

St. Pauly Textile Inc. Employee Handbook

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ST. PAULY TEXTILE INC. GOAL:

St. Pauly is dedicated to helping local non-profit community organizations with their fundraising. We do so by setting up sheds for the collection of usable clothing and then distributing the donations to people that can use them, in the U.S. and developing countries.

TO ST. PAULY TEXTILE INC. EMPLOYEES:

This is our Employee Handbook. Please review it and sign the attached acknowledgment and give the acknowledgment to your manager.

You may keep a copy of the Handbook if you wish, but a copy will always be available to you through the HR department. If you do not wish to keep a copy, please return the Handbook to HR.

This Employee Handbook (the “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 Handbook as soon as possible, for it will answer many questions about employment with St. Pauly Textile Inc.

INTRODUCTORY STATEMENT

This Handbook is designed to acquaint you with St. Pauly Textile Inc. and provide you with information about working conditions, employee benefits, and some of the policies affecting your employment. This Handbook is not a contract and is not intended to create any contractual or legal obligations. 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 St. Pauly Textile Inc. to benefit employees. One of our objectives is to provide a work environment that is conducive to both personal and professional growth.

No Handbook can anticipate every circumstance or question about policy. As St. Pauly Textile Inc. continues to grow, the need may arise and St. Pauly Textile Inc. 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 is our employment-at-will policy permitting you or St. Pauly Textile Inc. to end our relationship for any reason at any time. The employment-at-will policy cannot be changed except in a written agreement signed by both you and the President of the Company. Employees will, of course, be notified of such changes to the Handbook as they occur.

Customers are among our organization's most valuable assets. Every employee represents St. Pauly Textile Inc. 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.

St. Pauly Textile Inc. 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 St. Pauly Textile Inc. Positive customer relations not only enhance the public's perception or image of St. Pauly Textile Inc., but also pay off in greater customer loyalty.

1-01 Nature of Employment

Employment with St. Pauly Textile Inc. is voluntarily entered into and is "at-will," which means that the employee is free to resign at will at any time, with or without notice or cause. Similarly, St. Pauly Textile Inc. may terminate the employment relationship at any time, with or without notice or cause, so long as there is no violation of applicable federal or state law. No one has the authority to make verbal statements that change the at-will nature of employment, and the at-will relationship cannot be changed or modified for any employee except in a written agreement signed by that employee and the President of St. Pauly Textile Inc.

Policies set forth in this Handbook are not intended to create a contract, nor are they to be construed to constitute contractual obligations of any kind or a contract of employment between St. Pauly Textile Inc. and any of its employees. The provisions of the Handbook have been developed at the discretion of management and, except for its policy of employment-at-will, may be amended or cancelled at any time, at St. Pauly Textile Inc.'s sole discretion.

These provisions supersede all existing policies and practices and may not be amended or added to without the express written approval of the CEO or person designated by the CEO of St. Pauly Textile Inc.

1-02 Employee Relations

St. Pauly Textile Inc. believes that the 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 strongly encouraged to voice these concerns openly and directly to their supervisors.

Our experience has shown that when employees deal openly and directly with supervisors, the work environment can be excellent, communications can be clear, and attitudes can be positive.

We believe that St. Pauly Textile Inc. amply demonstrates its commitment to employees by responding effectively to employee concerns.

1-03 Equal Employment Opportunity

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at St. Pauly Textile Inc. will be based on merit, qualifications, and the needs of the company. St. Pauly Textile Inc. does not unlawfully discriminate in employment opportunities or practices on the basis of race, color, religion, sex, national origin, age, disability, ancestry, medical conditions, family care status, sexual orientation, or any other basis prohibited by law.

St. Pauly Textile Inc. will make reasonable accommodations for qualified individuals with known disabilities unless doing so would result in an undue hardship to the extent required by law. 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 any type of discrimination in the workplace are encouraged to bring these issues to the attention of their immediate supervisor or the Human Resources Department. Employees can raise concerns and make reports without fear of reprisal. Anyone found to be engaging in any type of unlawful discrimination will be subject to disciplinary action, up to and including termination of employment.

1-04 Business Ethics and Conduct

The successful business operation and reputation of St. Pauly Textile Inc. are 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 the 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 St. Pauly Textile Inc. is dependent upon our customers' trust and we are dedicated to preserving that trust. Employees owe a duty to St. Pauly Textile Inc., its customers, and its shareholders to act in a way that will merit the continued trust and confidence of the public.

St. Pauly Textile Inc. 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 with your immediate supervisor and, if necessary, with the Human Resources Department for advice and consultation.

Compliance with this policy of business ethics and conduct is the responsibility of every St. Pauly Textile Inc. employee. Disregarding or failing to comply with this standard of business ethics and conduct could lead to disciplinary action, up to and including possible termination of employment.

1-05 Personal Relationships in the Workplace

The employment of relatives or individuals involved in a dating relationship 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, relatives are any persons who are related to each other by blood or marriage or whose relationship is similar to that of persons who are related by blood or marriage. A dating relationship is defined as a relationship that may be reasonably expected to lead to the formation of a consensual “romantic” or sexual relationship. This policy applies to all employees without regard to the gender or sexual orientation of the individuals involved.

Relatives of current employees may not occupy a position that will be working directly for or supervising their relative except as required by law or determined by St. Pauly Textile Inc. ownership. Individuals involved in a dating relationship with a current employee may also not occupy a position that will be working directly for or supervising the employee with whom they are involved in a dating relationship. St. Pauly Textile Inc. also reserves the right to take prompt action if an actual or potential conflict of interest arises involving relatives or individuals involved in a dating relationship who occupy positions at any level (higher or lower) in the same line of authority that may affect the review of employment decisions.

If a relative relationship or dating relationship is established after employment between employees who are in a reporting situation described above, it is the responsibility and obligation of the supervisor involved in the relationship to disclose the existence of the relationship to management.

In other cases where a conflict or the potential for conflict arises because of the relationship between employees, even if there is no line of authority or reporting involved, the employees may be separated by reassignment or terminated from employment. Employees in a close personal relationship should refrain from public workplace displays of affection or excessive personal conversation.

1-06 Immigration Law Compliance

St. Pauly Textile Inc. is committed to employing only United States citizens and aliens who are authorized to work in the United States and does not unlawfully discriminate on the basis of 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 St. Pauly Textile Inc. 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 Human Resources Department. Employees may raise questions or complaints about immigration law compliance without fear of reprisal.

1-07 Conflicts of Interest

Employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This policy establishes only the framework within which St. Pauly Textile Inc. wishes the business to operate. The purpose of these guidelines is to provide general direction so that employees can seek further clarification on issues related to the subject of acceptable standards of operation. Contact the Human Resources Department for more information or questions about conflicts of interest.

An actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in a personal gain for that employee or for a relative as a result of St. Pauly Textile Inc.’s business dealings. For the purposes of this policy, a relative is any person

who is related by blood or marriage or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

No “presumption of guilt” is created by the mere existence of a relationship with outside firms. However, if employees have any influence on transactions involving purchases, contracts, or leases, it is imperative that they disclose to an officer of St. Pauly Textile Inc. 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 St. Pauly Textile Inc. 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 St. Pauly Textile Inc..

