

Kempner Water Supply Corporation

Employee Handbook

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Welcome new employee!

On behalf of your fellow employees and Board of Directors, I welcome you to KWSC and wish you every success here.

We believe that each employee contributes directly to KWSC's growth and success, and we hope you will take pride in being a member of our team.

This handbook was developed to describe some of the expectations of our employees and to outline the policies, programs, and benefits available to eligible employees. Employees should familiarize themselves with the contents of the employee handbook as soon as possible, for it will answer many questions about employment with KWSC.

We hope your experience here will be challenging, enjoyable, and rewarding. Again, welcome!

Sincerely,

Kempner Water Supply Corp.
Board of Directors

INTRODUCTORY STATEMENT

This handbook is designed to acquaint you with KWSC and provide you with information about working conditions, employee benefits, and some of the policies affecting your employment. You should read, understand, and comply with all provisions of the handbook. It describes many of your responsibilities as an employee and outlines the programs developed by KWSC to benefit employees. One of our objectives is to provide a work environment which is conducive to both personal and professional growth.

No employee handbook can anticipate every circumstance or question about policy. As KWSC continues to grow, the need may arise and KWSC reserves the right to revise, supplement, or rescind any policies or portion of the handbook from time to time as it deems appropriate, in its sole and absolute discretion. The only exception to any changes is our employment-at-will policy permitting you or KWSC to end our relationship for any reason at any time—as stated herein, unless an employee’s employment is expressly governed by a written employment agreement, the employee’s employment with KWSC will *always* remain at-will. Employees will, of course, be notified of such changes to the handbook as they occur.

EMPLOYMENT WITH KWSC

At-Will Employment

All employees of KWSC are employed solely on an “at-will” basis, unless the employee’s employment is expressly governed by a separate employment agreement. This means that either the employee or KWSC may terminate the employment relationship at any time, with or without notice, and with or without cause, except as otherwise prohibited by law.

This Handbook shall not, under any circumstances, be intended to create a contractual obligation of any kind on the part of either KWSC or the employee. Neither the employee nor KWSC is bound to continue the employment relationship if chooses to end the relationship at any time.

Employee Relations

KWSC believes that work conditions, wages, and benefits it offers to its employees are competitive with those offered by other employers in this area and in this industry. If employees have concerns about work conditions or compensation, they are encouraged to voice these concerns openly and directly to their Managers by following KWSC’s Grievance Policy described in this Handbook.

Our experience has shown when employees deal openly and directly with department managers, the work environment can be excellent, communications can be clear, and attitudes can be positive. We believe KWSC demonstrates its commitment to employees by responding effectively to employee concerns.

Equal Employment Opportunity

To provide equal employment and advancement opportunities to all individuals, employment decisions will be based on merit, qualifications, and abilities. KWSC does not discriminate in employment opportunities or practices based on race, color, ancestry, national origin, gender, sexual orientation, marital status, religion, age, disability, gender identity, results of genetic testing, service in the military, or any other characteristic protected by law. As provided in KWSC’s Anti-Discrimination and Harassment Policy described further in this handbook. Management and employees are expressly prohibited from discriminating against any employee for these reasons in any facet of employment, including by engaging in or permitting sexual harassment, and KWSC provides protections for employees who feel they have been discriminated against or have been subject to sexual harassment.

As described in KWSC’s Disability Accommodation section of this handbook. The Americans with Disabilities Act (ADA) Policy intends to afford equal employment opportunities to those with disabilities by, whenever possible, making reasonable accommodations for qualified individuals with known disabilities unless doing so would result in an undue hardship. This policy governs all aspects of employment, including selection, job assignment, compensation, discipline, termination, and access to benefits and training.

Any employees with questions or concerns about whether certain statements, conduct or actions, or any other type of potential discrimination in the workplace constitute discrimination are encouraged to bring these issues to the attention of their Department Manager or the General

Manager. Employees can raise these concerns without fear of reprisal. As described in the Anti-Discrimination and Harassment section of this handbook, employees who have been subject to discrimination or harassment are required to bring these issues to the attention of their Department Manager or the General Manager, which they may do without fear of retaliation.

Business Ethics and Conduct

The successful business operation and reputation of KWSC is built upon the principles of fair dealing and ethical conduct of our employees. Our reputation for integrity and excellence requires careful observance of the spirit and letter of all applicable laws and regulations, as well as a scrupulous regard for the highest standards of conduct and personal integrity.

The continued success of KWSC is dependent upon our customers' trust and we are dedicated to preserving that trust. Employees owe a duty to the corporation, its customers, and members to act in a way that will merit the continued trust and confidence of the public.

KWSC will comply with all applicable laws and regulations and expects its directors, officers, and employees to conduct business in accordance with the letter, spirit, and intent of all relevant laws and to refrain from any illegal, dishonest, or unethical conduct.

In general, the use of good judgment, based on high ethical principles, will guide you with respect to lines of acceptable conduct. If a situation arises where it is difficult to determine the proper course of action, the matter should be discussed openly through your Chain of Command for advice and consultation.

Compliance with this policy of business ethics and conduct is the responsibility of every KWSC employee. Disregarding or failing to comply with this standard of business ethics and conduct, particularly in the various manners described in this Handbook, could lead to disciplinary action including termination of employment.

Hiring of Relatives

The employment of relatives in the same area of an organization may cause serious conflicts and problems with favoritism and employee morale. In addition to claims of partiality in treatment at work, personal conflicts from outside the work environment can be carried over into day-to-day working relationships.

For purposes of this policy, a “relative” is any person who is related within the third degree by consanguinity (blood) or the second degree by affinity (marriage), or whose relationship with the employee is such that the relationship is equivalent to relation by blood or by marriage, at the discretion of the General Manager.

Immigration Law Compliance

KWSC is committed to employing only United States citizens and aliens who are authorized to work in the United States and does not unlawfully discriminate based on citizenship or national origin.

In compliance with the Immigration Reform and Control Act of 1986, each new employee, as a condition of employment, must complete the Employment Eligibility Verification Form I-9 and present documentation establishing identity and employment eligibility. Former employees who are rehired must also complete the form if they have not completed an I-9 with KWSC within the past three years, or if their previous I-9 is no longer retained or valid.

Employees with questions or seeking more information on immigration law issues are encouraged to contact the General Manager. Employees may raise questions or complaints about immigration law compliance without fear of reprisal.

Conflicts of Interest

Employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. Contact the General Manager for more information or questions about conflicts of interest.

An actual or potential conflict of interest occurs when an employee can influence a decision that results or may result in a personal gain for that employee or for a relative as a result of KWSC's business dealings. For purposes of this policy, a "relative" is the spouse, or parents, or children of the employee or the employee's spouse or whose relationship with the employee is such that the relationship is equivalent to relation by legal documentation.

This policy does not prohibit the mere existence of a relationship with an outside firm or individuals involved therein. However, if employees have any influence on transactions involving purchases, contracts, or leases, it is imperative they disclose to the General Manager of KWSC as soon as possible the existence of any actual or potential conflict of interest so that safeguards can be established to protect all parties.

Personal gain may result not only in cases where an employee or relative has a significant ownership in a firm with which KWSC does business, but also when an employee or relative receives any kickback, bribe, substantial gift, or special consideration as a result of any transaction or business dealings involving KWSC.

Outside Employment

An employee may hold a job with another organization if he or she satisfactorily performs his or her job responsibilities. All employees will be judged by the same performance standards and will be subject to KWSC's scheduling demands, regardless of any existing outside work requirements.

If KWSC determines, at the sole discretion of the General Manager, that an employee's outside work interferes with performance or the ability to meet the requirements, the employee may be asked to terminate the outside employment if he or she wishes to remain with KWSC.

Outside employment that constitutes or creates a conflict of interest, as defined above, is prohibited. Employees may not receive any income or material gain from individuals outside KWSC for materials produced or services rendered while performing their job functions with KWSC.

Confidential Information

The protection of confidential business information and trade secrets is vital to the interests and the success of KWSC. The term “Confidential Information” includes all non-public information obtained by the employee through his or her employment with KWSC and includes, but is not limited to, the following examples:

- Data, customer lists and information, and lists or information related to KWSC employees.
- Strategic and business plans, including pending projects and proposals.
- Information protected by law or a contractual agreement; or
- Information identified as or marked as confidential.

Employees shall protect and refrain from disclosing Confidential Information. Employees who improperly use or disclose trade secrets or confidential business information will be subject to disciplinary action, up to and including termination of employment and legal action, even if they do not actually benefit from the disclosed information. Employees’ duty to protect Confidential Information acquired during service with KWSC shall continue past termination of employment.

Nothing in this section is intended to limit or shall prohibit employees from (i) complying with any applicable laws (including the Texas Public Information Act); (ii) reporting illegal or unethical conduct; or (iii) providing truthful testimony under oath.

Disability Accommodation

KWSC is committed to complying fully with the Americans with Disabilities Act (ADA) and ensuring equal opportunity in employment for qualified persons with disabilities. All employment practices and activities are conducted on a non-discriminatory basis.

Hiring procedures have been reviewed and provide persons with disabilities meaningful employment opportunities. Upon request, job applications are available in alternative, accessible formats, as is assistance in completing the application. Pre-employment inquiries are made only regarding an applicant's ability to perform the duties of the position.

Post-offer medical examinations are required only for those positions that contain a bona fide job-related physical requirement and will only be required after the applicant has received a conditional job offer for the position. Medical records will be kept separate and confidential.

All employment decisions are based on the merits of the situation in accordance with defined criteria, not the disability of the individual. Qualified individuals with disabilities are entitled to equal pay and other forms of compensation (or changes in compensation) as well as in job assignments, classifications, organizational structures, position descriptions, lines of progression and seniority lists. Leave of all types will be available to all employees on an equal basis.

To the extent an applicant or employee has or becomes affected by a disability that affects their ability to perform the essential functions of a position, KWSC will take every effort to afford to reasonably accommodate the employee’s disability. KWSC is committed to engaging in an interactive process whereby KWSC and the applicant or employee determine a reasonable accommodation, to the extent one is possible.

KWSC is also committed to not discriminating against any qualified employees or applicants because they are related to or associated with a person with a disability. See KWSC's "Anti-Discrimination and Harassment" section of this handbook for further information regarding anti-discrimination measures and outlets for employees who feel they have been discriminated on the basis of disability. The corporation will follow any state or local law that provides individuals with disabilities greater protection than the ADA.

This policy is neither exhaustive nor exclusive. KWSC is committed to taking all other actions necessary to ensure equal employment opportunity for persons with disabilities in accordance with the ADA and all other applicable federal, state, and local laws.

EMPLOYEE STATUS AND RECORDS

Employment Applications

KWSC relies upon the accuracy of information contained in the employment application, as well as the accuracy of other data presented throughout the hiring process and employment. Any misrepresentations, falsifications, or material omissions in any of this information or data may result in the exclusion of the individual from further consideration for employment or, if the person has been hired, termination of employment.

Employment Reference Checks

To ensure that individuals who join KWSC are well qualified and have a strong potential to be productive and successful, it is the policy of KWSC to check the employment references of all applicants.

The General Manager or his/her designee will respond to all reference check inquiries from other employers. Responses to such inquiries will be limited to factual information that can be substantiated by KWSC's records.

No employment data will be released without a written authorization and release signed by the individual who is the subject of the inquiry.

Employee Medical Examinations

To help ensure employees are able to perform their duties safely, medical examinations may be required as provided in this policy and those referenced herein.

As provided in the "Disability Accommodation" policy above, for those positions containing a bona fide job-related physical requirement, a medical examination will be performed at KWSC's expense by a health professional of KWSC's choice. This medical examination will only be required after the applicant has received a job offer for the position, and the offer of employment will be contingent upon satisfactory completion of the medical examination.

Additionally, after an offer has been made to an applicant entering a designated job category, the applicant will undergo a drug/alcohol test, as described further in KWSC's "Drug and Alcohol Testing" policy below. The employee's conditional offer of employment will be contingent upon the employee successfully completing the drug/alcohol test.

Information on an employee's medical condition or history, including any information received from medical examinations required under this policy, will be kept separate from other employee information and maintained confidentially. Access to this information will be limited to those who have a legitimate need to know, specifically the General Manager or his/her designee.

