



Haulsey Engineering, Inc.
Employee Policy Manual

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INTRODUCTION

Welcome to Haulsey Engineering, Inc.

Haulsey Engineering, Inc. (HEI) is pleased to welcome you into our company. HEI was confident you will find the company open, friendly and supportive, and that your work here will be interesting, challenging and rewarding.

To provide you with a historical perspective, Mr. Leroy Haulsey founded HEI in 1985 as a high-technology system engineering and logistics support firm.

We specialize in providing system and systems engineering support services as well as integrated logistics support (ILS) and technical support services. Our services span the full life cycle from systems analysis, design, development, integration and test, and operational and maintenance support. We market our services to both government and commercial customers. Major customers include the Department of Defense (DoD) and commercial companies.

Our objective is to become one of the leading systems engineering and logistics support companies in Southern California. Our reputation will be earned by our employees through their dedication to customer service, quality services and performance, technical excellence and respect for each other and our customers.

Employee action and attitudes have an immediate and lasting impact on customer satisfaction. As an HEI employee, your actions are a direct reflection on our company. Each employee has a responsibility to provide courteous service and maintain good customer relations. Satisfied customers are the lifeblood of HEI and strengthen every one's job security.

HEI is pleased you have joined our team. To orientate you with HEI, this guide has been prepared to summarize our programs and benefits. Specific questions on company policies should be directed to your supervisor or myself.

Welcome aboard. HEI invites you to join us and share in our future accomplishments.

Leroy Haulsey
President and Chief Executive Officer

GENERAL EMPLOYMENT INFORMATION

EMPLOYEE INTRODUCTION PERIOD

Employment is considered to be an introductory basis when you are first hired. The introductory period is 90 days unless otherwise indicated in the separate addendum. The introductory period gives you an opportunity to become acquainted with your workplace supervisor, your work assignments and how well you can perform your responsibilities.

The introductory period also provides you and your workplace supervisor with the opportunity to observe and evaluate each other. You will be evaluated for such qualities as your ability to interact with others, your professional conduct, attendance, willingness to learn, job performance and skill, etc.

Either you or HEI with or without a recommendation from your workplace employer may end the employment relationship at will at any time during or after the introductory period with or without cause or advance notice.

After satisfactory completion of the introductory period, you will normally achieve regular full-time or part-time employee status (see below).

NOTE: The introductory period does not apply to existing employees of new clients who have worked for the workplace employer longer than the introductory period.

NEW HIRE POLICIES

You may be required, at your workplace employer's discretion, to successfully pass a physical examination, drug screening or other applicable tests (for example; CPR certification or other licensing requirements) to be employed for certain jobs. Or, you may be required to take a driver's examination and present proof of a valid driver's license and/or a certificate of insurance issued on your vehicle in order to do certain work.

NOTE: Failure to maintain acceptable driving standards or vehicular insurance may be sufficient cause for immediate termination if these are required for your work. These special policies will be added as an addendum to this handbook if applicable.

DEFINITIONS OF EMPLOYMENT CLASSIFICATIONS

All HEI positions are classified as either exempt or non-exempt based on the duties, responsibilities and requirements of the job. **Exempt** positions do not receive overtime compensation and include executive, managerial, supervisory, administrative, professional and sales positions. Non-exempt positions are eligible for overtime compensation and include secretarial, clerical, maintenance, other support, computer operator and technical positions.

1. **Regular Full-Time Employee**

An employee who normally works (30) hours, or more, per workweek is considered full-time. Regular employees can be further classified as exempt or non-exempt salaried workers (see paragraph 6).

2. **Regular Part-Time Employee**

An employee who is normally scheduled to work less than thirty (30) hours, but at least twenty (20) hours per week is considered part-time.

3. **On Call Employee/Casual**

An employee who works less than twenty (20) hours per week is considered a casual or "On Call" employee. This employee is not entitled to receive paid leave benefits. However, like other employees, On Call employees are also entitled to such benefits as overtime compensation (when applicable), workers compensation, and unemployment insurance.

4. **Temporary Employee**

A temporary employee is hired for a specific period of time, project or assignment. The employee is paid for actual hours worked and is not eligible for benefits.

IMPORTANT: Employees hired for a specific project or period of time will not experience a change in status simply because they remain in employment for a longer period of time.

An employee will change from temporary to regular status only if advised of such a change in writing by HAULSEY ENGINEERING, INC.

5. **Per Diem Employee**

A Per Diem employee may receive a higher rate of pay in lieu on non-mandated benefits including, but not limited to, vacation, holiday, and sick pay, when applicable. Employees who transfer from Per Diem to Regular employee status shall not receive a credit for their service in the capacity of Per Diem employees.

IMPORTANT: A change to or from a Per Diem status can be made only with workplace employer's and Haulsey Engineering, Inc.'s written consent.

6. Exempt/Non-Exempt

Under certain conditions, employees are also classified as “non-exempt” or “exempt” salaried employees. These classifications cover the provisions of the FEDERAL FAIR LABOR STANDARDS ACT or any applicable state law.

Non-exempt employees are entitled to premium pay for work in excess of eight (8) hours in a day. If you have any questions, contact Haulsey Engineering, Inc.

Any changes in wage laws will be implemented on the appropriate effective date required.

Exempt employees who serve as executive, administrative or professional employees, or as outside salespersons may not receive overtime pay.

SALARY GRADES

Your position is classified according to a salary grade, which is an established range of pay rates. Jobs with similar levels of responsibility, complexity, supervision received/given, knowledge, experience and market value are classified by the same salary grade. Salary grades are reviewed annually and are adjusted periodically to reflect changes in the competitive employment market.

OVERTIME

Compensation for overtime by a member of the professional staff is not authorized. Only overtime performed by a member of the administrative and clerical staff (non-exempt) is authorized. Overtime formulas shall not apply to employee benefits other than hourly rate of pay. Work in excess of eight (8) hours in a day will normally be paid one and one-half times (1.5X) the base rate of pay per hour. All overtime work will be approved in writing by management **prior** to committing to and actual performance of the prescribed work.

Employees who fail to work scheduled overtime or work overtime without prior authorization from authorized management may be subject to disciplinary action, up to and including termination of employment.

PERFORMANCE REVIEWS

At least once each year, the performance of all regular full-time and regular part-time employees is formally reviewed. The review provides you and your supervisor the opportunity to evaluate employee performance in the present job and recommend steps for performance improvement and professional development.

SALARY INCREASES

Your salary may be increased as a result of any of the following actions:

Merit Increases

Awarded on the basis of performance and work contributions.

Equity Adjustment

A special adjustment to bring your salary level in line relative to your peers or the external market.

Promotion

An advancement to a position of different and greater responsibility.

Reclassification

A salary grade change that does not constitute a promotion. This change occurs when a job or individual circumstance requires re-evaluation and assignment to a new salary grade.

TRAINING

HEI has established and is further developing several tiers of employee training within the company to enhance managerial and technical skills. This training encompasses programs organized and implemented by the corporation as well as by your management.

The corporation's Executive and Management Development programs are offered to selected managers and are designed to develop general management capabilities and specific program management, marketing and human resource skills. Courses are conducted off-site for periods of up to two weeks.

Training offered by local organizations is broader in scope. Such training may be conducted by outside consultants or by HEI personnel and may be in-plant or off-site. Training may vary from half-day seminars to a mini-course lasting several days. Topics can include: personnel practices, team building, quality, marketing techniques, improving company operations, etc.

If a particular training topic is of interest to you or you see the need for such training more generally, please communicate your suggestions to your supervisor.

In addition to pre-planned or structured training, HEI encourages employees to attend job related technical and managerial seminars or professional mini-courses. The number of such opportunities may be budget-related. Check with your supervisor for more information.

TUITION REIMBURSEMENT

HEI employees are encouraged to take courses in job-related classes to enhance their job skills. Regular full-time employees are eligible for 75% reimbursement of pre-approved tuition and book costs at accredited learning institutions. The maximum reimbursement amount for the year is \$2,000.00. In addition to undergraduate and graduate courses, other course work that may be approved includes:

- full-time employee scheduled to work a minimum of 30 days per week
- completed 90 days of continuous service
- current performance rating of “Meets Expectations” or better
- courses that are directly job-related but are necessary to satisfy degree requirements.
- college-level correspondence and video courses.
- executive-level MBA programs.
- other graduate studies programs.

If you wish to be reimbursed for a course, you must complete a tuition authorization form and seek approval from your supervisor **prior** to the beginning of the semester. After you have taken the course and received a grade of “C” or better, or pass for a pass/fail course, submit a copy of your school transcript, a bill from the learning institute and a photocopy of your canceled check to your supervisor to obtain reimbursement.

This benefit is not offered if contract is on a contingent basis. For employees requiring special training pertaining directly to contract duties, HEI will provide and pay for this training. This is subject to change per contract status.

BENEFITS

HOLIDAYS

HEI provides holiday, vacation, and personal leave benefits as follows:

<u>Name of Holiday</u>	<u>Observed</u>
New Year's Day	1 January
Martin Luther Kings Jr. Day	Third Monday in January
Presidents Day	Third Monday in February
Memorial Day	Last Monday in May
Independence Day	4 July
Labor Day	First Monday in September
Columbus Day	Second Monday in October
Veteran's Day	11 November
Thanksgiving Day	Fourth Thursday in November
Christmas Day	25 December

Two of the above holidays can be "floating" days at the individual employee's choice. These "holidays" are prorated on a monthly basis and are added to the individual employee's monthly vacation accrual balance.