1-08 Non-Disclosure

The protection of confidential business information and trade secrets is vital to the interests and the success of St. Pauly Textile Inc.. Such confidential information includes, but is not limited to, the following examples:

- acquisitions
- compensation data
- computer processes
- computer programs and codes
- customer lists
- customer preferences
- financial information
- investments
- labor relations strategies
- marketing strategies
- new materials research
- partnerships
- pending projects and proposals
- proprietary production processes
- research and development strategies
- scientific data
- scientific formulae
- scientific prototypes
- technological data
- technological prototypes

All employees may be required to sign a non-disclosure agreement as a condition of employment. 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.

1-09 Disability Accommodation

St. Pauly Textile Inc. is committed to complying fully with applicable disability laws and ensuring equal opportunity in employment for qualified persons with disabilities.

Hiring procedures have been reviewed and provide persons with disabilities meaningful employment opportunities. Pre-employment inquiries are made regarding only an applicant's ability to perform the duties of the position.

Reasonable accommodation is available to all disabled employees, where their disability affects the performance of job functions to the extent required by law. All employment decisions are based on the merits of the situation and the needs of the company, not the disability of the individual.

St. Pauly Textile Inc. is also committed to not unlawfully discriminating against any qualified employees or applicants because they are related to or associated with a person with a disability.

This policy is neither exhaustive nor exclusive. St. Pauly Textile Inc. 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.

1-10 Religious Accommodation

St. Pauly Textile Inc. is dedicated to treating its employees respectfully and equally and recognizes the diversity of religious beliefs. All employees may request an accommodation when their religious beliefs cause a deviation from the St. Pauly Textile Inc. dress code or the person's schedule, but reserves the right to offer its own accommodation to the extent permitted by the law. At no time will St. Pauly Textile Inc. question the validity of a person's belief.

1-11 Nursing Mothers Accommodation

St. Pauly Textile Inc. will provide nursing mothers reasonable unpaid break time to express milk for their infant child or children for up to three years following the child's birth.

You are encouraged to discuss the length and frequency of these breaks with your supervisor.

2-01 Employment Categories

It is the intent of St. Pauly Textile Inc. to clarify the definitions of employment classifications so that 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 at will at any time is retained by both the employee and St. Pauly Textile Inc.

Each employee is designated as either NONEXEMPT or EXEMPT from federal and state wage and hour laws. NONEXEMPT employees are entitled to overtime pay under the specific provisions of federal and state laws. EXEMPT employees are excluded from specific provisions of federal and state wage and hour laws. An employee's EXEMPT or NONEXEMPT classification may be changed only upon written notification by St. Pauly Textile Inc. management.

In addition to the above categories, each employee will belong to one other employment category:

REGULAR FULL-TIME employees are those who are not in a temporary or introductory status and who are regularly scheduled to work St. Pauly Textile Inc.'s full-time schedule. Generally, they are eligible for St. Pauly Textile Inc.'s benefit package, subject to the terms, conditions, and limitations of each benefit program.

INTRODUCTORY employees are those whose performance is being evaluated to determine whether further employment in a specific position or with St. Pauly Textile Inc. is appropriate. Employees who satisfactorily complete the introductory period will be notified of their new employment classification.

TEMPORARY employees are those 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 of St. Pauly Textile Inc.'s other benefit programs.

2-02 Access to Personnel Files

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

Personnel files are the property of St. Pauly Textile Inc. and access to the information they contain is restricted. Generally, only supervisors and management personnel of St. Pauly Textile Inc. who have a legitimate reason to review information in a file are allowed to do so.

Employees who wish to review their own file should contact the Human Resources Department. With reasonable advance notice, employees may review their own personnel files in St. Pauly Textile Inc.'s offices and in the presence of an individual appointed by St. Pauly Textile Inc. to maintain the files.

2-03 Personal Data Changes

It is the responsibility of each employee to promptly notify St. Pauly Textile Inc. of any changes in personal data. Personal mailing addresses, telephone numbers, number and names of dependents, individuals to be contacted in the event of an emergency, educational accomplishment, and other such status reports should be accurate and current at all times. If any personal data has changed, notify the Human Resources Department.

2-04 Introductory Periods

The introductory period is intended to give new employees the opportunity to demonstrate their ability to achieve a satisfactory level of performance and to determine whether the new position meets their expectations. St. Pauly Textile Inc. uses this period to evaluate employee capabilities, work habits, and overall performance. Either the employee or St. Pauly Textile Inc. may end the employment relationship at will at any time during or after the introductory period, with or without cause or advance notice.

All new and rehired employees work on an introductory basis for the first 90 calendar days after their date of hire. Any significant absence will automatically extend an introductory period by the length of the absence. If St. Pauly Textile Inc. determines 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.

2-05 Employment Applications

St. Pauly Textile Inc. 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.

In processing employment applications, St. Pauly Textile Inc. may obtain a consumer credit report or background check for employment. If St. Pauly Textile Inc. takes an adverse employment action based in whole or in part on any report caused by the Fair Credit Reporting Act, a copy of the report and a summary of your rights under the Fair Credit Reporting Act will be provided as well as any other documents required by law.

2-06 Performance Evaluation

Supervisors and employees are strongly encouraged to discuss job performance and goals on an informal, day-to-day basis. A formal written performance evaluation may be conducted following an employee's introductory period. Annual performance appraisals will be given on the employee's employment anniversary. Additional formal performance evaluations may be conducted to provide both supervisors and employees the opportunity to discuss job tasks, identify and correct weaknesses, encourage and recognize strengths, and discuss positive, purposeful approaches for meeting goals.

Merit increases may be given after the introductory period and annually based on job performance and the company's ability to pay.

2-07 Job Descriptions

St. Pauly Textile Inc. 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 Human Resources Department and the hiring manager prepare job descriptions when new positions are created. Existing job descriptions are also reviewed and revised in order to ensure that they are up to date. Job descriptions may also be rewritten periodically to reflect any changes in position 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 that additional responsibilities may be assigned as necessary. Contact the Human Resources Department if you have any questions or concerns about your job description.

Some job descriptions include, but are not limited to:

Laborer – responsible for all baling, driving/passenger duties on pickups, cleanup of facilities and equipment (Reference Driver Laborer Training Manual)

Manager – responsible for overall execution of operations, act as liaison between laborers and Management/Ownership (Reference Manager Training Manual)

Vice President – oversee general operations, growth, and management of company

President – monitor direction of company and additional opportunities

2-08 Training Program

In most cases, and for most departments, training employees is done on an individual basis by the immediate supervisor. Even if you have had previous experience in the specified functions of your job duties, it is necessary for you to learn our specific procedures, as well as the responsibilities of the specific position. If you ever feel you require additional training, consult your supervisor.

3-01 Employee Benefits

Eligible employees at St. Pauly Textile Inc. 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 supervisor can identify the programs for which you are eligible. Details of many of these programs can be found elsewhere in the Handbook.

The following benefit programs are available to eligible employees:

- holidays
- medical insurance
- retirement plan
- vacation benefits

Some benefit programs require contributions from the employee, but most are fully paid by St. Pauly Textile Inc. Many benefits are described in separate Summary Plan Descriptions, or Plans, which may change from time to time. The Summary Plan Description will have control over any policy in this Handbook. You will receive a copy of each Summary Plan Description applicable to you. Contact the Human Resources Department if you need a Summary Plan Description or have any questions.

