



EMPLOYEE BENEFITS HANDBOOK

Your Employee Benefits

You receive more than compensation each pay day - you also receive a myriad of employee benefits. This manual summarizes your employee benefits.

Your Vacation

Heritage Bank believes that vacations are important to both you and to the Bank. Vacations provide a time of relaxation away from work and are a refreshing change. Heritage Bank appreciates your loyalty and good work and will reward you with vacation time as listed below:

Amount of Vacation

Regular full-time employees are eligible for paid vacation following the completion of their 180 day introductory period. A non-officer employee who begins employment prior to May 1st is eligible for one week of paid vacation in the calendar year of employment, and two weeks vacation beginning on January 1st of the following year. A non-officer employee who begins work on May 1st or after receives no vacation during the calendar year of employment, nor does any vacation time accrue, but is eligible for two weeks in the following calendar year after the completion of their 180 day introductory period. Officers will be eligible for vacation immediately upon employment. If the employee is transferred from part-time status to full-time status or if a non-officer employee becomes an officer of the Bank, vacation will be treated in the manner above using the May 1st date as a guideline. All vacation is given in advance on January 1st of each year.

The following schedule indicates the amount of vacation available January 1st:

Non-Officers

Years 1-5	10 days
Years 6-10	15 days
Years 11-15	1 additional day is earned per year with a maximum of 20 days vacation time.

Officers

Years 1-5	15 days
Years 6-10	1 additional day is earned per year with a maximum of 20 days vacation time.

Executive Officers

Years 1-10	20 days
Years 11-15	1 additional day is earned per year with a maximum of 25 days vacation time.

On January 1st following the completion of your 5th and 10th years of employment, you will be eligible for the increased level of vacation as indicated above. The same rule applies for the “additional days” earned.

Vacation time **cannot** be carried over from one year until the next.

Permanent part-time employees are eligible for vacation based on the average hours worked after one year of service. For example, if a part-time employee works 25 hours per week on the average, they will receive 25 hours of paid vacation after one year of service.

Holidays

The Bank is normally closed for most legal holidays as approved by the Federal Reserve Bank. The exact dates of these holidays will be posted each year. If a holiday falls on a Saturday, it will not be a paid holiday and a floating holiday may be given. If a holiday falls on a Sunday, the Bank will be closed on the following Monday, or the day formally designated as a holiday by the Federal Reserve Bank.

Holidays that may be observed include:

New Year's Day	Labor Day
Martin Luther King's Birthday	Columbus Day
Presidents Day	Veterans Day
Memorial Day	Thanksgiving Day
Independence Day	Christmas Day

To receive holiday pay, you must work the scheduled day before and after the holiday unless Management approves time off in advance. When a holiday falls in a scheduled vacation period, a vacation day may be added to that vacation period or to another vacation period.

If you need special consideration to observe a religious holiday, the Bank will make every reasonable accommodation to let you have the day off without pay.

Sick Leave and Personal Leave

Full-time employees are entitled to time off with pay if they become ill. Our sick leave policy helps ensure you against loss of wages during periods of illness. In the rare instances when employees cannot avoid being late to work or are unable to work as scheduled, they should notify their supervisor as soon as possible in advance of the anticipated tardiness or absence. Your supervisor may, at their discretion, require a doctor's excuse when you return to work. If you need time off, request permission from your supervisor **before** you leave. Each full-time employee is allowed 5 sick days and 2 personal days per calendar year after completion of the 180 day introductory period. You may break down the time into hours. An additional half day of personal time is given to each employee in honor of their birthday. This half day must be used within 30 thirty days prior or 30 days after the employee's birthday. Sick days and personal days **cannot** be carried over from one year until the next. At the supervisor's discretion, an employee may be asked to use vacation time if they have used all of their sick and personal time.

Personal days may be used for personal or family illness, personal or family doctor's appointments, personal or family medical tests and appointments with children's teachers. Any other use of the two personal days may be approved by the human resources director if the request is deemed to be within the spirit of the original intent of management when the days were granted. As with any time away from the bank, coordination with your supervisor is required.

This leave may be taken in hourly increments. When possible, appointments should be scheduled before 9 a.m. or after 4 p.m. if they cannot be made on a day that you are not working. The personal leave time is not earned time off and should not be treated as vacation days. No payment will be made for unused sick or personal time upon separation from the bank and unused time is not carried over to the next year.

