

Shermco Policy Manual



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Acknowledgement

The Policy Manual describes important information about Shermco Industries, Inc. (hereinafter also referred to as “Shermco” or “Company,” and includes all affiliates of Shermco). I understand that I should consult my supervisor or the Human Resources Department regarding any questions not answered in the manual. I have entered into my employment relationship with Shermco voluntarily and acknowledge that there is no specified length of employment. Accordingly, either Shermco or I can terminate the relationship at will, with or without cause, at any time.

Since the information, policies, and benefits described herein are necessarily subject to change, I acknowledge that revisions to the manual may occur, except to Shermco’s policy of employment-at-will. Revisions will be communicated to employees by 1) written notice and/or 2) verbally. It is suggested that written revision(s) of policies be added in order to keep all information current. Subsequent revisions may supersede, modify or eliminate any policy found in this manual which is located on the ShermcoYou! website. The policies in this manual replace all previously issued company policies and any previous agreements made between the employee and Shermco. Any revision to Shermco policies must originate from the Officers of Shermco.

I acknowledge that this manual is a guideline which has been provided to help me understand the Shermco work environment and to help make my work at Shermco productive, safe, effective and satisfying. I have received this manual, and have read and will comply with the policies contained herein and any subsequent revisions. Noncompliance with these policies may result in disciplinary action, up to and including immediate termination of employment. If I do not understand any portion of this manual, I agree to obtain clarification from my supervisor or the Human Resources Department.

Employee Signature:	Date:
Type or Print Name:	

Acknowledgement form to be signed and filed in the employee’s permanent personnel records located within the Human Resources Department.

Definitions

Each employee is designated as (1) Introductory or Non-Introductory, (2) Regular or Temporary, (3) Full-Time or Part-Time and (4) Non-Exempt or Exempt from federal and state wage and hour laws.

Base Pay – Wage or salary rate earned, exclusive of other types of pay such as overtime or shift differentials. For exempt employees, base pay is the hourly equivalent of their weekly salary divided by 40 hours.

Benefit Hours – The non-working hours for which employees are paid are regarded as “Benefit Hours.” Benefit hours include time paid for sick leave, holidays, vacation, etc. Benefit hours are generally not “hours of work” for purposes of calculating overtime pay.

Employment Anniversary Date – The employee's most recent hire date is the employee's employment anniversary date. This anniversary date will not change if the employee is transferred, promoted, or experiences any job description changes within the Company. In the case of rehire, the rehire date becomes the new employment anniversary date.

Introductory Period – Introductory Period consists of the first 90 calendar days worked following the date of hire. In some cases, Introductory Period may be extended beyond 90 days in order to provide additional time to evaluate the employment relationship. Employees will not accrue seniority rights during Introductory Period, but upon completion of this period, seniority will be retroactive to the date of hire.

Wage and salary increases will require satisfactory completion of the Introductory Period.

Employees on Introductory Period may resign or be terminated from employment, without additional notice or obligation from either the employee or Shermco. Upon completion of Introductory Period, employment remains at-will.

Exempt Employee – An exempt employee is one who is not subject to the minimum wage and overtime requirements of the Fair Labor Standards Act, based upon the type of duties performed.

Full-Time Employee – Full-time employees are those regular status or temporary employees who normally and regularly work 40 or more hours per workweek. Generally, full-time regular employees are eligible for Shermco's benefit program, subject to the terms, conditions, and limitations of each benefit program.

Hours of Work – The hours worked by employees are regarded as “Hours of Work.”

Non-Exempt Employee – A non-exempt employee is one who is subject to the minimum wage and overtime requirements of the Fair Labor Standards Act, based upon the type of duties performed.

Overtime – Non-exempt employee's rate of pay for overtime is determined by applicable law and Shermco policy, as detailed in Policy No. C-002.

Definitions

Part-Time Employee – Part-time employees are those who normally and regularly are scheduled to work less than 40 hours per workweek. Regular part-time employees are eligible for some of the Shermco's benefit programs.

Regular Status Employee – Regular status employees are those who have completed the Introductory Period and who have worked on a regular basis, as scheduled. Generally, regular employees are eligible for Shermco's benefit program, subject to the terms, conditions, and limitations of each benefit program.

Reinstatement – The term applied to an employee desiring to return to work following an approved leave of absence. An employee will be reinstated to employment with the Company when an applicable law mandates reinstatement (e.g., Family and Medical Leave Act, Uniformed Services Employment & Re-employment Rights Act, jury duty, witness duty) and the employee has complied with the laws' requirements to be eligible for reinstatement.

Split Shifts – A split shift shall be regarded as any shift in which an assigned workday is interrupted by a break of more than one hour, but less than eight hours.

Temporary Status Employee – Temporary status employees are those who are scheduled to work on an irregular basis or are on temporary assignment. Temporary status employees may be scheduled to work on either a part-time or full-time basis. Temporary employees are not eligible for Shermco's benefit program, unless otherwise required by law.

Time Schedules – Supervisors will discuss working hours with employees during the initial interview. At that time, a mutual agreement as to the employee's specific working hours is noted. Any changes in this agreed working schedule will be communicated by the supervisor to the employee. Whenever possible, employees are expected to be flexible and responsive to a supervisor's requests for changes in his/her regular working schedule.

Work Day – The basic work day for full time employees will be eight hours of work with a one-half or one hour meal period without pay, provided the employees are relieved of duty for the meal period. If an employee is not completely relieved of duty for a meal period, the meal period will be regarded as hours of work.

Shifts and Hours of Work may vary between departments and within departments according to workload and priorities.

Shermco is a "*customer service*" business and the employee may be required to adapt to the hours of operation of our customers. Variations in hours worked, therefore, may not be an unusual occurrence.

Work Week – The work week consists of a regularly recurring seven day period, which generally begins at 7:00 a.m. on Monday and ends at 6:59 a.m. the following Monday. Compensation for all work hours occurring during a work week will occur each Friday, following the end of the previous work week.

Equal Opportunity

Shermco is committed to a policy of equal employment opportunity. Employment decisions affecting applicants and employees will not be based on an individual's race, color, religion, gender, national origin, age, disability or any other unlawful basis. Employees who engage in such unlawful discrimination will be subject to disciplinary action up to and including immediate termination from employment. If you feel you have been unlawfully discriminated against, you should either notify your supervisor, the Human Resources Department, or any other person in management whom you are comfortable in approaching.

Employment At Will

Shermco employees are employed “at will,” which means that either the employee or Shermco may end the relationship at any time, with or without notice, and with or without articulating a reason. Terminations of employment may occur as a result of changes in the labor requirements of the Company, or the inability of the employee to maintain a level of commitment and performance necessary to the vitality of the Company.

Although certain managers and supervisors within the Company have the authority to hire job applicants, they do not have the authority to promise or ensure the longevity or permanence of any position, and any comment, remark, or implied inference by a manager or supervisor to the contrary is not sanctioned by the Company.

Outside Employment

In most cases, your ability to perform your job satisfactorily will be negatively affected by holding other employment, in addition to your job at Shermco. The outside employment may present a conflict of interest, if it involves work that is in competition with our Company. Scheduling problems may arise when you are asked by your supervisor to work overtime, weekends, or on a different shift. Your performance may suffer, if you are fatigued or distracted by your second job. For these reasons, you must report any outside employment to your supervisor. Shermco can restrict outside employment that may result in conflicts, performance or attendance problems. Also, Shermco's equipment, supplies, and facilities must not be used by any employee for personal reasons, regarding outside employment.

Solicitation

To avoid disruption of work, employees are not permitted to engage in solicitation for any purpose during his/her working time or the working time of the person being solicited. Working time means time that employees are expected to be performing their job. Likewise, employees shall not engage in distribution of any material during his/her working time or in working areas. Literature, notices, or other material of any kind may not be posted or distributed in the working areas of any employees at any time. Persons who are not employees of the Company will not be permitted access to Company premises for the purposes of initiating solicitations of any kind to employees, or posting or distributing literature, notices, messages, or material of any kind.

Personnel Records

A personnel record will be maintained on each Shermco employee. This file is the property of Shermco, and its contents will be kept confidential to the extent allowed by law.

It is essential that Shermco maintain current information on each of its employees. This information is confidential and is not released to others without the written permission of the employee unless such release is required by law.

Changes in personal information should be reported to the Human Resources Department in order to maintain accurate records for tax and insurance purposes. It is the responsibility of each employee to promptly notify Shermco of any changes in personal data, such as:

- Personal mailing address
- Telephone numbers
- Tax exemption information and tax filing information for IRS Form W4
- Marital status
- Individuals to be contacted in the event of an emergency
- Educational accomplishments
- Information needed for group health and disability policies (covered dependent information, beneficiary information, etc.)

Security and Surveillance

Badge readers have been installed at various office locations. Employees are required to badge in and out at entry/exit doors, as you arrive or leave the premises at locations where badge readers are available.

Shermco may conduct video surveillance of its premises at any time, with the exception of private areas such as restrooms and locker-rooms. Video cameras are positioned in appropriate places within and around Shermco buildings to promote the safety and security of people and property.

There is no specific expectation of privacy in Shermco's workplace, either on Company premises or while on duty. In general, employees should assume that what they do while on duty or on Company premises is not private. All employees, desks, cabinets, lockers and premises are subject to search at any time, with or without the employee being present. As a general rule, with the exception of items relating to personal hygiene or health, employees should not bring or store anything at work that he/she would not be prepared to show and possibly turn over to Company officials and/or law enforcement authorities.

Searches may be done on a random basis or based upon reasonable suspicion. "Reasonable suspicion" means circumstances suggesting to a reasonable person that there is a possibility that one or more individuals may be in possession of a prohibited item. Any search under this policy will be done in a manner protecting employees' privacy, confidentiality, and personal dignity to the greatest extent possible.

Employees will not be physically forced to submit to a search. However, an employee who refuses to submit to a search request from the Company will face disciplinary action, up to and possibly including immediate termination of employment.

Incident/Accident

Shermco employees who are involved in any incident, accident, sustain an injury or occupational illness during the course and scope of employment; or are involved in an incident/accident in a company vehicle, no matter how minor, must report it to his/her supervisor and the Risk Department immediately. The following guidelines apply:

- If emergency medical attention is needed call 911, or for isolated areas, contact the nearest emergency facility. Once the situation is under control contact the injured employee's supervisor and the Risk Department
- If non-emergency medical treatment is needed, the employee will be escorted to the nearest medical facility
- The employee's return to work will depend upon the health care provider's recommendations for return to work. A doctor's release will be required
- In the event of an incident/accident a drug and alcohol test may be required
- The required form(s) for reporting all incidents/accidents must be completed and submitted to the Risk Department within 24 hours
- The employee's supervisor and the Risk Department must be notified immediately for all incidents/accidents

Company Premises

Shermco strives to provide a work environment free from recognized hazards. Employees are expected to comply with all safety and health requirements whether established by management or by federal, state, and/or local laws. Shermco's *Safety Manual* is a fundamental step to safety compliance, in which each employee is required to read and understand.

While on Company business or premises, please observe the following guidelines:

- Practice safety during each workday
- Report all incidents/accidents, regardless of how minor, to your supervisor and the Risk Department immediately
- Report all unsafe conditions to a supervisor immediately
- If the employee receives medical treatment, he/she must obtain a physician's work release statement prior to reporting back to work
- Be aware of and conform to all Company, local, state and federal safety regulations
- Do not engage in any type of horseplay at workstations or in and around the Company facilities
- Be aware of the location of all fire extinguishers and know how to operate them
- Submit any suggestions concerning safety to the EHS Department or a Supervisor. Safety suggestions may be submitted to ehs@shermco.com or designated suggestion boxes located within the facility
- Keep work areas clean and free from hazardous conditions. If an employee notices a condition requiring attention inform a supervisor immediately
- Observe precautions at all times when operating electrical equipment and machinery
- Employees are required to ensure visitors and vendors comply with Shermco's safety policies and procedures

Inclement Weather/ Dangerous Conditions

Inclement Weather or Dangerous Conditions

Employees are expected to report to work as scheduled regardless of the weather. In the event of a generalized dangerous condition, the Officers of Shermco may declare the Company to be closed. Notification will be made to the department managers and/or immediate supervisors who will communicate to employees that Shermco is officially closed. The declaration of the Company closing will not be dependent on or related to the closing of public schools.

In the event that an employee is unable to report to work due to inclement weather when Shermco is not officially closed, employees may:

- Take a personal holiday, if eligible
- Take a vacation day, if eligible
- Take a day without pay

The use of sick pay for inclement weather conditions is not permitted.

Medical/Dental/Life**Medical Insurance**

Medical insurance is offered to eligible employees and their qualified dependents. Coverage will become effective the first day of the calendar month following the employee's 90th day of employment. Employees who decline Shermco's medical insurance program must do so at this time. Employees have the option to make changes to their election during annual open enrollment or with a qualifying event. Employees may elect to enroll other eligible members of their families per plan guidelines and authorize a payroll deduction for the additional premiums required.

Dental Insurance

Dental insurance is offered to eligible employees and their dependents. Coverage will become effective the first day of the month following the employee's 90th day of employment. Employees who decline Shermco's dental insurance program must do so at this time. Employees have the option to make changes to their election during annual open enrollment or with a qualifying event. Employees may elect to enroll other eligible members of their families per plan guidelines and authorize a payroll deduction for the additional premiums required.

Life Insurance

All regular full-time employees who have completed the eligibility requirements are automatically enrolled in a life insurance program paid for by Shermco.

All terms and conditions regarding eligibility and benefits under the insurance plans are fully described in each plan's summary plan description, copies of which are available upon request from the Human Resources Department.

Family Medical Leave Act

Shermco complies with the provisions of the Family and Medical Leave Act ("FMLA"), as amended, as well as applicable state leave law, which provide job-related leaves of absence for specific reasons.

Employee Eligibility

An employee is not eligible to take a FMLA leave unless he or she (1) works at a U.S. Shermco location where there are 50 or more employees working within 75 miles; (2) has worked at Shermco for at least 52 weeks; (3) worked at least 1,250 hours in the 12 months prior to when the leave will commence; (4) has not used all available FMLA leave in the 12 months looking back from the date the requested leave will commence; and (5) there is a qualifying event.

Qualifying Event

Under FLMA, there are only six qualifying events - (1) birth and care of the employee's newborn child; (2) placement of a child with the employee for adoption, or by the State for foster care; (3) to care for the employee's spouse, child or parent with a serious medical condition (this does not include in-laws); (4) the employee's own serious medical condition which prevents him or her from performing the essential functions of the job, including workers' compensation leaves; (5) to care for a family member who is injured while on active duty in the U.S. military ("caregiver leave"); or (6) to assist with needs related to a family member's current active military duty or his or her call to active military duty ("active duty leave").

Serious medical condition means a mental or physical illness, injury or impairment that involves inpatient care (including any ensuing period of incapacity) or continued treatment by a health care provider. Continued treatment by a health care provider means (1) incapacity for more than three consecutive calendar days plus two or more doctor's visits or one visit plus treatment (such as prescribed medication or therapy); (2) incapacity due to pregnancy, or for prenatal care; (3) incapacity due to a chronic condition involving periodic medical visits for treatment of recurring or episodic conditions (such as asthma, diabetes or epilepsy); (4) permanent or long-term incapacity (such as Alzheimer's, severe stroke or terminal stages of a disease); or (5) an absence to receive treatment for restorative surgery after an accident or other injury, or for treatment of a condition that would result in incapacity if left untreated (such as chemotherapy for cancer, physical therapy for severe arthritis, or dialysis for kidney disease).