3-02 Vacation Benefits

Vacation time off with pay is available to eligible employees to provide opportunities for rest, relaxation, and personal pursuits. Employees in the following employment classification(s) are eligible to earn and use vacation time as described in this policy:

Regular full-time employees

The amount of paid vacation time employees receive is shown in the following schedule:

- After one full year, employees are eligible for 5 full vacation days (equivalent to 40 hours of work), earned annually on the employee's hire date anniversary

The length of eligible service is calculated on the basis of a "benefit year." This is the 12-month period that begins when the employee starts to earn 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. (See individual leave of absence policies for more information.)

Once employees enter an eligible employment classification, they begin to earn paid vacation time according to the schedule. They can request use of vacation time after it is earned.

Paid vacation time can be used in minimum increments of one day. To take vacation, employees should request approval from their supervisors at least 30 days in advance. Requests will be reviewed based on a number of factors, including business needs and staffing requirements.

Vacation time off is paid at the employee's base pay rate at the time of vacation. It does not include overtime or any special forms of compensation such as incentives, commissions, bonuses, or shift differentials.

As stated above, employees are encouraged to use available paid vacation time for rest, relaxation, and personal pursuits. In the event that available vacation is not used by the end of the benefit year, employees may carry unused time forward to the next benefit year. If the total amount of unused vacation time reaches a "cap" equal to two times the annual vacation amount, further vacation accrual will stop. When the employee uses paid vacation time and brings the available amount below the cap, vacation accrual will begin again.

Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of work.

3-03 Holidays

St. Pauly Textile Inc. will grant holiday time off to all employees on the holidays listed below:

- New Year's Day (January 1)
- Memorial Day (last Monday in May)
- Independence Day (July 4)
- Labor Day (first Monday in September)
- Thanksgiving (fourth Thursday in November)
- Christmas (December 25)

St. Pauly Textile Inc. will grant paid holiday time off to all eligible employees immediately upon assignment to an eligible employment classification. Holiday pay will be paid as 8 hours days. Eligible employee classification(s):

Regular full-time employees

If a recognized holiday falls during an eligible employee's paid absence (e.g., vacation, sick leave), the employee will be ineligible for holiday pay.

Paid time off for holidays will be counted as hours worked for the purposes of determining whether overtime pay is owed.

In order for eligible employees to receive holiday pay, the employee must work the scheduled work day prior to and following the holiday.

3-04 Workers' Compensation Insurance

St. Pauly Textile Inc. provides a comprehensive workers' compensation insurance program at no cost to employees, pursuant to law. This program covers any injury or illness sustained in the course of employment that requires medical, surgical, or hospital treatment. Subject to applicable legal requirements, workers' compensation insurance provides benefits after a short waiting period or, if the employee is hospitalized, immediately.

Employees who sustain work-related injuries or illnesses should inform their supervisor immediately. No matter how minor an on-the-job injury may appear, it is important that it be reported immediately. This will enable an eligible employee to qualify for coverage as quickly as possible.

3-05 Sick Leave Benefits

St. Pauly Textile Inc. provides paid sick leave benefits to all eligible employees for periods of temporary absence due to illnesses or injuries. Eligible employee classification(s):

Regular full-time employees

Eligible employees will accrue sick leave benefits at the rate of 2 days per year. Sick leave benefits are calculated on the basis of a “benefit year,” the 12-month period that begins when the employee starts to earn sick leave benefits.

Paid sick leave can be used in minimum increments of one day. 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, to include personal pregnancy or that of a spouse.

Employees who are unable to report to work due to illness or injury should notify their direct supervisor before the scheduled start of their workday.

Contact numbers are as follows, but not limited to:

- James Howlett (Operations Manager): 585-704-5046
- Joseph Norman (Operations Manager): 607-743-8569
- Derek Race (Operations Manager): 585-944-2288
- Joe Howlett (Vice President): 585-749-9787
- Ben DeGeorge (President): 585-472-4170
- Joe DeGeorge (CEO): 585-370-6543

The direct supervisor must also be contacted on each additional day of absence. If an employee is absent for three or more consecutive days due to illness or injury, the company may require a physician’s statement verifying the illness or injury and its beginning and expected ending dates. Such verification may be requested for other sick leave absences as well and may be required as a condition to receiving sick leave benefits.

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

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.

Sick leave benefits may not be used in conjunction with vacation time benefits.

All employees must call in to the office every day that they will be out of work to update the management on the status of their ailments.

3-06 Time Off to Vote

St. Pauly Textile Inc. encourages employees to fulfill their civic responsibilities by participating in elections. Employees should find time to vote either before or after their regular work schedule.

3-07 Bereavement Leave

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

Up to three days of paid bereavement leave will be provided to eligible employees in the following classification(s):

Regular full-time employees

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

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

St. Pauly Textile Inc. defines "immediate family" as the employee's spouse, parent, child, parents-in-law, grandparents, grandchildren, or sibling.

3-08 Jury Duty

St. Pauly Textile Inc. encourages employees to fulfill their civic responsibilities by serving jury duty when required. Employees may request unpaid jury duty leave for the length of absence. If desired, employees may use any available paid time off (for example, vacation benefits).

Employees must show the jury duty summons to their supervisor as soon as possible so that the supervisor may make arrangements to accommodate their absence. Of course, employees are expected to report for work whenever the court schedule permits and/or the employee is released from jury duty during normally scheduled work hours.

Either St. Pauly Textile Inc. or the employee may request an excuse from jury duty if, in St. Pauly Textile Inc.'s judgment, the employee's absence would create serious operational difficulties.

St. Pauly Textile Inc. 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 unpaid jury duty leave.

3-09 Blood and Bone Marrow Donation Leave Policy

St. Pauly Textile Inc. provides those employees who work an average of 20 or more hours per week; up to three hours of unpaid leave in any calendar year to donate blood. You must give reasonable notice of at least three working days of your intent to give blood. Documentation must be provided to your supervisor immediately after such leave is taken.

3-10 Crime Victim and Witness Leave

St. Pauly Textile Inc. will provide employees time off from work, without pay for any of the following reasons:

- To comply with a subpoena to testify in a criminal proceeding
- To give a victim impact statement at a pre-sentencing proceeding
- To give a statement at a sentencing proceeding
- To give a statement at a parole board hearing

You are eligible for time off under this policy if you are:

- The victim of a crime at issue in the proceeding
- The victim's next of kin

- The victim's representative if the victim is deceased as a result of the offense

- A "Good Samaritan"

- Pursuing an application or the enforcement of an order of protection as provided under the relevant law

If you are required to attend a criminal proceeding either as a witness or as a crime victim (or the close family member of a crime victim), you must notify your supervisor as soon as possible and at least one day before taking leave to make scheduling arrangements. St. Pauly Textile Inc. reserves the right to require employees to provide proof of the need to attend the criminal proceedings to the extent of the authorized law.

3-11 Disability Benefits

If you are unable to work for more than seven consecutive days due to a non-work related illness or injury, or pregnancy-related disability, you may be eligible for disability benefits. Disability benefits provide up to 26 weeks of partial wage replacement benefits during any 52-consecutive-week period. Benefits are payable beginning on the eighth consecutive day of disability.

The cost of disability insurance coverage is shared between you and St. Pauly Textile Inc. payroll deductions.