Criminal History and Activity

All offers of employment shall be conditional, contingent upon KWSC's receipt and review of the applicant's criminal history record. An applicant may be disqualified if it is found that the applicant

has a criminal history record that is inappropriate for the position. Additionally, to the extent it is later discovered that a current employee has a criminal history record that indicates the employee has a criminal history record inappropriate for his or her current position, the employee may be transferred, demoted, or terminated.

To the extent KWSC obtains information under this section from a background check that may negatively affect an applicant's conditional job offer or employee's continued employment, KWSC will provide the applicant/employee information relating to the agency that provided the background check and an opportunity to respond to the allegations prior to taking any adverse employment action.

In the interest of public safety and welfare, KWSC may consider all aspects of criminal history, whether any charge resulted in a fine, imprisonment, deferred adjudication, probation, community supervision, parole, or other disposition. The following factors will be considered in determining whether the criminal offense is inappropriate for the position in question:

- The nature of the position applied (e.g., does it involve children, handling money, access to private information which may easily be converted into fraudulent use, going into homes and businesses, operating heavy machinery);
- The nature of the offense (e.g., did it involve children, theft, fraud, DWI, etc.).
- Any opportunity that employment in the position will allow the individual to repeat a similar crime documented in the applicant's history.
- Evidence of the applicant or employee's lifestyle before and after the criminal activity; and
- Whether the employee or applicant acknowledged the offense in a timely manner.

Employees must immediately report to their Department Manager any arrest, charge, or indictment, whether related to on-duty or off-duty events. The Department Manager will, in turn, immediately notify the General Manager regarding all related incidences. An employee who fails to timely report the event under this section may be disciplined up to and including termination.

During the pendency of any charges incurred during the employee's employment with KWSC, the above bulleted criteria will be used to determine whether the employee will remain in their current position, be transferred, demoted, or separated or given time off work in a paid or unpaid status or terminated. Employees disciplined or terminated under this policy may appeal the decision directly to the General Manager. If an employee believes the discipline or termination was discriminatory or disproportionate to the charges received, the employee may submit a written request per Grievance Procedures for an appeal to the Board of Directors.

The employee should keep the Department Manager informed and updated of the status, where charges or an indictment is pending on the disposition of the charges. Court documents, attorney letters, or any legal documents should be provided to their Department Manager as to the final disposition of the charges. All document/paperwork will be maintained in the employee's personnel file. The Department Manager should provide the General Manager with information regarding the final disposition of the charges, at which time the General Manager should provide the Department Manager with a decision regarding the impact of current employment status.

Employment Categories

It is the intent of KWSC to clarify the definitions of employment classifications, so employees

understand their employment status and benefit eligibility. These classifications do not guarantee employment for any specified period of time. Accordingly, the right to terminate the employment relationship is retained by both the employee and KWSC.

Regular Full-Time: employees who are not in a temporary or introductory status and who are regularly scheduled to work KWSC's full-time schedule, to include a contracted General Manager position. Generally, Regular Full-Time employees are eligible for each of the benefits provided in KWSC's "Employee Benefits" section of this handbook, subject to the terms, conditions, and limitations of each benefit program.

Regular Part-Time: employees who are not assigned to a temporary or introductory status and who are regularly scheduled to work less than 25 hours per week. Regular Part-Time employees receive all legally mandated benefits (such as Social Security and workers' compensation insurance) but will not be eligible for the other programs provided in KWSC's "Employee Benefits" policy.

Introductory: newly hired employees whose performance is being evaluated to determine whether further employment in a specific position or with KWSC is appropriate, as described further in KWSC's "Introductory Period" section of this handbook.

Current employees who are completing "secondary introductory period," as further described in KWSC's "Introductory Period" section of this handbook, will not be treated as Introductory employees, but will rather be treated in the employment classification of their new position.

Temporary: employees who are hired as interim replacements, to temporarily supplement the work force, or to assist in the completion of a specific project. Employment assignments in this category are of a limited duration. Employment beyond any initially stated period does not in any way imply a change in employment status. Temporary employees retain that status unless and until notified of a change. While temporary employees receive all legally mandated benefits (such as workers' compensation insurance and Social Security), they are ineligible for all KWSC's other benefit programs.

Exempt: employees to whom the minimum wage and overtime provisions of the Fair Labor Standards Act (FLSA) do not apply, due to the salary basis of their pay, the amount of their pay, and the duties they perform for KWSC. Employees' exemption status shall be stated clearly on their job description.

Non-Exempt: employees to whom the minimum wage and overtime provisions of the FLSA apply, as they do not fall within an FLSA exemption. Employees' exemption status shall be stated clearly on their job description.

Access to Personnel Files

KWSC maintains a personnel file on each employee. The personnel file includes such information as the employee's job application, resume, records of training, documentation of performance appraisals and salary increases, and other employment records.

Personnel files are the property of KWSC, and access to the information they contain is restricted. Generally, only management personnel who have a legitimate reason to review information in a

file can do so.

Employees who wish to review their own file should contact the General Manager. With reasonable notice, employees may review their own personnel files in KWSC's offices and in the presence of an individual appointed to maintain the files.

Personnel Data Changes

It is the responsibility of each employee to promptly notify KWSC of any changes in personnel data. Personal mailing addresses, telephone numbers, number and names of dependents, individuals to be contacted in the event of emergency, educational accomplishments, and other such status reports should be accurate and current at all times. If any personnel data has changed, notify the HR/Accounting Department.

Introductory Period

All new and re-hired employees shall work on an introductory basis for the first ninety (90) calendar days after their date of hire. The introductory period is intended to give new (and re-hired) employees the opportunity to demonstrate their ability to achieve a satisfactory level of performance and to determine whether the new position meets their expectations. The introductory period gives KWSC the opportunity to evaluate employee capabilities, work habits, and overall performance in the position. The employee or KWSC may end the employment relationship at will at any time during the introductory period, with or without cause or advance notice.

At the end of the employee's introductory period, his or her performance during the entire period will be evaluated, at which point KWSC may approve the employee's status to a "Regular" employee, terminate the employee's employment, or determine that more time is needed to evaluate the employee further. If determined that the designated introductory period does not allow sufficient time to thoroughly evaluate the employee's performance, the introductory period may be extended for a specified period at the discretion of the General Manager.

Employees who are promoted or transferred within KWSC must complete a secondary introductory period of the same length with each reassignment to a new position. The "secondary introductory" period will not affect the employee's status as a regular employee. In cases of promotions or transfers, an employee who, in the sole judgment of management, is not successful in the new position may be removed from that position at any time during the secondary introductory period. If this occurs, the employee may be allowed to return to his or her former job or to a comparable job for which the employee is qualified.

Upon satisfactory completion of the initial introductory period, employees enter the "regular" employment classification.

During the initial introductory period, new employees are eligible for those benefits that are required by law, such as workers' compensation insurance and Social Security. They may also be eligible for other KWSC-provided benefits, subject to the terms and conditions of each benefits program. Employees should read the information for each specific benefit program for the details on eligibility requirements.

Employment status is not changed during the secondary introductory period that results from a

promotion or transfer.

Performance Evaluations

Managers and employees are strongly encouraged to discuss job performance and goals on an informal, day-to-day basis. The evaluation at the end of the employee's Introductory Period shall be a formal performance evaluation, which will allow the Department Manager and the employee to discuss the job responsibilities, standards, and performance requirements of the new position. Additional formal performance evaluations are conducted to provide both managers and employees the opportunity to discuss job tasks, identify and correct weaknesses, encourage, and recognize strengths, and discuss positive, purposeful approaches for meeting goals.

The performance of all employees is generally evaluated according to an ongoing 12-month cycle, in June of each year.

Merit-based pay adjustments are awarded by KWSC to recognize truly superior employee performance. The decision to award such an adjustment is dependent upon numerous factors, including the information documented by this formal performance.

Job Descriptions

KWSC makes every effort to create and maintain accurate job descriptions for all positions within the organization. Each description includes a job information section, a job summary section (giving a general overview of the job's purpose), an essential duties and responsibilities section, a supervisory responsibilities section, a qualifications section (including education and/or experience, language skills, mathematical skills, reasoning ability, and any certification required), a physical demands section, and a work environment section.

KWSC maintains job descriptions to aid in orienting new employees to their jobs, identifying the requirements of each position, establishing hiring criteria, setting standards for employee performance evaluations, and establishing a basis for making reasonable accommodations for individuals with disabilities.

The General Manager prepares job descriptions when new positions are created. Existing job descriptions are also reviewed and revised to ensure they are up to date. Job descriptions may also be rewritten periodically to reflect any changes in the position's duties and responsibilities. All employees will be expected to help ensure that their job descriptions are accurate and current, reflecting the work being done.

Employees should remember that job descriptions do not necessarily cover every task or duty that might be assigned, and additional responsibilities may be assigned as necessary. Contact your Department Manager then the General Manager if you have any questions or concerns about your job description.

Employment Terminations

Termination of employment is an inevitable part of personnel activity within any organization, and many of the reasons for termination are routine. Below are examples of some of the most common circumstances under which employment is terminated:

- Voluntary Termination
 - Resignation - voluntary employment termination initiated by an employee.
 - Retirement - voluntary employment termination initiated by the employee meeting age, length of service, and any other criteria for retirement from the organization.
 - Failure to report to work for three or more days without notice.
- Involuntary Termination
 - Discharge - involuntary employment termination initiated by the organization. Discharge may be made with cause or without Cause
 - Layoff - involuntary employment termination initiated by the organization for non-disciplinary reasons. Layoffs will never be made for Cause

Pursuant to KWSC's at-will policy, since employment is based on mutual consent, both the employee and KWSC have the right to terminate employment at will. The reason for the termination, however, will have significant effect on the Benefits paid out to the employee at termination, as described further below in the "Employee Benefits" section of this Handbook.

In this Handbook, termination will be made for "Cause" if the employee is terminated for the following reasons:

- Employee violates the Alcohol and Drug Use or Alcohol and Drug Testing Policy.
- Employee violates the Employee Conduct and Work Rules Policy.
- Employee violates the Anti-Discrimination and Harassment Policy.
- Employee transports anyone, other than KWSC staff or board of director, in/on company equipment or vehicles. This applies to employee on or off duty. Exceptions may be approved, in advance, by General Manager.
- The employee willingly, recklessly, or repeatedly ignores safety rules and/or willingly, recklessly, or repeatedly causes danger to himself/herself and/or others.
- Insubordination
- Violations of policies contained in this Handbook

Terminations made for "Cause" shall also be grounds for immediate termination, subject to KWSC's "Progressive Discipline" Policy. The above violations are very severe and will be reported to the General Manager immediately. Upon review, the General Manager will address the violations on a case-by-case basis.

Employee benefits will be affected by employment termination in the following manner: For employees who resign or retire after having given at least two (2) weeks' notice, and for all employees who are subject to an involuntary layoff or termination without cause, all accrued, unused vacation time, vested benefits that are due and payable at termination shall be paid to the employee concurrent with the employee's final paycheck. Employees who are terminated for cause will forfeit all accrued unused vacation time normally subject to payout upon termination, except as otherwise provided by this policy or by law.

KWSC will generally schedule exit interviews at the time of employment termination. The exit interview will afford an opportunity to discuss such issues as employee benefits, conversion privileges, repayment of outstanding debts, or return of corporate property. Suggestions, complaints, and questions can also be voiced.

KWSC EMPLOYEE BENEFITS

Employee Benefit Package

Eligible employees at KWSC are provided a wide range of benefits. A number of the programs (such as Social Security, workers' compensation, state disability, and unemployment insurance) cover all employees in the manner prescribed by law.

Benefits eligibility is dependent upon a variety of factors, including employee classification. Your Department Manager can identify the programs for which you are eligible. Details of many of these programs can be found elsewhere in the employee handbook.

The following benefit programs may be available to employees who, pursuant to their Employee Category, are eligible to receive these benefits:

- Holidays
- Vacation Benefits
- Sick Leave Benefits
- Family and Medical Leave Act
- Parental Leave for School Visit
- Military Leave
- Bereavement Leave
- Time off to Vote
- Jury Duty Leave
- Witness Duty Leave
- Limitations on Leaves of Absence
- Health/Dental/Vision, and Life Insurance
- Retirement Program
- Licensing and Educational Assistance
- Uniform and Uniform Maintenance
- Travel Allowance
- Comp Time
- Aflac – Optional Supplement Insurance at 100% employee Cost.