Caregiver leave is available to the spouse, son, daughter, parent or next of kin to give care to a U.S. military service member who is a current member of the Armed Forces (including National Guard or Reserves) and who has a serious injury or illness incurred in the line of active duty that may render the service member medically unfit to perform his or her duties for which the service member is undergoing medical treatment, recuperation, or therapy; or is in outpatient status; or is on the temporary disability retired list.

Active duty leave is available to an employee who has a spouse, son, daughter or parent on active duty or call to active duty status in the National Guard or Reserves (not regular duty in the U.S. Armed Forces) to address certain qualifying exigent circumstances. Qualifying circumstances may include attending certain military events, arranging for alternative childcare, addressing certain financial and legal requirements, attending certain counseling sessions and attending post-deployment reintegration briefings.

Family Medical Leave Act

If you have questions and want more information on FMLA qualifying events, please see the Human Resources Department.

Amount of Leave

Eligible employees may take up to 12 weeks of leave (26 weeks, for “caregiver leave”) during a rolling 12 month period. The 12 month period is determined by measuring backward from the date an employee takes any FMLA leave. Spouses who are employed by Shermco, and who request FMLA leave for the birth, adoption, or foster care placement of a child with the employee or for “active duty leave”, are eligible for a combined 12 weeks between the two employees. In other words, both employees continue to be eligible for 12 weeks of FMLA leave apiece, but may only take 12 weeks between them for this event. The same rule applies for spouses who request “caregiver leave” but the combined limit is 26 weeks.

If the leave is for birth, adoption or foster placement of a child with the employee, available leave can be taken before the birth or placement, or any time during the 12 months after the birth or placement. If the leave involves a serious medical condition or “caregiver leave”, leave can be taken on an intermittent or reduced schedule basis (rather than continuously) if medically necessary, but the employee may be temporarily transferred to another position that better accommodates the need for leave.

An employee who takes “caregiver leave” may not take more than 26 weeks of leave, for any FMLA qualifying reason, in the 12-month period. For example, if an employee takes 12 weeks of FMLA leave for birth of the employee’s child, the employee is limited to 14 weeks for “caregiver leave.”

Employee Notice

If the reason for the FMLA leave is foreseeable (such as planned surgeries or normal births), the employee is to give Shermco 30 days’ notice. If the need for leave is not foreseeable (such as a car accident or premature birth), the employee is expected to notify Shermco as soon as possible and, in no event, more than two days after knowing of the need for leave. Notice to Shermco is accomplished by completing a FMLA Request Form, which is available from the Human Resources Department. If the reason for the leave involves a serious medical condition, you will be provided with a Certification of Health Care Provider (either WH-380-E [for employees] or WH-380-F [for family members]) that must be completed by your physician (or the physician of the family member who has a serious medical condition) and returned to the Human Resources Department within 15 calendar days. If the reason for leave is to provide “active duty leave,” you will be provided with a Certification of Qualifying Exigency for Military Family Leave (Form WH-384), to have completed and return to the Human Resources Department within 15 calendar days. If the reason for leave is to provide “caregiver leave,” you will be provided with a Certification for Serious Injury or Illness of Covered Service Member for Military Family Leave (Form WH-385), to have completed and return to the Human Resources Department within 15 calendar days.

Family Medical Leave Act

Pay and Benefits During FMLA Leave

Shermco's Human Resources Department will provide you with a written explanation of the status of your pay and benefits at the start of your leave via a Notice of Eligibility & Responsibilities form (Form WH-381) and a Designation Notice (Form WH-382). FMLA leave is usually unpaid; however, an eligible employee must use earned but unused vacation, sick leave, and floating holidays during the absence. Employees who qualify for sick leave and short-term disability (STD) will receive pay in accordance with the terms of the plan. Employees who qualify for workers' compensation benefits will receive pay continuation according to the requirements of the applicable state law and our insurance plan in each state. Employees who qualify for long term disability (LTD) will receive pay continuation according to the terms of the plan.

The employee's benefits coverage will be maintained during the leave under the same conditions as if the employee had continued to work. This means that the employee must continue to pay the portion he or she normally pays. If you are on a paid leave, the premiums will be deducted from your pay as usual. If some or all of your leave will be without pay, information on maintaining and paying for your benefits will be provided to you by the Human Resources Department at the beginning of the FMLA leave. You may be allowed to discontinue benefits coverage and be later reinstated, if you return to work on or before expiration of the FMLA leave. Vacation benefits may accrue during FMLA leave. Sick leave will not accrue during FMLA leave. An employee on FMLA leave is not eligible for holiday pay for a holiday which falls during a FMLA leave.

Return to Work

The employee should notify the Company of his or her intent to return to work two weeks prior to the anticipated date of return, as well as any medically necessary changes in the date of return. If the leave involved the employee's own serious medical condition, Shermco will require a "fitness for duty" certification from the employee's health care provider verifying the ability to return to work, with or without restrictions. Certain classifications of employees may also be required to submit to a medical examination before returning to work under certain circumstances. If the employee returns to work on or before expiration of available FMLA leave, the employee will normally be returned to his or her former position or an equivalent position. If, however, the employee cannot return to work prior to the expiration of the FMLA leave, there is no guarantee of reinstatement. An absence for FMLA leave is not a "period of absence" for purposes of the Shermco attendance policy.

If an employee has been medically released for duty and fails to report to work or chooses not to return to work, the Company will treat this as a voluntary resignation and may seek reimbursement for insurance benefits provided during the leave.

Short/Long Term Disability

Short Term Disability Insurance

Eligible Shermco employees are provided Short Term Disability Insurance. This program provides financial protection for the employee by paying a portion of his/her income in the event he/she has a qualifying disability for more than 14 calendar days but less than 90 calendar days. Coverage will become effective the first day of the month following the employee's 90th day of employment.

Short Term Disability does not cover disabilities due to occupational sickness or injury.

Long Term Disability Insurance

Eligible Shermco employees are provided Long Term Disability Insurance. This program provides financial protection for the employee by paying a portion of his/her income in the event he/she has a qualifying disability for 90 or more calendar days. Coverage will become effective the first day of the month following the employee's 90th calendar day of employment.

Long Term Disability does not cover disabilities due to occupational sickness or injury.

American Family Life Assurance Company (AFLAC) Insurance

AFLAC is an accident and disability insurance policy made available to the employees of Shermco at their expense. Shermco makes no contributions to this program. Participation in the program is completely voluntary for employees of Shermco. This personal accident protection provides for additional disability benefits.

All terms and conditions regarding eligibility and benefits under the insurance plans are more fully described in each plan's summary plan description, copies of which are available upon request from the Human Resources Department.

401(k) Plan

The Shermco 401(k) plan enables regular full-time employees to save for retirement on a pre-tax basis. Employees are eligible to participate in the 401(k) plan following three months of continuous service and may enter the plan as stated in the 401(k) Summary Plan Description. The 401(k) documents are located on the ShermcoYou! website. Employees may elect to defer part of their wages or salary, up to the limit imposed by federal law.

Shermco partially matches employee contributions. Employee contributions are 100% vested immediately. Shermco's matching contributions are vested according to the schedule in the 401(k) Summary Plan Description.

Workers Compensation Insurance

Shermco provides insurance under the Workers Compensation laws of the various states where we have operations. Workers Compensation insurance is for employees with an injury or occupational illness that arises out of and was sustained in the course and scope of employment. This insurance may provide compensation to an employee for medical expenses and lost wages.

An injured employee is required to notify his/her supervisor and the Risk Department immediately, or within three hours maximum, whenever a job-related incident, accident or injury occurs. In the event of a job-related illness, the employee is required to notify his/her supervisor immediately. Employees who leave the premises must badge out, if possible, before leaving. Failure to report a job-related incident, accident, injury, or illness immediately will be regarded as sufficient cause for disciplinary action, up to and including immediate termination of employment. An employee may be screened for drugs and/or alcohol after a work related incident or accident.

If an injured employee elects to file a Workers Compensation claim directly with Shermco's insurance company or directly with the Texas Department of Insurance, Division of Workers' Compensation, then the employee must immediately notify their supervisor and the Risk Department about filing the claim.

The proper form(s) for reporting all incidents/accidents must be completed and submitted to the Risk Department within 24 hours.

Unemployment Insurance

Shermco participates in a coordinated Federal/State program of unemployment insurance. This insurance provides eligible employees with a limited income on a temporary basis, until new employment can be secured. Employees will generally be disqualified for unemployment benefits if:

- They left their last employment voluntarily without compelling reasons;
- They were discharged from their last employment because of misconduct connected with the job; or
- While claiming benefits, they refused to accept suitable employment without good cause

Social Security Benefits

All employees are required to be registered with the Social Security Administration. Employee names must be recorded on Shermco records in exactly the same way they are recorded with the Social Security Administration. Employee social security numbers are part of the employee's personnel records. Shermco will deduct Social Security taxes from each employee's pay each pay period and forward the money to the Social Security Administration, as required by law. An employee may check the status of his/her Social Security account by using the inquiry card provided by the federal government and available through Shermco's Accounting Department or going to the SSA website at www.ssa.gov. The Social Security Program provides the following benefits:

- Retirement income
- Survivor benefits for eligible family members
- Medicare benefits upon reaching the retirement age
- Benefits for permanent disability
- Supplemental security income for certain disabled adults and children

Absence/Leave

The purpose of Shermco's Employee Absence/Leave Program is to provide job and/or income protection for eligible employees who are unable to report to work for qualifying reasons.

Sick Leave

The payment of sick leave to employees by Shermco does not constitute an acceptance by Shermco of an employee's overall attendance record. Employees who are absent from work for any reason that violates the standards explained in the Attendance Policy may be subject to counseling, whether or not the use of sick leave has been a factor.

Sick leave is an authorized absence for the purpose of receiving medical care, recovering from illness or non-work related injury, or caring for immediate family members.

Regular employees accrue sick leave from the date of hire at the rate of four hours per month for regular full-time employees and at the rate of two hours per month for regular part-time employees, up to a maximum of 40 hours. An employee must complete his/her Introductory Period prior to payment being made for days missed due to non-occupational illness or injury. Upon an employee's separation from Shermco, unused sick leave is not paid out to the employee.

Claims for sick leave pay should be made by the employee or the employee's supervisor if the employee is not at work, by showing the sick leave code on his/her attendance record. These claims, as with all other claims for payment of wages or salaries and benefits, must be approved by the employee's supervisor (or by the supervisor's designee). Every employee's attendance record must be approved by a supervisor at the end of the pay period. The Human Resources Department or supervisor may request a physician's verification of illness and/or treatment before approval of sick leave claims.

Approval of paid sick leave claims for employees will depend on the employee having:

- accrued sufficient sick leave
- notified his/her supervisor of his/her inability to report to work as soon as possible prior to the time assigned for duty

If an employee is ill and out for three or more days, a doctor's note may be required upon returning to work.

Sick time is generally not considered "hours worked" for purposes of calculating overtime pay.

The use of sick time for vacation or personal time off is prohibited.

Dental and Physician Appointments During Working Hours

Whenever possible, employees are to schedule physician and dental appointments outside of scheduled working hours. When this is not possible, the following guidelines will apply:

Absence/Leave

- The supervisor may need verification for an employee to see a physician or dentist during work hours, as opposed to outside working hours
- Employees will badge out and may claim sick leave time for physician or dental appointments during work hours
- Proper and reasonable notification is required for all employees who need to be away from the job and is subject to approval by their supervisor

Short Term Leave of Absence

A Short Term Leave of Absence is any absence of two work weeks or less. Absences of longer than two work weeks will be converted to a Long Term Leave of Absence if employment is to be continued. An authorized Short Term Leave of Absence includes any of the following and can be charged to accumulated sick leave, earned vacation time and/or unused personal holidays:

- Sickness or injury resulting in temporary disability of the employee or a member of the employee's immediate family
- Death, funeral, or estate settlement in the employee's immediate family. Shermco offers three work days with pay for a death in the employee's immediate family
- Birth of a child to or adoption of a child by the employee

Note: The term "immediate family" includes the employee's spouse, brother, sister, father, mother, children, grandparents, step-children, father-in-law, mother-in-law, grandparent-in-law, sister-in-law, brother-in-law, daughter-in-law, son-in-law, and any other person residing in the employee's immediate household.

The following examples can be charged to earned vacation time or unused personal holidays, but not to sick leave:

- Marriage of the employee or a member of his/her immediate family
- Personal business that cannot be conducted outside of normal working hours
- Religious observance required by the employee's religion
- Supervisor approved voluntary participation in community projects

Each employee should give his/her supervisor as much advance notice of an extended absence as possible. An employee who has not made previous arrangements with his/her supervisor must inform his/her supervisor in accordance with the Sick Leave Policy. In the event an emergency causes an employee to be absent without advance notice, the employee is required to notify his/her supervisor as soon as possible, which in most cases is within 24 hours. Failure to make this notification may disqualify the employee for Shermco paid sick leave and may also be grounds for appropriate disciplinary action, up to and including immediate termination of

Absence/Leave

employment. Exceptions to this policy will be made in certain FMLA and USERRA qualifying circumstances.

Personal Leave

Employees may be granted from time to time an unpaid short term personal leave of absence to attend to personal matters in cases when it is determined that a period of time away from the job will be in the best interest of the employee and the Company. The employee will be responsible for all necessary payroll deductions.

Bereavement Allowance (Funeral Leave)

All employees are eligible for up to three scheduled workdays off with pay for the purpose of assisting with funeral arrangements and attending services following the death in the employee's immediate family. Eligibility begins the first day of work. Excused absences without pay may be requested from supervisors for more time to attend funerals of other relatives and friends.

Requests for bereavement allowance must be noted on the attendance cards.

Family and Medical Leave

Shermco complies with the provisions of the Family and Medical Leave Act (FMLA), which provides that eligible employees may take leaves of absence for specific reasons.

Jury Duty

An employee who is called to serve on a jury will be granted time off to fulfill his/her civic duty. The employee should submit a copy of the jury summons to his/her supervisor in order to be eligible for jury leave. An employee who submits a statement from the court detailing the dates served and his/her jury service check will be paid his/her normal compensation.

Witness Duty

An employee who receives a subpoena to serve as a witness in a civil, criminal, legislative or administrative proceeding will be given time off without pay to comply with the subpoena.

Voting

Shermco encourages its employees who are eligible voters to exercise their right to vote in general, primary and special elections at the federal, state and local level. Shermco will provide time off in which to vote, up to a maximum of two hours, while the polls are open on Election Day.

Long Term Leave of Absence

Shermco grants employees Long Term Leaves of Absence from the Company under certain circumstances. Employees are eligible for leaves of absence if they have completed at least one year of service (or a lesser amount if specified by law). The duration of each leave of absence and the compensation received by the employee, if any, during that time shall be determined by the Company and applicable laws.

Absence/Leave**Military Leave**

As required by the Uniformed Services Employment and Re-employment Rights Act (USERRA), Shermco applicants and employees who apply for or perform military service, whether on a voluntary or involuntary basis, will not be denied initial employment, re-employment, retention in employment, promotion, or other benefit of employment on the basis of the performance of United States military service.