If you have been disabled for more than seven days, St. Pauly Textile Inc. will provide you with a Form DB-271S, Statement of Rights, within five days of learning that you are disabled. The Statement of Rights provides information on how to file a claim for benefits. You must file a claim within the first 30 days of your disability or all or part of your claim may be rejected. You must be under the care of a physician, chiropractor, podiatrist, psychologist, dentist, or certified nurse midwife to qualify for disability benefits.

Disability benefits are a wage replacement benefit, not a protected leave benefit. If you are temporarily disabled, you may be eligible for job-protected leave under the federal Family and Medical Leave Act of other state or local law.

3-12 Benefits Continuation (COBRA)

The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) gives employees and their qualified beneficiaries the opportunity to continue health insurance coverage under St. Pauly Textile Inc.'s health plan when a "qualifying event" would normally result in the loss of eligibility. Some common qualifying events are resignation, termination of employment, or death of an employee; a reduction in an employee's hours or a leave of absence; an employee's divorce or legal separation; and a dependent child no longer meeting eligibility requirements.

Under COBRA, the employee or beneficiary pays the full cost of coverage at St. Pauly Textile Inc.'s group rates plus an administration fee. St. Pauly Textile Inc. provides each eligible employee with a written notice describing rights granted under COBRA when the employee becomes eligible for coverage under St. Pauly Textile Inc.'s health insurance plan. The notice contains important information about the employee's rights and obligations. Contact the Human Resources Department for more information about COBRA.

3-13 Health Insurance

St. Pauly Textile Inc.'s health insurance plan provides employees access to medical insurance benefits. Employees in the following employment classification(s) are eligible to participate in the health insurance plan:

- Regular full-time employees

Eligible employees may participate in the health insurance plan subject to all terms and conditions of the agreement between St. Pauly Textile Inc. and the insurance carrier after they have completed the probationary period (60 days) and have satisfactory employment performance.

Employees are able to make changes to their health insurance elections during annual open enrollment.

A change in employment classification that would result in loss of eligibility to participate in the health insurance plan may qualify an employee for benefits continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA). Refer to the “Benefits Continuation (COBRA)” policy section 3-13 for more information.

Details of the health insurance plan are described in the Summary Plan Description (SPD). An SPD and information on cost of coverage will be provided in advance of enrollment to eligible employees. Contact the Human Resources Department for more information about health insurance benefits.

The company does not offer dental coverage at this time.

3-14 Suggestions

As employees of St. Pauly Textile Inc., you have the opportunity to contribute to our future success and growth by submitting suggestions for practical work-improvement or cost-savings ideas.

All regular employees are eligible to participate in the suggestion program.

A suggestion is an idea that will benefit St. Pauly Textile Inc. by solving a problem, reducing costs, improving operations or procedures, enhancing customer service, eliminating waste or spoilage, or making St. Pauly Textile Inc. a better or safer place to work. 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. Statements of problems without accompanying solutions or recommendations concerning co-workers and management are not appropriate suggestions. If you have questions or need advice about your idea, contact your supervisor for help.

Submit suggestions to the Human Resources Department or direct supervisor and, after review, they will be forwarded to the Suggestion Committee. As soon as possible, you will be notified of the adoption or rejection of your suggestion.

4-01 Paydays

All employees are paid weekly on Wednesday. Each paycheck will include earnings for all work performed through the end of the previous payroll period.

In the event that a regularly scheduled payday falls on a day off, such as a holiday, employees will receive pay on the next day of work after the regularly scheduled payday.

If a regular payday falls during an employee’s vacation, the employee’s wages will be mailed to their home of record.

4-02 Employment Termination

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:

- Resignation—voluntary employment termination initiated by an employee.
- Discharge—involuntary employment termination initiated by the organization.
- Layoff—involuntary employment termination initiated by the organization because of an organizational change.
- Retirement—voluntary employment termination initiated by the employee meeting age, length of service, and any other criteria for retirement from the organization.

St. Pauly Textile Inc. 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 to St. Pauly Textile Inc., or return of St. Pauly Textile Inc.-owned property. Suggestions, complaints, and questions can also be voiced.

Nothing in this policy is intended to change the company's at-will employment policy. Since employment with St. Pauly Textile Inc. is based on mutual consent, both the employee and St. Pauly Textile Inc. have the right to terminate employment at will, with or without cause, at any time. Employees will receive their final pay in accordance with applicable state law.

Employee benefits will be affected by employment termination in the following manner. All accrued, vested benefits that are due and payable at termination will be paid. Some benefits may be continued at the employee's expense if the employee so chooses. The employee will be notified in writing of the benefits that may be continued and of the terms, conditions, and limitations of such continuance. See the "Benefits Continuation (COBRA)" policy section.

4-03 Job Abandonment

St. Pauly Textile Inc. Inc. reserves the right that if you fail to show up for work or call in with an acceptable reason for the absence for a period of three days, you will be considered to have abandoned your job and voluntarily resigned pending management decision.

4-04 Post Employment Reference Policy

St. Pauly Textile Inc. policy is to confirm dates of employment and job title only. Forward any requests for employment verification to upper management.

4-05 Administrative Pay Corrections

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

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

4-06 Pay Deductions and Setoffs

The law requires that St. Pauly Textile Inc. make certain deductions from every employee's compensation. Among these are applicable federal, state, and local income taxes. St. Pauly Textile Inc. also must deduct Social Security taxes on each employee's earnings up to a specified limit that is called the Social Security "wage base." St. Pauly Textile Inc. matches the amount of Social Security taxes paid by each employee.

St. Pauly Textile Inc. 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. Pay setoffs are pay deductions taken by St. Pauly Textile Inc.,

usually to help pay off a debt or obligation to St. Pauly Textile Inc. or others. If you have questions concerning why deductions were made from your paycheck or how they were calculated, the Human Resources Department can assist in having your questions answered.

The company is required to withhold from your paycheck Federal, State, and Social Security taxes. Also, the company will withhold any mandated judicial or administrative order deductions. In addition, fees for any payroll deduction programs offered by the company, in which you choose to participate, will be deducted.

4-07 Overtime Pay

At certain times St. Pauly Textile Inc. may require you to work overtime. We will attempt to give you as much notice as possible when the situation arises. However, advance notice may not always be possible. Failure to work overtime when requested or working unauthorized overtime may result in discipline, up to and including discharge.

Overtime pay of one and one-half times your regular rate of pay or average pay rate is paid for any hours worked in excess of 40 hours in a work week if you are nonexempt. If you are an exempt employee you will not receive overtime pay. Holidays, vacation days, and sick leave days do not count as time worked for computing overtime.

5-01 Safety

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

St. Pauly Textile Inc. provides information to employees about workplace safety and health issues through regular internal communication channels such as supervisor-employee meetings, bulletin board postings, memos, or other written communications.

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 supervisor, or with another supervisor or manager, or bring them to the attention of the Human Resources Department. 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 supervisor. 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 Human Resources Department or the appropriate supervisor. Such reports are necessary to comply with laws and initiate insurance and workers' compensation benefits procedures.

5-02 Work Schedules

Work schedules for employees vary throughout our organization. 8:00 a.m.-4:00 p.m. is a standard workday. Supervisors will advise employees of their individual work schedules. Staffing needs and operational demands may necessitate variations in starting and ending times, as well as variations in the total hours that may be scheduled each day and week.