RELIGIOUS AND OTHER SPECIAL OBSERVANCE

Employees may wish to observe religious holidays or other days of special significance that are not included in the company-observed schedule. Floating days and/or vacation time should be used for this purpose.

PAID TIME OFF (PTO)

Philosophy

Haulsey Engineering, Inc. (HEI) believes in providing a competitive level of paid time off (PTO) from the regularly scheduled work program. This policy provides flexibility to the employee.

Purpose

A paid time off account combines all authorized absences which an employee may take paid time away from work under one simple system. This approach removes the traditional recording and definitions of types of paid employee absences allowing them to manage and allocate their time according to personal needs.

Scope

This policy applies to all HEI employees.

Definitions

Eligibility:

All HEI employees.

Related Policies

- Jury duty leave of absence policy
- U.S. military leave of absence policy
- Personal leave of absence policy
- Family and medical leave of absence policy

Policies and Practices

Inclusions: Sick leave, vacation and personal time off, family illness, bereavement leave and religious holiday observance.

Exclusions: Jury duty, military leave (see individual policies)

Accrual Guidelines:

Accrued PTO Per Year	Accrual Rate per 80 Hours worked (Pay Period)	Maximum Accrual	Length of Employment
3 weeks	0.0576	200 hours	0 to 5 years
4 weeks	0.0769	200 hours	6 to 10 years
5 weeks	0.0961	200 hours	11 + years

- PTO does not accrue for normal working hours which are not worked due to unpaid time off, disability, or a leave of absence whether paid or unpaid.
- Overtime worked is not a factor in calculating PTO. However, shift premium and lead differentials are included in the calculation.
- PTO accrues from the first day of employment; an employee may use accrued time in his/her account from the end of the first month of employment onward.
- If a holiday falls within approved PTO time taken, the holiday will be paid.
- Employees who are required on a “regular scheduled job assignment basis” to work a mandatory non-standard workweek of at least 36 hours per week (72 hours per pay period) will accrue PTO based on the 80 hour rate. A list of employees meeting the Non-Standard Workweek criteria is to be approved by HEI management and submitted to payroll in advance.
- Hours are subtracted as time off is taken. Individual pay stubs provide current status of the account.
- Employees on alternative work schedules will be charged the appropriate number of PTO hours to reflect their regularly scheduled workday.
- PTO may not be used to extend an employee’s date of termination.
- Upon termination of employment with HEI, the employee will be paid for all unused accrued PTO hours in the account at the time of termination.
- Employees will not be able to carry over any unused accrued PTO hours into a new contract. HEI will pay up to 80 hrs of PTO at the end of the contract. Any PTO over 80 hrs will need to be used or it will be lost at the end of the contract, “Use it or Lose it”.
- If an employee works an approved holiday, HEI will give him/her an alternative day to take in place of the missed holiday. This day must be approved from HEI and site supervisor.

Reporting and Record Keeping:

Any planned absence must be pre-approved by an employee's supervisor. If an employee is absent due to illness (paid or not) and is not on medical leave of absence status, he/she is required to call in each day by starting time.

Medical Leave Of Absence:

Medical leave of absence is provided by the company. In this situation, if elected, the employee's PTO account is charged for no more than 5 days toward the disability-waiting period. If there is no PTO available in the account, the employee will not be paid for the first five days. Any remaining PTO balance is held until the employee returns to normal status or terminates. PTO Hours will not accrue during medical leaves of absence; accrual will resume upon return to work. PTO may be used to supplement medical leave disability pay if requested in writing by the employee.

Managing the Account:

It is recommended that employees reserve at least 5 days or 40 hours of PTO for illness or emergency. While employees are entitled to use the days in any way they wish, they must understand that the account once exhausted is rebuilt on a pay period accrual basis and that an illness or emergency may force borrowing or taking time off without pay.

Borrowing Against the Account:

With the written approval of the site supervisor, an employee may request an advance of PTO not to exceed 5 days or 40 hours should his/her account be at zero balance. Vacation cash advances will not be allowed on borrowed PTO. Permission to borrow PTO and incurring a negative PTO balance is a privilege not a guarantee and will be granted on an exception-only basis due to the unusual circumstances prevailing.

Taking Time Off Without Pay:

With the site supervisor's approval, an employee may take time off without pay should his/her PTO account be at a zero balance. An employee does not have the option of taking time off without pay instead of using available PTO hours. However, an employee is not required to use accrued PTO while on medical leave (including any work-related injuries) or to supplement disability pay. Available PTO must be used at the start of any family leave of absence or any personal leave of absence.

Procedures/Responsibilities

Employees:

Employees are responsible for submitting timecard or PTO forms in a timely and accurate fashion (within the pay period following when the PTO was taken). Employees should manage their account balance by planning ahead while keeping time available for unforeseen illness or events.

Supervisor:

Supervisors are responsible for approving all PTO requests. Supervisors should also ensure that adequate time away from work is taken so that account balances do not exceed maximum accruals.

FAMILY AND MEDICAL LEAVE OF ABSENCE POLICY

Philosophy

Haulsey Engineering, Inc. (HEI) provides a family and medical leave of absence policy that offers an employee the opportunity to take time off for 1) the employee's own serious health condition; (2) the birth of his or her child or the placement of a child for adoption or foster care, and 3) the care of the employee's child, spouse or parent who has a serious health condition.

Scope

The family and medical leave of absence policy applies to all employees of HEI.

Related Policies

- Work-related disability policy
- Personal leave of absence policy

Definitions

Alternative position means a position with equivalent pay and benefits, but not necessarily equivalent duties.

Child means a biological, adoptive, foster child or a step child, a legal ward, or a child of a person standing *in loco parentis*, who is 1) under 18 years of age, or 2) 18 years or older and incapable of self care because of a mental or physical disability.

Equivalent position means a position with equivalent pay, benefits and working conditions including privileges, perquisites and status. The position involves the same or substantially similar duties and responsibilities which must entail substantially equivalent skill, effort, responsibility and authority.

Health care provider means a doctor of medicine or osteopathy authorized to practice medicine or surgery by the states in which he or she practices. Anyone determined by the secretary of labor to be capable of providing health care services will also qualify as a health care provider.

Parent means the biological parent or an individual who stood *in loco parentis* to the employee when the employee was a child (as defined above). Parent does not include a parent-in-law.

Serious health condition means illness, injury, impairment, physical or mental condition that involves inpatient care in a hospital, hospice or residential medical care facility under continuing treatment by a health care provider.

Policy

HEI will grant a family and medical leave of absence to an employee for 1) the employee's own serious health condition that makes him or her unable to perform the functions of his or her position; 2) the care of the employee's child, spouse or parent who has a serious health condition; or 3) the birth of his or her child or the placement of a child for adoption or foster care.

Eligibility

To be eligible for this policy, an employee must be a regularly scheduled employee who has completed 12 months of employment with HEI and have worked a minimum of 1250 hours during the 12-month period before the leave is to start.

Leave under this policy may be taken up to a maximum of twelve workweeks within a twelve-month period ending with the date an employee first takes Family and Medical Leave of Absence. Each time the employee takes leave, the remaining leave entitlement would be any balance of the twelve workweeks which has not been used during the immediately preceding twelve months. For example, if the employee takes four weeks beginning February 1, 1998, four more weeks beginning June 1, 1998, and then an additional four weeks beginning December 1, 1998, the employee would not be eligible for any additional leave until February 1, 1999, when the employee would become eligible for four weeks of leave.

If the leave is taken for the serious health condition of the employee or his amount of leave taken during intermittent or reduced schedule, leave will be counted as time toward the maximum twelve workweeks for the family and medical leave of absence. A leave taken by the employee for the birth or placement of a child must be concluded within 12 months after the birth or placement. For part-time employees, the available family and medical leave time will be adjusted on a prorated basis.

If two employees are married and each are employed by HEI, the maximum combined amount of leave for both would be twelve workweeks for leave taken for birth or placement for adoption or foster care of a child. Each would be entitled to the remainder of the 12 workweeks for a purpose other than the reason stated above. For example, an employee takes eight weeks of leave to care for the newly adopted child. Afterwards, the employees would have available four weeks and eight weeks of leave respectively for a personal disability or to care for a sick child or a sick parent.

HEI may apply an employee's absences against the twelve workweeks limit if the absences are due to 1) the employee's own serious health condition; 2) the birth of his or her child or the placement of a child with the employee for adoption or foster care; 3) the care of the employee's child, spouse or parent who has a serious health condition. Written notice of such application will generally be provided within two business days after HEI has acquired knowledge that the absence is being taken for one of these reasons.

Denial Circumstances

A family and medical leave of absence may be denied if the employee is not an eligible employee or has no further leave time available for the time period requested.

Procedure

A request for a family and medical leave must be made to the employee's supervisor and the HR manager (Haulsey Engineering, Inc.) in writing at least thirty (30) calendar days in advance. If the need for the leave is not foreseeable, the employee needs to provide written notice to his or her supervisor and the business unit manager (Haulsey Engineering, Inc.) as soon as practicable.