Holidays

KWSC recognizes and will grant holiday time off, under this Policy, for the holidays listed below:

- New Year's Day (January 1)
- Martin Luther King, Jr. Day (third Monday in January)
- President's Day (third Monday in February)
- Good Friday (Friday before Easter)
- Memorial Day (last Monday in May)
- Independence Day (July 4)
- Labor Day (first Monday in September)

- Columbus Day (second Monday in October)
- Veterans' Day (November 11)
- Thanksgiving (fourth Thursday in November)
- Day after Thanksgiving
- Christmas Eve (December 24)
- Christmas (December 25)

KWSC will grant paid holiday time off to all regular full-time employees immediately upon assignment to an eligible employment classification.

All administrative and field employees will be paid their regular wages for approved holidays. If a non-exempt employee is required to work during a scheduled holiday, the employee will receive time and one-half (1 ½) for each hour worked, so long as they have met the 40-hour work week requirement.

A recognized holiday that falls on a Saturday will be observed on the preceding Friday. A recognized holiday that falls on a Sunday will be observed on the following Monday.

Employee(s) shall not be eligible for paid holiday time off if they call in for any reason a day prior or a day after a scheduled holiday unless a physician's verification is provided. This does not include prior approved vacation or sick leave. No other leave time may be substituted.

Vacation Benefits

Vacation time off with pay is available to all regular full-time employees to provide opportunities for rest, relaxation, and personal pursuits. Employees will begin to accrue Vacation Benefits, pursuant to the schedule below, upon successful completion of their introductory period. Employees shall be initially eligible to use their Vacation Benefits once they have completed the first six (6) months of their employment.

Unless superseded by a separate contract, the amount of paid vacation time employees accrues each year increases with the length of their employment as shown in the following schedule:

- Upon initial eligibility, the employee is entitled to 10 vacation days (80 hours) each year, accrued per pay period at the rate of 3.08 hours x 26 pay periods.
- After 5 years of eligible service the employee is entitled to 15 vacation days (120 hours) each year, accrued per pay period at the rate of 4.62 x 26 pay periods.
- After 10 years of eligible service the employee is entitled to 20 vacation days (160 hours) each year, accrued per pay period at the rate of 6.16 hours x 26 pay periods
- After 20 years of eligible service the employee is entitled to 30 vacation days each year (240 hours), accrued per pay period at the rate of 9.24 hours x 26 pay periods

The length of eligible service is calculated based on a "benefit year." This is the 12-month period that begins when the employee starts to accrue vacation time. An employee's benefit year may be extended for any significant leave of absence except military leave of absence. Military leave has no effect on this calculation.

Once employees enter an eligible employment classification, they begin to accrue paid vacation

time according to the schedule. They can request use of vacation time after it is accrued.

Employees will be required to take one (1) week of sequential vacation time each year (assuming that the employee has been employed with KWSC long enough to have accrued at least one full week of vacation time). All remaining vacation time may be taken in as few as one (1) hour increments or as many as the employee desires, provided the amount requested is reasonable, as determined by the General Manager.

To take vacation, employees should request advance approval from their Department Manager. At least 72 hours' notice is required for requests for less than a week, however for requests of a week or more, advance notice of one week is required. Time requests of less than 72 hours may be approved on a case-by-case basis at the sole discretion of the Department Manager. Department Manager's approval will be based on several factors, including business needs and staffing requirements.

Vacation time off is earned at the employee's hourly pay rate at the time of vacation. It does not include any special forms of compensation such as incentives, commissions, or bonuses. A vacation day is defined as a normal workday.

Employees with a minimum of three (3) weeks' vacation have the option to exchange 40 hours vacation leave for the salary equivalent of those hours up to a maximum of 75% of gross pay, in lieu of using vacation hours. This payment will be made to the employee once per fiscal year and included in the first full paycheck in October. The employee's accrued vacation will be reduced by the 40 hours exchanged. This determination must be made in May of each year for budgetary purposes, with the General Manager having discretion in case of an emergency. Forms will be available and need to be filled out and returned to HR/Finance Department for this election.

As stated above, employees are encouraged to use available paid vacation time for rest, relaxation, and personal pursuits. If available vacation is not used by the end of the benefit year, employees may carry unused time forward to the next benefit year; provided, however, that the total amount of unused vacation time will be limited to two times the employee's annual vacation amount for a particular year. Once the employee reaches this cap, the employee will not continue to accrue vacation until the employee uses enough accrued time to fall beneath the cap.

Upon resignation, retirement or layoff, an employee shall be entitled to receive payment for accrued but unused vacation time. When an employee is discharged from employment for Cause, as defined in KWSC's "Employee Conduct and Disciplinary Action" section of this handbook, an employee shall not be entitled to receive payment for accrued but unused vacation time.

Sick Leave Benefits

KWSC provides paid sick leave benefits to all regular full-time employees for periods of temporary absence due to illnesses or injuries.

Unless superseded by a separate contract, the amount of paid sick leave benefits employees accrue each year increases with the length of their employment as shown in the following schedule:

- Upon initial eligibility, the employee will accrue sick leave benefits at the rate of 6 days

- (48 hours) per year accrued at 1.85 hours per 26 pay periods.
- After 5 years of eligible service the employee will accrue sick leave benefits at the rate of 8 days (64 hours) each year accrued at 2.47 hours per 26 pay periods.
 - After 10 years of eligible service the employee will accrue sick leave benefits at the rate of 10 days (80 hours) each year accrued at 3.08 hours per 26 pay periods.
 - After 20 years of eligible service the employee will accrue sick leave benefits at the rate of 12 days (96 hours) each year accrued at 3.70 hours per 26 pay periods.

Sick leave benefits are calculated on the basis of a "benefit year," the 12-month period that begins when the employee starts to accrue sick leave benefits.

An eligible employee may use sick leave benefits for an absence due to his or her own illness or injury, or that of a child, parent, or spouse of the employee or other immediate family members. KWSC defines "immediate family" as the employee's spouse, parent, child, sibling; the employee's spouse's parent, child, or sibling; the employee's child's spouse; grandparents or grandchildren. Special consideration will also be given to any other person whose association with the employee was similar to any of the above relationships.

Employees who are unable to report to work due to illness or injury should notify their Department Manager before the scheduled start of their workday if possible. The Department Manager must also be contacted on each additional day of absence. Before returning to work from an absence constituting three (3) or more days of sick leave, an employee must provide a physician's verification for return-to-work status. The General Manager at his/her discretion may request an employee to provide a physician's verification for any absence due to illness or injury.

Employee(s) may not be eligible for paid sick leave benefits if sick time is taken a day prior or a day after a scheduled holiday unless a physician's verification is provided. This does not include prior approved sick leave for a doctor's appointment, with verification. No other leave time may be substituted.

Sick leave benefits will be calculated based on the employee's hourly pay rate at the time of absence and will not include any special forms of compensation, such as incentives, commissions, or bonuses.

Unused sick leave benefits will be allowed to accumulate to a maximum of 480 hours and cannot be used as vacation leave unless approved in advance by the general manager for purposes relating to family health. Any amount more than 480 hours will be forfeited.

Sick leave benefits are intended solely to provide income protection in the event of illness or injury and may not be used for any other absence. Unused sick leave benefits will not be paid to employees while they are employed or upon termination of employment.

For extended periods of sick leave an employee must use any available sick leave time accumulated. Once sick leave benefits have been expended and the employee needs additional sick leave, the employee may elect at their discretion use any accumulated vacation leave or elect to use unpaid medical leave the maximum of thirty (30) workdays during a 12-month calendar year.

If after all accumulated sick and vacation leave has been exhausted, fellow employees may donate sick or vacation leave, up to a maximum of 20% of their time to an employee for an extended serious illness/injury. This extended leave cannot exceed a total maximum of thirty (30) workdays. Board approval is required for any one employee to donate more than 20% of their sick/vacation leave. Donated time can only be used as sick leave.

Family and Medical Leave Act (FMLA) Policy

KWSC acknowledges that it is a covered employer under the Family and Medical Leave Act (FMLA). As such, KWSC provides medical leaves of absence without pay to eligible employees who are temporarily unable to work due to a serious health condition or disability. For purposes of this policy, serious health conditions or disabilities include inpatient care in a hospital, hospice, or residential medical care facility; continuing treatment by a health care provider; and temporary disabilities associated with pregnancy, childbirth, and related health conditions that make employees unable to perform the essential functions of their jobs.

Eligible employees are normally granted leave for the period of the disability, and each employee is entitled under the FMLA to up to twelve (12) weeks of unpaid family and/or medical leave per calendar year. Any combination of medical leave and family leave may not exceed this maximum limit. If the initial period of approved absence proves insufficient, consideration will be given to a request for an extension. Employees who have accrued vacation time and wish to be paid for their time off may utilize the accrued vacation time, but the 12-week period will run concurrent to any vacation time.

Eligibility for leave under the FMLA will not be determined by employee category but will rather be determined by the provisions of the FMLA. Employees with questions regarding whether they are covered by the FMLA should contact the HR/Finance Department.

Eligible employees should make requests for medical leave to their manager at least 30 days in advance of foreseeable events and as soon as possible for unforeseeable events.

A health care provider's statement must be submitted verifying the need for medical leave and its beginning and expected ending dates. Any changes in this information should be promptly reported to KWSC. Employees returning from medical leave must submit a health care provider's verification of their fitness to return to work.

Subject to the terms, conditions, and limitations of the applicable plans, KWSC will continue to provide health insurance benefits for the full period of the approved medical leave. Benefit accruals, such as vacation and sick leave, will continue during the medical leave.

KWSC will not discriminate against any employee who requests an excused absence for medical disabilities associated with pregnancy. Such leave requests will be evaluated according to the medical leave policy provisions outlined in this handbook and all applicable federal and state laws. Requests for time off associated with pregnancy and/or childbirth, such as bonding and childcare, not related to medical disabilities for those conditions will be considered in the same manner as other requests for unpaid personal leave.

Parental Leave for School Visit

KWSC recognizes the value of parental involvement in children's education. For this reason, KWSC provides employees who are parents, guardians, or custodians of children in licensed day care facilities or kindergarten through grade 12 time off for the purpose of school visits, as provided in this section.

Employees may request up to 12 hours of paid parental leave for eligible school visits within any calendar year. Eligible school visits include parent teacher conferences, counselor, coach or principal meetings and awards ceremonies. Parental leave with pay will not apply to time off requested to watch sporting events or other performances. There is no set limit to the number of unpaid hours an eligible employee can take off work for required school conferences involving the possible suspension or expulsion of a child from school. Any available accrued vacation leave may be substituted for unpaid leave for school visits. Employees must provide their Department Manager reasonable advance notice of the need for parental leave for school visits. Upon return from the leave, documentation may be required at the discretion of the general manager. Contact the general manager for more information or questions about and requests for parental leave.

Military Leave

A military leave of absence will be granted to employees who are absent from work because of service in the U.S. uniformed services in accordance with the Uniformed Services Employment and Reemployment Rights Act (USERRA). Advance notice of military service is required, unless military necessity prevents such notice, or it is otherwise impossible or unreasonable.

Employees will continue to receive full pay while on leave for two-week training assignments and shorter absences. The portion of any military leaves of absence more than two weeks will be unpaid. However, employees may use any available accrued vacation leave for the absence.

Continuation of health insurance benefits is available as required by USERRA based on the length of the leave and subject to the terms, conditions, and limitations of the applicable plans for which the employee is otherwise eligible.

Benefit accruals, such as vacation, sick leave, or holiday benefits, will continue during the paid military leave as if the employee continued working for KWSC during the leave period.

Once the employee has completed the end of his or her service, the employer must notify KWSC of his or her intent to return to work as follows:

- If the employee served for less than 31 days, the employee must report to KWSC no later than the first regularly scheduled work period.
- If the employee served more than 30 days but less than 181 days, the employee must submit an application for reemployment within 14 days of the completion of service.
- If the employee served longer than 180 days, the employee must submit an application for reemployment to KWSC within 90 days after the completion of service.

To the extent the employee is hospitalized for or convalescing from an illness or injury incurred in or aggravated during the performance of service, the employee has until he or she has recovered from the injury or illness to report for duty (if service was less than 31 days) or submit an

application for employment (if length of service was longer than 30 days); provided that such period of recovery may not exceed two years.

Bereavement Leave

Employees who wish to take time off due to the death of an immediate family member should notify their manager immediately.