5-03 Use of Phone and Mail Systems

Personal use of the telephone for long-distance and toll calls is not permitted. Employees should practice discretion when making local personal calls. To ensure effective telephone communications, employees should always use the approved greeting (“Good Morning, St. Pauly Textile Inc.” or “Good Afternoon, St. Pauly Textile Inc.,” as applicable) 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.

Due to safety concerns, use of personal mobile phones is not permitted in work areas during working time. Cell phone use/texting is only permitted on rest breaks and meal periods.

The mail system is reserved for business purposes only. Employees should refrain from sending or receiving personal mail at the workplace.

5-04 Smoking

Smoking is prohibited throughout the workplace, as required by law. This policy applies equally to all employees, customers, and visitors. Smoking is permitted in the designated outdoor break area.

5-05 Rest and Meal Periods

All employees are allowed one 30-minute period each workday for lunch. Supervisors will schedule meal periods to accommodate operating requirements. Employees will be relieved of all active responsibilities and restrictions during meal periods and will not be compensated for that time. Employees will not be paid for these meal periods and will be required to punch in and out of these periods. If an employee is away from the facility and is unable to punch in and out, the employee should record their lunch and have it validated by a manager to be retained on file.

Brief rest periods will be allowed, as required by New York law.

5-06 Emergency Closings

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

In cases where an emergency closing is not authorized, employees who fail to report for work will not be paid for the time off. Employees may request available paid leave time such as unused vacation benefits. Employees will not be paid for emergency closings.

5-07 Business Travel Expenses

St. Pauly Textile Inc. will reimburse employees for reasonable business travel expenses incurred while on assignments away from the normal work location. All business travel must be approved in advance by the President. Employees whose travel plans have been approved should make all travel an arrangement through St. Pauly Textile Inc.’s designated travel agency.

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

Expenses that generally will be reimbursed include the following:

- airfare or train fare for travel in coach or economy class or the lowest available fare
- car rental fees, only for compact or mid-sized cars

- fares for shuttle or airport bus service, where available; costs of public transportation for other ground travel
- taxi fares, only when there is no less expensive alternative
- mileage costs for use of personal cars, only when less expensive transportation is not available
- cost of standard accommodations in low- to mid-priced hotels, motels, or similar lodgings
- cost of meals
- tips not exceeding 15% of the total cost of a meal or 10% of a taxi fare
- charges for telephone calls, fax, and similar services required for business purposes

Employees who are involved in an accident while traveling on business must promptly report the incident to their immediate supervisor. Vehicles owned, leased, or rented by St. Pauly Textile Inc. may not be used for personal use without prior approval. When travel is completed, employees should submit travel expense receipts within 30 days. Employees should contact their supervisor for guidance and assistance on procedures related to travel arrangements, expense receipts, reimbursement for specific expenses, or any other business travel issues. Abuse of this business travel expenses 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.

5-08 Visitors in the Workplace

To provide for the safety and security of employees and the facilities at St. Pauly Textile Inc., 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. All visitors should enter St. Pauly Textile Inc. 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 St. Pauly Textile Inc.'s premises, employees should immediately notify their supervisor or, if necessary, direct the individual to the main entrance.

5-09 Cyber Security

Computers, computer files, the e-mail system, and software furnished to employees are St. Pauly Textile Inc. property intended for business use. Employees should not use a password, access a file, or retrieve any stored communication without authorization.

St. Pauly Textile Inc. strives to maintain a workplace free of harassment and is sensitive to the diversity of its employees. Therefore, St. Pauly Textile Inc. prohibits the use of computers and the e-mail system in ways that are disruptive, offensive to others, or harmful to morale.

For example, the display or transmission of sexually explicit images, messages, and cartoons is not allowed. Other such misuse includes, but is not limited to, ethnic slurs, racial comments, off-color jokes, or anything that may be construed as harassment or showing disrespect for others. Employees should notify their immediate supervisor, the Human Resources Department, or any member of management upon learning of violations of this policy. Employees who violate this policy will be subject to disciplinary action, up to and including termination of employment.

5-10 Internet Usage

Internet access to global electronic information resources on the World Wide Web is not provided by St. Pauly Textile Inc.

5-11 Social Networking

Social Networking is a way to connect with others by meeting in cyberspace to chat, socialize, and network. There are hundreds of social networking sites.

The company's philosophy regarding social networking (Facebook, MySpace, Twitter, Flickr, blogging, etc.) is that it is considered to be an activity done on personal time and not during working hours or on work premises. However, there may be exceptions as to when a manager has approved the accessing of a particular social networking site strictly for business purposes (i.e. LinkedIn, etc.). If you are uncertain as to what types of social networking sites that can be accessed for business purposes if needed, refer to your manager.

It is imperative that all employees use their professional judgment as well as prudent action when posting to their personal sites. Employees need to be cognoscente of the information that they are posting. Information that is posted is a direct reflection on you and anything that is posted can potentially be reviewed by customers of the company. We have the responsibility to keep all customer and employee information confidential at all times; therefore, never involve ourselves in social networking conversations or postings about customers or employees. Information published on blogs should comply with the company's confidentiality and disclosure or proprietary information policies.

Most social networking sites have fields in the user profile for work experience, job title, etc. By identifying yourself as an employee of the company, you to some extent become a representative of the company and everything you post has the potential to reflect on the company and its image. The company prohibits employees from listing the company name on sites (unless the employee is using the site with prior approval for business purposes – in this case, it needs to be clear on the site that the opinions expressed are solely of the author and do not represent the view of the company.)

Any violations of the company policy can result in disciplinary action, up to and including termination.

5-12 Mobile Phone Policy

St. Pauly Textile forbids the use of cell phones in the workplace unless it is being used for business purposes.

5-13 Workplace Violence Prevention

St. Pauly Textile Inc. is committed to preventing workplace violence and to maintaining a safe work environment. Given the increasing violence in society in general, St. Pauly Textile Inc. 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 supervisors and temporary employees, should be treated with courtesy and respect at all times. Employees are expected to refrain from fighting, "horseplay," or other conduct that may be dangerous to others. Firearms, weapons, and other dangerous or hazardous devices or substances are prohibited from the premises of St. Pauly Textile Inc. without proper authorization.

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, should be reported as soon as possible to your immediate supervisor or any other member of management. 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 supervisor. 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. St. Pauly Textile Inc. 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.

Anyone determined to be responsible for threats of (or actual) violence or other conduct that is in violation of these guidelines will be subject to prompt disciplinary action, up to and including termination of employment.

St. Pauly Textile Inc. encourages employees to bring their disputes or differences with other employees to the attention of their supervisors or the Human Resources Department before the situation escalates into potential violence. St. Pauly Textile Inc. is eager to assist in the resolution of employee disputes and will not discipline employees for raising such concerns.

6-01 Medical Leave

St. Pauly Textile Inc. 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 and continuing treatment by a health care provider.

Employees in the following employment classifications are eligible to request medical leave as described in this policy:

Regular full-time employees

Eligible employees should make requests for medical leave to their supervisors 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 St. Pauly Textile Inc.. Employees returning from medical leave must submit a health care provider's verification of their fitness to return to work.

Eligible employees are normally granted leave for the period of the disability, up to a maximum of 12 weeks within any 12-month period. 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 sustain work-related injuries are eligible for a medical leave of absence for the period of the disability, in accordance with all applicable laws covering occupational disabilities.