Eligible military services include performance of a duty on a voluntary or involuntary basis in a United States uniformed service such as active duty, active duty for training, initial active duty for training, inactive duty training, full-time National Guard duty, and a period of time for which the employee is absent to determine fitness for duty or to perform funeral honors.

Any employee who is absent due to U.S. military service will be granted a military leave of absence. To qualify for reemployment, an employee must have:

- Given Shermco written or verbal notice in advance of service, unless the giving of notice is precluded by military necessity;
- A cumulative length of absence, including any previous military absence while employed by Shermco, which does not exceed five years; and
- Application for reemployment with Shermco according to the following guidelines:

Length of Period of Service	Reapply No Later Than
Less than 31 days, including absence for fitness exam	Next regular work day after completion of service and time to travel from place of service to residence, plus eight hours
More than 30 days, but less than 181 days	Fourteen days after completion of service
More than 180 days	Ninety days after completion of service

Upon reinstatement, the employee will be placed in the position he/she would have attained were it not for the break in employment, unless the employee is not qualified to perform that job and cannot be trained through reasonable efforts by Shermco. If not so qualified, the employee will be placed in the position the employee held when the military leave commenced or a position of like seniority, status, and pay. If a disability incurred during or aggravated by military service prevents the employee from performing the job he/she would have held were it not for the break in service despite Shermco's efforts at reasonable accommodation of the disability, the employee will be placed in a position of like seniority, status, and pay if one is available. If no such position is available, the employee will be placed in a job that is the nearest approximation of like seniority, status, and pay.

Absence/Leave

Military leaves are unpaid, but the employee may use accrued vacation and floating holidays during the absence. Employees on military leave will be allowed to continue health care insurance coverage at his/her current level of coverage by paying the employee portion of the insurance premium during the absence. For employees who began military leave on or after December 10, 2004, coverage will continue until the earlier of (1) 24 months from the date the military absence began; or (2) the day after the date on which the employee was to have applied for reemployment, as defined above. Upon re-employment, any break in employment due to military service will not be treated as a break in service for purposes of determining forfeiture of accrued benefits and accrual of benefits under any retirement plan. You will also have rights to make contributions when you return to work after your military absence and to receive employer contributions, if any. You should refer to your summary plan description to learn about these additional rights.

If you live in a state that has additional requirements related to military service, Shermco intends to comply with such legal requirements.

With the exception of military leaves under USERRA, the employee assumes responsibility for keeping the Company periodically advised of the need for continued leave of absence status. He/she should contact his/her supervisor or manager at least two weeks prior to the expiration of the leave to discuss returning to work.

Pay and Benefits During Leave

Depending on the type of leave, various benefit coverage's may be maintained during the leave under the same conditions as if the employee had continued to work. This means that the employee must continue to pay the portion he or she normally pays. If you are on a paid leave, benefit deductions will be withheld from your pay as usual. If some or all of your leave will be without pay, information on maintaining and paying for your benefits will be provided to you by the Human Resources Department at the beginning of the leave period. The employee will be required to reimburse Shermco for their benefit deductions over the same number of pay periods they were out on leave.

Holidays**Holidays**

The following days will be observed as paid holidays by Shermco:

- | | |
|-----------------------------|-----------------------------|
| • New Year's Day | January 1 |
| • Memorial Day | Last Monday in May |
| • Independence Day | July 4 |
| • Labor Day | First Monday in September |
| • Thanksgiving Day | Fourth Thursday in November |
| • ½ day Christmas Eve | December 24 |
| • Christmas Day | December 25 |
| • Two (2) personal holidays | Scheduled by employee |

Only regular full-time employees are eligible for non-billable Shermco designated paid holidays after 30 days from the date of employment, provided the employee has worked a minimum of 160 regular working hours.

The holiday will be compensated at eight hours (four hours on Christmas Eve) for regular, full-time employees. In order to receive holiday pay, an employee must work both the scheduled workday prior to and the scheduled workday following the holiday. Unexcused absences on one or both of these days may result in forfeiture of holiday pay. If sick time is used on one or both of these days, a doctor's note may be required in order for an employee to receive holiday pay. If a holiday falls during a full time employee's scheduled vacation week, the day will be counted as a holiday rather than a vacation day. Part-time employees will only receive holiday pay if they are working on a billable job.

Friday will generally be observed as a Shermco Holiday when the recognized holiday falls on a Saturday. Monday will generally be observed as a Shermco Holiday when a recognized holiday falls on a Sunday.

Whenever possible, Shermco will attempt to grant personal days, vacation days, or unpaid excused absences to employees who wish to observe religious holidays other than those included in Shermco's regular holiday benefit program unless doing so would adversely affect Shermco's staffing needs. Requests for such time off should be made well in advance to the employee's immediate supervisor or department manager authorized to grant this request.

Personal Holidays

For full-time employees Shermco allows two designated personal holidays to be taken annually, renewed on Shermco's first day of the new fiscal year on or about May 1st. The personal holidays may be taken any time after completion of the Introductory Period. Personal holidays should be requested at least one week in advance and approved by the employee's supervisor. Personal holidays are non-cumulative and cannot be carried over to subsequent years. Personal holidays are generally not considered "hours worked" for purposes of calculating overtime pay.

Vacations

It is the policy of Shermco to grant annual vacations, with pay, to all eligible regular full-time employees. The purpose of vacation time is to provide a significant “change of pace” from that required by the daily performance of job responsibilities. For this reason, it is recommended that employees take vacation time off in units not less than one week at a time. Vacation time is provided in accordance with the guidelines established below:

Vacation Eligibility

All eligible full-time employees receive accrued vacation time as stipulated below.

Completed Years of Service	Vacation Hours Per Year
1	40 vacation hours (one week)
2 – 5	80 vacation hours (two weeks)
6 – 10	120 vacation hours (three weeks)

After ten years of service and each year thereafter, the employee will accrue an additional eight hours vacation time per year up to a maximum of 200 hours per year.

Earned vacations must be taken in the 12 months following the anniversary of the employee’s hire date and an unused balance will be forfeited, unless otherwise required by law. Vacation days are non-cumulative and cannot be carried over to subsequent years, unless the employee is asked to cancel vacation which cannot be reset before the end of the vacation year. When the Company requests a vacation change and the employee has made non-refundable travel deposits, the employee should submit documentation of the cost to Shermco for possible reimbursement.

Upon supervisor’s approval, employees may sell back up to 50% of their remaining vacation hours, not to exceed 80 hours, and only during the last 30 days prior to the employee’s anniversary date. It is Shermco’s philosophy that earned vacation time should be used for the benefit and enjoyment of employees for time away from work.

With the exception of FMLA and military leaves, vacation hours are granted according to the employee’s request and Shermco may schedule and reschedule vacations based on production schedules, staffing conflicts, or employees who submit vacation requests on a last minute basis.

Vacation Scheduling

If a paid holiday falls within an employee’s vacation week, the paid holiday does not constitute a vacation day. If an employee becomes ill during vacation, the time off is not converted from vacation to sick leave. The use of sick time for vacation or personal time off is prohibited.

Vacations

With exception of FMLA and military leave, vacation time is taken in minimum increments of two hours. Vacation time should be scheduled in advance with supervisors or department managers and noted by employees on their attendance record by indicating the proper accounting code. Vacation is generally not considered “hours worked” for purposes of calculating overtime pay. Approval of claims for paid vacation time will depend on the employee having:

- Accrued sufficient vacation eligibility; and
- Made proper arrangements with his/her immediate supervisor or department manager for the scheduling of the time off.

Business Expenses

Business related expenses incurred by Shermco employees will be reimbursed according to the following guidelines:

REPORTING**Out-Of-Pocket Expenses**

All expenditures are to be approved in advance by the employee's supervisor/manager (unless circumstances prevent advance approval).

All business-related expenditures must be accompanied by a receipt or evidence of the expenditure to receive reimbursement.

All items purchased or charged by the employee are to be itemized on the Shermco approved Expense Report located on the ShermcoYou! website. The necessity and purpose of the expenditure must be explained in sufficient detail. Proper accounting codes, department codes, and/or job numbers must be listed for each expenditure. Improper coding or details left off the Expense Report will delay reimbursement.

Information Example: 3/12/11 Chili's
 [Customer] John Smith, Shop Foreman
 Smith Manufacturing
 Re: Discussed 6000 hp repair, Job #28506

This information is required for reimbursement and is mandatory for reporting with the Internal Revenue Service.

Expense Reports must be signed and dated by the employee and initialed by the supervisor/manager showing approval. Reports are due in the accounting department within 30 days of the expenditure except when the expense is being charged to a job, the expense report must be submitted within three days. Reimbursement will typically be made in the next payroll period.

Company Credit Cards

A credit card may be provided to Shermco employees who regularly incur business expenses that require a credit card. This card is to be used for Shermco business-related expenses only. Personal use of corporate credit cards is prohibited. In reporting employee expenditures, the following guidelines apply:

- A detailed description of the charge (see example above) must be provided on the front side of the receipt or a Charge To form must be completed. The form is located on the ShermcoYou! website
- Receipts must be submitted within three days when the expense is being charged to a job; all other receipts must be submitted within seven days

Business Expenses

- Cash Advances with a Shermco credit card must be approved in advance by an Officer of Shermco or the Controller
- Company credit cards should not be used to purchase equipment or other assets that cost more than \$500.00 unless such purchase was approved in advance by an Officer of Shermco or the Controller

Failure to follow these policies regarding the use of a Company credit card will result in disciplinary action. Usually, an employee will be given a written warning for the first infraction, use of the credit card will be suspended for 30-90 days for a second infraction, and the credit card will be cancelled for a third infraction; but if an employee fails to follow these guidelines, Shermco may take more severe disciplinary action, up to and including immediate termination of employment.

Travel Arrangements

When travel arrangements are required, contact your designated Shermco travel coordinator. He/she will be responsible for negotiating the best rates possible, travelling options and booking the necessary arrangements.

In the event a Shermco travel coordinator is unavailable the following lodging, flight and vehicle rental guidelines will apply.

Lodging Expenses

When a Shermco employee is required to stay overnight on Shermco business, modest accommodations with reasonable rates should be chosen. The following guidelines should be observed:

- Hotel charges should be for room and tax only
- Charges for liquor, movies, room service, personal long distance calls, etc. should be paid for personally by the Shermco employee. These are non-reimbursed expenses and should not be charged to the hotel statement.
- All charges should have the appropriate receipt/verification backup

Flight Charges

Airline reservations should be made as far in advance as possible, taking advantage of the discounts available for early booking. In the event flight arrangements cannot be made in advance, supervisor/manager approval will be necessary to obtain non-discounted tickets.

In the event a change in the return flight of a discounted airline ticket is requested, consideration should be made as to the economic significance of the change. There are times when the change is unavoidable; use good judgment in these circumstances.

Business Expenses

Airline ticket receipts must show the detailed business-related purpose of expenditure. Proper accounting codes, department codes, and/or job numbers must be listed.

Information Example: Date: 3/12/11 – 3/16/11
 Re: NETA Conference attendance
 Charge to: 4421 80/82

This information is required for reimbursement and is mandatory for reporting with the Internal Revenue Service.

Vehicle Rental

Vehicle rental should be at an economical rate, taking advantage of discounts available through corporate rental programs. In the event an economy size vehicle is inappropriate for the size of group utilizing the vehicle, the most economical size meeting the needs, at the most economical rate, should be used.

The rental vehicle should always be returned to the agency with a full tank of gas. Rental agencies charge a high rate to refill a rental return with gasoline.

Do not purchase insurance from the rental agency. Shermco's vehicle insurance policy provides coverage for vehicle rental. Some states require a copy of Shermco's vehicle insurance card when renting a vehicle. Carrying a copy of Shermco's vehicle insurance card when travelling is highly recommended.

Vehicle receipts must show the detailed business-related purpose of expenditure. Proper accounting codes, department codes and/or job numbers must be listed.

Information Example: Date: 3/12/11 – 3/16/11
 Re: NETA Conference attendance
 Charge to: 4421 80/82

This information is required for reimbursement and is mandatory for reporting with the Internal Revenue Service.

Shermco employees who are involved in any incident/accident in a rental vehicle, no matter how minor, must report it to his/her supervisor and the Risk Department immediately. The proper form(s) for reporting all incidents/accidents must be completed and submitted to the Risk Department within 24 hours.

ALLOWANCES

Under the guidelines set by the Internal Revenue Service, personal meals are reimbursable only if the employee is out of town overnight on company-related business. Shermco, however, allows reimbursement for certain expenses incurred by employees who are sent on company business within the Shermco service area provided that the travel requires direct "hands on" labor that is billable to the customer.

Business Expenses**Business Meals**

Employees who are sent on company business that requires direct “hands on” labor that is billable to the customer or attending Shermco approved business-related events may be reimbursed for meals provided that the employee is required to be out of town overnight.

Per Diem – Supplemental Housing Allowance (Hotel)

Employees who are sent out of town on company business and are required to stay overnight in a hotel may be reimbursed as follows:

- **One Employee** – Cost of hotel room or \$50.00 per night paid to the employee if employee chooses to stay with a friend or relative.
- **Two Employees** – Cost of one room. Employees of the same sex are required to share hotel rooms. In the event one of the employees chooses to stay with a friend or relative, the employee is not eligible for the \$50.00 per diem payment benefit.
- **Three Employees** – Cost of two rooms. Two employees of the same sex share a room, and one employee has a separate room. Should one employee choose to stay with a friend or relative, that employee will receive the \$50.00 per diem payment benefit provided Shermco is paying for only one hotel room.
- **Four Employees** – Cost of two rooms. Employees of the same sex are required to share hotel rooms. In the event one of the employees chooses to stay with a friend or relative, the employee is not eligible for the \$50.00 per diem payment benefit.
- Hotel receipts must show the detailed business-related purpose of expenditure. Proper accounting codes, department codes and/or job numbers must be listed.

Information Example: 3/12/11 – 3/16/11
 Re: Lodging; Exxon Job #7101 or 4422 80/82
 [Employee Name]

This information is required for reimbursement and is mandatory for reporting with the Internal Revenue Service.

Cleaning Allowance

Employees who are on extended (greater than five days) business-related travel may use a dry cleaning/laundry service to have uniforms and/or travel clothing cleaned, provided that the expense for the cleaning is reasonable and justified. This service may be used on an “as needed” basis while working out of town on customer billable projects. Proper receipts and details are required for reimbursement.

Cellular Phone

Cellular phone equipment and upgrades are paid for by the employee. Shermco pays the monthly service charges, not to exceed that assigned by the policy limits.

Eligibility

Cellular phone eligibility shall be determined by job description and management approval.

Uses

Cellular phones are to be primarily used for Company business. Employees should regularly check their phone and respond as appropriate. Employees that are assigned a Company cellular phone account may use the cellular phone for personal phone calls on a limited basis.

Phone use, texting, emailing, internet browsing or any other activity that may cause a distraction during a work day or while operating a Company vehicle is prohibited.

Cellular phone users should not use Shermco's toll-free (800) number to call Shermco.

Assigned Rate Plan

Shermco management will determine each user's plan based on the job description of the employee. The employee will be accountable for remaining within his/her assigned rate plan. The applicable rate plan will be assigned per the most cost-efficient plan available at the time.