Education and Training

Heritage Bank strives to provide on-the-job instruction and training to all employees. It is the Bank's belief that as you expand your banking knowledge and expertise through on-the-job training and formal education you become more valuable to the Bank. Heritage Bank believes that this interest and action on your part indicates initiative. Please keep the Human Resources Department informed of your educational activities so that they can be included in your personnel file.

The local chapter of the American Institute of Banking (AIB) offers a number of courses directly relating to the banking industry. The Human Resources Department will distribute course information as it is received. Heritage Bank will pay 100% of the tuition for full-time employees who attend AIB courses (after obtaining approval from their supervisor and the Human Resources Director). Employees must receive a grade of C or above to qualify for tuition payment.

In-house training classes and outside training classes will be offered to employees upon the approval and recommendation of their supervisors.

Tuition Reimbursement

Reimbursement of tuition up to a total of \$1,500 per calendar year is proposed for all employees who have at least 1 year of employment at Heritage Bank and are in good standing.

The reimbursement will be for Tuition of \$500 per semester; books and other (software; fees) of \$250 per semester.

After grades have been mailed, we will reimburse:

- 100% for 3.5 GPA;
- 90% for 3.0 to 3.49;
- 80% for 2.5 to 2.99 and
- 75% for 2.0 to 2.49.

The reimbursement will be in the form of a forgivable loan that is written off at a rate of \$250 per quarter after payment. Should an employee leave the bank prior to the full write off of the loan balance, any remaining portion will be due in full.

There is no degree stipulation included in this proposal to allow for those employees who want to just take some courses to further their understanding of their job. Reimbursement is only considered for those taking business related courses or working toward business degrees.

Pre-Tax Benefit Selections

Regular full-time employees may choose from the following pre-tax benefit selections:

Medical Insurance

Heritage Bank offers a PPO plan and an HMO plan through Blue Cross Blue Shield. *{For detailed information on each plan please refer to the PPO and HMO Certificate sections of the Human Resources Department Intranet Site}*.

Heritage Bank will pay the equivalent of the HMO premium for each full-time employee. If you choose to enroll in the PPO plan, the Bank will credit you with the amount of the HMO premium for your age group and the difference between the HMO premium for your age group and the PPO premium for your age group will be deducted from your paycheck each pay day. Medical insurance is available for your dependents. Premiums for dependent medical insurance will be deducted from your paycheck each pay day.

Dental Insurance

Heritage Bank offers a dental plan through Jefferson Pilot. *{For detailed information on the dental plan please refer to the Dental Certificate section of the Human Resources Department Intranet Site}.*

If you choose to enroll in the dental insurance plan, dental premiums for you and your dependents will be deducted from your paycheck each pay day.

Life Insurance and Accidental Death and Dismemberment Insurance

Heritage Bank pays the premium for life insurance and accidental death and dismemberment insurance for all full-time employees. The insurance amount for both policies is equivalent to your annual salary. In addition, Heritage Bank pays the premium for \$2,000.00 worth of life insurance and accidental death and dismemberment insurance for each of your dependents. This insurance is offered through Blue Cross Blue Shield. An additional \$8,000.00 worth of life insurance and accidental death and dismemberment insurance for each of your dependents may be purchased by you, and the premiums will be deducted from your paycheck each pay day.

Cancer Insurance

Supplemental cancer insurance coverage is available to you through AFLAC. If you choose to purchase the cancer insurance the premiums for this insurance will be deducted from your paycheck each pay day. *{For detailed information on the cancer insurance plan, please request a brochure from the Human Resources Department}.*

Flexible Spending Account

Heritage Bank offers a Flexible Spending Account option to all full-time employees. For full-time employees who do not enroll in the medical insurance plan, Heritage Bank will contribute an amount each pay day to be

used by the employee for medical, dental, and optical co-pays and out-of-pocket expenses. In addition, employees may contribute funds each pay day to the Flexible Spending Account. Any funds in the Flexible Spending Account not used by December 31st of each year will be forfeited. The account offers two options for reimbursement. The employee may choose to use a debit card at the time that the expense is incurred (the debit card will be loaded with the employee's available spending account balance) or the employee may send in receipts for valid co-pays and out-of-pocket expenses and they will be reimbursed through a direct deposit to their checking account.