Subject to the terms, conditions, and limitations of the applicable plans, St. Pauly Textile Inc. will continue to provide health insurance benefits for the full period of the approved medical leave.

Benefit accruals, such as vacation, sick leave, and holiday benefits, will continue during the approved medical leave period.

So that an employee's return to work can be properly scheduled, an employee on medical leave is requested to provide St. Pauly Textile Inc. with at least two weeks' advance notice of the date the employee intends to return to work. When a medical leave ends, the employee will be reinstated to the same position, if it is available, or to an equivalent position for which the employee is qualified.

If an employee fails to return to work on the agreed-upon return date, St. Pauly Textile Inc. will assume that the employee has resigned.

6-02 Family and Military Leave

St. Pauly Textile Inc. provides family leaves of absence without pay to eligible employees who wish to take time off from work duties to fulfill family obligations relating directly to childbirth, adoption, or placement of a foster child or to care for a child, spouse, or parent with a serious health condition. A "serious health condition" means an illness, injury, impairment, or physical or mental condition that involves inpatient care in a hospital, hospice, or residential medical care facility or continuing treatment by a health care provider.

St. Pauly Textile Inc. provides military leaves of absence without pay to eligible employees who wish to take time off when their spouse, parent, son or daughter (of any age) experiences a qualifying exigency resulting from military service. St. Pauly Textile Inc. will also provide a leave of absence without pay to care for your spouse, parent, son, daughter (of any age), or next of kin who requires care due to an injury or illness incurred while on active duty or that was exacerbated while on active duty.

St. Pauly Textile Inc. complies with applicable federal and state law regarding military leave and re-employment rights. Unpaid military leave of absence will be granted to members of the uniformed services in accordance with the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA; with amendments) and all applicable state law. You must submit documentation of the need to leave to your supervisor. When returning from military leave of absence, you will be reinstated to your previous position or a similar position in accordance with state and federal law. You must notify your supervisor of your intent to return to employment based on requirements of the law.

Employees in the following employment classifications are eligible to request family or military leave as described in this policy:

Regular full-time employees

Eligible employees should make requests for family leave to their supervisors at least 30 days in advance of foreseeable events and as soon as possible for unforeseeable events. Employees requesting family leave related to the serious health condition of a child, spouse, or parent may be required to submit a health care provider's statement verifying the need for family leave to provide care, its beginning and expected ending dates, and the estimated time required.

Eligible employees may request up to a maximum of 12 weeks of family leave within any 12-month period. Any combination of family leave and medical leave may not exceed this maximum. Married employee couples may be restricted to a combined total of 12 weeks leave within any 12-month period for childbirth, adoption, or placement of a foster child or to care for a parent with a serious health condition.

Subject to the terms, conditions, and limitations of the applicable plans, St. Pauly Textile Inc. will continue to provide health insurance benefits for the full period of the approved family leave. Benefit accruals, such as vacation, sick leave, and holiday benefits, will continue during the approved family leave period.

So that an employee's return to work can be properly scheduled, an employee on family leave is requested to provide St. Pauly Textile Inc. with at least two weeks' advance notice of the date the employee intends to return to work. When family leave ends, the employee will be reinstated to the same position, if it is available, or to an equivalent position for which the employee is qualified. If an employee fails to return to work on the agreed-upon return date, St. Pauly Textile Inc. will assume that the employee has resigned.

6-03 Paid Family Leave (New York)

St. Pauly Textile Inc. fully complies with the New York's Paid Family Leave program, which provides wage replacement to employees to help them bond with a child, care for a close relative with a serious health condition, or help relieve family pressures when someone is called to active service.

You are eligible for paid family leave if you have been employed full time for 26 weeks or part time for 175 days.

6-04 Pregnancy Disability Leave

St. Pauly Textile Inc. provides pregnancy disability leaves of absence without pay to eligible employees who are temporarily unable to work due to a disability related to pregnancy, childbirth, or related medical conditions. Any employee is eligible to request pregnancy disability leave as described in this policy. Employees should make requests for pregnancy disability leave to their supervisors 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 pregnancy disability leave and its beginning and expected ending dates. Any changes in this information should be promptly reported to St. Pauly Textile Inc.. Employees returning from pregnancy disability leave must submit a health care provider's verification of their fitness to return to work.

Employees are normally granted unpaid leave for the period of the disability, up to a maximum of four months. Employees may substitute any accrued paid leave time for unpaid leave as part of the pregnancy disability leave period. Subject to the terms, conditions, and limitations of the applicable plans, St. Pauly Textile Inc. will continue to provide health insurance benefits for the full period of the approved pregnancy disability leave. So that an employee's return to work can be properly scheduled, an employee on pregnancy disability leave is requested to provide St. Pauly Textile Inc. with at least two weeks' advance notice of the date she intends to return to work.

When a pregnancy disability leave ends, the employee will be reinstated to the same position, unless either the employee would not otherwise have been employed for legitimate business reasons for each means of preserving the job would substantially undermine the ability to operate St. Pauly Textile Inc. safely and efficiently. If the same position is not available, the employee will be offered a comparable position in terms of such issues as pay, location, job content, and promotional opportunities.

If an employee fails to report to work promptly at the end of the pregnancy disability leave, St. Pauly Textile Inc. will assume that the employee has resigned.

7-01 Employee Conduct and Work Rules

To ensure orderly operations and provide the best possible work environment, St. Pauly Textile Inc. 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
- Working under the influence of alcohol or illegal drugs
- 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 the workplace
- Sexual or other unlawful or unwelcome harassment
- Possession of dangerous or unauthorized materials, such as explosives or firearms, in the workplace
- Excessive absenteeism or any absence without notice
- Unauthorized disclosure of business “secrets” or confidential information
- Violation of personnel policies
- Unsatisfactory performance or conduct

Nothing in this policy is intended to change the company’s at-will employment policy. Employment with St. Pauly Textile Inc. is at the mutual consent of St. Pauly Textile Inc. and the employee, and either party may terminate that relationship at any time, with or without cause, and with or without advance notice.

7-02 Drug and Alcohol Use

It is St. Pauly Textile Inc.’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 St. Pauly Textile Inc. premises and while conducting business-related activities off St. Pauly Textile Inc. 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.

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. Such violations may also have legal consequences.

Employees with questions or concerns about substance dependency or abuse are encouraged to discuss these matters with their supervisor or the Human Resources Department to receive assistance or referrals to appropriate resources in the community.

Employees with problems with alcohol and certain drugs that have not resulted in, and are not the immediate subject of, disciplinary action may request approval to take unpaid time off to participate in a rehabilitation or treatment program through St. Pauly Textile Inc.'s health insurance benefit coverage. Leave may be granted if the employee agrees to abstain from use of the problem substance and abides by all St. Pauly Textile Inc. policies, rules, and prohibitions relating to conduct in the workplace; and if granting the leave will not cause St. Pauly Textile Inc. any undue hardship.

Employees with questions on this policy or issues related to drug or alcohol use in the workplace should raise their concerns with their supervisor or the Human Resources Department without fear of reprisal.

All employees will be subject to on-demand drug testing and initial drug screening when first hired. Refusal to comply with this policy could result in termination of employment.

7-03 Sexual and Other Unlawful Harassment

St. Pauly Textile Inc. 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.