If the request is for the employee's serious health condition, or the serious health condition of a family member, the employee must provide an approved form of certification from a health care provider which justifies the leave and states the expected duration of the leave. This is required within 16 days of the request for leave unless it is not practicable to do so.

If the certified leave period expires and additional leave time is requested, the employee must obtain recertification from a health care provider. HEI reserves the right to require the employee to obtain, at HEI expense, a second opinion as to the employee's serious health condition. In the event of a conflict between the two opinions, HEI may, at its own expense, require a third opinion from a medical professional jointly designated by the company and the employee whose decision shall be binding on HEI and the employee.

Benefits Status During A Family and Medical Leave of Absence

1. If an employee's leave is due to the employee's own serious health condition, the employee may be eligible to receive one or both of the following: HEI's short term disability benefits or workers compensation benefits.

If the employee's leave is to provide care for the birth of his or her child or the placement of a child with the employee for adoption or foster care, or to provide care for the employee's child, spouse or parent who has a serious health condition the employee must use his or her available PTO or accrued vacation. Once the PTO or vacation balance is exhausted, the employee's leave will be unpaid.

2. No PTO will accrue if the employee is receiving HEI's short-term disability benefits.

3. Company holidays will not be paid during family and medical leave.

4. If the employee works 20 or more hours per week, health and welfare benefits (for example, medical, dental, vision, short-term disability, long-term disability, employee group life, accidental death and dismemberment and supplemental life insurance) elected by the employee will continue during an approved leave of absence if the employee continues to pay regular employee contributions (if the total premium per pay period is less than \$10, payment is waived) following the normal payroll schedule or if the employee prepays the entire amount of contributions for the duration of the leave by having the amount deducted from the last paycheck received prior to the start of the leave.

5. In order to maintain enrollment in the health care spending account during the leave, the employee must make payments into the account to HEI. Failure to do so means the employee is terminating participation in the account and will have available only the amount contributed into the account to date. The employee will not be permitted to re-enroll until the next open enrollment period even if the employee has another valid change in family status.

6. If the leave of absence(s) totals 90 days or more, the next performance merit increase will be prorated based on actual days worked within the review period.

Return to Work

If the employee is returning from a leave due to his or her own serious health condition the employee must submit to Human Resources (Haulsey Engineering, Inc.) a medical release signed by his or her health care provider which states that he or she is medically fit to return to their prior position and sets forth the return to work date. The doctor must state any job limitations or accommodations in writing. HEI encourages and supports return to modified duty work at the earliest possible date and will make reasonable accommodation for the disability unless such accommodation would cause undue hardship to HEI.

At the end of the scheduled leave, should the employee be absent from work for three consecutive days without notice Human Resources (Haulsey Engineering, Inc.) will send notice requiring the employee to immediately submit a recertification for a leave extension. If no recertification is obtained from his or her health care provider within 16 calendar days from the date Human Resources (Haulsey Engineering, Inc.) requests recertification, the employee will be assumed to have voluntarily resigned his or her position and employment will be terminated.

Upon return from the family and medical leave, within the provisions of the U.S. Family and Medical Act, the employee will be reinstated to the same or equivalent position. If the employee's position has been eliminated, employment will be terminated upon the employee's return from the leave.

Accepting other employment during a leave will be presumed to constitute voluntary termination as of the first day of the leave and will result in forfeiture of all reinstatement rights.

State and Local Status

This policy is written to comply with the provisions of the U.S. Family and Medical Act of 1993 (FMLA) and is not meant to supersede any applicable State or local laws that may entitle the employee to more generous provisions. Any leave taken under FMLA will be applied against any applicable State or local entitlements.

Responsibilities

Employee:

Employees are responsible for notifying their supervisor and Human Resources (Haulsey Engineering, Inc.) in writing, their request for a family and medical leave. They are also responsible for providing the required documentation for the leave and for returning from the leave.

Supervisor:

Supervisors are responsible for forwarding the leave request to the HR manager (Haulsey Engineering, Inc.). Supervisors are also responsible for determining if reassignment of duties is needed should an employee request intermittent leave.

Human Resources Manager:

Business Unit HR manager (Haulsey Engineering, Inc.) is responsible for local administration of policy.

PERSONAL LEAVE OF ABSENCE POLICY

Philosophy

Haulsey Engineering, Inc. (HEI), at the discretion of the company, has a personal leave of absence policy which offers employees the opportunity to take leave for critical personal need such as community service, extended bereavement leave, health, urgent family duties, education or special personal business.

Scope

The personal leave of absence policy applies to all HEI employees.

Related Policies

- Work-related disability policy
- Family and medical leave of absence policy

Policy

HEI will grant a leave of absence for critical personal needs.

Eligibility

To be eligible for this policy, an employee must be a regular scheduled employee of HEI.

If business conditions permit, the employee may be granted an unpaid personal leave of absence for a period of two workweeks minimum up to a maximum of 12 workweeks.

Procedures

All requests are evaluated on a case-by-case basis and are granted at the sole discretion of Haulsey Engineering management. Approval is required by the section supervisor and the business unit Human Resources manager (Haulsey Engineering, Inc.).

Benefits Status During A Personal Leave Of Absence

1. The employee must use his or her accrued vacation. Once the vacation balance is exhausted, the employee's leave will be unpaid.
2. No vacation will accrue during the unpaid portion of a personal leave of absence.
3. Company holiday will not be paid during personal leave periods.

4. If the employee works 20 or more hours per week, health and welfare benefits (for example, medical, dental, vision, short-term disability, long-term disability, employee group life, accidental death and dismemberment and supplemental life insurance) elected by the employee will continue during an approved leave of absence if the employee continues to pay regular employee contributions (if the total premium per pay period is less than \$10, payment is waived) following the normal payroll schedule or if the employee prepays the entire amount of contributions for the duration of the leave by having the amount deducted from the last paycheck received prior to the start of the leave.

5. In order to maintain enrollment in the health care spending account during the unpaid leave, the employee must make payments into the account to HEI. Failure to do so means the employee is terminating participation in the account and will have available only the amount contributed into the account to date. The employee will not be permitted to re-enroll until the next open enrollment period even if the employee has another valid change in family status.

Return to Work

One-week prior to the employee's scheduled return to work date from an approved unpaid period of personal leave of absence, the employee must advise his/her supervisor and business unit HR manager (Haulsey Engineering, Inc.) making them aware of the return to work date. At the end of the scheduled leave, if the employee is absent from work three consecutive days without notice HEI will assume that the employee has voluntarily resigned their position and employment is terminated.

Accepting other employment during a leave will be presumed to constitute voluntary termination as of the first day of the leave and will result in forfeiture of all reinstatement rights.

State and Local Statutes

This policy is not meant to supersede any applicable State laws or local statutes that may entitle the employee to more generous provisions.

Responsibilities

Employee:

Employees are responsible for notifying their supervisor and Human Resources (Haulsey Engineering, Inc.) at the start and end dates of unpaid leave under this policy. They are also responsible for providing the required documentation for the leave and for returning from the leave.

Corporate Benefits Manager:

The HEI Benefits Manager has overall responsibility for policy development and plan administration.

VOTING AND REGISTRATION

Employees may be excused for a reasonable period of time to vote or register in any election or referendum, as follows:

1. Where the polls are not open at least 3 hours either before or after regular working hours, the employee may report to work up to 3 hours after polls open, or leave work up to 2 hours before they close, whichever requires less absence;
2. Under exceptional circumstances where the usual amount of excused absence would not give the employee enough time to vote, the employee may be excused for more time, but not more than one day;
3. If the employee votes outside the commuting area in which they work and absentee balloting is not permitted, he/she may be allowed enough time to make the trip, but any time off in excess of one day must be charged to annual leave;
4. The employee will be given time to register on the same basis as time to vote, unless they could register on a non-workday and make the round trip to do so within a reasonable day's journey.

BLOOD DONATIONS

The amount of time required traveling to and from a blood center and to donate blood would be excused if blood donations cannot be made during non-work hours. Additional excused time may be granted on the same day for recovery and rest if necessary. The employee must sign over to HEI any payment received for his/her donation during excused administrative leave.

OTHER BENEFITS

The following are some additional family-friendly benefits that HEI offer its employees and families:

- A fair wage for office and clerical workers that reflect the actual cost of living and the job being performed.
- HEI policy is that of equal pay for equal work.
- Flexible working hours: the ability to adjust work schedules to accommodate school or child-care schedules.
- Time off for family emergencies.
- Health insurance for all the family.
- A work-at-home program for employees performing specific tasks adaptable to work from the job site.

JURY DUTY LEAVE OF ABSENCE

Philosophy

HEI encourages employees, whenever practicable, to accept and discharge their civic responsibility as jurors.

Scope

This policy applies to all HEI employees.

Related Policies

Definitions

Normal Compensation: That amount of pay which an employee would normally receive if he/she worked the regularly scheduled work hours. This includes any lead premiums and shift differentials.

Regularly Scheduled Workdays and Hours: Those days and hours of the days, which an employee normally works or is scheduled to work.

Policy

If an employee is called to jury duty and must be absent from work, he/she will be granted the necessary time off to complete his/her obligations as a juror. If jury duty lasts only part of the day on regularly scheduled workdays, the employee is expected to report to work for the remainder of the day where reasonable.

If an employee receives a notice to report for jury duty, the employee should notify his/her supervisor immediately so that coverage for the position can be arranged whenever possible. Request to postpone jury service should not be made unless the loss of services of the employee would seriously hamper company operations.