After-Tax Benefit Selections

Regular full-time employees may choose optional after-tax insurance benefits. The description of these benefits follows:

Short-Term Disability Insurance

Heritage Bank offers short-term disability insurance through Jefferson Pilot. If you choose to purchase short-term disability insurance the premiums for this insurance will be deducted from your paycheck each pay day. *{For detailed information on the short-term disability insurance plan, please refer to the Short-Term Disability Certificate section of the Human Resources Department's Intranet Site}.*

Long-Term Disability Insurance

Heritage Bank pays the premiums for long-term disability insurance for all full-time employees. This insurance plan is offered through Jefferson Pilot. *{For detailed information on the long-term disability insurance plan, please refer to the Long-Term Disability Certificate section of the Human Resources Department's Intranet Site}.*

Voluntary Term Life Insurance

Heritage Bank offers voluntary term life insurance for employees and their dependents through Jefferson Pilot. If you choose to purchase voluntary term life insurance the premiums for this insurance will be deducted from your

paycheck each pay day. {For detailed information on the voluntary term life insurance plans, please ask the Human Resources Department for a brochure}.

Other Benefits

Early Retirement Insurance Benefit

Effective January 1, 2005 Heritage Bank will offer the early retirement insurance benefit as follows:

Heritage Bank employees that retire between the age of 55 and 65 will receive early retirement insurance benefits as listed below:

<u>Years of Service</u>	<u>Coverage</u>
10 years full time continuous service at Heritage Bank	25% of HMO single expense or equivalent dollar amount applied to PPO coverage.
Each additional year	+5% of expense
25 years service	100% of HMO single expense or equivalent dollar amount applied to PPO coverage.

In addition, a supplemental insurance benefit will be offered beginning at the age the retiree's primary coverage is through Medicare. The retiree would have to choose one of the supplemental policies covered through the GBA. The benefit and parameters will be the same as those offered on the insurance for early retirement.

Retirement Savings Plan (401(k))

The 401(k) savings and retirement plan is designed to help you save for your retirement and at the same time reduce your current taxable income. Earnings on your investments are not taxed until you receive a distribution. Retirement savings is made easy through automatic payroll deductions into the investment option(s) of your choice. Contributions are made as follows:

Employee pre-tax contributions, either a whole percentage amount or a flat dollar amount, may be made, subject to the annual dollar limits set by the Internal Revenue Service.

The Bank may make a matching contribution to each employee who makes a salary deferral contribution, based on an annual determination by the Board of Directors.

All contributions made by the employee are immediately 100% vested (owned by the employee). Employer contributions, when made, are based on a vesting schedule.

{You may request a copy of the 401(k) Plan from the Human Resources Department and may access your 401(k) investment information through the John Hancock link on the Human Resources Department Intranet Site}.

Incentive Programs

Heritage Bank currently offers Incentive Programs to full-time and part-time employees. The programs may change from time to time. A copy of the current incentive programs will be sent to each employee at the beginning of the year. *{A detailed copy of the current incentive programs may be requested from the Human Resources Department}.*

Anniversary Award Program

Full time employees will be awarded monetary awards and Heritage Bank service pins on the following service anniversaries:

5 years	\$500.00
10 years	\$1,000.00
15 years	\$1,500.00
20 years	\$2,000.00
25 years	\$2,500.00
30 years	\$3,000.00
35 years	\$3,500.00

40 years	\$4,000.00
45 years	\$4,500.00
50 years	\$5,000.00

The monetary awards will be paid through payroll.

Social Security and Medicare

You and the Bank share the cost of your Social Security and Medicare benefits. *{For questions regarding Social Security and Medicare please click on the Social Security link button on the Human Resources Department's Intranet Site}.*

Workers' Compensation

For your protection, you are also provided with workers' compensation insurance, which covers any injury that you incur during the performance of your job.

Products and Services Benefits

Checking Accounts

Each employee may have two service charge free checking accounts with free checks.

Safe Deposit Boxes

Each employee may rent a free 3x5 safe deposit box and will not be charged a key rental charge. If you choose to rent a larger safe deposit box, you will receive a credit for the amount charged for a 3x5 safe deposit box.

Travelers Checks

American Express Travelers Checks are free to employees.

Wire Transfers

Employees are allowed one free wire transfer per month. Employees are

charged \$5.00 for each wire transfer over one per month.

Stop Payments

Employees are allowed one free stop payment per month. Employees are given a \$10.00 discount on each stop payment over one per month.

Discounts

Discount coupons to attractions in the Southeast are available through the Human Resources Department.