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 to 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 creating an intimidating, hostile, or offensive work environment.

If you experience or witness sexual or other unlawful harassment in the workplace you must report it immediately to your supervisor. If the supervisor is unavailable or you believe it would be inappropriate to contact that person, you should immediately contact the Human Resources Department or any other member of management. You can raise concerns and make reports without fear of reprisal or retaliation.

All allegations of sexual harassment will be quickly and discreetly investigated. To the extent possible, your confidentiality and that of any witnesses and the alleged harasser will be protected against unnecessary disclosure. When the investigation is completed, you will be informed of the outcome of the investigation.

Any supervisor or manager who becomes aware of possible sexual or other unlawful harassment must immediately advise the Human Resources Department or the President of the company so it can be investigated in a timely and confidential manner. Anyone engaging in sexual or other unlawful behavior will be subject to disciplinary action, up to and including termination of employment.

7-04 Attendance and Punctuality

To maintain a safe and productive work environment, St. Pauly Textile Inc. expects employees to be reliable and to be punctual in reporting for scheduled work. Absenteeism and tardiness places a burden on other employees and on St. Pauly Textile Inc. St. Pauly Textile Inc. utilizes a point system to measure attendance (See Attendance Policy in New Hire Packet).

In order to maintain a productive work environment, employees are expected to work all scheduled work hours and to keep unscheduled absences to a minimum. Employees who are absent or late put an extra burden on their fellow employees and affect our customer expectations. So, in fairness to all employees, you are expected to be at your job at your assigned time.

Abuse of our attendance policy can result in disciplinary action, up to and including termination of employment. Unscheduled absences may affect any future scheduled PTO.

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

7-05 Personal Appearance

Dress, grooming, and personal cleanliness standards contribute to the morale of all employees and affect the business image that St. Pauly Textile Inc. presents to the community.

During business hours or when representing St. Pauly Textile Inc., 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.

Your supervisor or department head is responsible for establishing a reasonable dress code appropriate to the job you perform. If your supervisor feels that your personal appearance is inappropriate, you may be asked to leave the workplace until you are properly dressed or groomed. Under such circumstances, you will not be compensated for the time away from work. Consult your supervisor if you have questions as to what constitutes appropriate appearance. Where necessary, a reasonable accommodation may be made to a person with a disability.

7-06 Return of Property

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

7-07 Stealing Policy

St. Pauly Textile Inc. policy forbids team members to take donated items or company items unless the items were going to be thrown away. If a team member does want to take a item, they need to ask the manager before taking it. Stealing from the company may lead to disciplinary action or termination.

7-08 Resignation

Resignation is a voluntary act initiated by the employee to terminate employment with St. Pauly Textile Inc. Although advance notice is not required, St. Pauly Textile Inc. requests at least two weeks' written notice of resignation from nonexempt employees and two weeks' written notice of resignation from exempt employees.

Prior to an employee's departure, an exit interview may be scheduled to discuss the reasons for resignation and the effect of the resignation on benefits.

7-09 Security Inspections

St. Pauly Textile Inc. wishes to maintain a work environment that is free of illegal drugs, alcohol, firearms, explosives, or other improper materials. To this end, St. Pauly Textile Inc. prohibits the possession, transfer, sale, or use of such materials on its premises. St. Pauly Textile Inc. requires the cooperation of all employees in administering this policy.

Desks, lockers, and other storage devices may be provided for the convenience of employees but remain the sole property of St. Pauly Textile Inc.. Accordingly, they, as well as any articles found within them, can be inspected by any agent or representative of St. Pauly Textile Inc. at any time, either with or without prior notice.

7-10 Solicitation

In an effort to ensure a productive and harmonious work environment, persons not employed by St. Pauly Textile Inc. may not solicit or distribute literature in the workplace at any time for any purpose.

St. Pauly Textile Inc. recognizes that employees may have interests in events and organizations outside the workplace. However, employees may not solicit or distribute literature concerning these activities during working time. (Working time does not include lunch periods, work breaks, or any other periods in which employees are not on duty.)

Examples of impermissible forms of solicitation include:

- The collection of money, goods, or gifts for community groups
- The collection of money, goods, or gifts for religious groups
- The collection of money, goods, or gifts for political groups

- The collection of money, goods, or gifts for charitable groups
- The sale of goods, services, or subscriptions outside the scope of official organization business
- The circulation of petitions
- The distribution of literature in working areas at any time
- The solicitation of memberships, fees, or dues

In addition, the posting of written solicitations on company bulletin boards and solicitations by e-mail are restricted. Company bulletin boards display important information; employees should consult them frequently for:

- Affirmative Action statement
- Employee announcements
- Workers' compensation insurance information
- State disability insurance/unemployment insurance information

If employees have a message of interest to the workplace, they may submit it to the Human Resources Director for approval. All approved messages will be posted by the Human Resources Director.

7-11 Progressive Discipline

The purpose of this policy is to state St. Pauly Textile Inc.'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.

St. Pauly Textile Inc.'s own best interest lies in ensuring fair treatment of all employees and in making certain that 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 with St. Pauly Textile Inc. is based on mutual consent and both the employee and St. Pauly Textile Inc. have the right to terminate employment at will, with or without cause or advance notice, St. Pauly Textile Inc. 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.

Progressive discipline means that, with respect to many disciplinary problems, these four steps will normally be followed. However, there may be circumstances when one or more steps are bypassed.

St. Pauly Textile Inc. recognizes that there are certain types of employee problems that are serious enough to justify either a suspension or, in extreme situations, termination of employment, without going through the usual progressive discipline steps.

While it is impossible to list every type of behavior that may be deemed a serious offense, the Employee Conduct and Work Rules policy includes examples of problems that may result in immediate suspension or termination of employment. However, the problems listed are not all

necessarily serious offenses, but may be examples of unsatisfactory conduct that will trigger progressive discipline.

By using progressive discipline, we hope that most employee problems can be corrected at an early stage, benefiting both the employee and St. Pauly Textile Inc..

7-12 Problem Resolution

St. Pauly Textile Inc. is committed to providing the best possible working conditions for its employees. Part of this commitment is encouraging an open and frank atmosphere in which any problem, complaint, suggestion, or question receives a timely response from St. Pauly Textile Inc. supervisors and management.

St. Pauly Textile Inc. strives to ensure fair and honest treatment of all employees. Supervisors, managers, and employees are expected to treat each other with respect. Employees are encouraged to offer positive and constructive criticism.

If employees disagree with established rules of conduct, policies, or practices, they can express their concern through the problem resolution procedure. No employee will be penalized, formally or informally, for voicing a complaint with St. Pauly Textile Inc. in a reasonable, business-like manner, or for using the problem resolution procedure.

If a situation occurs when employees believe that a condition of employment or a decision affecting them is unjust or inequitable, they are encouraged to make use of the following steps. The employee may discontinue the procedure at any step.

1. The employee presents the problem to his or her immediate supervisor after the incident occurs. If the supervisor is unavailable or the employee believes it would be inappropriate to contact that person, the employee may present the problem to the Human Resources Department or the CEO.
2. The supervisor responds to the problem during discussion or after consulting with appropriate management, when necessary. The supervisor documents this discussion.
3. The employee presents the problem to the Human Resources Department if the problem is unresolved.
4. The Human Resources Department counsels and advises the employee, may assist in putting the problem in writing, and visits with the employee's manager(s).