Should an employee's voice or data plan charges exceed their assigned monthly allotment due to personal usage, then the employee may be required to personally reimburse Shermco for the amount by which the bill exceeds the assigned allotment. The reimbursement must be made within two weeks from notification of the overage.

Any employee not utilizing his/her cellular phone for Company related business because his/her monthly allotment has been exceeded may be subject to disciplinary action and/or the removal of cellular phone privileges.

Provision

Shermco will provide an initial cellular phone which is typically available free of charge with a new activation from the cellular provider. Any additional cost must be covered by the employee. Shermco will provide a voice and data plan acceptable to that employee's position. All cost exceeding the selected voice and data plan must be covered by the employee, this is including but not limited to, texting, ring tones, games, wallpaper, streaming video, etc. Employees are responsible for accessories including but not limited to AC adapters, DC adapters, cases, lens protectors, memory cards, extended batteries, etc.

Employees should consult with his/her supervisor if they have any questions regarding the distribution or usage of cellular phones.

Company Vehicles

COMPANY OWNED AND LEASED AUTOS, TRUCKS AND VANS

Company Vehicle Assignment

Some employees qualify for an assigned company vehicle.

If an employee is not eligible for company vehicle insurance coverage, he/she will not be assigned or allowed to drive a company vehicle. The employee must immediately report any change in his/her eligibility for company vehicle insurance coverage to the Risk Department.

Unassigned Company Vehicles

Pickup and delivery vehicles will be dispatched by department supervisors as will service vehicles; however, if an employee is not eligible for company vehicle insurance coverage, he/she will not be allowed to drive a company vehicle. The employee must immediately report any change in his/her eligibility for company vehicle insurance coverage to the Risk Department.

Use of Company Vehicles - Business Purpose

The use of company vehicles is only for qualified persons assigned to drive and/or have authority to drive dispatched vehicles.

If an employee is found to be "at fault" in an accident that occurs while the employee is driving a company vehicle for business usage, the employee will be required to complete a defensive driving course at the employee's expense and within thirty days of the accident. The determination of whether an employee is at fault will be determined by the Company in its sole discretion.

Use of Company Vehicles – Non-Business Purpose

Employees with permanently assigned vehicles may use the vehicle for limited personal off-duty travel, provided the travel does not exceed a 120-mile radius of the employee's applicable Shermco location and properly reports (on a weekly basis) the percentage of personal use of the company vehicle. Employees in this category will reimburse Shermco for the personal use of a company vehicle as described in this policy.

Excessive personal use of a company vehicle may result in the loss of vehicle privileges.

Some company vehicles may be used by qualified employees from time to time for personal use, but this use must be within a 120-mile radius of employee's applicable Shermco location and must be approved in advance by their department supervisor, Risk Department and the General Manager or VP of Operations. Employees will reimburse Shermco for the personal use of a company vehicle as described in this policy.

If the employee is assigned a company vehicle that qualifies for personal use, and the vehicle is damaged, the employee will be responsible for paying the cost of the damage or the Shermco collision insurance deductible, whichever is less.

Company Vehicles**Eligibility Guidelines**

The use of a company vehicle is a significant expense borne by Shermco to permit the user to perform certain job duties in a more efficient manner. Every employee allowed to drive a company vehicle must possess a current and valid driver's license. For additional safety awareness, Shermco encourages annual completion of a state-approved defensive driving course for all eligible drivers. Each employee is personally responsible for any fines incurred as a result of moving or parking violations while using a company vehicle.

The points listed in the chart below (for offenses reflected in the employee's MVR) are the eligibility guidelines established for driving a Shermco vehicle. A total of eight or more points within a rolling three-year period could render the employee ineligible to drive a Shermco vehicle. However, in Shermco's discretion the privilege to drive a company vehicle may be revoked, for any reason or for no reason at all, at any time by Shermco.

Motor vehicle records (MVRs) are checked periodically as part of Shermco's ongoing safety program. If an employee is declined for coverage by the Company's vehicle insurance carrier, he/she will not be allowed to drive a company vehicle. Should an unfavorable MVR be discovered, the employee will immediately lose driving privileges for company vehicles and disciplinary action may follow (due to the failure to comply with this policy), up to and including immediate termination of employment.

Employees who drive company vehicles as part of their job duties must immediately report any violation involving the vehicle, whether personal or job-related, to the Risk Department.

Offense	Point Value
At fault accident (speeding in school zone, passing stopped school bus, reckless driving)	4
Failure to stop at red light or stop sign	3
Speeding	2
Any other moving violation	2
Equipment violation (brake or head light out, etc.)	1

If you are convicted, plead "Guilty" or "No Contest" to a **DWI** or **DUI**, you are ineligible to drive a Shermco vehicle for five years.

Additional requirements apply to DOT certified drivers and vehicles. All such drivers must contact the Risk Department to complete the necessary documentation. DOT drivers are also responsible for all inspections and vehicle compliance regulations.

Company Vehicles

Incidents/Accidents

Shermco employees who are involved in any incident/accident involving a company vehicle, no matter how minor, must notify his/her supervisor and the Risk Department immediately and follow the guidelines specified in Policy No. A-009 including the submission of all required form(s) to the Risk Department within 24 hours.

Reimbursement for Personal Use of Company Vehicles

Shermco requires reimbursement for personal use of company vehicles. Employees who are assigned a company vehicle that qualifies for personal use will reimburse the Company for personal use of the vehicle through payroll deduction on a weekly basis at the rate stated in *Schedule A*.

If approved by management, employees who are assigned a company vehicle, which qualifies for personal use, may also use their vehicles for vacation outside the 120-mile radius of the applicable Shermco location. Employees who use their vehicles for trips must reimburse the company for personal use of the vehicle through payroll deduction at the rate stated in *Schedule A*. When a company vehicle is used for this purpose, the employee must complete a *Request for Personal Use of Company Vehicle Form* that has been approved in advance by his/her department supervisor, Risk Department and the General Manager or VP of Operations and must include the beginning and ending vehicle mileage. The *Request for Personal Use of Company Vehicle Form* is located on the ShermcoYou! website. Employees will be required to personally assume one hundred percent of the vehicle's collision insurance deductible during the time of personal usage of the Company vehicle. Actual gasoline expenses must be reimbursed to the Company within five working days. In the absence of receipts, gasoline will be reimbursed to the Company at the rate stated in *Schedule A*.

If approved by management, employees that qualify for personal use of company vehicles may use unassigned company vehicles provided the travel does not exceed a 120-mile radius of the employee's applicable Shermco location. The employee will be required to personally assume one hundred percent of the vehicle's collision insurance deductible during the time of personal usage of the Company vehicle. The employee must also complete a *Request for Personal Use of Company Vehicle* form that has been approved in advance by his/her department supervisor, Risk Department and the General Manager or VP of Operations. Actual gasoline expenses must be reimbursed to the Company within five working days. In the absence of receipts, gasoline will be reimbursed to the Company at the rate stated in *Schedule A*.

REIMBURSEMENT FOR ADDITIONAL VALUE OF COMPANY VEHICLES

Allowed Value Assessment of Company Vehicles

Based upon an employees' job description requirement, company vehicles will have an allowed value assessed by the President or General Manager and subject to annual revision.

Outside Salespersons / Management

Outside Salespersons and Management personnel may have the option of selecting a company vehicle that exceeds the value of his/her assigned company vehicle when approved by the President and/or the General Manager. When this option is exercised, the employee will be

Company Vehicles

required to reimburse the Company for all costs that exceed that of the assigned company vehicle (this includes, but is not limited to, the lease or cost amount of the vehicle, excessive fuel use, increased insurance, tax, license, maintenance cost, etc.). This cost will be established when the optional company vehicle is first selected, and an "Optional Company Vehicle Contract" will be written at that time between the Company and the applicable employee to determine the financial responsibility required of the employee.

Outside Salespersons and Management personnel may elect to be reassigned an existing company vehicle rather than his/her assigned company vehicle. When this option is exercised, and the value of the reassigned company vehicle exceeds the value range of his/her assigned company vehicle, all costs that exceed that of the assigned company vehicle will be calculated (this includes, but is not limited to, the lease or cost amount of the vehicle, increased insurance, tax, license, maintenance cost, etc.). This cost will be established when the vehicle reassignment is authorized, and an "Optional Company Vehicle Contract" will be written at that time between the Company and the applicable employee to determine the financial responsibility required of the employee.

Field Service Technicians

Field Service Technicians may have the option of being assigned a company field service vehicle that exceeds the value of his/her assigned company field service vehicle when approved by the President and/or the General Manager. When this option is exercised, the employee will be required to reimburse the Company for all costs that exceed that of the assigned field service company vehicle (this includes, but is not limited to, the lease or cost amount of the vehicle, increased insurance, tax, license, maintenance cost, etc.). This cost will be established when the optional company field service vehicle is first selected, and an "Optional Company Vehicle Contract" will be written at that time between the Company and the applicable employee to determine the financial responsibility required of the employee.

COMPANY ALLOWANCE FOR PERSONAL AUTOS, TRUCKS, AND VANS

Vehicle Allowance Plan

At times, it may be in the best interest of the Company to establish a monthly vehicle allowance plan with employees, as approved by the President or General Manager. Employees who receive a vehicle allowance must provide the Risk Department with proof of insurance and will be required to reimburse Shermco for personal use of their vehicles.

Vehicle Allowance Eligibility

Employees eligible for consideration of a vehicle allowance are:

- Outside Salespersons
- Field Service Technicians
- Management Personnel
- Company Officers

Company Vehicles

COMPANY REIMBURSEMENT FOR USE OF PERSONAL AUTOS, TRUCKS AND VANS

From time to time the Company may request that an employee use his/her personal vehicle for company business. If this employee does not currently receive a monthly vehicle allowance, the Company shall reimburse the employee for the business use at the IRS allowable rate, listed in *Schedule A* of this policy.

If an employee is to be reimbursed for the business use of his/her personal vehicle, he/she must maintain his/her vehicle in good working order and carry auto liability insurance coverage. Shermco assumes no liability for the employee's use of his/her personal vehicle.

COMPANY POLICIES FOR AUTOS, TRUCKS, AND VANS

Employees who are assigned company vehicles should perform proper maintenance along with required inspections and repairs. All fuel related expenses must be purchased using the Company Fleet Card provided for each vehicle and must remain in the vehicle at all times. The only fuel grade approved for any Shermco owned vehicle is regular unleaded or diesel fuel as applicable.

Employees are responsible for approved maintenance of the vehicle. If the vehicle does not receive proper care, the employee will be held responsible.

Only Shermco decals and approved stickers may be applied to company fleet vehicles.

Employees are personally responsible for any fines incurred as a result of traffic or parking violations. In addition, employees are not permitted, under any circumstances, to operate a company vehicle when any physical or mental impairment causes the employee to be unable to drive safely. This includes, but is not limited to, circumstances in which the employee is temporarily unable to operate a vehicle safely or legally because of illness, medication, intoxication, or neglected vehicle maintenance.

Routine maintenance inspections must be performed on a regular basis - oil changes, tune-ups, engine/transmission inspections, fluid levels, etc. Employees are responsible for the general maintenance of their assigned vehicles. Individual employees will be held responsible for repair expenses that are caused by the negligence of that employee.

Any questions regarding vehicle maintenance should be directed to the Asset Manager.

The driver must ensure the vehicle and toolboxes remain locked when unattended. Company property kept in the bed or interior of the vehicle must be reasonably stored and secured to prevent theft. Equipment such as computers, expensive test equipment and other similar property must not be stored in the vehicle interior while unattended. The employee may be responsible for reimbursement of property stolen from the vehicle's interior.

Each vehicle must contain: MSDS binder, fire extinguisher, first aid kit, accident kit, reflective triangles or flares.

Company Vehicles

Employees who regularly operate vehicles used for company business must keep them clean and orderly. Neglect or abuse of company vehicles may result in disciplinary action.

It is the driver's responsibility to keep state-required insurance, registration and vehicle inspection documents in the vehicle at all times. Company provided insurance only covers Shermco approved drivers while driving a company vehicle.

Before towing a personal trailer with a company vehicle, the *Request for Personal Use of Company Vehicle Form* must be completed and approved. Employees' personal trailers are not covered under Shermco insurance, and employees are advised to secure insurance for the personal trailer. Proof of insurance must be documented before an employee is allowed to use a company vehicle to tow a personal trailer.

Excessive use of a company vehicle for personal business may result in loss of its use.

Company vehicles should never be used for transportation of non-business groups. If a situation arises where the use of a Company vehicle is requested for transportation of a non-business group, written authorization must be obtained from a Shermco Officer, as well as a written release of liability for all passengers. Passengers under the age of 18 must have written authorization from their legal guardian(s).

Employees are required to immediately report any damage to a company vehicle to their supervisor and the Risk Department.

Phone use, texting, emailing, internet browsing or any other activity that may cause a distraction while operating a Company vehicle is prohibited.

If the assigned company vehicle is approved for an electronic toll tag, submit the vehicle's make, model, year and license plate number to accounts payable.

Company Vehicles

Driver Complaints

Driver complaints are serious offenses and every Shermco driver should take all precautions and actions to ensure they do not occur. While each incident is investigated and reviewed by Shermco management, should there be a complaint reported against the driver of a Shermco vehicle, the following consequences will apply.

Complaint	Consequence
Driver Complaint #1	<ul style="list-style-type: none"> • 4 Days off without pay • Defensive driving course at employee's expense must be completed with 30 days of complaint • 2 points added to Shermco record • Additional actions as deemed necessary
Driver Complaint #2	<ul style="list-style-type: none"> • 4 Days off without pay • Defensive driving course at employee's expense must be completed with 30 days of complaint (Date of last defensive driving course is irrelevant.) • 2 points added to Shermco record • 90 days probation (not eligible for wage increase) • No personal use of Shermco vehicle • Additional actions as deemed necessary
Driver Complaint #3	<ul style="list-style-type: none"> • 5 Days off without pay • Defensive driving course at employee's expense must be completed with 30 days of complaint (Date of last defensive driving course is irrelevant.) • 2 points added to Shermco record • 90 days probation (not eligible for wage increase and no personal use of Shermco vehicle) • Ineligible to drive a Shermco vehicle for 90 days • Additional actions as deemed necessary

Noncompliance of any Shermco policy may result in disciplinary action, up to and including immediate termination of employment.

Company Vehicles**Schedule “A”****1. REIMBURSEMENT RATE FOR PERSONAL USE OF COMPANY VEHICLES**

- a. Fuel \$20 per week
- b. Depreciation \$5 per week
- c. For trips outside the 120-mile radius of the applicable Shermco office \$10 per day plus actual fuel expenses or \$0.10 per mile, whichever is greater.

2. ESTABLISHED IRS ALLOWABLE MILEAGE REIMBURSEMENT RATE

Shermco will reimburse employees at the current established IRS allowable mileage rate.

Reference: www.irs.gov.

Rest/Smoking/M meal Periods

Employees may take a ten-minute paid rest/smoking period during each four hours of duty. The rest/smoking periods should be taken as close to the middle of the four hours of duty as possible. Employees should discuss with their supervisor when to take the scheduled rest/smoking period times.

Rest periods are a benefit provided to Shermco employees and should not be used as a means to shorten a scheduled workday or workweek. Rest periods may not be taken in conjunction with a meal period, at the end or beginning of a work day, or combined and taken consecutively.