Compensation: An employee on jury duty will be paid his or her normal compensation at HEI up to 45 calendar days,

Benefits Status:

1. Vacation will accrue during the period of jury duty leave paid by the company.
2. Company holidays will be paid during the paid portion of the leave.

3. Health and welfare benefits (for example, medical, dental, vision, short-term disability, long-term disability, employee group life, accidental death and dismemberment and supplemental life insurance), that had been previously elected by the employee, will continue during an approved leave of absence for the first 45 days. Should there be a period when the employee is not receiving any payments from the company (after 45 days), the employee must continue to pay regular employee contributions following the normal payroll schedule (if the total premium per pay period is less than \$10, payment is waived). Alternatively, the employee can prepay the entire amount of all contributions by having the amount deducted from the last paycheck.
4. In order to maintain enrollment in the health care spending account during the leave the employee must make payments into the account to Haulsey Engineering, Inc. Failure to do so means the employee is terminating participation in the account and he/she will have available only the amount contributed into the account to date. The employee will not be permitted to re-enroll until the next open enrollment period even if the employee has another valid change in family status.
5. If the leave of absence(s) totals 90 days or more, the next performance merit increase will be prorated based on actual days worked within the review period.

Procedures/Responsibilities

Employees: Employees are responsible for notifying his/her supervisor immediately upon receiving a notice to report for jury duty. Employees should submit the notification card they receive to his/her supervisor. If the Company (HEI) asks that an employee postpone jury duty because of probable serious business impact, the employee must submit any request for jury duty postponement to the court from which the notice was sent.

Supervisor: The supervisor is responsible for arranging for coverage for the position whenever possible. However, if your presence is considered essential at work, the supervisor reserves the right to request that the court excuse the employee for jury duty.

MILITARY LEAVE OF ABSENCE

Philosophy

HEI recognizes the responsibility of its employees who are reserve military personnel to satisfy their obligations of military training and readiness.

Scope

This policy applies to all HEI employees.

Related Policies

Paid Time Off (PTO) Guidelines

Definitions

Group Health Coverage: Health coverage is provided for HEI employees at rates discounted for groups of employees.

Normal Compensation: That amount of pay which an employee would normally receive if he/she worked the regularly scheduled work hours. This includes any lead premiums and shift differentials.

Policy

If an employee receives orders to report for military duty, the company (HEI) will grant the necessary time off. To request military leave, employees must inform his/her supervisor immediately upon being notified of military duty requirements. Any formal notice of required military duty should be submitted to the HEI's Human Resources Manager after the supervisor is informed.

Following a military leave of up to five years, an employee is eligible for re-employment if such re-employment does not impose an undue hardship on the Company. One week prior to the employee's scheduled return to work date from a military leave of absence the employee must notify his/her supervisor and the HEI's Human Resources Manager of the expected start date. At the end of the scheduled leave, if the employee is absent from work for three consecutive days without notice HEI will assume that the employee has voluntarily resigned their position and employment will be terminated.

Compensation: Regular full-time employees are eligible for salary continuation, less base military pay, for up to 10 workdays per calendar year for required military service. If, due to military emergency, an employee is called to active military service for a period exceeding 10 work days in any one calendar year, up to an additional 10 days may be authorized by HEI management for a total of 20 work days. An employee may apply for unpaid time off or a leave of absence without pay for service in excess of 20 workdays.

An alternative to a military leave of absence is to use PTO during the absence and retain the full military pay as well. This alternative would not be considered a military leave of absence.

Benefits Status:

1. PTO accrues during the portion of the leave paid by HEI. PTO does not accrue during any unpaid portion of leave. Upon return from military leave the PTO accrual rate will be determined by the sum of the employee's length of employment with HEI and the length of the military leave.
2. Company holidays will be paid during the paid portion of the leave.
3. If the military leave is less than 61 calendar days duration, the employee may continue their group health coverage by paying the employee contribution. During the unpaid portion of the leave, if the total premium per pay period is less than \$10, payment is waived. If the military leave is 61 calendar days duration or longer, an employee may continue group health coverage by paying the rates quoted under the Consolidated Omnibus Budget Reconciliation Act (COBRA) for up to 18 months of coverage. The corporate office department will bill the employee for the applicable cost of health benefit continuation.
4. Other welfare benefits such as short-term disability, long-term disability, accidental death and dismemberment, group life and supplemental life insurance, will continue during the military leave if the employee continues to pay regular employee contributions following the normal payroll schedule. As noted in paragraph #3 above, if the total premium per pay period is less than \$10 payment is waived. Alternatively, the employee can prepay the entire amount of all contributions for the duration of the leave by having the amount deducted from the last paycheck received prior to the start of the leave.
5. Limitations and exclusions apply to short-term and long-term disability coverage and accidental death and dismemberment insurance while the employee is on military leave. For example, if a disability is the result directly or indirectly of any act or hazard from a declared or undeclared war, disability benefits are not payable.
6. If enrolled in the employee benefit program the employee must make payments into the account to HEI after the first 60 days of the leave. Failure to do so means the employee is terminating participation in the account and will have available only the amount contributed into the account to date. The employee will not be permitted to re-enroll until the next open enrollment period even if the employee has another valid change in family status.

Procedures/Responsibilities

Employees: The employee is responsible for notifying his/her supervisor immediately upon receiving a notice to report for military duty. The employee must submit the formal notice

they receive to HEI. All check stubs received for military duty should be submitted to the payroll department for employee reimbursement as outlined above.

The employee is also responsible for notifying his/her supervisor one week prior to the end of the military leave.

Supervisor: The supervisor is responsible for processing the applicable status change form for the leave.

Human Resources: HR manager (Haulsey Engineering, Inc.) is responsible for local administration of the policy.

The corporate benefits manager has overall responsibility for policy development and plan administration.

Payroll: The payroll department is responsible for paying the employee the difference between the military pay and the normal compensation received from HEI.

COMPANY PROCEDURES

WORK HOURS

The HEI regular full-time exempt employee's workweek is a minimum of 40 hours excluding lunchtime. HEI regular full-time non-exempt employees are regularly scheduled to work 40 hours per week. CNAP site core hours for full-time employees are from 8:00 a.m. to 4:30 p.m. The site supervisor must approve any deviation from these core hours. HEI employees are expected to take one half hour for lunch away from their workstations. Working through lunch does not shorten the regular eight (8) hour workday.

OVERTIME

Non-exempt employees

Overtime work is required occasionally because of fluctuation in workload. Non-exempt employees are compensated for overtime hours at the rate of one and one half times regular hourly pay. Non exempt employees are eligible for overtime pay for actual hours worked in one week (excluding sick, vacation, holidays or any other paid time off) in excess of 40 hours.

EMPLOYEE NUMBER

Upon employment with the company, employees are assigned an employee number. This number is used for processing internal paperwork such as times sheets and payroll forms.

TIME CHARGING

Overview

Inaccuracies in time-charging records could subject the company or its personnel to criticism and, under certain circumstances, could be deemed a violation of federal law. The employee's signature on a timecard affirms that the record reflects an accurate distribution of time charges in accordance with company policy.

All employees are responsible for maintaining a daily record of time spent by task and for preparing a timecard for each time reporting period. This timecard must be certified correct by the employee and approved by the employee's immediate supervisor. Only the time actually spent on a given task may be charged to that task. Time spent on one task must never be charged to another task.

As an HEI employee, you are asked to complete a weekly timecard. Because this is an extremely important activity to HEI, it will be described in some detail.

Your HEI timecard is the basis for billing direct and indirect costs to our clients. We must all pay close attention to the accuracy of our time cards because errors on timecards cause errors in billing. And in the case of government contracts, errors in billing can be constructed as a false claim, which is a federal crime.

The Defense Contract Audit Agency (DCAA) audits our time charging procedures by reviewing timecards and performing unannounced employee interviews.

COMPLETING YOUR TIME SHEET

All employees are required to submit a properly prepared and approved time sheet.

- Every job has been assigned an approved charge number. Before beginning any work, obtain the proper account number or acronym to be charged from your supervisor.
- Do not record the hours to be worked on a project in advance.
- You should personally record your time on the time sheet on a daily basis using ***black ink***.

If you make a mistake, cross it out and initial it. Do not use "white-out" or erase. Your supervisor must initial all changes. You should provide an appropriate explanation and/or sufficient substantiation for any corrections in the comment block on your time sheet.

- If a correction involves a substantial number of entry changes, you should attach a signed and approved corrected time sheet and submit both the original and corrected versions with a notation on the corrected copy explaining the reason(s) for the changes.
- Record your overtime hours on a separate paid overtime time sheet. Your supervisor must sign it.

NOTE: Overtime hours must be approved in advanced by your supervisor.

- Before turning in your time sheet at the end of the week, summarize the hours charged to each account. Add the total for a grand total.
- You and your supervisor in black ink must sign completed time sheets.
- Submit your time sheet to your supervisor ***no later than noon of the last working day of the week***.

TIME KEEPING POLICY

Your supervisor should approve and cosign all timecards.

Supervisors are prohibited from completing an employee's timecard unless the employee is absent for a prolonged period of time on some form of authorized absence. If the employee is on travel status, the supervisor for the employee may prepare a time sheet but the employee should turn in his or her time sheet upon return and attach it to the one prepared by the supervisor.