Not every problem can be resolved to everyone's total satisfaction, but only through understanding and discussing mutual problems can employees and management develop confidence in each other. This confidence is important to the operation of an efficient and harmonious work environment.

Any employee who has a concern over a workplace issue should talk to their supervisor/manager about it immediately. If they don't receive a timely response, or they receive a response that is not acceptable, or the supervisor/manager is the problem, the employee should address the issue with the next appropriate manager or executive of the company. In addition, our company has an Open Door philosophy that says that any employee who has a concern over a workplace issue has the right to personally address the issue with the President/Owner of the company.

It is also the policy of the company that there will be no retaliation against any employee because they present an issue of concern.

8-01 Life-Threatening Illnesses in the Workplace

Employees with life-threatening illnesses, such as cancer, heart disease, and AIDS, often wish to continue their normal pursuits, including work, to the extent allowed by their condition. St. Pauly Textile Inc. supports these endeavors as long as the employees are able to meet acceptable performance standards. As in the case of other disabilities, St. Pauly Textile Inc. will make reasonable accommodations in accordance with all legal requirements, to allow qualified employees with life-threatening illnesses to perform the essential functions of their jobs.

Medical information on individual employees is treated confidentially. St. Pauly Textile Inc. will take reasonable precautions to protect such information from inappropriate disclosure. Managers and other employees have a responsibility to respect and maintain the confidentiality of employee medical information. Anyone inappropriately disclosing such information is subject to disciplinary action, up to and including termination of employment.

Employees with questions or concerns about life-threatening illnesses are encouraged to contact the Human Resources Department for information and referral to appropriate services and resources.

8-02 Retirement Plans

The company provides their employees with the option to participate in the company's SIMPLE plan. This plan is a tax-deferred retirement plan that is designed to assist our employees with their retirement planning. The plan is intended to be used in combination with your Social Security and personal resources to supplement your retirement income.

Employees who meet the requirements of the plan will be eligible to participate in the company's plan after the completion of 60 days of employment. Employees can contribute up to a pre-determined maximum, as established by the IRS.

The company will match 100 % of an employee's first 3% contribution.

8-03 Licenses

All employees whose job requires a license, registration, or certification must keep their status current, as required by law or regulation. Each employee is required to notify his or her supervisor/manager of any renewals. If any violations are incurred or restrictions put on a license, the employee must notify their supervisor/manager immediately.

The following are the rules relative to the use of company provided vehicles:

1. Vehicles are to be kept clean both interior and exterior and will be washed when necessary to convey a positive image of the company. Smoking is prohibited in company vehicles.
2. Only employees of the company will be permitted to use a company vehicle.
3. All employees using a company vehicle must have a valid New York state driver's license.
4. Employees will keep a log of the mileage for each vehicle and submit that log to the company as applicable.
5. Vehicles are to be used primarily for company purposes but for any personal use the employee will be charged the standard mileage rate for each mile of personal use. Receive rates from the supervisor/manager.

The privilege to use a company vehicle may be immediately withdrawn if the employee violates any of the rules set forth above or if any of the following conditions occur:

1. If the employee loses his/her driver's license for any cause whatsoever.
2. If the employee is guilty of alcohol or drug abuse whether in connection with the use of the vehicle or otherwise.

3. Disproportionate personal use of the vehicle as related to company use.
4. If the employee as a result of his/her negligence causes a motor vehicle accident which would cause an increase in the company's insurance rates.
5. Any acts which could be considered detrimental to the reputation of the company.
6. If the employee fails to meet the objectives set forth by the company in which the vehicle is being used.

8-04 Confidentiality

All company, employee and client information is to be seriously treated with discretion and confidentiality. All records and files maintained by the company are proprietary and confidential. During employment and after separation, there can be no discussion, photocopying, or duplication of client information. Also, removal of company records and information from the premises is prohibited.

As part of the Orientation Process, employees may be asked to sign a Confidentiality Agreement specific to the company.

Confidentiality: The information distributed and/or discussed at group meetings is of confidential nature and should under NO circumstances be divulged to any family or to any other party outside the company.

Violations of company confidentiality could result in disciplinary action, up to and including the termination of employment and civil/criminal proceedings.

8-05 Fraud Policy

We believe that high standard of personal integrity is a requirement for every individual associated with this company. Our word and our actions are two of the most significant assets that we possess. To that end, we will all pledge ourselves to maintain our high standards and resist any fraudulent opportunities.

This policy is applicable to all employees, officers, and directors of the company.

Specifically, fraudulent activities (incidences of fraud) include, but are not limited to:

The act of taking possession of assets, which are not yours to possess, whether it is submitting invoices for reimbursements that are erroneous, using company postage without reimbursing petty cash, using company fuel for your personal vehicle or taking funds from the corporate accounts, it is all the same kind of offense. The only difference is the size of the fraud.

Accepting gifts from vendors or clients, which are intended to reward the individual recipient for a business transaction. We are not concerned with the receiving of a legitimate gift from a friend. However, we are concerned if the gifts are substantial in nature and frequent. Your individual ethics are expected to mirror those, which the company expounds. A guideline should be nothing in excess of a \$25.00 value.

Committing an act of forgery against a company account or any other account is expressly forbidden.

The use of company assets and equipment to enable non-company activities are not appropriate. If an individual feels the need to work outside the company structure, the work must not be performed on company time or with company assets.

The intentional use of company time for personal items or gains is expressly forbidden. When you report to work, you are expected to be performing company duties for the whole time that you are here. Theft of time is not significantly different from theft of inventory.

The intentional destruction of company assets or records is a fraudulent act. By damaging company assets, you are directly impacting the ability of the company to perform its duties to our clients. Our clients deserve the best that we can provide for them. Anything that stands in our way is dishonest to them.

Any other dishonest or fraudulent acts must also be included in these examples.

The responsible party for the investigation of a fraud is the most senior member of the management team, the President/Owner of the company. If the President is involved with perpetrating the fraud, the next highest member of the management team is to conduct the investigation.

All employees of the company have a responsibility and right to report any unethical issue that they may discover. You should be aware of everything in your area and report what is not right. You can tell the responsible party in whatever way you want to. Take them aside and have a brief talk, send them an unsigned note, or send them e-mail. The important thing is to let someone know what you know. In any case, do not conduct an investigation on your own. Please let the appropriate person conduct the investigation.

In addition, please refrain from making any comment about your suspicions to others. No member of this corporation should make any statement regarding the alleged guilt of the suspected perpetrator. That is the position of the law enforcement community.

Confidentiality will be a paramount consideration, and retribution will not be allowed. To this issue, you have the solemn pledge of management. The investigation will be conducted in confidence and without great fanfare. Evidence will be collected and will only be disclosed to others when it is complete and ready for prosecution.

In fairness to the clients, employees, and owners of the company, those who break the rules are punished. If an employee commits a fraudulent act, their punishment will be termination. Although this may seem to be a harsh remedy, it is the only remedy available if we are to maintain our high standards within the community and, more importantly within our own walls.

St. Pauly Employee Handbook Acknowledgment of Receipt

I, _____, acknowledge that I have been provided the opportunity to review the contents of the St. Pauly Employee Handbook (Version 7).

Signature: _____ Date: _____