Unless otherwise approved by a supervisor, Shermco regular full-time and part-time employees who work eight hours in any work day must take one unpaid half-hour/one hour meal period each day. The scheduled time for this meal period varies by department and should be discussed with individual supervisors to determine the most convenient time and duration for this period.

Shermco provides designated areas that must be used for rest/smoking periods.

Training/Educational Assistance

Training programs are available to Shermco employees. Safety, technical, certification, professional, and supervisor/management courses are available and are offered to individuals on an “as needed” or “as requested” basis.

Shermco also encourages employees to seek professional development and continuing education courses available during non-work hours. Educational assistance may be available for these courses.

Educational assistance benefits are available for regular full-time employees who have completed at least six full months of continuous service and have enrolled in pre-approved courses that relate to the employee’s present position or the improvement of currently required job skills. Employees must discuss their educational plans with their supervisor and complete an Educational Assistance Request form to obtain approval before registering for any course for which they seek Shermco reimbursement. This form is located on the ShermcoYou! website. Courses must be taught at an accredited college, university, high school, or technical vocation school. The employee's tenure and work record at Shermco as well as general economic conditions will be considered. Employees on probation are not eligible for educational reimbursement.

With prior approval from management, the Company will only reimburse tuition to eligible employees. The amount of reimbursement may vary from time to time and is dependent upon the funds available, the nature of the educational course and the work record of the employee. The employee must pass the course with a grade of “B” or better to be eligible for reimbursement. A copy of the course grade will be required for Shermco's records at the completion of the course. Employees, who obtain less than a grade of “B”, leave employment, withdraw from any course, or fail to turn in course grades become ineligible for reimbursement.

If the employee leaves Shermco within 36 months of receiving reimbursement, the employee will be required to pay back the educational reimbursement paid by the Company. A signed tuition reimbursement agreement is required before the funds are dispersed.

If any employee attends an approved job-related class/seminar that requires an overnight stay, reimbursement for lodging and/or meal expenses will be made according to previously established guidelines under *Business Expenses*. Receipts along with a properly completed Expense Report are required at the time the reimbursement is requested.

Employees eligible for assistance under a scholarship, fellowship, or military/veterans program are not eligible for the company’s educational assistance.

Depending on applicable tax laws, tuition and fees refunded may be considered income to the employee and therefore subject to federal income tax.

Conventions, Training Programs and Workshops

Time spent by employees attending lectures, meetings and/or training programs at Shermco where employee attendance is expected or required will be regarded as hours worked.

Training/Educational Assistance

When employees are sent (at the request of a supervisor or department manager) to a training program, regular wages for a basic work day plus the cost of the training program and all other direct expenses will be paid by Shermco.

Employee Referral Program

Shermco recognizes that employee referrals of qualified applicants can be an effective recruiting tool. Referral bonuses are intended to encourage employees to refer quality applicants for critical positions and reward them monetarily when placement is successful.

Eligible Employees

Most regular full-time and part-time employees with at least three months of service are eligible to participate. Ineligible to participate include Company Officers, Owners, Managers, Supervisors and Human Resources staff.

Eligible Positions

This policy applies only to hard-to-fill or key positions as determined by Human Resources with collaboration from a Company Officer, and approved by the Company President. Eligible positions will vary based on the needs of the organization at any given time, and are subject to change. Eligible positions must be valid, approved job openings as listed on Shermco's online careers page, though not all job openings are eligible for a referral bonus.

Procedure

The referring employee must instruct the referred individual to submit their resume online through the Company's online career center at www.shermco.com/careers and inform them to list the referring employee's name as the source. The referring employee should also submit written notification of the referral to Human Resources. The referral will be reviewed by Human Resources to confirm the candidate has not previously applied to the Company. Referral bonuses are not earned for referring any current employee (i.e. transfers from other departments within the Company), temporary, casual labor or contract workers, close relatives (spouses, parents, grandparents, children, grandchildren or persons with a similarly close relationship), nor rehires who have been gone less than two years. If the Company hires a referred candidate, Human Resources will notify the referring employee of the hire and the date of eligibility for the bonus.

Bonus Payment

Referral bonuses will be paid in two installments to the referring employee; 50% will be paid at the time of hire and 50% after the new employee has successfully completed six months of full time employment.

Bonuses will be paid through payroll and are considered wages and therefore subject to payroll taxes. Both the referring and referred employee must be employed by the Company at the time the bonus payments are made. Bonus payouts will be deferred if either employee is on a leave of absence; the payment will be dispersed when the employee returns from the leave of absence.

Bonus amounts and eligibility factors are subject to change based on the business and economic needs of Shermco. Referral bonus amounts will vary based on the difficulty of recruiting for the position. The amount of the referral bonus will be publicized at the time the position is approved, and will vary from \$500 to \$2,500. Not all job openings will be eligible for referral bonuses.

Wage and Salary Program

Every attempt is made by Shermco to maintain a reasonably just, fair, and competitive relationship among the benefit practices, salaries and wages paid for various types of work performed at Shermco. The wage and salary program is reviewed periodically. Consideration is given within the system for an employee's performance as well as directly related past experience of new employees.

Shermco complies in spirit and practice with all regulations related to your pay. It is Company policy to comply with the salary basis requirements of state and federal law. Employees will be asked to authorize any deductions not required by law or court order, and any improper deductions from wages are prohibited. If there are questions regarding deductions, rate of pay, methods of pay calculation, eligibility for overtime, or an employee believes that an improper deduction has been made, the employee should immediately report it to the Accounting or Human Resources Department. If an employee suspects a discrepancy in the amount of their payroll deposit, the employee should immediately report it to the Accounting Department. All such reports will be promptly investigated and if it is determined that a payroll deposit error was made it will generally be resolved by the next pay period.

Rate Increases

The following are the criteria on which merit determinations will be made:

1. There must be an overall determination that the employee is meeting job requirements. Additional factors are:
 - Attendance
 - Newly mastered skills
 - Positive/negative feedback from other supervisors
 - Positive work attitude
 - Effective and efficient job performance
2. The employee must consistently display a pleasant and supportive attitude, courteous and cooperative relationships with other employees, and a sincere interest in ensuring Shermco provides a high quality of service to its customers
3. The employee's attendance record must be exemplary without excessive absences or tardiness during the review period
4. Unresolved disciplinary issues, warnings, or probations may delay or affect merit consideration

Employees with performance and/or attendance issues serious enough to make them ineligible for merit increases will be placed on probation. Such probation must be resolved within a reasonable time or the employee will be considered for termination of employment.

Wage and Salary Program

Transferred or Promoted Rate Changes

Wage and salary changes will not ordinarily be considered when an employee transfers from one job to another as long as the jobs are in the same job classification.

Employees promoted from one job to another in a higher job classification will receive wage or salary increase consideration on an individual basis, based on his/her qualifications, need for training in the new position, wage or salary prior to the promotion, the wage or salary of other employees in the same or similar position and the promoted employee's total length and history of service with Shermco.

Demotions

Whenever it becomes necessary to place an employee in a position with a lower job classification, in most cases the demotion will have no adverse effect on the employee's benefits. It may result, however, in a wage or salary reduction commensurate to the new position. Whenever the conditions leading to a demotion have been resolved satisfactorily, the employee will be eligible for transfer or promotion.

Pay Period and Work Week

Pay periods and work weeks are co-extensive. Both begin at 7:00 a.m. on Monday and end at 6:59 a.m. the following Monday. Generally there are 52 pay periods and work weeks in each calendar year.

Time Entry and Business Expense Reimbursement

In order to maximize the efficiency of payroll and business expense processing, the following will apply:

1. Employees are required to enter all hours worked consistent with their position.
2. Hours worked and expenses incurred from the previous week must be entered into Shermco's time and expense entry system every Monday by 10:00 a.m. Central Standard Time. Deadline flexibility will be granted to employees who perform weekend emergency call-out work. Should Monday fall on a Shermco recognized holiday, the deadline will apply to the next business day.
3. Hours worked and expenses incurred from the previous week must be approved by the employee's supervisor every Tuesday by 5:00 p.m. Central Standard Time.
4. If an employee fails to enter their hours worked or expenses incurred by the deadline, Shermco has no way of knowing what the employee is owed; therefore, the employee's payroll deposit and reimbursement for the non-reported hours and expenses will be processed in the next payroll period.

Wage and Salary Program

5. If an employee enters their hours worked and expenses incurred by the deadline, but their supervisor negligently fails to approve those hours and expenses by the deadline, then the employee will receive their paycheck and reimbursement as soon as possible. Should the supervisor be absent or otherwise unable to approve time, it is the supervisor's responsibility to ensure proper arrangements are made for time and expense approval in their absence.

6. If an employee suspects a discrepancy in the amount of their payroll deposit or expense reimbursement, the employee should immediately report it to the Accounting Department. All such reports will be promptly investigated and if it is determined that a payroll deposit error was made it will generally be resolved by the next pay period.

7. If an employee does not receive their payroll deposit or expense reimbursement, the employee should report the issue to their supervisor, and the supervisor will work with the Division Manager and the Accounting Department to resolve the problem.

Payday

Payday is every Friday.

Paychecks

Paychecks are distributed to employees every Friday and will include pay for the previous one-week pay period ending the preceding Monday at 6:59 a.m.

Employees are encouraged to receive their paychecks via direct bank deposit.

Check Cashing for Lost Checks

Shermco cannot cash payroll checks for employees. If a paycheck is lost, Shermco's Accounting Department should be notified immediately so that payment can be stopped. Lost checks can be reissued as soon as disposition of the lost check has been determined. The employee is responsible for any stop payment fees.

Unclaimed Paychecks

Paychecks not claimed by employees by noon Tuesday following a Friday pay day must be returned to the Accounting Department. Checks returned to the Accounting Department will be available to employees between the hours of 8:00 a.m. and 4:30 p.m. Monday through Friday.

Termination Paychecks

The final paycheck will be provided as required by applicable state law. Company issued equipment such as cell phone, laptop, data card, assigned test equipment, tools, etc. must be returned on or before the last day of employment. In the event the equipment is not returned, the terminated employee will be held responsible for financial reimbursement.

Pay Rates/Overtime

Because Shermco is a service organization that attempts to eliminate or reduce customer's downtime, overtime will be required. This overtime may occur at any time including weekends or holidays. Duty assignments for all overtime will be rotated in as fair and equitable manner as possible with appropriate consideration to the abilities and skills required to perform the job as well as other factors. Vacation, personal holidays and sick time are generally not considered "hours worked" for purposes of calculating overtime pay. Employees who work unauthorized overtime will be paid overtime rates, but may be subject to disciplinary action.

Exempt Employees

As a general rule exempt employees will not be entitled to extra compensation for overtime work.

Non-Exempt Employees

Non-exempt employees who work billable overtime will be paid overtime rates for those extra hours worked, as noted in the overtime section of their attendance record card.

Non-exempt employees are not allowed to work billable overtime unless it has been approved in advance by a supervisor. Employees who work unauthorized overtime will be paid overtime but subject to reprimand.

Non-Billable Overtime

All non-billable overtime must be pre-approved by an officer of the Company. From time to time, Shermco may elect to perform administrative and other tasks on overtime. For such tasks the overtime rate will be 1.5 times base pay for all hours worked in excess of 40 hours per week.

Billable Overtime

Billable overtime is defined as time worked on a job in excess of 40 hours in a work week (Monday through Sunday), weekends, and/or time worked in excess of eight hours within a 24-hour period and should only be worked when authorized. For billable overtime, employees will be paid according to the Summary Rate of Pay for Billable Work table as provided in this policy.

Shift Differential

Employees who regularly work the second shift may be entitled to a ten percent (10%) increase in their hourly wage as long as they work the second shift.

Should a job require an employee to temporarily work an alternate shift for a period exceeding three days, Shermco management will inform the employee of any pay differential for that job.

Call in Pay

Employees who are called in to work when not previously scheduled to work are entitled to a minimum of four hours of pay, regardless of the hours actually worked.

Early Call-In

Provided an employee has been relieved of work duty for at least six hours and that he/she is called back to work not more than two hours prior to the start of his/her normally scheduled shift (Monday through Friday), the employee will be paid overtime at the rate of 1.5 times base pay

Pay Rates/Overtime

for the two hours (or portion of that time) worked prior to the start of the new work day. At the beginning of the new work day, compensation will revert to base pay for the first eight hours.

Call Back

Provided an employee has been relieved of duty for at least six hours and that he/she is called back to work more than two hours prior to the start of his/her normally scheduled shift (Monday through Friday), the employee will be paid overtime at the rate of 2.0 times base pay for all hours worked prior to the start of the new working day. At the beginning of the new work day, compensation will revert to base pay rate for the first eight hours.

Continuation

Continuation occurs when an employee continues to work with less than a six hour break for rest. Compensation for all hours worked will be at a rate of 2.0 times the employee's base pay until he/she is relieved for a period of six hours. For example, if an employee works 12 hours and rests four hours, his/her pay when returning to work will be 2.0 times his/her base pay. This situation will continue until he/she rests for at least six hours.

Telecommuting

Because of the Shermco infrastructure required along with the service needs of our customers, telecommuting is discouraged and typically not allowed. In the rare instance that telecommuting is permitted it must be pre-approved by a Shermco Officer.

Holidays

If an employee who is eligible for holiday pay is asked to work on a Shermco recognized holiday, he/she will be paid at 3.0 times the employee's base hourly rate.

Holiday pay at the rate of 3.0 times the employee's base hourly rate will be paid on the following specific days, regardless of the day of the week the holiday occurs:

New Year's Day	January 1
Independence Day	July 4
Christmas Eve	December 24
Christmas Day	December 25

For the purpose of calculating holiday pay, the holiday pay period begins at 12:00 a.m. and ends at 11:59 p.m. If an employee is working on a holiday and continues to work after 11:59 p.m., compensation will revert to the employee's applicable pay rate. On Christmas Eve, December 24, the first four normal business hours will be paid at straight time.

Pay Rates/Overtime

SUMMARY RATE OF PAY FOR BILLABLE WORK

Occurrence	Rate of Pay
Straight Time	Base pay
Normal Overtime (Between 8 to 12 hours)	1.5 times Base Pay
Normal Overtime (Over 12 hours)	2.0 times Base Pay
Early Call-In	1.5 times Base Pay
Call Back	2.0 times Base Pay
Continuation	2.0 times Base Pay
Saturday (0 to 12 hours)	1.5 times Base Pay
Saturday (Over 12 hours)	2.0 times Base Pay
Sunday	2.0 times Base Pay
Holiday	3.0 times Base Pay

Performance Evaluation

The performance evaluation is a written summary of the employee's job performance to identify, measure, and develop job performance in an organization. An effective evaluation system must not only accurately measure current job behavior against documented job functions (i.e., the job description), but it must also reinforce the employee's strengths, identify deficiencies, and deliver positive feedback to those being rated, in order that he/she may improve future performance.

Shermco encourages a harmonious employer-employee relationship and recommends that each employee be prepared to contribute in the performance evaluation process by responding verbally and in writing to what is discussed. Both the employee and the supervisor should work as a team in identifying strengths and weaknesses of the employee's performance in an effort to reach an accurate evaluation and improve overall performance for the future.

If the written evaluation contains an unfavorable comment or rating which the employee believes is unjustified, and the matter has not been resolved to the employee's satisfaction during the discussion with the supervisor, the employee may take further action by using the regular Grievance Procedure.