Depending on the circumstances up to 3 days of paid bereavement leave will be provided to all regular full-time administrative, field or plant shift employees.

Bereavement pay is calculated based on the hourly pay rate at the time of absence and will not include any special forms of compensation, such as incentives, commissions, or bonuses.

Bereavement leave will normally be granted unless there are unusual business needs or staffing requirements. Employees may, with their managers' approval, use any available paid leave for additional time off as necessary.

KWSC defines "immediate family" as the employee's spouse, parent, child, sibling; the employee's spouse's parent, child, or sibling; the employee's child's spouse; grandparents or grandchildren. Special consideration will also be given to any other person whose association with the employee was like any of the above relationships.

Time Off to Vote

KWSC encourages employees to fulfill their civic responsibilities by participating in elections. Generally, employees can find time to vote either before or after their regular work schedule. If employees are unable to vote in an election during their nonworking hours, up to two (2) hours of paid time off to vote will be granted.

Employees should request time off to vote from their department manager at least two days prior to the Election Day. Advanced notice is required so that the necessary time off can be scheduled at the beginning or end of the work shift; whichever provides the least disruption to the normal work schedule.

Jury Duty Leave

KWSC encourages employees to fulfill their civic responsibilities by serving jury duty when required.

Jury duty pay will be calculated on the employee's hourly pay rate times the number of hours the employee would otherwise have worked on the day of absence. All regular full-time administrative, field and plant shift employees qualify for paid jury duty leave.

Employees must show the jury duty summons to their manager as soon as possible so the manager may decide to accommodate their absence. Employees are expected to report for work whenever the court schedule permits.

KWSC will continue to provide health insurance benefits for the full term of the jury duty absence.

Vacation, sick leave, and holiday benefits will continue to accrue during paid jury duty leave.

Witness Duty Leave

KWSC encourages employees to appear in court for witness duty when subpoenaed to do so.

A subpoenaed employee summoned to witness in court for non-related KWSC business will be considered time off without pay unless employee chooses to use accrued vacation leave.

The subpoena should be shown to the employee's manager immediately after it is received so that operating requirements can be adjusted, where necessary, to accommodate the employee's absence. The employee is expected to report for work whenever the court schedule permits.

Limitations on Leaves of Absence

Apart from leaves of absence for military duty, no leave of absence, by itself or in combination with other periods of leave, may last longer than six months. Any employee who for any reason or combination of reasons misses a total of six months of work in a twelve-month period, or a total of nine months of work in an eighteen-month period, will be separated from employment due to unavailability for work, subject to any reasonable accommodation duties the company may have under the ADA or similar law. Any employee so separated will be eligible for rehire and will be able to apply for any vacancies that may exist at any given time, depending upon qualifications and availability of job openings.

Health/Dental/vision and Life Insurance

KWSC pays the cost of health/dental/vision and life insurance plans for employee only. Employee has the option of adding family at an additional cost for health, dental, and vision plans. Family cannot be added for life insurance. All regular full-time employees qualify to participate in the health insurance plan following their 90-day orientation period. Participation in the insurance plan is subject to the terms and conditions of the agreement between KWSC and the insurance carriers.

Retirement Program

KWSC offers a Simple Individual Retirement Account as a voluntary program for retirement:

- This program is called a Simple Individual Retirement Account (IRA)
- Administered by Edward Jones Investments in Copperas Cove, Texas.
- Employee(s) can contribute any amount they choose, up to \$6,500 per year, of their annual salary.
- Contributions are tax deferred, as are the interest and dividends earned on the investments.
- KWSC is required to make a dollar for dollar match up to 3% of the employee's compensation.
- Participant, with the assistance of the Edward Jones Investment Advisor, determines where funds will be invested, i.e., mutual funds, bonds, stocks, etc.
- Annual maintenance fee is paid by KWSC.

- A monthly statement is provided by Edward Jones to each participant.

Early Withdrawal:

- Early withdraw will be subject to penalty in accordance with KWSC policy and State and Federal regulations.

Who is Eligible?

- Full time Regular employees currently on the payroll of the KWSC.
- All new employees after completion of their 90-introductory period may enroll in the program.

Vested & Non-vested Employees:

- Under the current Simple IRA plan employees are considered 100% vested.

Uniform and Uniform Maintenance

KWSC provides uniforms for Field and Plant regular full-time employees. Employees have the option of either utilizing carrier issued (maintenance provided) or KWSC will purchase uniforms outside carrier however, maintenance for the uniforms will be the employees responsibility. All uniforms, carrier issued and purchased are property of KWSC and must be turned in upon resignation from KWSC employment. Failure to turn in any uniforms will result in deduction from your final pay for all associated costs.

Travel Allowance

KWSC will reimburse employees for reasonable business travel expenses incurred while on assignments away from the normal work location. All business travel must be submitted on the "Travel Reimbursement Form" and approved in advance by the General Manager. Travel time will be considered as hours worked.

Employees whose travel plans have been approved should make all travel arrangements through KWSC's General Manager or designee (HR/Finance Dept.).

When approved, the actual costs of travel, meals, lodging, and other expenses directly related to accomplishing business travel objectives will be reimbursed by KWSC. Employees are expected to limit expenses to reasonable amounts.

Employees who are involved in an accident while traveling on business must promptly report the incident to the Plant Manager, Field Manager, Office Manager and/or HR/Finance Dept and General Manager, applicable and appropriate. Vehicles owned, leased, or rented by KWSC may not be used for personal use without prior approval.

When travel is completed, employees should submit completed travel expense reports within 5 days. Reports should be accompanied by receipts for all individual expenses.

Employees should contact their department manager for guidance and assistance on procedures related to travel arrangements, expense reports, reimbursement for specific expenses, or any other business travel issue.

Abuse of this business travel expense policy, including falsifying expense reports to reflect costs not incurred by the employee, can be grounds for disciplinary action, up to and including termination of employment.

Comp Time

Because Comp Time is considered non-monetary compensation like sick leave, you **cannot receive a lump-sum payment** for your Comp Time or credit the time towards your retirement. If you have accrued Compensation Leave when you leave, the time is simply gone. Use it or lose it!

Emergency/Unscheduled Closings

At times, emergencies such as severe weather, fires, power failures, or earthquakes, can disrupt company operations. In extreme cases, these circumstances may require the closing of a work facility.

The General Manager at his/her discretion, on a case-by-case basis, may choose to close a work facility for other unscheduled reasons.

When operations are officially closed the time off from scheduled work will be paid.

In cases where an emergency closing is not authorized, employees who fail to report for work will not be paid for the time off or charged a day's leave. Employees in essential operations may be asked to work on a day when operations are officially closed. In these circumstances, employees who work will receive regular pay.

Workers' Compensation Insurance

KWSC provides a comprehensive workers' compensation insurance program at no cost to employees. In the event an employee is injured while engaged in the performance of duties and is temporarily incapacitated as a direct result of the injury or illness, the employee may be entitled to benefits as provided by the Texas Workers' Compensation Act.

This policy is not an employment contract and does not alter an employee's at-will employment status. KWSC or the employee may terminate its working relationship at any time, for any reason.

Neither KWSC nor the insurance carrier will be liable for the payment of workers' compensation benefits for injuries that occur during an employee's voluntary participation in any off-duty recreational, social, or athletic activity sponsored by KWSC.

Weekly workers' compensation benefit payments begin on the fifty-seventh (57th) hour of absence from work due to a qualifying injury or illness. Workers' compensation benefit payments are equivalent to 70% of an employee's base pay. KWSC will allow an employee to supplement the difference with accrued sick/vacation leave.

The first fifty-six (56) hours of absence from work due to a work-related injury or illness is the required waiting period before an employee is eligible to receive workers' compensation benefit payments. To the extent the employee becomes eligible for workers' compensation, KWSC will reimburse the employee for the first fifty-six (56) hours of absence from work due to a work-related injury or illness.

An employee who suffers an on-the-job injury or illness must immediately report the incident to their Department Manager. All accidents/injuries must be reported regardless of the perceived severity of the accident/injury, the required treatment, or the nature of the accident/injury, so that KWSC may adequately evaluate and appropriately document the accident/injury. Copies of all documentation must be sent to the HR/Finance Department within 24 hours of the injury/illness. This will enable an eligible employee to qualify for coverage as quickly as possible.

Employees are encouraged to use first aid kits for minor injuries, only in situations in which first aid kits may adequately treat the injury. If an employee is not sure whether a first aid kit will adequately treat the injury, the employee is instructed to report the injury to their Department Manager, who will determine if further treatment is necessary. First aid kits are provided in workplaces and KWSC vehicles.

Employees with allergies or medical conditions requiring emergency medication must notify administration of the potential need for emergency medication. The employee is solely responsible to always keep the medication with them or in the office making sure the medication is not expired.

If medical attention is needed, the employee must immediately notify their department manager. In the event the employee is unable to reach their department manager, they are to leave a message for their department manager and contact any other department manager or the general manager. For more serious accidents/injuries, call 911 for EMS services first. The employee has the right to choose the physician for initial treatment; however, KWSC recommends the use of a special Workers' Compensation physician service.

An employee involved in a work-related accident/injury may be required to submit to drug and/or alcohol testing at the recommendation of the Department Manager, and at the sole discretion of the General Manager, pursuant to KWSC's "Drugs and Alcohol Testing" Policy below. After seeking medical attention and upon completion of alcohol and/or controlled substance testing, employees should return all medical information to the Safety Coordinator. This will ensure that all workers' compensation claims are filed accurately and in a timely fashion.

All absences from work related to on-the-job injury or illness will require documentation from a Physician.

Reporting Requirements

The Department Manager will complete an Accident Report for all accidents/injuries reported to him/her as required by this policy. This form shall be submitted to the HR/Finance Department and reported to General Manager within 24 hours after the accident occurs.

The Employee Statement can be used by the employee to provide their statement regarding the accident.

If the employee is unable to sign the Department Manager's Investigation of Accident Report and/or the Employee Statement, this fact must be indicated on the Report or Statement before submitting to the HR/Finance Department and reported to General Manager.

The Accounting Department will complete the First Report of Injury on the injured employee and file accordingly with the workers' compensation carrier and reported to General Manager. Any subsequent injury forms will also be completed and filed by the HR/Accounting Department and reported to General Manager.

Returning to Full Duty Status

An acceptable medical release from his/her treating physician must be presented to department manager prior to returning to full duty. If an employee is unable to return to work and/or cannot perform the essential functions of his or her position at the end of the workers' compensation limits on benefits, KWSC will engage in an interactive process, as described in the "Disability Accommodations" section of this handbook, with the employee to determine if the disability may be reasonably accommodated. An employee who is unable to return to work, and/or cannot perform the essential functions of his/her job with or without reasonable accommodations at the end of the workers' compensation limits on benefits, may be dismissed. This is subject to change by Workers' Compensation laws.

If the employee is able to return to work, full duty without restrictions within 24 months following the dismissal and a vacancy occurs, the employee will be given consideration for re-employment to the same or similar position for which he/she is otherwise qualified.

TIMEKEEPING/PAYROLL POLICIES AND PROCEDURES

Paydays

All employees are paid every two (2) weeks.

If a regularly scheduled payday falls on a day off such as a holiday, employees will receive pay on the last day of work before the regularly scheduled payday.

Salary Administration

The salary administration program was created to achieve consistent pay practices, comply with federal and state laws, mirror our commitment to Equal Employment Opportunity, and offer competitive salaries within our labor market. Because recruiting and retaining talented employees is critical to our success, KWSC is committed to paying its employees equitable wages that reflect the requirements and responsibilities of their positions and are comparable to the pay received by similarly situated employees in other water supply corporations.

Compensation for every position is determined by several factors, including job analysis and evaluation, the essential duties and responsibilities of the job, licensing, education, experience, and

salary survey data on pay practices of other water supply corporations. Merit-based pay adjustments may be awarded in conjunction with superior employee performance documented by the performance evaluation process. Incentive bonuses, up to \$1000 may be awarded depending on the overall profitability of KWSC and based on each employee's individual contributions to the organization, as determined at the sole discretion of the General Manager.

Employees should bring their pay-related questions or concerns to the attention of their Department Manager. The accounting department is also available to answer specific questions about the salary administration program.

Administrative Pay Corrections

KWSC takes all reasonable steps to ensure that employees receive the correct amount of pay in each paycheck and employees are paid promptly on the scheduled payday.