The nature of the work determines the proper distribution of time, not availability of funding, type contract, or other factors.

The accuracy and thorough preparation of timecards is a part of each HEI employee's job. Careless or improper preparation may lead to disciplinary action under company policies as well as applicable Federal statutes.

a. The manipulation of charges to a contract may be subject to criminal charges under 18 United States Code (U.S.C.) 1001, which reads as follows:

“WHOEVER, IN ANY MATTER WITHIN THE JURISDICTION OF ANY DEPARTMENT OR AGENCY OF THE UNITED STATES KNOWINGLY AND WILLFULLY FALSIFIES, CONCEALS OR COVERS UP BY ANY TRICK, SCHEME, OR DEVICE A MATERIAL FACT OR MAKES ANY FALSE, FICTITIOUS OR FRAUDULENT STATEMENT OR REPRESENTATIONS, OR MAKES OR USES ANY FALSE WRITING OR DOCUMENT KNOWING THE SAME TO CONTAIN ANY FALSE, FICTITIOUS OR FRAUDULENT STATEMENT OR ENTRY SHALL BE FINED NOT MORE THAN \$10,000 OR IMPRISONED NOT MORE THAN FIVE YEARS, OR BOTH.”

b. The following personnel can be liable for violation depending upon the facts surrounding their participation.

(1) Employees who fill-in and sign the timecards with false information.

(2) Supervisors who approve the timecards having knowledge that they contain the false information.

(3) Managers and officers who know those facts and make the claim anyway by submitting the invoices based upon the false timecards.

(4) The company, in a case where the falsification is known by individuals who submit or who have authority to submit or disapprove the submission of invoices, or who are of a sufficiently high enough level in the company that the court will impute their knowledge to the corporation.

c. There does not have to be a direct contractual relationship between the government and the employee who submitted the false timecard for the employee to be liable.

All HEI employees must be aware that the DCAA auditors periodically perform physical observations of work areas and inquiries of employees to determine (1) whether employees are actually at work, (2) whether they are performing in their assigned job classification, and (3) whether the time is charged to the appropriate job or indirect account.

AT-WILL EMPLOYER

Philosophy

HEI is an at-will employer. This means that employment at HEI may be terminated at will, at any time, by either the employee or the Company with or without notice, or with or without cause.

Scope

This policy applies to all HEI employees except those governed by collective bargaining agreement.

Definitions

At-will Employment. This term means that HEI is not bound to any agreement, express or imply, between employees and the Company for any definite period of time. It allows employees to resign and the Company to terminate employees at any time, with or without cause or notice.

Policy

- HEI may terminate employment at any time:

HEI is under no obligation to retain any employee, especially one whose continued employment may be detriment to the productivity and/or profitability of the Company or its customers. Although the Company has developed processes to periodically review employees and keep them apprised of any steps they must take to improve their performance; an employee may be terminated at any time for any reason or for no reason at all.

- Employees may quit for any reason or no reason:

Employees are not contractually bound to their positions at HEI and may therefore quit at any time. Although it is customary to give two weeks notice when resigning from a position, employees are not obligated to do so.

- Supervisors may not enter into or imply employment contracts:

Supervisors do not have the discretion to create expressly or imply, whether orally or in writing, a contract of employment between the Company and an individual. Any exceptions to this policy must be authorized in writing by the President and Chief Executive Officer.

Procedure/Responsibilities

Supervisors: Supervisors are prohibited from implying or issuing a contract of employment between the Company and an employee or group of employees. When a supervisor must terminate an individual's employment, he or she should first contact Human Resources (Haulsey Engineering, Inc.) to ensure that appropriate termination procedures are followed.

Human Resources: Human Resources (Haulsey Engineering, Inc.) is the department responsible for dealing with issues or questions related to the At-will Employer Policy. Human Resources (Haulsey Engineering, Inc.) should also be involved in the process when an employee resigns or is terminated.

EMPLOYEE PAY POLICIES AND PRACTICES

Philosophy

HEI is committed to a philosophy of Total Pay (the sum of cash, stock and benefits) so that Total Pay will be competitive within relevant markets when HEI's performance is according to plan. It will typically lag the market when performance is below plan and may significantly exceed competitive levels when performance is above plan. Superior levels of individual rewards may be provided when individual contribution is exceptional and/or when specific competencies are demonstrated that result in competitive advantage.

HEI believes in shared responsibility (with its employees) for HEI's success for employee growth and development. For its part, the Company is committed to establishing and maintaining employee pay practices which both support the execution of its business strategy worldwide, as well as recognize and reward employees for their contribution to HEI's success.

Purpose

The Company's compensation program and pay practices are designed to:

1. Link compensation with both individual and Company performance;
2. Enable the Company to attract and hire highly qualified employees;
3. Enable the Company to retain and motivate top performers in competitive labor markets;
4. Ensure consistent and equitable treatment of employees with respect to compensation;
5. Comply with the laws and regulations governing the labor markets in which HEI operates.

Scope

All employees of HEI.

Related Policies

- Performance Management
- Military Leave
- Paid Time Off
- Jury Duty

Definitions

Base Salary/Rate: The regular rate of pay, excluding any differential, premium, bonus, or overtime. This can be expressed in terms of hourly, bi-weekly, or annual rates.

Differential/Premium: A percentage of the base rate of pay given to an employee for working shifts other than the standard first shift and/or acting as a lead person.

Lead Person: Generally, a lead is assigned the responsibility of assisting supervisors with coordinating the work of 5 or more employees, providing training and orientation to new employees, monitoring the quality and/or quantity of their work effort while performing their own assigned work. Although normally an on-going assignment, lead status may be short-term or long-term at the discretion of the business unit.

Policies and Practices

Base Salary Program

Each position in the Company is assigned a salary grade. The grade assigned a position is based on the relative value of the position in relation to HEI's external market as well as other internal positions. Each salary grade has a salary range which indicates the minimum and maximum pay for positions in that grade.

The midpoint of the salary range for each position establishes the rate, which a fully qualified employee is ordinarily able to achieve. A fully qualified employee is one who determines sustained performance and meets all of the requirements of the position. Midpoints are determined through external salary surveys that are conducted throughout the year.

Salary reviews are conducted annually in conjunction with performance appraisals on assigned focal review dates.

Salary increases:

HEI establishes an annual salary increase budget at the start of each fiscal year. Budgets are based on HEI financial affordability. Business units and departments are responsible for working within the framework of this annual budget.

Individual salary increases are based on:

- Individual performance
- Internal pay relativity
- External market pay position

Downgrades/Demotions:

Movement from a higher to lower-graded position can be due to voluntary reassignment at the employee's request, inability to perform at an acceptable level in the higher graded position, job elimination, workforce reductions, or position reclassification.

Employees who are placed in a position, which is in a lower salary grade, are subject to a review of their individual pay rate to assure internal equity. Downward pay adjustments may be made to ensure that the employee's wage/salary is equitable with similarly qualified employees and to maintain internal equity.

The employee's supervisor and Human Resources Manager (Haulsey Engineering, Inc.) will be responsible for establishing the appropriate new salary for the downgraded employee. When a downward pay adjustment is necessary, HR (Haulsey Engineering, Inc.) and the supervisor will determine whether to decrease the base salary in one step or incrementally.

The subsequent timing and amount of any future salary increases will then be determined by performance in the new job and the current Company guidelines.

Pay Regulations and Schedules

Nonexempt employees are required to fill out a time card indicating regular hours, overtime hours, paid time off (PTO), holiday hours, and time off without pay. Time off without pay will only be granted with the approval of your supervisor and Human Resources (Haulsey Engineering, Inc.) after you have used all accrued PTO. Your time card must be approved by your supervisor or manager and submitted to Payroll every 2 weeks, depending on your department's requirements. When overtime is required, it must be authorized in advance by your supervisor and reported appropriately on your time card.

Exempt employees are required to fill out PTO forms after time is taken and for time off without pay in excess of 8 hours per day. PTO forms should be submitted to payroll in the same pay period as the time off is taken. However, exempt employees who turn in time cards due to job costing requirements should report PTO on their time cards instead of on a PTO form.

Paychecks are distributed every other Friday for the 2-week pay period ending on the previous Sunday. Many banks offer the option of automatically depositing your paycheck into your bank account. Employees should contact Human Resources (Haulsey Engineering, Inc.) for more information and the required authorization form.

Deductions from your paycheck include those required by law and those that are voluntarily authorized by you. Your choice of voluntary deduction might include health coverage contributions, loan payments, and Voluntary Investment Plus Plan contributions. Some or all of the deductions listed below may be withheld from your paycheck, as required by law:

- FIT (Federal Income Tax) mandated by the federal government. The amount withheld is based on your wages and the number of exemptions you are claiming on your W-4 form.
- FICA/MHI (Social Security and Medical Health Insurance) provides disability, old age and survivor benefits. The deduction is based on total wages earned.
- SIT (State Income Tax), a mandatory deduction in some states, based on your wages and the number of exemptions claimed on your W-4 form or state form.
- SDI (State Disability Insurance) based on a percentage of wages set by the individual states in which it is applicable.