If desired, the employee is given a copy of the completed and signed evaluation for his or her records. The performance evaluation is then submitted for review by the next level of management.

Performance evaluations are a factor in determining a wage or salary increase; however, it is not the only factor, and evaluations do not automatically result in wage or salary increases. Such considerations as Company profits and overall performance must also be considered as well as other Company financial aspects prior to the award of pay increases.

It is the policy of Shermco that employees conduct themselves at all times in ways that facilitate an efficient operation of the Company to benefit and protect the safety of all. Conduct that interferes with operations, brings discredit on the Company, or is offensive to customers or fellow employees will not be tolerated. While it is not possible to list all forms of conduct that are considered unacceptable in the workplace, the following examples are provided to demonstrate what conduct may result in disciplinary action, up to and including immediate termination from employment:

- Failure to follow any policies contained in this Policy Manual
- Falsification of Shermco records, including, but not limited to, employment application and time and expense records
- Insubordination (i.e., refusal to comply with a supervisor's reasonable instructions) or failure to perform reasonable duties as assigned
- Any act of conduct detrimental to Shermco's employees or operations
- Performance that does not meet the requirements of the job
- Creating unsafe or unsanitary conditions, or contributing to such conditions, by acts either of commission or omission
- Unauthorized use of telephone for personal business and/or social networking
- Rudeness or inappropriate behavior of any kind
- Loafing or sleeping while on duty
- Immoral or indecent conduct
- Theft, fraud or any type of illegal conduct
- Threatening or intimidating conduct, including fighting, horseplay, or practical jokes, that adversely affects operations, damages company property, or endangers persons on the Company's premises
- Use of threatening, intimidating, coercive, or abusive language
- Use of Company material, time, or equipment for the manufacture or production of an article for unauthorized purposes or personal use
- Accepting personal gifts, money, or services in return for special consideration in any Shermco business or service activity

Harassment

Shermco will not tolerate harassment of its employees, whether committed by a fellow employee, a member of management, or a visitor to our workplace, such as a vendor, supplier or customer. All employees are responsible for ensuring that the workplace is free from harassment, especially when such conduct is based upon gender (including same-sex harassment), race, color, religion, national origin, age, disability or any other unlawful basis. This policy also applies to work-related settings outside of the workplace, such as during business trips, business meetings and business-related social events. All employees, including managers and supervisors, will be subject to corrective action, up to and including immediate termination from employment, for any act of harassment they commit.

Examples of prohibited harassment include, but are not limited to:

- Use of slurs, epithets, and words that degrade an individual or group of individuals, even when used in a joking fashion;
- Unwelcome advances, demands or requests for sexual acts or favors, and other verbal or physical conduct of an offensive nature, such as leering, flirting, touching, gestures and graphic comments about another person's dress, body or personal conduct;
- Display of cartoons, photographs, drawings, pin-ups, posters, calendars, or images that are offensive or degrading to others;
- Conduct which has the purpose or effect of substantially interfering with an individual's work performance or which creates an intimidating, hostile or offensive work environment; or
- Conditioning hire, continued employment, or terms and conditions of employment upon submission to sexual advances or requests for sexual favors.

It is also unacceptable to shun or exclude an individual from participation in work or company sponsored social events in order to avoid allegations of harassment.

If you feel you are being harassed, or if you have knowledge of harassment of a co-worker, you should take immediate action. If you are comfortable doing so, tactfully advise the offender that his/her behavior is unwelcome and request that it stop. This approach can be effective in situations where the offender truly does not realize that his/her conduct is offensive to others. If this does not work, or if you are not comfortable confronting the offender, notify your supervisor. If for any reason you do not feel comfortable discussing the matter with your supervisor, contact the Human Resources Department or any member of management whom you feel comfortable in approaching. All reports will be promptly investigated in as confidential a manner as possible. Based upon the findings of the investigation, the Company will take prompt and appropriate action to remedy any violations of this policy.

No employee who brings a good faith report of harassment to the attention of the Company will suffer retaliation or other adverse employment action as a consequence. Any employee, including managers and supervisors, retaliating against a co-worker who reported a violation of this policy, in good faith, will be subject to corrective action up to and including immediate

Harassment

termination from employment. It is important for employees to report incidents of harassment, because without your assistance, violations could go undetected and unremedied.

While Shermco maintains an open door policy, employees are encouraged to comply with the procedures outlined in this policy.

Harassment actions generally proceed through the following steps:

1. Immediate Supervisor or Human Resources Department

In order to minimize the possibility of misunderstanding, an employee is requested to submit in writing the problem or harassment to his/her immediate supervisor or Human Resources Department within ten calendar days of the occurrence of the problem. They must investigate, evaluate, or reevaluate the matter based upon the employee's current request and attempt to provide a solution or explanation in writing to the employee within five working days. If additional time is required, the employee will be notified in writing.

2. Supervisor's Immediate Superior

If an employee does not receive a satisfactory answer or resolution, three working days are allowed to refer the problem in writing to the supervisor's immediate superior. After receiving the written claim of harassment, the supervisor's immediate superior will promptly schedule a meeting to provide the employee an opportunity to present the problem personally. Within three working days thereafter, or such extended period as is required under the circumstances to properly investigate the matter, the supervisor's immediate superior will provide the employee with a verbal and written response to the harassment.

3. Upper Management Intervention

If an employee is not satisfied with the decision at the second step of this procedure, an additional three working days is permitted to request, in writing, an appointment for a personal interview or telephone interview with an Officer of the Company responsible for the area of the employee. Upper management will discuss the problem with the employee and investigate the basis of the harassment claim. The manager will provide a verbal and a written decision to the employee within ten working days, unless it is determined that additional time is required. The decision at this step will be final and conclusive for all parties.

Shermco's intention is to be fair and impartial in order to establish the most productive working relationship possible. Employees will not be discriminated against, retaliated against, or in any way penalized for using this procedure.

Procedure Regulations

- Unless the procedures specified in this policy are observed as presented, the employee's right to resolution of the claim of harassment may be waived
- The time limits provided shall be observed as presented unless acknowledged by the parties involved that an extension is required
- When two or more employees are involved in harassment, all shall be identified in the written presentation of the harassment; and, whenever possible, all shall participate in the various harassment processes
- Employees shall not incur any loss of pay or benefits for the time required to process a harassment claim so long as the procedures specified by this policy are observed
- If a supervisor is unable to satisfy an employee's needs in a problem-solving situation, the supervisor may not attempt to prevent the employee from seeking assistance from the next higher authority within the Company

Personal Appearance

Personal Appearance

Employees' appearance, including their dress and personal hygiene, has a direct impact on how the Company is perceived by our customers, vendors and the general public. In some jobs, certain items of apparel are essential as a matter of personal safety. Office personnel should dress in the attire that is appropriate for his/her job duties, which is generally business or business casual attire. Casual attire, such as shorts, skorts, cutoffs, mini-skirts, sweatshirts, sweatpants, jogging suits, flip-flops, halter tops, midriff-baring tops, tank tops, tube tops and t-shirts, are not to be worn in the workplace during business hours. Your attire should be clean and free of tears, rips, holes, fraying and excessive wrinkling. Hair (including facial hair) and nails should be clean, neatly trimmed and not extreme in style or color. Offensive or tasteless tattoos and body piercings (other than ears) must be covered when representing Shermco in public, during working hours or while on company premises.

Shermco Provided Attire

Pants, shirts, t-shirts, jackets, overalls, caps, cotton blue jeans and/or other clothing that is issued by Shermco is considered Shermco provided attire. Shermco provided attire must be maintained in a professionally presentable and clean condition. Once Shermco provided attire has reached a point at which it requires disposal, the employee shall dispose of the attire properly. Proper disposal of the attire means that the clothing will not be available for use by any person, charity, or reseller.

Shop Production Employees

Shop production employees are required to wear clothing that is appropriate for the shop environment, with Shermco attire as the preferred choice. Cotton blue jeans are approved for shop production employees.

Field Service Employees

Field service employees are required to wear Shermco provided attire at all times due to safety requirements and exposure to Shermco customers. Cotton blue jeans are approved for field service employees.

Sales Employees

Sales department employees are required to wear business casual attire. However, appropriate attire may be worn as determined by the activities of the day.

Office Employees

Office employees are required to wear business casual attire due to direct contact with the public (i.e., applicants, vendors and customers). Business casual attire shall include slacks, pantsuits, suits, casual dresses, skirts, and blazers.

Attendance**Employee Responsibility**

Regular attendance by employees is extremely important because every job has a definite place in the successful operation of Shermco. Employees are expected to start the work day on time and to be punctual to all work assignments. There will be no pay for time not worked.

Attendance

If an employee is unable to report for work as assigned, the employee's supervisor must be notified as soon as possible. Such notice should be given as far in advance as possible. Frequent unexcused absence or tardiness may subject an employee to disciplinary action, up to and including immediate termination from employment. The various types of absences and tardiness are as follows:

Paid Absences

There are several types of absences for which employees may be paid.

Excused Absences

Excused absences, except for those under the Uniformed Services Employment and Reemployment Rights Act (USERRA) and unforeseen leave under Family Medical Leave Act (FMLA), must be approved in advance by the employee's supervisor.

Excused absences are noted in an employee's attendance record.

Unpaid excused absences in excess of two weeks must be processed as a formal leave of absence.

Unexcused Absences

An unexcused absence occurs when an employee fails to notify his/her supervisor or department manager at least 30 minutes in advance of his/her inability to come to work as assigned, and the reason for absence is not protected under a federal or state law, such as FMLA or USERRA. An employee who cannot report to work must call in each day that he/she has been scheduled to work, including any weekends or holidays, unless other arrangements have been made.

One unexcused absence in any 30-day period will be sufficient cause for an employee to be placed on attendance probation for up to three months.

Two unexcused absences in a 12-month period will be sufficient cause for an employee to be subject to disciplinary action, up to and including immediate termination from employment.

Tardiness

Tardiness occurs whenever an employee is not in his/her assigned work area and ready to work at the start of his/her normal hours of work or return from a meal period. Frequent tardiness will be regarded as sufficient cause for disciplinary action, up to and including immediate termination from employment.

Attendance**Absence Standards**

The following will be used as a guide for the evaluation of employee absence records. This guide has reference to a rolling 12-month period and includes excused and unexcused absences, except those which cannot be considered under applicable leave laws.

DAYS OF ABSENCE	EVALUATION
0 - 1	Excellent
2 - 3	Good
4 - 5	Fair (marginal)
6 or more	Poor (probationary)

A period of absence may be one day or a series of consecutive days. Normally, the number of periods of absence will be regarded as more significant than the actual number of days of absence in any one period. For example, in most cases an attendance record showing one period of absence totaling twelve days will be regarded as less of a problem than a record showing twelve one-day absences scattered throughout the rolling 12-month period.

Attendance Records

All persons eligible to receive payment for services performed as Shermco employees must personally verify their claims for all compensation, wages, salary, benefits, etc.

Any dishonest or fraudulent submission of information regarding any employee's record of attendance will be regarded as sufficient cause to justify disciplinary action, up to and including immediate termination from employment.

Personal Business

Conducting personal business during regularly scheduled working hours is not allowed. Employees who conduct personal business during working hours may be subject to disciplinary action, up to and including immediate termination of employment. Employees may conduct personal business during their meal period.

Use of Business Equipment

Shermco business equipment should be used primarily for business purposes. Employees may use business equipment such as telephones, copy machines, printers and fax machines so long as such use is kept to a minimum and does not interfere with work activities. Employees should make personal phone calls during meal periods to leave the lines open for business use during working hours. Personal long distance calls should not be placed from Shermco phones, unless it is an emergency. Postage meters are to be used for Shermco business purposes only.

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Voicemail/E-mail

Shermco provides voicemail and electronic mail (e-mail) to employees at the Company's expense for use in performing their jobs. Each employee is responsible for the proper use of their voicemail and e-mail account.

Shermco's voicemail and e-mail systems are primarily for business use and some personal use is allowed, so long as it does not become excessive or violate the Company's policies which relate to equal employment opportunities, harassment and communications.

Employees do not have privacy rights in any matter created, received, or sent via Shermco's voicemail or e-mail systems. The Company may monitor and access any message created, received, or sent from Shermco's voicemail and e-mail systems in order to ensure superior service to our customers and to enforce this policy.

Employees must not, however, disclose password(s), message(s), or other information created, received, or sent from Shermco's voicemail or e-mail systems to unauthorized personnel.

Extreme care must be taken to protect proprietary or confidential Shermco information before relaying it via voicemail or e-mail. Employees must not presume it will be kept confidential.

Creating, sending, or forwarding voicemail or e-mail messages which are offensive, intimidating, or hostile on the basis of race, gender, color, religion, national origin, age, disability, or any other legally protected status is grounds for disciplinary action up to and including immediate termination of employment.

Any employee who becomes aware of misuse of the voicemail or e-mail system should promptly contact either the Human Resources Department or the Information Technologies Department.

Electronic Mail (E-mail)

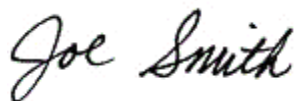
E-mail provides an efficient means of communicating with other people and is a privilege, not a right. Abuse of these privileges may result in the disabling or loss of the employee's Shermco account.

E-mail should not be considered as a saved file system. Critical e-mails and data should be saved as a file on the Shermco Local Area Network (LAN). A paper copy of the critical data pertaining directly to assigned job numbers should be placed in the appropriate job folder.

Employees should regularly check their email account and respond as appropriate, which at a minimum is the beginning and end of their shift.

Employees are required to use the standard email signature/signoff as explained below. This applies to all external business related emails sent by Shermco employees. It does not apply to internal or smart phone emails.

This is an example of an external business related email signoff. You may exclude your electronic signature at your discretion.

**Joe Smith | Title**

office 972.793.5523 | mobile 214.555.5555

2425 East Pioneer Drive, Irving, Texas 75061 | 972.793.5523 | www.shermco.comAUSTIN | CEDAR RAPIDS | **DALLAS** | DES MOINES | HOUSTON | SWEETWATER | TULSA | BRUSSELS

These are examples of acceptable internal and smart phone email signoffs.

Thanks,	Thank you,	Regards,	Sincerely,	Joe Smith
Joe Smith	Joe Smith	Joe Smith	Joe Smith	

For all emails, no other formatting variations (backgrounds, fonts, disclaimers, other signoff verbiage, quotes, taglines, phrases, logos, animated icons, etc.) are allowed. Any exception must be preapproved by executive management.

If you have any questions with this process, contact your supervisor or Corporate Services.

IT Resources

Shermco's Information Technologies (IT) Department seeks to maintain an environment of reliable computer equipment for the production of documents and electronic communications within the Shermco organization. To allow for continued advancements within this field, standards must be set to maintain conformity within the corporate use of technical resources. It is essential to enforce certain guidelines to protect the expensive investment of this equipment, which is provided to the employees of Shermco as a tool to enhance their effectiveness within their respective positions. Non-compliance of this policy may result in disciplinary action, including but not limited to loss of computer access and privileges.

Upgrades and Repairs

Upgrades and/or additions to computer equipment and software will be made only after requesting modifications in writing (e-mail) to the IT Department. After the upgrade or modification is determined necessary by the IT Department, approval to proceed must be obtained by the division manager.

