

ABC ASSOCIATION Compensation Policy

In compliance with Internal Revenue Service guidelines for approval of compensation, the Board of Directors of the ABC Association ("Association") has adopted the following review and approval guidelines:

Procedure for Approving Compensation

The following process will be utilized in reviewing and approving the compensation of the Executive Director, Directors, Executive Staff, and certain Independent Contractors (as defined below):

1. Compensation Committee. The Association Board of Directors, acting as the Compensation Committee, shall review and approve the compensation of the Executive Director and all other Directors, Executive Staff, and Independent Contractors covered by this Policy.
2. Impartial Decision Makers. All compensation arrangements for the Executive Director, Directors, Executive Staff, and applicable Independent Contractors must be approved in advance (before any payment is made) by the Compensation Committee, which shall be composed entirely of individuals who do not have a conflict of interest with respect to the compensation arrangement.
3. Comparability Data. When the Compensation Committee is considering compensation to the Executive Director, Directors, Executive Staff, or Independent Contractors it must rely on comparability data that demonstrate the fair market value of the compensation in question. For example, when crafting compensation packages, the Compensation Committee must secure data that documents compensation levels for similarly qualified individuals in like positions at like organizations. The data relied upon by the Compensation Committee may include the following:
 - a) A report by an outside compensation consultant, renewed at least once every three years, outlining survey market data on comparable salaries and supplemental benefits;
 - b) Written job offers for positions at similar organizations;
 - c) Documented telephone calls about similar positions at both nonprofit and for-profit organizations; and
 - d) Information obtained from the IRS Form 990 filings of similar organizations.
4. Relevant Market. For purposes of obtaining comparability data to demonstrate the fair market value of compensation, the relevant market from which position-specific

compensation information will be obtained includes organizations (both taxable and tax-exempt):

- a) of similar size determined by employee number, gross revenue, etc.;
 - b) with similar activities in technology and financial services; and/or
 - c) in a equivalent geographic market (Alexandria, VA or a comparable urban area)
5. Compensation. The compensation package to be reviewed and approved includes consideration of all economic benefits provided in exchange for service, including but not limited to: salaries, fees, bonuses, other extraordinary benefits such as use of company car, severance packages, deferred compensation, expense allowances, medical insurance, dental insurance, life insurance, and below-market loans.
6. Concurrent Documentation. The Compensation Committee must document how it reached its decisions, including the data on which it relied. To qualify as concurrent documentation, written or electronic records of the Compensation Committee (such as meeting minutes) must note:
- a) The terms of the compensation and the date it was approved;
 - b) The members of the Compensation Committee who were present during the debate, the compensation that was approved, and those who voted on it;
 - c) The compensation comparability data obtained and relied upon and how the data was obtained; and
 - d) Any actions taken with respect to consideration of the compensation by anyone who is otherwise a member of the Compensation Committee but who had a conflict of interest with respect to the decision on the compensation.

Individuals Subject to this Policy (defined as "Executive Director, Directors, Executive Staff, and covered Independent Contractors"):

1. Chief Employed Executives: The individual or individuals who have the ultimate responsibility for implementing the decisions of the Association's governing body or for supervising the management, administration, or operations of the Association, including the Association's top management official and top financial official. If this ultimate responsibility resides with two or more individuals who may exercise such responsibility in concert or individually, then each individual should be included.
2. Directors and Officers: A person elected or appointed to manage the Association's daily operations, such as a director, president, chair, vice-president, secretary, or treasurer. The directors and officers of the Association are determined by reference to its organizing document, bylaws, and include, at a minimum, those officers required by applicable state law.
3. Key Employees: Individuals who are not a Chief Employed Executive or an officer of the Association, but who meet the following criteria:

- a. Individuals whose compensation is primarily based on revenues derived from activities of the Association, or of a particular department or function of the Association, that the person controls;
 - b. Any person who has or shares authority to control or determine 10% or more of the Association's capital expenditures, operating budget, or compensation for employees; or
 - c. Any person who manages a discrete segment or activity of the Association that represents 10% or more of the activities, assets, income, or expenses of the Association, as compared to the Association as a whole.
4. Covered Independent Contractors: Individuals or organizations that are not employees of the Association, but who exercise substantial influence over the organization by:
- d. Having or sharing authority to control or determine 10% or more of the Association's capital expenditures, operating budget, or compensation for employees;
 - e. Managing a discrete segment or activity of the Association that represents 10% or more of the activities, assets, income, or expenses of the Association, as compared to the Association as a whole; or
 - f. Providing professional advice to the organization on matters from which the independent contractor will economically benefit aside from customary fees charged for the professional advice rendered.

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