Overtime

- Employees must actually work the required straight-time hours before becoming eligible for overtime pay. Time missed from work during the week due to tardiness, early departure, or use of PTO will not be counted as actual hours worked toward the 8, 9 or 40 hours. Certain paid absences such as holidays and jury duty will be considered as actual hours worked for the purposes of computing overtime.
- Double time, or two times the regular hourly rate, will be paid for all hours worked on the seventh day, if the sixth day was also worked. The seventh day is counted from the first scheduled workday of the individual's workweek.
- Double time and a half (two and one-half times the regular hourly rate) will be paid for all hours worked on a company-paid holiday.
- Some states require overtime to be paid under a more "restrictive" definition than that described above. Where state law requires overtime a unique definition, HEI will abide by their requirements.
- Attendance at lectures, meeting, training and educational classes, when required by the Company, are considered hours worked for calculation of overtime.

Compensatory Time Off

HEI does not provide compensatory time in lieu of pay for overtime worked by nonexempt employees.

Rest and Meal Periods

Nonexempt employees will be provided with rest and meal breaks in accordance to state law and site practices. Rest periods are included in total paid work hours. Meal periods are not included in total paid work hours.

Double time will be paid on the 7th day if the 6th day was also worked or per the applicable non-standard workweek policy.

Travel outside of normal work hours is considered hours worked for overtime determination. However, it will be paid only from "portal to portal", that is from the employee's point of departure (e.g. home, office, hotel, etc.) until arrival at the destination (home or hotel). Non-work time spent at the travel destination is not paid time (e.g. sleep time, meal periods, personal time). All nonexempt employees required to travel on business should keep track of travel time and record it on their time cards with a notation distinguishing travel time from regular hours worked.

Shift Differentials/Premium for Nonexempt Employees

In locations which require more than one shift, a premium is provided to nonexempt and exempt employees for working schedules other than the first shift (normally 8:00 a.m. to 5:00 p.m., but many times may vary depending on location). The shift differentials for HEI are listed below. When necessary, the standard differential may be modified at the site level to better reflect local pay practices.

Second Shift (Swing):

The differential is 10% of the employee's base rate.

Third Shift (Night):

The differential is 15% of the employee's base rate.

The differential is included in computing employee benefits flex credits and will be adjusted for overtime hours. Shift differential is paid for PTO, military pay, disability pay and jury duty pay.

In instances where a Lead person is working on a shift other than the first shift, the shift premium is computed on top of the base rate plus Lead premium.

All shift differentials will be recorded on the employee's paycheck as a different line item separate from the employee's base rate.

The shift differential will be removed or changed to reflect the employee's true work schedule. Shift differential is not included for purposes of calculating Profit Sharing.

Lead Premium for Nonexempt Employees:

The Company at the rate of 10% of the base rate will provide a premium when an employee is assigned "Lead" person status. When necessary, the standard differential may be modified at a site level to better reflect local pay practices. A "Lead" person premium is included in the calculation of overtime payments. Lead differential is included for purposes of calculating Profit Sharing. Lead differential is paid for PTO, military pay, disability pay and jury duty pay.

All lead premiums will be recorded as a different line item separate from the employee's base rate and separate from any shift differential. Lead premium will be removed when the employee is no longer in this capacity. Lead premium will not apply if the job family included a lead position as a separate job.

Stand-By/On-Call Pay for Nonexempt Employees:

The Company recognizes that business circumstances may require some employees to be on stand-by (on-call) in case they are needed. The determination of the need and the number of hours to be paid will be made by the applicable supervisor and Human Resources Manager, and communicated to affected employees. In instances where the employee's movement is not

restricted (e.g. carrying a beeper), Stand-by hours, whether paid or not, are not considered hours worked for the purpose of determining whether overtime must be paid in that workweek. In instances where the employee's movement is restricted, the compensation for those hours must be included in the calculation of the FLSA "regular rate of pay" used to reimburse any overtime hours for that week. Payroll is responsible for that calculation.

Call-In Pay for Nonexempt Employees:

On occasion, nonexempt employees may be called in or back to work after the normal workday. When this occurs, the Company will compensate the employee with a minimum of four hours of pay at their regular rate or the actual time worked whichever is greater. Call-in pay is considered time worked for determination of weekly overtime. Employees must identify on the time card those hours, which are to be paid as call-in pay.

When more than one "call-in" in a single workday occurs, it will be reimbursed at a minimum of 2 hours each or actual time, whichever is greater.

Emergency Shutdown Pay

When it is necessary to temporarily close a facility due to emergency conditions (e.g. weather) employees will be notified as promptly as possible. In locations with few employees, direct telephone notification to the affected employees may be appropriate. Locations with larger facilities may utilize the radio or other mass media. This process will be determined on a location by location basis by the appropriate business unit management.

When there is an emergency shutdown of a facility, exempt and nonexempt employees will receive their regular pay (base, shift, and lead) for that day(s).

Holiday Shutdown Pay

When a holiday shutdown occurs (e.g. the day before Thanksgiving or the days between Christmas and New Years) PTO must be taken for all days not deemed a company holiday. Employees may not take these day(s) as unpaid time off if a PTO balance exists, Holiday pay will be paid even if an unpaid day is taken before or after the holiday

Cash Advances

HEI does not grant cash advances against future wages. In an emergency, a pay advance may be authorized for hours that have already been worked but not yet paid. Each request for a pay advance will be carefully reviewed and will require the approval of the employee's supervisor and Human Resources (Haulsey Engineering, Inc.).

Responsibilities

Employee: Employees share responsibility with the Company for HEI's success, as well as for their own career growth and development. Accordingly, employees are responsible for making sound decisions that are appropriate to their personal situations. Employees are responsible for accurately recording their time, according to the above guidelines, and for submitting time cards by scheduled deadlines.

Supervisor: Supervisors are responsible for consistently and fairly applying and communicating the above policies, practices and guidelines to all their employees. Supervisors are responsible for scheduling rest and meal periods in compliance with the law.

Payroll: The payroll department is responsible for accurately calculating compensation due employees for each period, according to the above applicable policies, practices and guidelines.

Human Resources: (Haulsey Engineering, Inc.) The Director of Compensation and Benefits is responsible for developing salary increase guidelines. The Director is responsible for developing any recommendations for changing any of the other above mentioned guidelines, policies or practices. The Human Resources Manager (Haulsey Engineering, Inc.) must coordinate with applicable managers to approve all recommended salary adjustments. The Human Resources Manager (Haulsey Engineering, Inc.), in conjunction with the applicable supervisor, must establish a new rate of pay and the effective date for any employee who is downgraded.

PAY PROCEDURES

Full-time exempt, non-exempt and temporary employees are paid bi-weekly every other Friday. If a regularly scheduled payday falls on a company-observed holiday, payday will be on the preceding workday.

TRAVEL AND PER DIEM EXPENSES

Summary of Joint Travel Regulation

“Travel expenses incurred in the performance of the contract will be reimbursed on the basis of actual costs when the facilities of a common carrier are used or the basis of reasonable actual costs when performed by a privately owned vehicle not to exceed prevailing Joint Travel Regulation mileage rates.

Reimbursement for travel by commercial air transport in connection with the performance of work hereunder will be reimbursed on the basis of cost, provided such reimbursement does not exceed the costs of jet coach, if such accommodations are available from established air carriers to destination and there is a necessity for arrival there at a prescribed time schedule and all other factors considered.”

All such travel must be approved in advanced by the Ordering Officer in writing.

TRAVEL EXPENSE REPORTING

HEI reimburses employees for actual and reasonable travel expenses incurred while conducting company business.

When planning a business trip:

- If expenses are chargeable to the U.S. government, make sure you do not exceed the per diem expense limits imposed by the government. Per diem (food and lodging) is based on location. Verify your authorized per diem rate **before** departing on your trip.
- Book your travel tickets through HEI’s corporate office to ensure the best possible rates.
- Car rental should be reserved through HEI’s corporate office.
- When making lodging reservation, ask for the U.S. government rate.

Reimbursement for expenses will be made based on a completed and approved expense report. Expense reports should be submitted no later than five business days after you have completed your trip. All travel reimbursements will be paid on the following pay day within the current pay period.

The following procedure should be followed when submitting travel expense reports:

- If you use your own car for company business, check with your supervisor to ascertain the current amount reimbursed for mileage.
- Attach original copies of receipts for all costs paid in advance by the company (e.g. airline ticket or car rentals) and enter these costs in the travel report.

- If you choose not to use the per diem and wish to be reimbursed for actual expenses, you must submit the original receipts for all expenses over \$25. In all cases, however, receipts for lodging expenses must be included.
- Indicate any travel advances received for the trip on the appropriate line of the voucher.
- If any unused advanced monies remain after travel completion, return the funds to the company by enclosing a personal check payable to “Haulsey Engineering, Inc.”. Unused airline tickets should also be returned with your travel voucher so that the company can receive a timely reimbursement.

PERSONNEL RECORDS

Haulsey Engineering, Inc. maintains a personnel file of important events during your employment with the company. Annual performance reviews, change of status records, commendations, disciplinary warnings, benefit information and education-attainment records are examples of records maintained. If you would like to inspect your personnel file, contact HEI. No information in your personnel file will be disclosed to outside agencies or sources without your direct authorization.

Reporting Change of Status

The company needs to maintain a current record of your address, telephone number, marital status and other vital information. Such information is used in case you must be located because of an emergency or sent information records such as W-2 tax forms. If you change your home address or telephone, please notify Haulsey Engineering, Inc.