In the unlikely event, there is an error in the amount of pay, the employee should promptly bring the discrepancy to the attention of the Accounting Department, so corrections can be made as quickly as possible.

Return of Property

Employees are responsible for all KWSC property, materials, or written information issued to them or in their possession or control. Employees must return all property immediately upon request or upon termination of employment. Where permitted by applicable laws, the corporation may withhold from the employee's check or final paycheck the cost of any items that are not returned when required. KWSC may also take all action deemed appropriate to recover or protect its property.

Pay Deductions and Setoffs

The law requires that KWSC make certain deductions from every employee's compensation. Among these are applicable federal, state, and local income taxes.

KWSC offers programs and benefits beyond those required by law. Eligible employees may voluntarily authorize deductions from their paychecks to cover the costs of participation in these programs.

KWSC may deduct money from an employee's pay as necessary for the reasons that fall into the following categories (see Wage Deduction Authorization Agreement).

- The employee's share of the premiums for KWSC's group medical plan or voluntary Aflac Plan.
- Any contributions an employee may make into a retirement or pension plan sponsored, controlled, or managed by KWSC.
- If an employee receives an overpayment of wages for any reason, repayment of such overpayments to KWSC.
- The cost to KWSC of personal long-distance calls made by an employee on KWSC's

phones, or of personal faxes sent by an employee using KWSC's equipment.

- The cost of repairing or replacing any KWSC's supplies, uniforms, materials, equipment, money or other property that an employee may damage (other than normal wear and tear), lose, fail to return or take without appropriate authorization from KWSC during their employment; and
- Salaried exempt employees who take a full day of personal or sick leave, with deficient leave balances, the value of such leave shall be deducted in eight (8) hour increments.

If you have questions concerning why deductions were made from your paycheck or how they were calculated, the Accounting Department can assist in having your questions answered.

Wage Scale

Starting Pay: Board of Directors sets the General Manager's
General Manager sets all other employee's

Successfully completing the 90-DAY probationary period, does not guarantee an increase in pay.

Merit Increase:

Each year the General Manager will include in the budget a Merit Increase for the fiscal year to be approved by the Board of Directors. Upon approval, the General Manager at the beginning of each fiscal year will determine a merit, based on employee performance evaluation increase for each employee.

Merit Increase for Field and Plant Employees:

Field and Plant employees are required to get and maintain a water operator license. The minimum license requirements are a C water license for Distribution and a B water license for plant operations. KWSC pays, at no expense for the employee, training, and the cost of testing along with providing the experience needed for obtaining water license. You must obtain your license in the respected amount of time or your merit and cost of living (COLA) increase will be lessened from a possible 3% + COL to a maximum 1% for each year you do not obtain a higher license.

- B license may be obtained with five years of work experience, three of which must be "hands-on". If you have not received your B license within 8 years of employment, your merit and COLA increase will be not more than 1%.
- C license may be obtained with two years of experience, one of which must be "hands-on".
 - If you have not received your C license within 5 years of employment, your merit and COLA increase will not be more than 1%.

Cost of Living (COLA):

Each year the General Manager will determine from the Social Security Index, COLA computations what the Cost of Living (COLA) Increase is for the following year. This cost will be included in the budget for the fiscal year to be approved by the Board of Directors. The General Manager will then award any COLA increase approved by the Board of Directors to eligible employees of the Corporation no later than the first full pay period in October.

Christmas Bonus:

Each year the General Manager will include in the budget the Christmas Bonus for the fiscal year

to be approved by the Board of Directors. At least two (2) weeks prior to the 25th of December the General Manager shall have the checks prepared for direct deposited into employee accounts. Bonus amounts are set by tenure and are to be given in full.

1-5 years:	\$ 350.00
6-10 years:	\$ 500.00
11-15 years:	\$ 650.00
16 & beyond:	\$ 800.00

Cash Award and Suggestion Program:

Each year the General Manager will include in the budget a Cash Award Program for the fiscal year to be approved by the Board of Directors.

As employees of KWSC, you can contribute to our future success and growth by submitting suggestions for practical work-improvement or cost-savings ideas.

A suggestion is an idea that will benefit KWSC by solving a problem, reducing costs, improving operations or procedures, enhancing customer service, eliminating waste or spoilage, or making KWSC a better or safer place to work. Statements of problems without accompanying solutions, or recommendations concerning co-workers and management are not appropriate suggestions.

All suggestions should contain a description of the problem or condition to be improved, a detailed explanation of the solution or improvement, and the reasons why it should be implemented. If you have questions or need advice about your idea, contact your department manager for help.

This program is designed to award an employee with a dollar amount to be determined by the General Manager for an exceptional idea that saves the corporation money and contributes to the Corporation. Money will be rewarded when the idea is implemented, and cost savings are implemented, not to exceed 30 days after implementation. A \$1000.00 maximum is allowed per employee.

Licensing and Educational Assistance

Licensing Pay:

Pay automatically added to the base salary upon the accomplishment of a required license, pursuant to the schedule below.

Employee(s) obtaining licenses above their required employment level may not be eligible for Licensing Pay, unless the license is recognized by the General Manager, which recognition shall not be unreasonably withheld. One (1) license testing fee for each water license will be paid by KWSC unless otherwise approved by General Manager.

- Obtaining "D" Water License up to \$1,000.00, if recognized by the General Manager.
- Obtaining "C" Water License up to \$2,000.00, if recognized by the General Manager.
- Obtaining "B" Water License up to \$2,000.00, if recognized by the General Manager.

Employees will not be automatically entitled to an immediate pay increase for obtaining an "A" license. However, completion of this accomplishment will be considered during the employees'

annual evaluation.

Licensing Requirements:

KWSC’s General Manager and Department Managers will coordinate and at the Corporation’s expense, fund all required licensing and/or renewal credit courses. Hours for training and travel will be considered as hours worked. Requested training outside employment level (above a “B” License) may be funded by the Corporation; however, hours for training, testing and travel will require a “Value/Reimbursement Agreement”.

Educational Assistance

KWSC recognizes that the skills and knowledge of its employees are critical to the success of the organization. The educational assistance program encourages personal development through formal education, so those employees can maintain and improve job-related skills or enhance their ability to compete for reasonably attainable jobs.

KWSC will provide educational assistance to all regular full-time administrative, field and plant shift employees immediately upon assignment to an eligible employment classification. To maintain eligibility employees must remain on the active payroll and be performing their job satisfactorily through completion of each course. In this policy, an employee will be deemed to be performing “satisfactorily” if the employees previous two (2) annual evaluations a minimal 2.5% merit increase. For all other employees, the General Manager has the sole discretion to determine satisfactory performance, which discretion shall not be illegally or unreasonably withheld.

Individual courses or courses that are part of a degree, licensing, or certification program must be related to the employee's current job duties or a foreseeable-future position in the organization in order to be eligible for educational assistance. KWSC has the sole discretion to determine whether a course relates to an employee's current job duties or a foreseeable-future position with KWSC. Employees should contact the General Manager for more information or questions about educational assistance.

While educational assistance is expected to enhance employee’s performance and professional abilities, KWSC cannot guarantee that participation in formal education will entitle the employee to automatic advancement, a different job assignment, or pay increases.

KWSC invests in educational assistance to employees with the expectation that the investment be returned through enhanced job performance. If an employee voluntarily separates from employment within one year of the last educational assistance payment, the amount of the payment will be considered a loan. Accordingly, the employee will be required to repay up to 100 percent of the original educational assistance payment. If possible, the amount will be deducted in full, from the employee’s final paycheck—if not, KWSC will submit to the employee an invoice for all amounts to be repaid to KWSC.

All Class A specialized training will require a signed “Value/Reimbursement Agreement”. All training costs, testing fees, and travel expense will be treated as a loan. If an employee resigns from KWSC during the Specialized Training process, any costs associated with the portion of training received as of the date of resignation will be deducted from final paycheck and/or accrued vacation. Furthermore, if the employee resigns from KWSC during the two (2) year period

following the receipt of TCEQ License, the employee agrees to incur expenses by KWSC on a pro-rated basis. The amount owed KWSC for training, testing and travel expense received will be reduced by 1/24 per month from the date the Agreement was entered.

Work Schedule and Time Reporting

Work Week, Work Schedule, Pay Period

KWSC's official work week for administrative and field employees shall be a five-day period beginning at 7:30 A.M. each Monday and ending at 7:29 A.M. on the following Monday. The traditional workday schedule for these employees shall be 7:30 A.M. to 4:00 P.M. with a 30-minute lunch break each day.

KWSC's official work week for plant shift employees shall be a seven-day period beginning the first shift on Monday morning and ending on the last shift on Sunday night. Plant employees will work ten (10) hour shifts per day with a 30-minute break and two 15-minute breaks each day.

KWSC's official pay period for administrative and field employees shall consist of a two-week period consisting of eighty (80) hours. Normally, there are 26 pay periods each year.

Seasonal work hours may be shortened or lengthened to meet the demands of the water system at the discretion of the General Manager.

Field Personnel

While the scheduling items above are indicative of the typical situation, due to unusual working conditions involved, the hours worked by field personnel must be flexible, as required by the situation.

On-Call

- A field employee placed on-call will be on duty for a seven-day period beginning Tuesday at 7:30 am and ending at 7:29 am the following Tuesday.
- The on-call employee will receive an additional one (1) day's pay at their regular rate in that pay period.
- While on-call the employee will be paid their overtime rate for emergency call outs to include customary travel time to and from the work site.
- An employee on-call is required to be ready and available to respond if called to duty including compliance with the Drug and Alcohol Policy.

Schedule Adjustments

Only the Board of Directors may adjust the normal hours of operation of the corporation. The General Manager may make adjustments in scheduling working hours of employees to best meet the needs of KWSC service area.

Numbers of Hours Worked

The employees' timecards for a particular work week will be the sole determining factor of the number of hours worked for compensation to be received pursuant to the Fair Labor Standards Act. To the extent KWSC learns that an employee reported time that was not hours worked or in any other way falsified his or her timecard, the employee will be subject to discipline, up to and

including termination.

Overtime

Employees should acknowledge that, due to the vital nature of the service KWSC provides to the public, their position may require overtime. For all employees, working hours exceeding forty (40) in a given week is a condition of employment. Non-Exempt employees will be paid 1 ½ times their hourly rate of pay for hours worked in excess of the normal 40-hour workweek.

All overtime work by Non-Exempt employees must be authorized in advance by the General Manager, whenever, possible, and/or by the Department Manager. Employees will be paid for unauthorized overtime, but may be subject to discipline, up to and including termination.

Exempt employees are not covered by the overtime provisions of the FLSA and are expected to tender necessary and reasonable overtime services. The general manager may give comp time for extra duty, to “exempt” employees for work above and beyond the normal demands of the business.

Holiday Worked

All administrative and field employees will be paid their regular wages for approved holidays. If a non-exempt employee is required to work during a scheduled holiday, the employee will receive time and one-half (1 ½) for each hour worked.

Time Reporting

Non-exempt employees will be required to use timecards at the beginning and end of each workday to account for their forty (40) hour work week, and any overtime they work during that time.

Employees who are required but fail to punch in each workday will be paid for hours worked but will be subject to discipline for failure to accurately record their time. Employees who fail to timely report their time by delivering them to the General Manager or his/her designee will be paid for all hours worked but will be subject to discipline for failure to timely record their time.

If an employee must leave work for any reason during the workday the employee must punch out, and when the employee returns to work, they likewise must punch back in. There is no requirement to punch in/out for lunch periods. If an employee does not take a lunch period, the employee must report that to the Department Manager.

The General Manager will provide additional instructions for time reporting.

Attendance and Punctuality

To maintain a safe and productive work environment, KWSC expects employees to be reliable and to be punctual in reporting for scheduled work. Absenteeism and tardiness place a burden on other employees and on KWSC. In the rare instances when employees cannot avoid being late to work or are unable to work as scheduled, they should notify their manager as soon as possible in advance of the anticipated tardiness or absence.

Poor attendance and excessive tardiness are disruptive. Either may lead to disciplinary action, up to and including termination of employment.

Employees are expected to punch in on the Kempner WSC time clock no earlier than 6 minutes before each workday begins and no later than 6 minutes after the end of each workday. Employees must obtain prior permission from their manager prior to punching in or out during the required times. Anyone punching in earlier than the 6 minutes or later than the 6 minutes shall be subject to discipline.