Repairs and service requests should be submitted to the IT Department. Extensive, costly repairs must be approved through e-mail by the division manager.

Computer Resource Requisition

New computer resource requests should be approved through e-mail by a Shermco Officer.

Relocating and/or redistribution of equipment with other employees is prohibited without written authorization from the IT Department.

System Resources

Diligent effort must be made to conserve system resources. Shermco's network is not intended for personal data storage. Saving non-business data to hard drives or to the network is prohibited.

In the event a disk space issue should arise, and personal data is found to be on the network, it will be deleted at the IT Department's discretion.

Freeware depleting Shermco's internet bandwidth is prohibited. Examples of freeware include but are not limited to: file sharing, photo sharing, streaming audio, streaming video, etc.

Installing unauthorized and/or unlicensed software is prohibited. Only legally licensed software may be installed on Shermco computers.

Proprietary Information

All inventions, developments and discoveries which are conceived or made, either solely or jointly with others, during employment with Shermco and saved to the computer system via hard drive, flash drive, DVD, CD, tape drive, diskette or other method shall be defined as sensitive and proprietary property of Shermco and shall not be copied, removed, or deleted without proper approvals.

IT Resources

Employees may not delete, move or copy data, from computer equipment without proper authorization from their Department Manager. Software purchased by Shermco is property of the Company and as such is bound by the terms and conditions of software registration, licensing agreements and copyright laws. Software may not be shared among employees for home or personal use.

Employees agree to use appropriate and professional language, artwork and other content in all programs and documents created or distributed on Company computers.

Examples of inappropriate and unprofessional content include, but are not limited to:

- Use of slurs, epithets, and words that degrade an individual or group of individuals, even when used in a joking fashion;
- Display of cartoons, photographs, or images that are offensive or degrading to others;
- Content which has the purpose or effect of substantially interfering with an individual's work performance or which creates an intimidating, hostile or offensive work environment

Equipment Maintenance

Employees are responsible for the general cleanliness and maintenance of their computer and equipment including monitors, keyboards, printers, and cases. Employees will be held responsible for deliberate misuse and/or physical damage to computer equipment while in their possession.

Electronic Mail (E-mail)

E-mail provides an efficient means of communicating with other people and is a privilege, not a right. Any abuse of these privileges can result in the disabling or loss of the employee's e-mail account.

E-mail may not be used:

- in violation of Federal or State laws,
- to provide corporate information or corporate performance information without prior written consent of management
- to distribute material that contradicts or is in violation of Shermco policies, or
- to conduct personal business beyond what is reasonable during the course of a business day

Employees should take careful consideration before sending emails with large file attachments.

An employees' e-mail inbox and subfolders should not be considered a saved file system. To prevent the loss of data due to a corrupt PST file, virus, etc., employees should save critical e-mails and attachments as an MSG file on the Shermco Local Area Network (LAN). A paper copy of the critical data pertaining directly to assigned job numbers should be placed in the appropriate job folders.

IT Resources

Employees do not have privacy rights in any matter created, received, or sent via Shermco's e-mail system. The Company may monitor and access any message created, received, or sent from Shermco's e-mail system in order to ensure superior service to our customers and to enforce this policy.

Internet Access

Internet access is a privilege and a benefit to employees to assist in their development of resources on behalf of Shermco. Internet use, on Company time, may not be used to conduct personal business beyond what is reasonable during the course of a business day. Internet use brings the possibility of breaches to the security of confidential Company information. Internet use also creates the possibility of contamination to our system via viruses or spyware. Removing such programs from the Company network requires IT staff to invest time and attention that is better devoted to progress. For this reason, and to assure the use of work time appropriately for work, employees should limit personal Internet use.

Additionally, under no circumstances may company computers or other electronic equipment be used to obtain, view, or reach any pornographic, or otherwise immoral, or unethical related Internet sites. Doing so may lead to disciplinary action up to and including immediate termination of employment.

Computer Viruses

Computer virus transmittals and hoaxes are prevalent within the Internet and direct e-mail domain. The introduction of a virus to the Shermco network could be catastrophic. Extreme caution should be made when opening e-mail and downloading information from the Internet or e-mail accounts. Should an unknown or unrecognizable e-mail be directed to an employee's account, the employee should delete it immediately to prevent a virus from infecting Shermco's computer system then notify the IT Department.

Shared Resources and File Modifications

Departmental computer resources are shared between many Shermco employees, each individual user has an obligation to be courteous and avoid interfering with other users. Modifications made by users to shared equipment and/or documentation should be saved in the format available to all users of this equipment and/or documentation.

Workstation Ergonomics

Realizing that each workstation is unique in its configuration and positioning in its respective work area, certain guidelines must be followed to prevent injury and discomfort to those using the equipment. Shermco has always considered employees' safety and comfort a top priority by providing each user the means to prevent injury and discomfort from using computer resources. Proper mouse pads, wrist rests, and other ergonomic products are requisite in the proper use of these systems. Employees should notify their supervisor of any need for additional ergonomic equipment as a means to more comfortable use of computers.

Unauthorized Access and Security

Use of Shermco's network resources to gain or attempt to gain unauthorized access to remote computers is prohibited. Use of Shermco computer resources will be restricted to valid user/password identified Shermco employees.

System accounts are to be used only by the authorized user of the account for the authorized purpose. Users may not share their personal account or password with another person or leave an open file or session unattended or unsupervised. Account owners are ultimately responsible for all activity under their account.

Attempting to circumvent data protection schemes or uncover security loopholes is prohibited.

Social/Public Media**Social Media**

In the area of social media (print, digital, and online) employees may enjoy such media in any way they choose so long as it does not result in any of the negative consequences mentioned below. For this reason, Shermco requires employees to comply with the following guidelines in their use of social media, whether such use occurs while on the job or off duty:

- If an employee elects to publish personal information about themselves, another employee, Shermco, or people or companies that Shermco conducts business with in any public medium that: (a) has the potential or actually does involve the employee, other Shermco employees, or Shermco itself in any kind of conflict or dispute with third parties or people or companies Shermco conducts business with, (b) interferes with any employee's ability to work, (c) creates a hostile, harassing, or demeaning work environment for any employee, (d) could or does cause a disruption in the orderly flow of Shermco's work, (e) harms the goodwill or reputation of Shermco, (f) could place in doubt the reliability, sound judgment, integrity or trust worthiness of the person or company who is the subject of the information, or (g) reveals trade secrets or other Shermco confidential information, then that employee will be subject to disciplinary action, up to and including immediate termination of employment
- Social media activities should never interfere with work commitments
- Always be respectful to Shermco and fellow employees
- Your online presence does, in even a slight way, reflect on Shermco. Be aware that your posts, comments, and actions captured via film or video images do affect Shermco's reputation and image
- You should never discuss Shermco's customers, vendors, or competitors
- Do not use any Shermco logos or trademarks without the written consent of upper management

Public Media

If a member of the media contacts an employee, he/she must direct such inquiries to the President, Vice President of Operations or Shermco's Legal Department. Though courtesy should be expressed at all times, only the Company President, Vice President of Operations or Legal Department is authorized to communicate with the media on behalf of Shermco.

Confidentiality/Non-Solicitation

Business and technical information is critical to running a successful business. Shermco employees have a responsibility to protect Shermco's, and its customers', confidential information.

Confidential information includes information about Shermco and its customers' financial, pricing, and cost data; business plans, processes, and strategies; test and operating reports; marketing and sales data; prospect lists; research and development information; identity of personnel and personnel records; identity of customers and vendors; data sheets; business structures and organizational charts; and insurance information.

Employees should consider all information disclosed by a customer to be confidential. Shermco is bound by various non-disclosure and confidentiality agreements with customers that prevent the disclosure of confidential information.

If an employee receives confidential information and is unsure on how to properly handle it, the employee should discuss the matter with their Department Manager or a member of Shermco management.

If an employee receives a request to disclose confidential information and is unsure on how to properly handle the disclosure, the employee should refer the request to their Department Manager or a member of Shermco management.

Shermco Confidential Information

Shermco's continued success depends on its confidential information, the relationship with its customers, and the goodwill those relationships create. Each employee is placed in a position of trust and confidence by reason of having access to confidential information. Shermco confidential information must never be disclosed outside the course and scope of an employee performing work-related duties for the Company. Confidential information should be kept in secure areas and be kept out of view of visitors. Shermco confidential information must never be removed from the Company's premises unless necessary to fulfill work-related duties. When an employee leaves Shermco, the employee is required to return all confidential information to the Company and may not retain any copies. The requirement that confidential information not be disclosed remains in force in perpetuity unless permission to disclose it is granted to the employee by a Shermco Officer.

Customer Confidential Information

Shermco's customers routinely disclose confidential information to Shermco and to its employees. Shermco employees should consider all information disclosed by a customer to be confidential. Shermco is bound by various agreements requiring Shermco and its employees to maintain the confidential nature of such information. Accordingly, each employee agrees that:

- Except for the purpose of conducting business with the customer, the employee will not: (a) disclose the identity of a customer, (b) use any customer confidential information; or (c) disclose to a third party any customer confidential information

Confidentiality/Non-Solicitation

- The employee will use reasonable care and take all necessary steps to protect customer confidential information
- If an employee improves, modifies, or makes derivatives of any customer confidential information, then the employee must promptly notify Shermco of the nature of such improvement, modification or derivative
- The employee will, at the request of Shermco, return all originals and copies of printed and electronic documents or electronic media containing any customer confidential information
- The requirement that confidential information not be disclosed remains in force in perpetuity unless permission to disclose it is granted to the employee by a Shermco Officer

Non-Interference and Non-Solicitation

For a period of two (2) years after the termination of employment, each employee agrees not to, directly or indirectly, in any capacity whatsoever: (a) interfere with the business relationships between Shermco and its customers and suppliers or induce or solicit, or attempt to induce or solicit, any customer, supplier, vendor, or any person or entity to cease doing business with Shermco, or (b) hire or solicit, or attempt to hire or solicit, any person who is an employee of Shermco.

In addition to other available legal remedies, if an employee breaches, or threatens to breach, this policy, Shermco has the right to specifically enforce the terms of this policy, without being required to post a bond or other security and without having to prove the inadequacy of available remedies under law. Shermco has the right to receive an *ex parte* temporary restraining order and an injunction, after a court hearing, requiring the employee to comply with this policy.

Employee Inventions

In consideration and continuation of your employment, each employee agrees as follows:

To promptly disclose to Shermco any and all discoveries, inventions, improvements and expressions of ideas that the employee may make or conceive, either solely or jointly with others, while in the employ of Shermco relating to the products, services, manufacturing processes, equipment or business of Shermco or to any needs or developments of Shermco. Unless otherwise agreed in writing by Shermco, expressions of ideas or original works of authorship which are fixed in any tangible form and prepared by the employee, either solely or jointly with others, during the period and within the scope of employment with Shermco shall be deemed a "work made for hire" under the copyright laws and shall be owned by Shermco. All discoveries, inventions, improvements and expressions of ideas shall be the property of Shermco; however, this agreement shall not apply to a discovery, invention, improvement or expression of an idea for which no equipment, supplies, facility or trade secret information of Shermco was used and which was developed entirely on the employee's own time and (1) which does not relate (a) to the business of Shermco or (b) to Shermco's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by the employee for Shermco.

To not disclose or use at any time either during or subsequent to employment, except as required by the employee's duties at Shermco, any confidential information of Shermco or information which has been entrusted to Shermco and which the employee has learned in the course of employment, whether or not developed by the employee. It is understood that "confidential information" means technical or business information that is not generally available to the public.

To deliver to Shermco upon termination of employment or at any other time upon the request of Shermco all property of Shermco including all written materials and other tangible objects, including copies, made or compiled by the employee or made available to the employee in the course of employment.

Drugs and Alcohol, Non DOT

Shermco has a viable interest in maintaining safe, healthy and productive working conditions for its employees. Being at work under the influence of certain controlled drugs, illegal drugs and/or alcohol can pose serious safety risks to the user, co-workers, and others. This Drugs and Alcohol policy is meant to maximize workplace safety and efficiency, while respecting off-duty, legal conduct that has no adverse impact on job performance.

With these basic concerns, the Company establishes the following guidelines:

Violations

Any of the following is a violation of Shermco's policy:

- Possession, sale, purchase, transfer, manufacture, distribution, use of or being under the influence of certain controlled substances, illegal drugs (including inhalants) or alcohol while on Company premises or performing Company business. Possession of drug-related paraphernalia is also prohibited
- Refusing to be tested, attempting to adulterate or adulterating a test, or testing positive for certain controlled substances, illegal drugs (including inhalants) or alcohol
- Failing to notify the Human Resources Department if you are charged with driving a motorized vehicle under the influence or while intoxicated, while on Company business or Company premises
- Failing to notify the Human Resources Department if you are charged under a criminal drug statute for a violation that occurred while on Company business or on Company premises
- Failing to notify the Human Resources Department if you are charged with operating a motorized vehicle under the influence or while intoxicated, if you rent, lease or operate a motorized vehicle in the course and scope of your employment with Shermco

Exceptions

Use of prescribed and over-the-counter medications that have been legally obtained and are being used in the prescribed or directed manner do not violate this policy. If, however, the use of these substances adversely affects your ability to do your job safely or otherwise negatively impacts job performance, you must advise your supervisor before starting work. If the medication is having a negative effect on your ability to work, you may be required to take a leave of absence. If you bring prescribed medicine to work, you must bring it in the container provided by your pharmacy or physician, and bring only the amount you reasonably anticipate you will need to consume while on duty.

Possession of a sealed container of alcoholic beverage, while on Company premises, does not violate this policy so long as the container remains unopened. Under no circumstances should an employee possess any type of alcohol when on a customers' premises.

Drugs and Alcohol, Non DOT

Consumption of alcohol may be allowed during certain company-sponsored special events, such as holiday celebrations, company picnics, offsite retreats, and golf tournaments, so long as the senior management of the hosting department approves of the event in advance, and alcohol is served and consumed in moderation. Under no circumstances should an employee operate a motorized vehicle or equipment while impaired by drugs or alcohol.

Definitions

Company Business - Any time an employee spends in the course and scope of his or her duties for the Company, occurring on or off Company premises, including time spent on the premises of a third party, traveling on Company business, attending work-related programs, and any other Company-related activity.

Company Premises - All Company-owned, leased or controlled buildings, office suites, storage facilities, including their surrounding areas such as sidewalks, walkways, driveways, fenced areas and parking lots.

Controlled Substances/Illegal Drugs - Any drug or controlled substance (as defined by law) which is illegal to sell, possess or consume without a prescription, or a prescribed or over-the-counter medication which is legally obtained but not being used by its intended user or in the prescribed manner.

Possession - Within the physical possession or control of the employee, including vehicles and employee's personal effects.

Test, Tested or Testing - The use of scientifically recognized methods by federally certified laboratories to detect the presence of certain controlled substances, illegal drugs (including inhalants) and/or alcohol in the body of an employee.

Under the Influence - Employee has a controlled substance, illegal drug (including inhalants) or alcohol in his or her body in an amount that is detectable through testing.

Methods of Testing

Pre-employment - Applicants who receive a conditional offer of employment will be tested for drugs.

Pre-access - Employees who are assigned to certain safety-sensitive sites or positions or who are assigned to certain third party facilities which require testing of personnel may be tested for drugs and/or alcohol immediately prior to commencing work at those sites or in those positions.