TERMINATION OF EMPLOYMENT

Purpose

To outline the requirements associated with the voluntary and involuntary termination of an employee's employment with Haulsey Engineering, Inc. (HEI).

Scope

This policy applies to all HEI employees.

Definitions

Voluntary Termination/Resignation: Initiated by the employee through resignation, unexcused absence of three days or more, failure to return to work from an approved Leave of Absence or failure to accept an alternative job of comparable level within a fifty mile radius of the current job location when the present position is no longer available.

Involuntary Termination: Initiated by the Company at any time, with or without cause and with or without notice, in accordance with the labor law provisions.

Policy

- **Employees who wish to resign from their positions should do so in writing**

An employee who resigns his or her employment is expected to notify the company in writing. The employee should give this written notice to his or her supervisor who will forward it to the Human Resources Department (Haulsey Engineering, Inc.).

- **Involuntary terminations require the advance authorization of Human Resources and the Corporate Legal Department prior to the manager's discussion of involuntary termination with the affected employee**

Involuntary terminations are handled on a case-by-case basis by the affected employee's supervisor, Human Resources (Haulsey Engineering, Inc.) and the Corporate Legal Department. Supervisors are required to contact their Human Resources Representative, (Haulsey Engineering, Inc.), or Director for guidance prior to discussing the possibility of involuntary termination with a subordinate employee. In situations where a supervisor determines that the employee's conduct or safety or other business considerations warrant an employee's immediate removal from the premises, the supervisor may suspend the employee prior to contacting Human Resources (Haulsey Engineering, Inc.). The supervisor, in turn is responsible for securing removal from the premises. Human Resources (Haulsey Engineering, Inc.), in turn is responsible for securing appropriate guidance from the Corporate Legal Department.

All involuntary terminations must have the approval of a Human Resources Director (Haulsey Engineering, Inc.), the functional or business unit Vice President and an attorney from the Corporate Legal Department.

- **The termination date is generally the same as the last day worked**

The termination date is normally the last day on which the employee reports to work. The Company does not permit employees to use accrued PTO to extend their employment with the Company beyond the last day worked.

- **Human Resources (Haulsey Engineering, Inc.) coordinates the employee's termination**

Human Resources (Haulsey Engineering, Inc.) notifies Payroll, Accounting, Travel, IS, Security and other parties, as appropriate, of the pending termination of employment. Human Resources (Haulsey Engineering, Inc.) prepares the final Personnel Information Change form (PIC) or Personnel Action notice form (PAN); provides a copy to Payroll; and updates the employees databases.

Human Resources (Haulsey Engineering, Inc.), coordinated through an HEI supervisor, should, where practicable, schedule an exit meeting with the employee on or near his or her last day of work. At the exit meeting, the employee will be provided with termination paperwork, including copies of agreements in effect on the termination date and benefits information. The employee should also be given a final paycheck for wages earned as well as any earned but unused PTO (PTO cash out). The employee will be required to return his or her security badge, travel advances and Policies and Procedures Manual. At the exit meeting, the employee will also have an opportunity to discuss any feedback or observations regarding his or her employment with HEI.

- **The employee's supervisor arranges for the return of Company equipment, materials, documents, and proprietary information**

Where possible, the employee's supervisor is responsible for working with the employee before the employee's last day to make necessary work reassignments and to review files and other materials. The manager will arrange for the return of all company keys, equipment or tools, product samples or demonstration equipment, books, manuals, notebooks, documentation's, reference materials, proprietary information and other materials before the end of the employee's last day of work.

Benefits terminate at the end of the month. Benefits are paid one-month in advance. The terminating employee will receive a written summary of the status of all employee benefit elections on or before the termination date. The Company is required to offer terminating employees the option of continuing their medical, dental, vision; coverages under the federal continuation of coverage regulations, otherwise known as COBRA. Human Resources (Haulsey Engineering, Inc.) will also provide the terminating employee with information on how to continue or convert other benefit coverage, when such provisions are allowed under the government plan documents or as required by law.

Pay for earned, unused Paid Time Off (PTO) will be provided to the employee on the final paycheck.

Laws concerning employee benefit termination, continuation and conversion vary from one country to another. The Company, its foreign subsidiaries and its affiliates comply with all regulations in effect in the country where the employee works.

Responsibilities

Supervisors: Supervisors must notify Human Resources immediately upon receiving notification from an employee of his/her voluntary resignation. Supervisors are responsible for retrieving Company property from employees prior to their termination date. Supervisors must receive authorization from Human Resources (Haulsey Engineering, Inc.) and Corporate Legal Department prior to discussing an involuntary termination with an employee.

Human Resources (Haulsey Engineering, Inc.): Human Resources (Haulsey Engineering, Inc.) notifies others in the Company with a "need to know" regarding pending terminations; this includes notifying Human Resources departments at other locations, which could be adversely impacted by employees who have access, physical or electronic to multiple work locations.

Human Resources (Haulsey Engineering, Inc.), coordinated through an HEI supervisor, conducts an exit meeting with the terminating employee, reviewing termination documents and final pay. Human Resources (Haulsey Engineering, Inc.) consults with the Corporate Legal Department prior to any involuntary terminations.

Legal: Provides legal counsel to Human Resources and/or the employee's supervisor prior to authorizing any involuntary terminations.

Employee: Employees are required to notify their supervisor in writing of their voluntary resignation. Employees are obligated to return all Company property, materials, documentation, and proprietary materials prior to their termination date. Employee obligations under any proprietary information, trade secret, confidentiality, or arbitration agreements continue in full force after their termination date from the Company.

STANDARD OF CONDUCT

CODE OF ETHICS

HEI is committed to conducting business affairs with honesty, integrity and in full compliance with the laws and regulations of applicable governmental bodies. Company management makes this commitment which includes, but is not necessarily limited to, relationships with auditors, competitors, customers, agents, employees, governmental authorities, the public, shareholders and vendors. No employee or director in the company's employ shall knowingly conduct business for the company which is not in full spirit of honest and lawful behavior or cause another individual to act otherwise.

EQUAL OPPORTUNITY

HEI is committed to providing equal employment for all applicants and employees. As such, HEI does not discriminate in any manner on the basis of gender, color, race, age, national origin, physical or mental disability, religion, marital status, veteran status, sexual orientation, medical condition or any other status protected by law. All human resource actions including recruiting, hiring, promotions, compensation, benefits, transfers, layoffs, training and terminations are based on the individual's job-related qualifications and/or performance without regard to any protected status. HEI also makes reasonable accommodations for disabled employees.

HEI is committed to assisting employees by providing a stress-free work environment that is devoid of discrimination in any form. HEI maintains a strict policy prohibiting harassment in any form, including verbal, physical, and visual. If you believe a co-worker or workplace supervisor has harassed you, you must immediately report the specific facts and name(s) of the individual(s) involved to your workplace supervisor and/or your Human Resource Service Representative.

NOTE: See Appendix A Haulsey Engineering, Inc.'s Non-Harassment Policy.

AT-Will EMPLOYMENT

Employment with HEI is at-will, meaning that either the company or the employee may terminate employment at any time for any reason.

PROPRIETARY DATA

Responsible discretion by employees is necessary to prevent improper disclosure of company information. All business and financial plans, financial results, internal management reports, prospective contracts, business ventures and acquisitions or any other confidential information which an employee may have access to during the course of employment will not be divulged to anyone without HEI senior management's consent.

Employees must never disclose information concerning scientific and technical developments, new areas for research or ideas for products or services being developed by

HEI.NON-COMPETITION

HEI requires all employees to sign a non-competition agreement upon employment. It verifies your agreement not to serve any direct competitor of HEI in any capacity during the term of employment.

EMPLOYEE CONDUCT

HEI is a professional firm and as such expects all employees to conduct business in a responsible and dignified manner. Employees are expected to be honest, cooperative, flexible and to practice good citizenship with their fellow employees, the company management and customers.

CONFLICT RESOLUTION

Whenever people work together dissatisfactions and misunderstandings will occur. When this happens it is important that the conflict be resolved quickly and fairly. If you become involved in a conflict beyond your immediate resolution you should discuss the matter with your supervisor and on through ascending levels of management until a resolution is reached. If the problem is not resolved at the supervisory level, you should seek a recommendation from HEI corporate management.

OUTSIDE COMMUNICATIONS AND MEDIA RELATIONS

Information about the company, which is to be disseminated to the external community, is to be coordinated through the corporate office.

No employee, supervisor or officer is authorized to disclose, discuss or speculate about any company matter when asked by a representative of the press or any other outside entity unless such information has been made public through marketing literature, brochures, news release, annual reports, stockholder reports or other similar public domain documents. All inquiries regarding the business affairs of HEI should be directed to the President.

CONFLICTS OF INTEREST

Employees of the company must refrain from any private business or professional activity or from having any direct or indirect financial interest that would place them in a position where there is a conflict between their private interests and their legal or normal responsibilities to this corporation.

In their transactions with others, all employees are expected to act in the best interest of the corporation and not for their own private advantage. They are not to engage in any private business or professional activity or enter into any financial transactions that involves the direct use of inside information (information that is not available to the public), nor are they to use their position in the corporation in any way to induce or coerce anyone to provide any financial benefit to themselves or anyone else.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

HEI believes in fair and open competition. Under no circumstances should arrangements affecting pricing or marketing policies be entered into without competitors.