WORK CONDITIONS AND HOURS

Safety

To assist in providing a safe and healthful work environment for employees, customers, and visitors, KWSC has established a workplace safety program. This program is a top priority for KWSC. The Safety Officer has responsibility for implementing, administering, monitoring, and evaluating the safety program. Its success depends on the alertness and personal commitment of all.

Information is provided to employees about workplace safety and health issues through regular internal communication channels such as manager-employee meetings, bulletin board postings, memos, or other written communications. KWSC will comply with all OSHA requirements.

Employees and Managers receive mandatory monthly workplace safety training. The training covers potential safety and health hazards and safe work practices and procedures to eliminate or minimize hazards.

Some of the best safety improvement ideas come from employees. Those with ideas, concerns, or suggestions for improved safety in the workplace are encouraged to raise them with their manager, or with another manager, or bring them to the attention of the General Manager. Reports and concerns about workplace safety issues may be made anonymously if the employee wishes. All reports can be made without fear of reprisal.

Each employee is expected to obey safety rules and to exercise caution in all work activities. Employees must immediately report any unsafe condition to the appropriate manager. Employees who violate safety standards, who cause hazardous or dangerous situations, or who fail to report or, where appropriate, remedy such situations, may be subject to disciplinary action, up to and including termination of employment.

In the case of accidents that result in injury, regardless of how insignificant the injury may appear, employees should immediately notify the appropriate manager. Such reports are necessary to comply with laws and initiate insurance and workers' compensation benefits procedures.

Use of Telephones

Personal use of the employee's KWSC telephone for long-distance and toll calls is not permitted. Employees should practice discretion when making local personal calls and may be required to reimburse KWSC for any charges resulting from their personal use of the telephone.

To ensure effective telephone communications, employees should always use the approved

greeting and speak in a courteous and professional manner. Please confirm information received from the caller and hang up only after the caller has done so.

Cell Phone Usage

KWSC provides cellular telephones to some employees principally as a business tool. They are provided to assist employees in communicating with management and other employees, their clients, associates, and others with whom they may conduct business. Cell phone use is intended for business-related calls. Cell phone invoices may be regularly monitored.

As a KWSC representative, cell phone users are reminded that the regular business etiquette employed when speaking from office phones or in meetings applies to conversations conducted over a cell phone.

Portable Communication Device Use While Driving

Employees who drive on KWSC business must abide by all state or local laws prohibiting or limiting portable communication device (PCD) use, including cell phones or personal digital assistants, while driving. Further, even if use is lawfully permitted, employees should choose to refrain from using any PCD while driving. "Use" includes, but is not limited to, talking, or listening to another person or sending an electronic or text message via the PCD.

Regardless of the circumstances, including slow or stopped traffic, use is not permitted while driving and employees should proceed to a safe location off the road and safely stop the vehicle before placing or accepting a call, or communicating by text or email. If acceptance of a call is absolutely necessary while the employees are driving, and permitted by law, they must use a hands-free option and advise the caller that they are unable to speak at that time and will return the call shortly.

Under no circumstances should employees feel that they need to place themselves at risk to fulfill business needs. Since this policy does not require any employee to use a PCD while driving, employees who are charged with traffic violations resulting from the use of their PCDs while driving will be solely responsible for all liabilities that result from such actions. Texting and emailing while driving is prohibited in all circumstances.

Smoking

In keeping with KWSC's intent to provide a safe and healthful work environment, smoking and the use of tobacco products in the workplace is discouraged. Nonsmoking areas are clearly designated where smoking and the use of tobacco products is expressly prohibited KWSC's building and vehicles are a non-smoking (to include all tobacco products) environment, and the use of smoking and tobacco products are expressly prohibited. Any employee violating this policy shall be subject to discipline, and repeated violations of these prohibitions could subject the employee to termination.

Driver Policy

Employees assigned to driving duties ("drivers") must at all times meet the following criteria:

- Drivers must have a current, valid driver's license for the state in which the employee performs his or her driving duties; and
- Drivers must maintain a clean driving record, i.e., must remain insurable under KWSC's liability insurance policy.
- Follow all guidelines in "Use of Equipment and Vehicles"

Any employee driving a Corporation vehicle or driving on Corporation business must observe all safety, traffic, and criminal laws of this state. No driver may consume alcohol or illegal drugs while driving a Corporation vehicle. Prior to the employee's shift, the employee must bring to the attention of the department manager the use of any prescription drugs with warnings, prescribed to employee, before employee operates any company vehicles or equipment. No driver may pick up or transport non-employees while in a Corporation vehicle or on Corporation business, unless there is an emergency related need to do so with prior approval by General Manager. Any illegal, dangerous, or other conduct while driving that would tend to place the lives or property of others at risk is prohibited.

All traffic citations, arrests, accidents ("Driving Incident"), whether on duty or off duty, must be reported to your Department Manager, as soon as possible, thereafter or within twenty-four (24) hours.

Any employee who violates any part of this policy, or who becomes uninsurable as a driver as the result of an on-duty Driving Incident or multiple/severe off-duty Incidents, will be subject to disciplinary action up to and possibly including termination from employment.

Use of KWSC Equipment and Vehicles

Equipment and vehicles essential in accomplishing job duties are expensive and may be difficult to replace. When using property, employees are expected to exercise care, perform required maintenance, and follow all operating instructions, safety standards, and guidelines.

Personal use of KWSC equipment is not allowed without express permission by the General Manager.

Heavy equipment to include vehicles, trucks, backhoe(s) tractors and the like are not allowed for personal use under any circumstances.

Please notify the Department Manager if any equipment, machines, tools, or vehicles appear to be damaged, defective, or in need of repair. Prompt reporting of damages, defects, and the need for repairs could prevent deterioration of equipment and possible injury to employees or others. The Department Manager can answer any questions about an employee's responsibility for maintenance and care of equipment or vehicles used on the job.

Designated drivers are responsible for the preventive maintenance of their vehicles.

The improper, careless, negligent, destructive, or unsafe use or operation of equipment or vehicles, as well as excessive or avoidable traffic and parking violations, can result in disciplinary action, up to and including termination of employment.

Use of Personal Equipment and Tools

All use of personal equipment and tools are discouraged. KWSC is not responsible for any replacement or repair of personal equipment.

Visitors in the Workplace

To provide for the safety and security of employees and the facilities at KWSC, only authorized visitors are allowed in the workplace. Restricting unauthorized visitors helps maintain safety standards, protects against theft, ensures security of equipment, protects confidential information, safeguards employee welfare, and avoids potential distractions and disturbances.

Because of safety and security reasons, family and friends of employees are discouraged from visiting. In cases of emergency, employees will be called to meet any visitor outside their work area.

Employees should direct any visitor to enter KWSC at the main entrance. Authorized visitors will receive directions or be escorted to their destination. Employees are responsible for the conduct and safety of their visitors.

If an unauthorized individual is observed on KWSC's premises, employees should immediately notify their manager or, if necessary, direct the individual to the main entrance.

Workplace Monitoring

Workplace monitoring may be conducted by KWSC to ensure quality control, employee safety, security, and customer satisfaction.

KWSC may conduct video surveillance of non-private workplace areas. Video monitoring is used to identify safety concerns, maintain quality control, detect theft and misconduct, and discourage or prevent acts of harassment and workplace violence.

Because KWSC is sensitive to the legitimate privacy rights of employees, every effort will be made to guarantee that workplace monitoring is done in an ethical and respectful manner.

In the event that workplace monitoring is conducted it may be done as follows:

- The Audio Microphone located in the Board Room shall not be activated when the room is in use by visitors or other non-Kempner personnel except upon request. It will be within the General Manager's discretion as to whether such request shall be granted.
- The Audio Microphone located in the Board Room shall be activated during open sessions of Kempner's Board of Directors meetings. The Audio Microphone shall be turned off during closed sessions unless specifically directed by one of the Board Officers.
- The activation of the Audio Microphone located in the Board Room at times other than during board of directors' meetings shall be within the General Manager's discretion and an Officer of the Board of Directors.

- Upon activation of the Audio Microphone System during a public meeting of the Board of Directors, a notice shall be posted at all entrances of the meeting stating that the meeting is subject to audio recording.
- Any audio recordings shall be maintained by Kempner in accordance with all applicable state laws, rules, or regulations.
- The General Manager is hereby authorized to take all action necessary to carry out this policy.

Workplace Violence Prevention

KWSC is committed to preventing workplace violence and to maintaining a safe work environment. Given the increasing violence in society in general, KWSC has adopted the following guidelines to deal with intimidation, harassment, or other threats of (or actual) violence that may occur during business hours or on its premises.

All employees, including managers and temporary employees, should always be treated with courtesy and respect. Employees shall refrain from fighting, "horseplay," or other conduct that may be dangerous to themselves or others. Employees may carry firearms on KWSC premises only in accordance with KWSC's Conceal Carry Policy.

Conduct that threatens, intimidates, or coerces another employee, a customer, or a member of the public at any time, including off-duty periods, will not be tolerated. This prohibition includes all acts of harassment, including harassment that is based on an individual's sex, race, age, or any characteristic protected by federal, state, or local law.

All threats of (or actual) violence, both direct and indirect, whether made to you or to another employee, must be reported as soon as possible to your Department Manager or any other member of management, following the procedures outlined in KWSC's "Anti-Discrimination and Harassment" Policy. This includes threats by employees, as well as threats by customers, vendors, solicitors, or other members of the public. When reporting a threat of violence, you should be as specific and detailed as possible.

All suspicious individuals or activities should also be reported as soon as possible to a manager. Do not place yourself in peril. If you see or hear a commotion or disturbance near your workstation, do not try to intercede or see what is happening.

KWSC will promptly and thoroughly investigate all reports of threats of (or actual) violence and of suspicious individuals or activities. The identity of the individual making a report will be protected as much as is practical. In order to maintain workplace safety and the integrity of its investigation, KWSC may suspend employees, either with or without pay, pending investigation.

Any employee determined to be responsible for threats of (or actual) violence or other conduct that is in violation of this policy will be subject to prompt disciplinary action up to and including termination of employment.

KWSC encourages employees to bring their disputes or differences with other employees to the attention of their manager before the situation escalates into potential violence. KWSC is eager to assist in the resolution of employee disputes and will not discipline employees for raising such

concerns.

EMPLOYEE CONDUCT AND DISCIPLINARY ACTION

Customer Relations

Customers are among our organization's most valuable assets. Every employee represents KWSC to our customers and the public. The way we do our jobs presents an image of our entire organization. Customers judge all of us by how they are treated with each employee contact. Therefore, one of our first business priorities is to assist any customer or potential customer. Nothing is more important than being courteous, friendly, helpful, and prompt in the attention you give to customers.

KWSC will provide customer relations and services training to all employees with extensive customer contact. Our personal contact with the public, our manners on the telephone, and the communications we send to customers are a reflection not only of ourselves, but also of the professionalism of KWSC. Positive customer relations enhance the public's perception or image of KWSC. Employees encountering customers who wish to lodge specific comments or complaints should direct the customer at issue to the Office Manager and/or Field Manager for appropriate action.

Computer Networks and Social Media

KWSC provides computer networks, Internet access, email, telephones, digital cameras, voice mail, scanners, and fax communication systems for use by KWSC employees in the performance of their official duties. These communication devices are referred to collectively in this policy as "electronic communications systems" or "systems." These electronic communications systems are designed to support and enhance the communication, research, and information capabilities of KWSC employees and to encourage work-related communication and sharing of information resources within KWSC. This policy governs user behavior pertaining to access and usage of KWSC's electronic communications systems. This policy applies to all KWSC employees, contractors, volunteers, and other representatives of KWSC who use KWSC's electronic communications systems. KWSC's electronic communications systems access must be used in a professional, responsible, efficient, ethical, and legal manner.

A. Acceptable Use

1. Acceptable uses of KWSC's electronic communication systems are limited to those activities that support reference, research, internal/external communication and conducting KWSC business in line with the user's job responsibilities. Network users are encouraged to develop uses which meet their individual needs and which take advantage of the KWSC's internal network function. The KWSC prohibits connection to sites or forwarding of information that contain materials that may be offensive to others including, but not limited to, sites or information containing sexually explicit material.
2. Users must understand that use of any KWSC-provided, publicly accessible computer network such as the Internet and email is a privilege. Minimal personal use of the Internet or email and other electronic communications systems is allowed under this policy if such use is not excessive and does not impede job performance or the performance of KWSC business. The KWSC is not responsible for personal communications sent on its electronic

communications systems.