Post-Accident - Employees who are involved in an accident that involves injury to a person and/or damage to property while on Company premises or while on Company business will be tested for alcohol and/or drugs.

Reasonable Suspicion - Employees who are reasonably suspected of being under the influence of drugs or alcohol may be tested. Reasonable suspicion is based upon the observations of a Company or third party manager, supervisor or employee when the observed employee

Drugs and Alcohol, Non DOT

demonstrates a reduced ability to perform work in a safe and productive manner, the odor of drugs or alcohol is detected, or drug paraphernalia is found in the workplace.

Random - Employees may be subject to random testing for drugs and/or alcohol as required by the Company and/or applicable law.

Follow-Up - Employees who return to work following substance abuse rehabilitation will be subject to unannounced drug and alcohol testing.

Consequences of Policy Violation

Any violation of this policy by an employee may result in corrective action, up to and including immediate termination from employment. The Company will protest the payment of unemployment and/or workers' compensation benefits to any employee terminated for violation of this policy.

There is no violation of this policy if an employee comes forward and seeks assistance with a substance abuse problem before being subject to reasonable suspicion testing or disciplinary action for unsatisfactory performance, absenteeism or other misconduct. The Company encourages employees to use available benefits (e.g., medical insurance) and leaves of absence to seek appropriate treatment. Reinstatement to employment following the leave will be contingent upon adherence to the recommendations of the treating physician, counselor, or both.

Searches

The Company may search any area on Company premises or on the premises of a third party, at any time, for the presence of drugs, alcohol and/or drug paraphernalia. Employees agree, as a condition of continued employment, to consent to searches of areas and items on Company premises including but not limited to (1) their personal belongings, including but not limited to purses, backpacks, gym bags, briefcases and luggage; (2) their work areas, including but not limited to desks, cabinets, lockers, and storage areas; and (3) all vehicles and equipment. An employee who refuses to consent to a search will be subject to corrective action, up to and including immediate termination from employment.

Treatment Programs

The Company recognizes the benefit of early identification and intervention when dealing with substance abuse and encourages employees to use available benefits and leaves of absence to seek appropriate treatment. Treatment for substance abuse may be provided through the Company's medical insurance program and other services may be available in your community.

Fit For Duty

Shermco endeavors to provide a safe and productive work environment for the benefit of all employees, and ensure that employees are physically and mentally fit to perform the responsibilities of their position.

Employee Responsibilities

Safety begins with each employee, and as such, is authorized by the Company President, without fear of reprimand or retaliation, to immediately stop any work activity that presents a danger to themselves, their co-workers or the public. Employees are required to be involved in job hazard analysis and are expected to question and correct any situation that is not in compliance with Shermco's Safety and Health policies. Employees must report any unsafe acts or conditions to their Supervisor and should question any work activity that involves violation of the established safety and health policies or the established job hazard analysis.

Employees are responsible for their own safety and should not work in a physical or mental condition, including fatigue, which could endanger the safety of themselves, their co-workers or the public. If an employee is fatigued or otherwise impaired to the point of not being able to perform their duties safely, they must immediately notify their supervisor.

Employees in violation of this policy may be subject to corrective action up to and including immediate termination from employment.

Physical Exams

Employees are expected to manage their health in such a way that they can safely and effectively perform their essential job functions and to discuss with their supervisor any circumstances that may impact their ability to do so. At any time Shermco may require professional examination of an employee's physical or mental capabilities to determine his or her ability to perform essential job functions. Such examinations are conducted by an independent, third-party, licensed health care professional. To the extent possible, Shermco will protect the confidentiality of the evaluation and results.

Pre-employment physicals may be required for specific positions as part of the hiring process to ensure that employees are capable of performing the duties of their job. When and if an employee transfers to a new job, which has materially different physical requirements, a new physical exam may be required prior to the employee beginning work in the new position.

Training

Employees are required to receive proper training for their required job tasks prior to be permitted to perform those tasks. If a certification is required for such tasks (i.e. driving a forklift), such certifications will be obtained and retained on file.

Drug & Alcohol Testing

Please refer to Policy No. D-011 for Shermco's drug and alcohol testing programs.

Prescription and Over-the-counter Medication

Use of prescribed and over-the-counter medications that have been legally obtained and are being used in the prescribed or directed manner is permissible, so long as they do not adversely

affect an employee's ability to safely perform the job duties. If the medication has a negative effect on an employee's ability to work, the employee may be precluded from performing certain tasks. All medications must be disclosed to the testing laboratory at the time of a drug test. Additionally, if a medication adversely affects an employee's ability to safely perform the job tasks, they must report it to their Supervisor and Human Resources.

Safety Practices and Procedures

Shermco has developed and utilized a comprehensive Safety Manual addressing safe work practices and procedures which must be followed at all times. For details, please refer to the Shermco Safety Manual (located on ShermcoYou!) or consult with a member of Shermco's EHS department.

Employee Monitoring

Supervisors and project leaders are expected to maintain diligence in monitoring employees' ability to safely perform their job duties. If at any time, an employee's activities or behaviors are deemed to be unsafe, or the employee is believed to be unable to physically perform a particular job task, they should be immediately removed from the particular tasks or job site and reported to Human Resources for further investigation.

Shermco seeks to maintain a healthy and comfortable working environment for all employees and visitors.

General Guidelines

Smoking is prohibited in most areas of Shermco property including, but not limited to reception areas, individual offices, conference rooms, lunchroom, restrooms, locker-rooms, hallways and the front parking areas of Shermco property. Smoking is permitted in some shop areas; otherwise smoking is prohibited outside of the designated areas.

Smoking is prohibited in all company pool trucks and common access vehicles. Smoking is also prohibited while in the presence of a flammable substance; such as paint, propane, oxygen, acetylene, solvents, etc...

Employees are permitted to smoke in designated smoking areas during their designated meal period and during a ten-minute rest/smoking period for each four hours that an employee works.

There will be no littering of the grounds with discarded tobacco debris. Lit cigarettes or cigars must not be left unattended and should be properly extinguished and discarded in designated ash receptacles.

Reimbursement Support

It is widely known that tobacco use is detrimental to human health and highly addictive. Shermco will provide eligible employees reasonable support to terminate his/her addiction.

Should an employee desire assistance in obtaining information or products relative to the reduction or elimination of tobacco addiction, he/she should contact the Human Resources Department for information.

Tobacco cessation assistance benefits are available for regular full-time employees who have completed at least six full months of continuous service. Employees on probation are not eligible for tobacco cessation assistance benefits.

The employee will be required to submit a cessation plan to Human Resources on how the goal will be accomplished. With approval from management, the Company will reimburse eligible employees the expenses related to the cessation plan. The amount of reimbursement may vary from time to time. The employee must inform the Human Resource Department when the cessation period will begin. After the employee is tobacco free for a continuous six-month period they will be eligible for expense reimbursement in accordance with Shermco's Business Expense policy. If the employee leaves Shermco within 12 months of receiving reimbursement, the employee will be required to pay back the reimbursement.

Compliance

This policy relies on the observance, consideration, and cooperation of smokers and non-smokers for its success. It is the responsibility of all Shermco employees, visitors and vendors to observe this Tobacco Policy. Complaints or concerns regarding this policy or disputes regarding its implementation should be referred to the Human Resources Department. In any dispute, which arises under the Tobacco Policy, the health concerns of the nonsmoking employees will be given precedence.

Parking

With minimal exceptions, there are no assigned parking spaces, and spaces are occupied on a “first come, first served” basis. Employees must park in marked spaces, except as designated below. Violators of this policy may be towed at their expense.

Handicap Parking

Shermco maintains handicap parking for disabled persons. Only vehicles displaying a valid handicap-parking permit that is personally assigned to the Shermco employee or visitor may park in the designated handicap parking spaces.

Visitor Parking

Visitor parking is reserved for customers or vendors only.

Shermco is not responsible for damage to vehicles caused by parking in the parking lots or on the public streets.

Weapons

Shermco prohibits all unlicensed persons from carrying a handgun on Company property. Other firearms, knives over three inches in length, dangerous weapons, and explosives are prohibited in all Shermco buildings. This policy applies to all employees and visitors on Company property or job site.

Legal chemical dispensing devices, such as pepper spray, which are sold for personal protection, are not covered by this policy. Shermco property covered by this policy includes, without limitation, all Shermco-owned or leased buildings and surrounding areas, such as sidewalks, walkways and driveways under Shermco's ownership or control. Shermco vehicles are covered by this policy at all times regardless of whether they are on Shermco property.

Shermco may conduct searches of any person, vehicle, or object that enters onto Shermco property in order to enforce this policy. Items that may be searched include, but are not limited to, lockers, desks, purses, briefcases, baggage, toolboxes, lunch sacks, clothing, and any other item in which a weapon may be hidden. Searches may be conducted by Shermco management or local authorities. The employee may refuse the search to the extent the search is requested by Shermco management and the employee is present; however, such refusal may result in immediate termination from employment for refusal to cooperate.

A Grievance is a method in which the employee may obtain assistance for a solution to a work-related problem. A properly used grievance procedure does not pit employees against managers and does not attempt to prove one party right or another wrong. Clarification of problems with appropriate corrective actions from both employees and management to achieve solutions is the desired outcome.

Job related issues, difficulties with a co-worker, supervisor, or disagreement with the disciplinary action imposed upon an employee are examples of issues that may be resolved with a grievance procedure. A grievance procedure is not appropriate for any form of harassment complaint.

Grievance actions generally proceed through the following steps:

1. Immediate Supervisor

In order to minimize the possibility of misunderstanding, an employee is requested to submit in writing the problem or grievance to his/her immediate supervisor within ten calendar days of the occurrence of the problem or discipline creating the grievance. The supervisor must investigate, evaluate, or reevaluate the matter based upon the employee's current request and attempt to provide a solution or explanation in writing to the employee within five working days. If additional time is required, the employee will be notified in writing.

2. Supervisor's Immediate Superior

If an employee does not receive a satisfactory answer or resolution from the immediate supervisor, three working days are allowed to refer the problem in writing to the supervisor's immediate superior. After receiving the written grievance, the supervisor's immediate superior will promptly schedule a meeting to provide the employee an opportunity to present the problem personally. Within three working days thereafter, or such extended period as is required under the circumstances to properly investigate the matter, the supervisor's immediate superior will provide the employee with a verbal and written response to the grievance.

3. Upper Management Intervention

If an employee is not satisfied with the decision at the second step of this procedure, an additional three working days is permitted to request, in writing, an appointment for a personal interview or telephone interview with an Officer of the Company responsible for the area of the employee. Upper management will discuss the problem with the employee and investigate the basis of the grievance. The manager will provide a verbal and a written decision to the employee within ten working days, unless it is determined that additional time is required. The decision at this step will be final and conclusive for all parties.

Shermco's intention is to be fair and impartial in order to establish the most productive working relationship possible. Employees will not be discriminated against, retaliated against, or in any way penalized for using this procedure.

Procedure Regulations

- Unless the procedures specified in this policy are observed as presented, the employee's right to resolution of the grievance may be waived.
- The time limits provided shall be observed as presented unless acknowledged by the parties involved that an extension is required.
- When two or more employees are involved in a grievance, all shall be identified in the written presentation of the grievance; and, whenever possible, all shall participate in the various grievance processes.
- Employees shall not incur any loss of pay or benefits for the time required to process a grievance so long as the procedures specified by this policy are observed.
- If a supervisor is unable to satisfy an employee's needs in a problem-solving situation, the supervisor may not attempt to prevent the employee from seeking assistance from the next higher authority within the Company.

Open Door

The Company's employees are truly its best asset. For that reason, we want you to feel free to share your questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, your immediate supervisor is in the best position to address your concern. If, however, you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor's response, you may speak with your department manager, the Human Resources Department, or anyone in management whom you are comfortable in approaching.

While Shermco provides an open door policy, employees are encouraged to comply with the Grievance procedures outlined in this policy.

Disciplinary Action

The best working conditions prevail when employees conduct themselves with respect and consideration for themselves, their fellow employees, third parties and their employer. Common sense, good judgment, and professional behavior are part of the essential responsibilities of every person employed at Shermco.

Shermco intends to address violations of this policy manual through progressive discipline. Progressive discipline means that with respect to most disciplinary problems, an employee will normally be subject to a verbal warning, followed by a written warning (with potential probation and/or suspension), and then termination from employment. Employees should recognize, however, that certain types of violations are serious enough to justify immediate suspension or even immediate termination of employment with no prior warning. By using progressive discipline, employee problems can be corrected at an early stage, benefiting both the employee and Shermco.

Safety Violations

Safety is the most important daily practice at Shermco. All Shermco employees are provided access to the Company's *Safety Manual*, which each employee must read and follow. Safety rules must be followed at all times. Any safety violation can be cause for immediate termination of employment.

Resignation/Termination

Since employment with Shermco is based on mutual consent, either the employee may resign or the employer may terminate employment at any time. Non-management employees are expected to give two weeks written notice of intent to resign. Supervisors and managers are expected to give thirty days written notice whenever possible.

In the event of a termination, the employee is required to immediately return all company property, including vehicles, credit cards, telephone calling cards, badges, laptops, mobile phones, keys, tools, uniforms, and other Shermco property.

The following defines the various types of employee separations from Shermco and the effects of such separation:

Involuntary Termination

Involuntary termination occurs when the employee does not initiate the separation. The following are examples of involuntary terminations:

- Layoff – When an employee is terminated from employment due to lack of work, job elimination, etc. Every effort is made not to lay off employees due to lack of work; however, in the event that layoffs become necessary, employees will be notified whether the layoff will be temporary or permanent
- Release – When an employee is unsuited for, or incapable of, performing assigned work. This type of termination of employment may occur during the Introductory Period but is not limited to that time period
- Termination – When an employee who is suited for and capable of performing the work is terminated from employment for such reasons as absenteeism or violation of a Company policy or procedure
- Disability – When the employee has exhausted available leave(s) of absence and on the basis of medical evidence an employee is unable to perform the essential job functions of his or her job, with or without reasonable accommodation, and there are no open positions available for which the employee is qualified
- Death of the employee

Voluntary Termination or Resignation

Voluntary termination occurs when the employee initiates the separation. The following are examples of voluntary terminations:

- Written or verbal resignation
- Absence from work for three consecutive scheduled work days without notification to the immediate supervisor, constituting voluntary abandonment

Resignation/Termination

- Failure to report for work upon recall from layoff on the date designated
- Retirement

Reference Information

Former employees may use Shermco as a reference when seeking other employment. Unless specifically authorized in writing by the former employee, Shermco will verify only the dates of employment and titles of positions held. Former employees who desire that Shermco provide prospective employers with additional reference information should provide Shermco with a written authorization for release of such information. Letters of recommendation from Shermco will not be given to employees at the time of termination of employment.

Retirement

Employees who have vested benefits in the 401(k) program should contact the Human Resources Department for the proper documentation for transfer and/or benefit acquisition.

Termination and Vacation Pay

All regular full time employees will be paid for all accrued but unused vacation time through the last day of their employment provided that they submit a minimum of one week notice.

Final termination payroll checks for employees who have terminated his/her employment with Shermco will be available at the next payroll processing date. Employees who are terminated from employment by Shermco will receive his/her final payroll check according to the applicable law.