In any dealing with the customer, supplier, or other person or entity, no employee of this company shall accept or give anything of significant value to another person for the purpose of which is or could be interpreted as attempting to influence bonafide business decisions.

In the case of employees of the U.S. government and certain state or foreign governments, the offer, delivery or promise of a gift for the purpose of influencing official acts or a reward for performing such acts is a criminal offense. These statutes may apply to persons presently in office or selected for office and, in some situations, those retired from office. Under the "Gratuities" clause in U. S. government contracts and also under criminal statutes the offer of gifts or favors to gain favorable treatment in the award or performance of a contract will result in termination of the contract.

RELATIONS WITH GOVERNMENT EMPLOYEES

Even if acceptance of gift or favor does not violate any criminal statute or company policy, it may violate the contracting agency's own regulations or standards of conduct. For example, the discussion of future employment could be construed as a gratuity that is providing the government employee "with a financial interest in our company" unless he or she has previously removed him or herself from any involvement with the government. Because of this concern, all government employees with whom we plan to discuss employment, as well as members of their families, must provide a written statement affirming that they have or will disassociate themselves from the government before discussing employment matters involving HEI.

RESTRICTIONS ON FORMER GOVERNMENT EMPLOYEES

Former military officers and employees of the U.S. government are generally prohibited from representing the company in matters where the government has substantial interest and where the employee has prior responsibility. Retired regular military officers and senior government officials are further restricted from selling to or, in some instances, contacting their former agency or military service. The duration of these prohibitions and the matters to which they apply depend on the type of previous government relationship. HEI's general counsel will help any employee identify restrictions which apply.

GIFTS/GRATUITIES/BRIBES

No employee may directly or indirectly accept anything of value from customers, vendors or competitors in return for leases, contracts, purchase orders, confidential company information or the like. Expensive or elaborate gifts may not be given to or received from customers, vendors or competitors for any purpose.

ALCOHOL AND DRUGS

Consumption of alcohol is not permitted while in or on the company's or our client's property. In addition, no employee shall possess, consume, sell or otherwise distribute such substances while in or on the company's property or report for work under the influence of any controlled substance. Controlled substances include, but are not limited to marijuana and cocaine. The company's property includes all of its buildings, grounds, parking lots and vehicles. Violation of this policy may result in disciplinary action up to and including termination. The Department of Defense's drug detection procedures applicable to contractors are as follows:

- (a) Pursuant to Navy policy applicable to government and contractor personnel, measures will be taken to prevent the introduction and utilization of illegal drugs and related paraphernalia into government work areas.
- (b) When there is probable cause to believe that a contractor employee on board a naval installation has been engaged in use, possession or trafficking of drugs, the installation authorities may detain said employee until the employee can be removed from the installation or be released to local authorities having jurisdiction.
- (c) Trafficking in illegal drug and drug paraphernalia by contract employees while on a military vessel/installation may lead to possible withdrawal or downgrading of security clearance and/or referral for prosecution by appropriate law enforcement authorities.
- (d) The contractor is responsible for their employees' conduct while performing work under government contract and is, therefore, responsible for assuring that employees are notified of these provisions prior to assignment.
- (e) The removal of contractor personnel from a government vessel or installation as a result of the drug offenses shall not be cited as a cause for an excusable delay or shall such action be deemed a basis for an equitable adjustment to price, delivery or other provision of the government contract.

OPEN DOOR POLICY

HEI corporate management has an open door policy and encourages all employees to discuss work-related concerns or problems with their immediate supervisor or Mr. Leroy Haulsey, the President, in the event that the immediate supervisor's actions do not produce timely and corrective action.

APPENDIX A

HAULSEY ENGINEERING, INC NON-HARASSMENT POLICY

We believe that people are our most important asset and expect HEI's employees to observe the highest standards of conduct. In keeping with those values, HEI has long been committed to assisting our employees in maintaining a work environment that is free of discrimination, including harassment, on the basis of any legally protected status. Accordingly, HEI will not tolerate any form of harassment against any HEI employee by anyone, including co-workers, vendors, agents or clients. All HEI employees are expected to avoid any behavior or conduct that could reasonably be interpreted as harassment or on the other hand inciting others to such action by their conduct. All HEI employees are also expected to make known promptly, through the avenues identified below, whenever they experience or witness offensive behavior.

The conduct prohibited by this policy includes all unwelcome acts, speech whether verbal or written and physical or visual motions of a discriminatory nature based upon a person's status such as sex, color, race, ancestry, religion, national origin, age, disability, medical condition, marital status, veteran status, citizenship status, sexual orientation or other protected group status or upon the protected status of the person's relatives, friends or associates.

The conduct forbidden by this policy specifically includes, but is not limited to: (a) epithets, slurs, negative stereotyping or intimidating acts that are based on a person's protected status and (b) written or graphic material circulated within or posted within the workplace that shows hostility toward a person because of his or her protected status.

Sexual harassment is a problem that deserves special mention. Sexual harassment includes unwelcome sexual advances, requests for sexual favors and other verbal or physical conduct of a sexual nature not only when the conduct is made as a condition of employment but also when the conduct creates an intimidating, hostile or offensive work environment.

Sexual harassment includes unwanted sexual advances, offering employment benefits in exchange for sexual favors and making or threatening reprisals after a negative response of sexual advances. Sexual harassment is not limited to explicit demands for sexual favors. It also may include such actions as: (1) sex-oriented verbal kidding, teasing or jokes; (2) repeated offensive sexual flirtations, advances or propositions; (3) continued or repeated verbal abuse of a sexual nature; (4) graphic or degrading comments about an individual or his or her appearance of sexual activity; (5) visual conduct, including leering, making sexual gestures, the display of sexual suggestive objects or pictures, cartoons or posters; (6) subtle pressure for sexual activity; (7) suggestive or obscene letters, notes or invitations, or (8) physical contact such as patting, hugging, pinching, or brushing against another's body.

If you experience or witness any conduct which you may feel may be inconsistent with this policy, HEI encourages and expects you to immediately notify your immediate supervisor. Take every measure that you can to ensure that your concern is made known to management. Employees are also expected and encouraged to inform others in the workplace whenever their conduct is unwelcome, offensive, in poor taste or inappropriate.

All reports that you make will be investigated thoroughly and, if found to have merit, will result in whatever disciplinary action against the offender may be warranted, up to and including dismissal from employment. In investigating complaints of harassment under this policy, HEI may impose discipline for inappropriate conduct that comes to HEI management's attention without regard to whether the conduct constitutes a violation of law or even a violation of this policy. In the event of harassment by an individual who is not employed by HEI, HEI will take whatever corrective action is appropriate under the circumstances.

Any employee who reports harassment or cooperates in the investigation of a complaint will be protected from retaliatory action. HEI will preserve confidentiality to the extent investigative needs require.

All employees have a personal responsibility to conduct themselves in compliance with this policy and to report any observations of harassment.

If you have any questions concerning this policy, please contact HEI corporate management.

APPENDIX B

HAULSEY ENGINEERING, INC. EMPLOYEE MEDICAL/DENTAL BENEFITS

Unless stated otherwise, HEI's employee medical/dental/401K benefits contribution for full time employees consist of the following:

GROUP MEDICAL INSURANCE:

HEI pays approximately 90% of the employee's premium.

Employee Cost Per Month

Age	EE Only	EE+S	EE+C	EE+S+C
<30	19.90	376.90	366.90	594.90
30 – 39	22.00	399.00	364.00	656.00
40 – 49	28.30	397.30	283.30	605.30
50 – 54	36.90	434.90	275.90	647.90
55 – 59	46.60	559.60	277.60	706.60
60 – 64	57.50	574.50	251.50	757.50
65 +	65.20	822.20	393.20	962.20

DENTAL INSURANCE:

Employee Month Contribution	DELTA Dental PPO \$1500
Employee	16.00
1 Dependant	40.00
Family	50.00

An employee who declines medical insurance coverage and selects dental PPO may pay half of the difference between the two plans.

Dental PPO

Employee	\$ 8.00
1 dependent	\$15.00
Family	\$16.50

APPENDIX B

HAULSEY ENGINEERING, INC. EMPLOYEE 401K/PROFIT SHARING LIFE INSURANCE/DISABILITY (LONG TERM/SHORT TERM)

401K PLAN

Employees may contribute up to 15% of their annual compensation or up to the IRS limit (\$15,000) for investments in mutual funds within the plan. HEI will match 20% of employee's contribution. Any employee age of 50 or older can participate in the 401K Catch-Up Contribution Program providing the maximum IRS limit of \$15,000 has been met.

PROFIT SHARING PLAN

Combines current employer tax savings with retirement security for Participants.

LIFE INSURANCE/LONG TERM DISABILITY INCOME PROTECTION INSURANCE

HEI offers each employee \$30,000 of life insurance per employee paid by HEI. Employees may purchase additional life insurance for themselves and dependents at group rate.

SHORT TERM DISABILITY INCOME PROTECTION INSURANCE

Employees may purchase Short Term/Long Term Disability Income Protection.

EMPLOYEE ACKNOWLEDGEMENT FORM

I have received and read this guide and I understand that it is my responsibility to read and comply with the policies contained herein.

(Print Name)

(Signature)

(Date)