3. The KWSC reserves the right to monitor employee internet usage at any time.
4. The KWSC prohibits employees from using social media while on duty or on equipment the KWSC provides unless it is work-related as authorized by the KWSC Manager and consistent with this policy. The KWSC prohibits employees from using KWSC e-mail addresses to register on social networks, blogs, or other online tools utilized for personal use.
5. When employees are posting on social media, an employee should never represent or imply that he or she is a spokesperson for the KWSC without permission from the KWSC Manager to do so. If the KWSC is a subject of the content the employee is creating, employees shall be clear and open about the fact that the author is an employee and that his/her views do not represent those of the KWSC, other employees, or the citizens of the KWSC. If the employee publishes a blog or posts online related to the work the employee does or subjects associated with the KWSC, the employee shall make clear that he/she is not speaking on behalf of the KWSC and include a disclaimer such as "The postings on this site are my own and do not necessarily reflect the views of the KWSC."

B. PROHIBITED Uses of Electronic Communications Systems include, but not limited to:

1. The use of video, audio, image storage, etc. can put a strain on the available resources of the KWSC's networks and bandwidth. The KWSC prohibits the use of internet radio stations at the employee's workstation and reserves the right to prohibit or implement any bandwidth limiting activities. The KWSC also reserves the right to require a review of any usage that is discovered to have strained the KWSC's resources. Employees found to violate this policy will be subject to the disciplinary process.
2. Using profanity, obscenity, or other language which may be offensive or harassing to other coworkers or third parties.
3. Accessing, displaying, downloading, or distributing sexually explicit material.
4. Accessing, displaying, downloading, or distributing profane, obscene, harassing, offensive or unprofessional messages or content.
5. Copying or downloading commercial software in violation of copyright law.
6. Using the systems for financial gain or for any commercial activity unrelated to KWSC business.
7. Using the systems in such a manner as to create a security breach of the KWSC network.
8. Looking for or applying for work or business opportunities other than for internal KWSC postings.
9. Transmitting or sharing information regarding a coworker's health status without his/her permission.
10. Expressing opinions or personal views in such a manner that the views could be misconstrued as being those of the KWSC.
11. Expressing unsolicited opinions or personal views regarding management of the KWSC or other political views. This prohibition does not preclude transmitting information intended to improve the operation of the KWSC services.
12. Using the electronic communication systems for any illegal purpose or in any way that violates KWSC policy or is contrary to the KWSC's best interest.
13. Playing games or gambling.

C. Responsibility:

1. All users that are issued access to KWSC provided electronic communications systems and

accounts, are always responsible for its proper use, regardless of the user's location. The KWSC provides and maintains these systems are designed to assist in the conduct of KWSC business. All transmissions created, sent, received, retrieved, or accessed are considered property of the KWSC and subject to the Public Information Act. Every employee has the responsibility to maintain and enhance the KWSC's public image with the proper use of these systems in a professional and productive manner.

2. Employees may only use software approved or provided by the KWSC. Additionally, the software must be installed in compliance with procedures as established by the KWSC Manager and the technology firm with whom the KWSC has a contract. To prevent computer viruses, there will be no unauthorized downloading of any software.
3. The KWSC reserves the right to change policies as it relates to computer use at any time and as may be required by changing circumstances. It is therefore the responsibility of all employees to ensure full knowledge of the electronic communications systems use policies. Violations of the policy and its guidelines may result in the loss of use privileges and disciplinary action, up to and including termination.

D. No Right of Privacy/Monitoring:

1. All passwords used for any electronic communications systems are to be on file with the KWSC Manager. These will be kept confidential and only used for security or investigative purposes.
2. Users of KWSC electronic communications systems may not assume they are provided any degree of anonymity and employees have no right to privacy regarding such systems. To ensure proper use of its electronic communications systems, the KWSC may monitor their use.
3. The KWSC owns the rights to all data and files in any information system used at the KWSC. Internet use is not confidential and no rights to privacy exist. The KWSC reserves the right to monitor employee internet usage at any time, both as it occurs and in the form of account histories and their content. The KWSC also has the right to inspect all files stored in all areas of the network to assure compliance with policy, state and federal laws. The KWSC has taken necessary actions to assure the safety and security of its network. Any employee who attempts to disable, defeat, or circumvent KWSC security measures is subject to disciplinary action up to and including termination.
4. The KWSC Manager or his designee reserves and intends to exercise the right to review, audit, intercept, access and disclose all transmissions created, received, sent, retrieved or accessed on the KWSC provided electronic communications systems to assure that the KWSC's resources are devoted to maintaining the highest levels of productivity, as well as proper use and compliance with this policy. These systems may be checked periodically for business reasons, without permission from the employee.

Employee Conduct and Work Rules

To ensure orderly operations and provide the best possible work environment, KWSC expects employees to follow rules of conduct that will protect the interests and safety of all employees and the organization.

It is not possible to list all the forms of behavior that are considered unacceptable in the workplace. The following are examples of infractions of rules of conduct that may result in disciplinary action, up to and including termination of employment:

- Theft or inappropriate removal or possession of property
- Falsification of timekeeping records
- Late or incorrect timecard submission
- Working under the influence of alcohol or illegal drugs (to include those employees on call).
- Possession, distribution, sale, transfer, or use of alcohol or illegal drugs in the workplace, while on duty, or while operating employer-owned vehicles or equipment
- Fighting or threatening violence in the workplace
- Boisterous or disruptive activity in the workplace
- Negligence or improper conduct leading to damage of employer-owned or customer-owned property
- Insubordination or other disrespectful conduct
- Violation of safety or health rules
- Smoking in prohibited areas
- Sexual or other unlawful, unwelcome harassment or discrimination.
- Possession of dangerous or unauthorized materials, such as explosives or firearms, in the workplace
- Excessive tardiness/absenteeism or any absence without notice (to include on-call status)
- Unauthorized absence from workstation during the workday
- Unauthorized use of telephones, mail system, or other employer-owned equipment
- Unauthorized disclosure of business "secrets" or confidential information
- Violation of personnel policies
- Unsatisfactory performance or conduct
- Invalid driver's license.
- Driver un-insurability, as determined by KWSC's insurance carrier

Employment with KWSC is at the mutual consent, and either party may terminate that relationship, in accordance with established procedures.

Drug and Alcohol Use

It is KWSC's desire to provide a drug-free, healthful, and safe workplace. To promote this goal, employees are required to report to work in appropriate mental and physical condition to perform their jobs in a satisfactory manner.

While on KWSC premises and while conducting business-related activities off KWSC premises, no employee may use, possess, distribute, sell, or be under the influence of alcohol or illegal drugs. The legal use of prescribed drugs is permitted on the job only if it does not impair an employee's ability to perform the essential functions of the job effectively and in a safe manner that does not endanger other individuals in the workplace. To the extent the use of prescribed drugs impair an employee's ability to perform the essential functions of the position, KWSC will engage in an interactive process with the employee to determine if action can be taken to accommodate any disability that both requires the medication and limits the employee's ability to perform the essential functions of the position.

KWSC employees on call shall not use alcohol or illegal drugs.

Violations of this policy may lead to disciplinary action, up to and including immediate termination of employment, and/or required participation in a substance abuse rehabilitation or treatment program.

To inform employees about important provisions of this policy, KWSC has established a drug-free awareness program. The program provides information on the dangers and effects of substance abuse in the workplace, resources available to employees, and consequences for violations of this policy.

Employees with drug or alcohol problems that have not resulted in, and are not the immediate subject of, disciplinary action may participate in a rehabilitation or treatment program through KWSC's health insurance benefit coverage. KWSC's Employee Assistance Program (EAP) provides confidential counseling and referral services to employees for assistance with such problems as drug and/or alcohol abuse or addiction. It is the employee's responsibility to seek assistance from the EAP prior to reaching a point where his or her judgment, performance, or behavior has led to imminent disciplinary action. Participation in the EAP after the disciplinary process has begun may not preclude disciplinary action, up to and including termination of employment.

Under the Drug-Free Workplace Act, an employee who performs work for a government contract or grant must notify KWSC of a criminal conviction for drug-related activity occurring in the workplace. The report must be made within five days of the conviction.

Employees with questions on this policy or issues related to drug or alcohol use in the workplace should raise their concerns with their manager or the General Manager without fear of reprisal.

Drug and Alcohol Testing

KWSC is committed to providing a safe, efficient, and productive work environment for all employees. Using or being under the influence of drugs or alcohol on the job may pose serious safety and health risks. To help ensure a safe and healthful working environment, job applicants and employees may be asked, pursuant to this policy, to provide body substance samples (such as urine and/or blood) to determine the illicit or illegal use of drugs and alcohol.

Employees will be subject to tests for drugs or alcohol in the following five circumstances: (i) with the employee's consent; (ii) pre-employment; (iii) reasonable suspicion; (iv) random; and (v) post-accident. Refusal to submit to drug testing may result in disciplinary action, up to and including termination of employment, as provided herein.

DOT Employees

Some employees are subject to the U.S. Department of Transportation's (DOT) regulations regarding drug testing. KWSC will comply with all DOT requirements for drug and alcohol screening for these employees. To the extent these employees fall within any of the following five categories, however, they may be subject to the individual types of testing, in addition to any DOT requirements.

Consent

Employees may consent at any time to be subject to a drug and/or alcohol test. Employees who submit a written consent to KWSC to be tested will be subject to testing at any time for any reason. This consent shall be distinguished from the employee's submission to each individual test, as required by this policy.

Pre-Employment

All applicants who have received a conditional offer for any position shall submit to a drug/alcohol screening test.

Reasonable Suspicion

When reasonable suspicion exists that the employee is intoxicated, impaired, or under the influence of drugs or alcohol, the employee shall submit to a drug and/or alcohol screening test. Management shall exercise sound judgment in determining whether a reasonable suspicion test is warranted.

In this policy, the term "reasonable suspicion" means specific, articulable observations concerning the appearance, behavior, speech, demeanor or odor of an employee that leads management to conclude that the employee may be under the influence and/or impaired in his/her ability to effectively or safely perform the functions of his/her job. Management shall record in writing all observations giving rise to reasonable suspicion.

When reasonable suspicion exists, KWSC reserves the right to search, without employee consent, all areas and property in which KWSC maintains full or joint control with the employee.

Random

KWSC will only randomly test employees (i) in safety sensitive positions; or (ii) who are not in safety sensitive positions, but who have otherwise consented to testing, as provided above. Random alcohol and drug screening tests shall be unannounced and conducted throughout the year. On each occurrence, KWSC will randomly select an unspecified number of employees from those eligible for random testing.

Under this Policy, a "safety sensitive" position is one in which the risk to public safety is substantial and real and where the risk of injury from a momentary lapse of attention can result in disastrous consequences. The "safety sensitive" status of each position shall be clearly marked on each job description.

Post-Accident

Employees shall be subject to drug and/or alcohol screening within two hours after an accident if (i) the employee is performing safety-sensitive functions for KWSC; and/or (ii) if the accident (or other circumstances following the accident) gives rise to Reasonable Suspicion that the employee is in violation of this policy for the following reasons:

- If the employee is operating a KWSC motor vehicle involved in an accident or if the employee's actions are a contributing factor to the motor vehicle accident.
- If the employee's performance either contributed to or the employee's actions are a contributing factor to an incident that results in injury to the employee or to another; or
- If the employee's performance results in damage to property or equipment or when the employee's actions cannot be completely discounted as a contributing factor to the incident.

KWSC will presume Reasonable Suspicion that drugs and/or alcohol were involved in the incident if the incident results in death or serious bodily injury to the employee or another person or significant damage to property or equipment.

A positive drug or alcohol test will give rise to enforcement of KWSC's Drug and Alcohol Use Policy, and may result in discipline, up to and including termination. In some instances, a drug/alcohol test may incorrectly reflect a positive result; if this situation arises the employee has the option of taking an additional test at their expense with another qualified facility

Copies of this drug testing policy will be provided to all employees. Employees will be asked to sign an acknowledgement form indicating that they have received a copy of the drug testing policy. Questions concerning this policy, or its administration should be directed to the General Manager.

