-employee, travel advance. The employee will complete his/her travel expense report and include all expenses paid by the travel advance. At the bottom of the expense report, the travel advance will be deducted from the total expenses due. A check will be cut to the employee or the employee will write a check to IBAT, if necessary.

BOARD OF DIRECTORS AND COMMITTEE MEETINGS

Policy

The Association reimburses certain expenses incurred by members attending official meetings of the various Association elements. Generally, IBAT reimburses reasonable and necessary travel expense for members of the IBAT Board of Directors and committees.

IRS regulations require documentary evidence such as a receipt or paid bill for all travel and entertainment expenses of \$25.00 or more. Accordingly, requests for reimbursement of \$25.00 or more must be accompanied by a receipt which shows the date, name of vendor, vendor's location, persons attending, and purpose. For travel expenses, copies of airline tickets showing actual costs, itinerary and fare basis are required to substantiate reimbursement.

Spouse travel is reimbursed for the President upon approval by the Executive Committee; spouse travel by other IBAT Management Team members is approved by the President. Spouse travel is included in wages earned at year-end. The amount included will be made on an annual basis and at the highest marginal federal personal income tax rate and include the tax cost of reimbursement.

It is the policy of the Association not to reimburse overnight accommodations unless overnight accommodations are necessary to attend a meeting. Unless otherwise approved by the President of IBAT, the volunteer leadership and staff are expected to travel to and from the meeting on the meeting date.

It is the policy of the Association to reimburse up to \$30.00 per day per person for all meals and beverages not provided as part of the meeting being attended. There are special circumstances that would warrant an extension of this limit and those will be reviewed on a case by case basis by the IBAT President.

Individuals traveling at IBAT expense are expected to pay their own bills and to claim reimbursement for such expenses on an expense form supplied by IBAT. The completed expense form should be forwarded to IBAT immediately following the trip so that prompt reimbursement can be made. Reimbursement will not be made for expenses incurred more than six months prior to the date of submission of the expense report.

Transportation

Air. Reimbursement will be made for the actual cost of travel on IBAT business, not to exceed the cost of direct route, coach class. The use of discounted or other economical fares is encouraged. Bankers traveling to official IBAT meetings in private aircraft shall be reimbursed based upon the round-trip, coach air fare for the most direct route to the meeting site.

Auto Mileage. For trips of 1,000 miles or less round-trip, reimbursement will be at the rate of 33¢ per mile for IBAT staff or 33¢ per mile for Board and committee members, plus tolls. Reimbursement for use of automobile transportation to and from air terminals will be at the rate of 30¢ per mile plus tolls and parking, or the cost of taxi fare.

Auto Rental. Approval in advance by the President is required for auto rentals which are necessary because of the unique location or unusual circumstances of the meeting. The cost of automobiles will not normally be reimbursed by IBAT unless previously authorized.

Hotels/Motels. Reimbursement will be made for room charges, including taxes, and the cost of meals. Hotel bills must be attached to the IBAT expense form.

Incidentals. Reasonable expense for meals, when not offered by IBAT as part of a function, including necessary meals en route for traveling by automobile, will be reimbursed. Meals must be itemized on the expense form and receipts supplied when any single meal exceeds \$25.00.

PORTABLE PHONES

Because it is important for IBAT Management Team members to be readily accessible, and it is useful for them to be able to return calls quickly and easily while they are traveling, the association will provide portable phones to Management Team members. IBAT will enter into a set monthly fee contract with a portable phone vendor, and Management Team members will reimburse IBAT for personal long distance calls made on such portable phones that are billed to the association.

SUMMARY PLAN DESCRIPTION— SECTION 125 PLAN

Flexible Benefits Plan Only

You participate in a single employer Welfare Plan. This supplement constitutes the Summary Plan Description as required by the Employee Retirement Income Security Act of 1974 (ERISA). This Supplement should be retained with your copy of the plan document.

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|-----|--|---|
| (1) | NAME OF PLAN | Independent Bankers Association of Texas
Section 125 Plan |
| (2) | EMPLOYER'S NAME | Independent Bankers Association of Texas |
| | Address | 1700 Rio Grande St., Ste. 100
Austin, TX 78701 |
| | Phone Number | 512/474-6889 or 800/749-4228 |
| (3) | IRS EMPLOYER IDENTIFICATION
NUMBER (EIN) | 75-1459906 |
| (4) | PLAN NUMBER | 501 |
| (5) | PLAN ADMINISTRATOR | Triune Resources Inc. |
| | Address | 1600 E. Pioneer Parkway, Ste 410
Arlington, TX 76010 |
| | Phone Number | 817/860-5701 |
| (6) | AGENT FOR THE SERVICE OF LEGAL
PROCESS | Independent Bankers Association of Texas
Karen Neeley
1700 Rio Grande St., Ste. 100
Austin, TX 78701 |
| (7) | DATE OF END OF PLAN YEAR | December 31 |
| (8) | CONTRIBUTIONS TO THE PLAN ARE
PROVIDED BY: | () Employer Only
() Employer and Employee
(X) Employee Only |
| (9) | The following class or classes of full-time employees are eligible to apply for insurance: all full-time employees working at least 30 hours per week; provided they have completed 0 days of continuous full time employment and are eligible on the first of the month. | |