Anti-Discrimination and Harassment

KWSC is committed to providing a work environment that is free from all forms of discrimination and conduct that can be considered harassing, coercive, or disruptive, including sexual harassment. Actions, words, jokes, or comments based on an individual's sex, race, color, national origin, age, religion, disability, sexual orientation, or any other legally protected characteristic will not be tolerated. KWSC provides ongoing sexual harassment training to ensure you the opportunity to work in an environment free of sexual and other unlawful harassment.

Discrimination of any kind is expressly prohibited for all employees and all members of management of KWSC, including the General Manager, and will be investigated based on the procedures discussed in this Policy.

Sexual harassment is defined as unwanted sexual advances, or visual, verbal, or physical conduct of a sexual nature. This definition includes many forms of offensive behavior and includes gender-based harassment of a person of the same sex as the harasser. The following is a partial list of sexual harassment examples:

- Unwanted sexual advances.
- Offering employment benefits in exchange for sexual favors.
- Making or threatening reprisals after a negative response to sexual advances.
- Visual conduct that includes leering, making sexual gestures, or displaying of sexually suggestive objects or pictures, cartoons, or posters.
- Verbal conduct that includes making or using derogatory comments, epithets, slurs, or jokes.
- Verbal sexual advances or propositions.
- Verbal abuse of a sexual nature, graphic verbal commentaries about an individual's body, sexually degrading words used to describe an individual, or suggestive or obscene letters, notes, or invitations.
- Physical conduct that includes touching, assaulting, or impeding or blocking movements.

Unwelcome sexual advances (either verbal or physical), requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when: (1) submission

to such conduct is made either explicitly or implicitly a term or condition of employment; (2) submission or rejection of the conduct is used as a basis for making employment decisions; or, (3) the conduct has the purpose or effect of interfering with work performance or is severe or pervasive enough to create an intimidating, hostile, or offensive work environment.

If you experience or witness discrimination of any kind, including sexual or other unlawful harassment, in the workplace, you must report it immediately to your manager. If the manager is unavailable, the subject of your complaint, or you believe it would be inappropriate to contact that person, you should immediately contact the General Manager or any other member of management. You can raise concerns and make reports without fear of reprisal or retaliation. KWSC expressly prohibits any form of retaliation against anyone who makes a report of harassment, sexual or otherwise, or any type of discrimination or retaliation.

All allegations of sexual harassment will be quickly and discreetly investigated. In connection with each investigation, employees may be required to participate as a witness. All employees shall fully cooperate with any investigation, and maintain any requested confidentiality regarding such an investigation, unless otherwise required by law. **Refusal to cooperate with an investigation may lead to disciplinary action, up to and including termination.**

To the extent possible, your confidentiality and that of any witnesses and the alleged harasser will be protected against unnecessary disclosure. KWSC expressly prohibits any form of retaliation against anyone who participates in an investigation regarding a report of harassment, sexual or otherwise, or any type of discrimination or retaliation. When the investigation is completed, you will be informed of the outcome of the investigation.

Any manager who becomes aware of possible discrimination, including sexual or other unlawful harassment, must immediately advise the General Manager, so it can be investigated in a timely and confidential manner.

Anyone engaging in discrimination of any type, including sexual or other unlawful harassment, will be subject to disciplinary action, up to and including termination of employment. Anyone engaging in retaliation of any type against an employee who reports discrimination or harassment or who participates in an investigation regarding a report of discrimination or harassment will be subject to disciplinary action, up to and including termination.

Personal Appearance

Dress, grooming, and personal cleanliness standards contribute to the morale of all employees and affect the business image KWSC presents to customers and visitors.

During business hours or when representing KWSC, you are expected to present a clean, neat, and tasteful appearance. You should dress and groom yourself according to the requirements of your position and accepted social standards. This is particularly true if your job involves dealing with customers or visitors in person.

KWSC General Manager is responsible for establishing a reasonable dress code appropriate to the job you perform. If your manager feels your personal appearance is inappropriate, you may be asked to leave the workplace until you are properly dressed or groomed. Under such circumstance,

you will not be compensated for the time away from work. Consult your manager if you have questions as to what constitutes appropriate appearance. Where necessary, reasonable accommodation may be made to a person with a disability.

Without unduly restricting individual tastes, the following personal appearance guidelines should be followed:

- Shoes must provide safe, secure footing, and offer protection against hazards.
- Tank tops, tube or halter tops, or shorts may not be worn under any circumstances.
- Mustaches and beards must be clean, well-trimmed, and neat.
- Hairstyles are expected to be in good taste.
- Unnaturally colored hair and extreme hairstyles, such as spiked hair and shaved heads, do not present an appropriate professional appearance.
- Excessive makeup is not permitted.
- Offensive body odor and poor personal hygiene is not professionally acceptable.
- Perfume, cologne, and aftershave lotion should be used moderately or avoided altogether, as some individuals may be sensitive to strong fragrances.
- Jewelry should not be functionally restrictive, dangerous to job performance, or excessive.
- Facial jewelry, such as eyebrow rings, nose rings, lip rings, and tongue studs, is not professionally appropriate and must not be worn during business hours.
- Multiple ear piercing (more than two rings in each ear) is not professionally appropriate and must not be worn during business hours.
- Torso body piercing with visible jewelry or jewelry that can be seen through or under clothing must not be worn during business hours.
- Visible excessive tattoos and similar body art must be covered during business hours.
- KWSC does provide uniforms after completion of the probationary period for Field and Plant employees.
- Field and Plant personnel will be required to wear uniforms of a standard variety that will fit appropriately with working conditions, the uniform at a minimum will have the name and corporation clearly visible for public identification.
- Office personnel are required to dress appropriately for the position they fill.

Security Inspections

KWSC wishes to maintain a work environment that is free of illegal drugs, alcohol, firearms, explosives, or other improper materials. The corporation prohibits the possession, transfer, sale, or use of such materials on its premises.

Desks, lockers, and other storage devices may be provided for the convenience of employees but remain the sole property of KWSC. Accordingly, they can be inspected by any agent or representative at any time, either with or without prior notice.

KWSC discourages theft or unauthorized possession of the property of employees, visitors, and customers. To facilitate enforcement of this policy, its representative may inspect not only desks and lockers but also persons entering and/or leaving the premises and any packages or other belongings. Any employee who wishes to avoid inspection of any articles or materials should not bring such items onto premises.

Discipline

The purpose of this policy is to state KWSC's position on administering equitable and consistent discipline for unsatisfactory conduct in the workplace. The best disciplinary measure is the one that does not have to be enforced and comes from good leadership and fair supervision at all employment levels.

KWSC's own best interest lies in ensuring fair treatment of all employees and in making certain disciplinary actions are prompt, uniform, and impartial. The major purpose of any disciplinary action is to correct the problem, prevent recurrence, and prepare the employee for satisfactory service in the future.

Although employment is based on mutual consent and have the right to terminate employment at will, KWSC may use progressive discipline at its discretion.

Disciplinary action may call for any of four steps -- verbal warning, written warning, suspension with or without pay, or termination of employment -- depending on the severity of the problem and the number of occurrences. There may be circumstances when one or more steps are bypassed.

Progressive discipline means that, with respect to most disciplinary problems, these steps will normally be followed: a first offense may call for a verbal warning; a next offense may be followed by a written warning; another offense may lead to a suspension; and still another offense may then lead to termination of employment.

KWSC recognizes there are certain types of employee problems that are serious enough to justify either a suspension or termination of employment, without going through the usual progressive discipline steps.

Grievance Procedures

The employee grievance process will follow these steps:

Step 1: The employee will present the grievance verbally to his/her Department Manager within five working days of the alleged violation or the date the employee becomes aware of the alleged violation, whichever is later. The manager receiving the complaint shall document the complaint in writing and attempt to resolve the grievance. A written reply, by the manager, will be made no later than five working days from the date the employee filed the complaint.

Step 2: If the grievance is not resolved in step 1, the employee may submit a written grievance to the general manager within five working days of the date the response from step one was due or received, whichever comes first. The general manager will have five working days from receipt of the written step 2 grievance to investigate the matter and respond in writing to the grievant.

The general manager's written response may be appealed to the Personnel Committee. The Personnel Committee will then forward their recommendation to the Board of Directors.

Workplace Etiquette

KWSC strives to maintain a positive work environment where employees treat each other with respect and courtesy. Sometimes issues arise when employees are unaware that their behavior in the workplace may be disruptive or annoying to others. Many of these day-to-day issues can be addressed by politely talking with a co-worker to bring the perceived problem to his or her attention. In most cases, common sense will dictate an appropriate resolution. KWSC encourages all employees to keep an open mind and graciously accept constructive feedback or a request to change behavior that may be affecting another employee's ability to concentrate and be productive.

The following workplace etiquette guidelines are not necessarily intended to be hard and fast work rules with disciplinary consequences. They are simply suggestions for appropriate workplace behavior to help everyone be more conscientious and considerate of co-workers and the work environment. Please contact Human Resources or your Department Manager if you have comments, concerns, or suggestions regarding these workplace etiquette guidelines.

- Return copy machine and printer settings to their default settings after changing them.
- Replace paper in the copy machine and printer paper trays when they are empty.
- Retrieve print jobs in a timely manner and be sure to collect all your pages.
- Be prompt when using the manual feed on the printer.
- Keep the area around the copy machine and printers orderly and picked up.
- Be careful not to take or discard others' print jobs or faxes when collecting your own.
- Avoid public accusations or criticisms of other employees. Address such issues privately with those involved or your manager.
- Try to minimize unscheduled interruptions of other employees while they are working.
- Communicate by e-mail or phone whenever possible, instead of walking unexpectedly into someone's office or workspace.
- Be conscious of how your voice travels and try to lower the volume of your voice when talking on the phone or to others in open areas.
- Keep socializing to a minimum and try to conduct conversations in areas where the noise will not be distracting to others.
- Minimize talking between workspaces or over cubicle walls. Instead, conduct conversations with others in their workspace.
- Try not to block walkways while carrying on conversations.
- Refrain from using inappropriate language (swearing) that others may overhear.
- Avoid discussions of your personal life/issues in public conversations that can be easily overheard.
- Monitor the volume when listening to music, voice mail, or a speakerphone that others can hear.
- Keep ringer volumes on personal cell phones turned down.

Concealed Carry Policy

Employees of KWSC's are not permitted to carry weapons, explosives, or firearms at KWSC meetings, in KWSC vehicles, and on KWSC premises except as provided by this policy.

An employee who is duly licensed under Subchapter H, Chapter 411 of the Texas Government

Code may possess or carry a concealed handgun while performing official duties only after notifying and presenting proof of licensure to the General Manager. Upon presenting proof of licensure, a duly licensed employee may also transport or store a handgun or ammunition in a locked KWSC vehicle.

Regardless of licensure status, an employee may not:

- Openly carry handguns on KWSC premises.
- Store firearms or ammunition in the KWSC building.
- Display or use firearms to perform his or her official duties; or
- Possess or carry firearms at a facility or property where doing so is prohibited by law or by the facility's company policy.

By law, an employee who is duly licensed to carry a handgun, or who otherwise lawfully possesses a firearm or ammunition, may lawfully transport or store a firearm or ammunition in employee's locked, privately owned motor vehicle in the KWSC parking lot.

Possessing firearms illegally or the open display of firearms is not allowed. Violations of this policy and/or any law pertaining to the carrying of firearms shall result in disciplinary action up to, and including, discharge and potential criminal charges.

EMPLOYEE ACKNOWLEDGEMENT FORM

The employee handbook describes important information about KWSC, and I understand that I should consult my Department Manager or General Manager regarding any questions not answered in the handbook. I have entered my employment relationship with KWSC voluntarily and acknowledge there is no specified length of employment. Accordingly, either KWSC or I can terminate the relationship at will, with or without cause, at any time, so long as there is no violation of applicable federal or state law.

Since the information, policies, and benefits described here are necessarily subject to change, I acknowledge that revisions to the handbook may occur, except to KWSC's policy of employment-at-will. All such changes will be communicated through official notices, and I understand that revised information may supersede, modify, or eliminate existing policies. Only the Board of Directors of KWSC can adopt any revisions to the policies in this handbook.

Furthermore, I acknowledge this handbook is neither a contract of employment nor a legal document. I have received the handbook, and I understand it is my responsibility to read and comply with the policies contained in this handbook and any revisions made to it.

EMPLOYEE'S NAME (printed): _____

EMPLOYEE'S SIGNATURE: _____

DATE: _____