



**Ka'ala Systems Technology Corporation
(KST)**

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**Employee Handbook
Policies and Guidelines**

November 29, 2017



The Ka'ala Systems Technology Corporation (KST) Employee Handbook provides general policies and guidelines that can be used in a place of employment. The policies and guidelines herein are promulgated to ensure the rules set forth in the corporation are uniform, explicit, and consistent for all KST employees.

These policies and guidelines set forth in this handbook are distributed to each employee. It is important to ensure that all published/posted rules and regulations are consistent throughout the place of employment. Further, the policies and guidelines contained in this handbook are not necessarily all inclusive. Both state and federal laws establish certain rules and regulations regarding employment (e.g. minimum wage requirements, unemployment compensation, non-discrimination requirements, disabilities, etc.), which take precedence over this handbook.

A handwritten signature in black ink, appearing to read "Adrian Yunson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Adrian Yunson
President/CEO
Ka'ala Systems Technology Corporation

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Ka'ala Systems Technology Corporation

Employee Handbook

INTRODUCTION: This handbook contains guidelines that are intended to outline and explain Ka'ala Systems Technology Corporation policies and procedures. *Note:* For the purpose of brevity, KST is used to mean Ka'ala Systems Technology Corporation.

This employee handbook should be regarded as a set of guidelines only. It is not a contract. Neither the policies in this handbook, nor any other written or verbal communication by a KST manager or supervisor are intended to create a contract of employment or a warranty of benefits. The policies in this handbook may be amended, modified, deleted, or otherwise changed by KST without prior notice. If you have any questions about any of the policies or procedures in this handbook, please consult with your supervisor.

EMPLOYMENT: KST has an employment policy, which means that the term of employment is for no definite period and may be terminated by the employee or by KST at any time and for any reason, with or without cause or notice. This handbook confirms an employment “at-will” situation. That is, there is no fixed time or duration for any employee’s employment with KST. The employee can resign whenever he/she desires, and the employer is free to terminate the employee at any time for any reason, if the reason is not a prohibited one (i.e. a discriminatory reason). If a collective bargaining unit is in place at the employer’s business, or if the employee has signed an employment contract for a specific period, this handbook may not be appropriate for use.

Most states (and jurisdictions within each state) recognize the doctrine of “employment at-will” – that is, unless otherwise agreed by the employee and employer, an employee is not hired for any set term or duration but is, rather, free to resign at any time and is free to be terminated by the employer at any time for any reason, so long as the employer does not use or rely upon an improper (i.e. illegal or discriminatory) reason. For example (although this list is certainly not exhaustive), an at-will employee can be terminated for the violation of any company policy, for reporting late to work on one occasion, for insubordination, for failing to get along with company management or co-workers, or for failing to reach production goals or quotas. However, an at-will employee cannot be terminated because of their age, nationality, religion, sex, sexual preference, or any other characteristic that is deemed a protected status.

SALARY REVIEW: Employee’s pay will be dependent on their sustained performance. Annually, an employee will have a performance review with their immediate supervisor to review specific accomplishments/performances. Overall performance rating will be used and influence wage/salary schedules. Additional or increase of individual job responsibilities can affect the employee’s salary. The purpose of the review is to perform an evaluation of an employee’s current level of performance, to review job progress made since the last review and to establish specific goals for the next review.

DEDUCTIONS: KST is required by law to deduct from each employee’s pay: federal, state income taxes, Social Security and Medicare. These deductions will be itemized on the pay statement. The amount of deductions will depend on your earnings and number of exemptions



you claim on your W-4. Any other mandatory pay deductions will require coordination with KST i.e. health insurance, retirement deduction etc.

EQUAL EMPLOYMENT OPPORTUNITY: KST's policy is to provide equal employment opportunity for all applicants and employees. KST does not unlawfully discriminate because of race, color, religion, sex (including pregnancy, childbirth or related medical conditions), national origin, ancestry, age, physical disability, mental disability, medical condition, family-care status, veteran status, marital status or sexual orientation. KST also makes reasonable accommodations for disabled employees. Finally, KST prohibits the harassment of any individual on any of the basis listed above. For information about the types of conduct that constitute impermissible harassment and specific KST internal procedures for addressing harassment complaints, refer to the Policy Against Harassment section below. This non-discrimination policy applies to all areas of employment including recruitment, hiring, training, promotion, compensation, benefits, transfer, and social and recreational programs. It is the responsibility of every manager and employee to conscientiously follow this policy. Any employee having any questions regarding this policy should first discuss them with their immediate manager. The KST program manager will then be contacted if the immediate chain of supervision is unable to resolve the matter.

POLICY AGAINST HARASSMENT: KST is committed to provide a workplace free of sexual harassment (which includes harassment based on gender, pregnancy, childbirth or related medical conditions), as well as harassment based on such factors as race, color, religion, national origin, ancestry, age, physical disability, mental disability, medical condition, marital status, sexual orientation, family-care or medical-leave status, or veteran status. KST strongly disapproves of and will not tolerate harassment of employees by managers, supervisors or coworkers. Similarly, KST will not tolerate harassment by its employees of non-employees with whom KST employees have a business, service, or professional relationship.

Harassment includes verbal, physical, and visual conduct that creates an intimidating, offensive or hostile working environment or that interferes with work performance. Such conduct constitutes harassment when submission to the conduct is made either an explicit or implicit condition of employment; submission to or rejection of the conduct is used as the basis for an employment decision; or the harassment interferes with an employee's work performance or creates an intimidating, hostile or offensive work environment.

Harassing conduct can take many forms and includes, but is not limited to, the following: slurs, jokes, statements, gestures, assault, impeding or blocking another's movement or otherwise physically interfering with normal work, pictures, drawings or cartoons based upon an employee's sex, race, color, national origin, religion, age, physical disability, mental disability, medical condition, ancestry, marital status, sexual orientation, family-care or medical-leave status, or veteran status.

Sexually harassing conduct in particular includes all of these prohibited actions as well as other unwelcome conduct such as requests for sexual favors, conversation containing sexual comments and unwelcome sexual advances.



Any incident of harassment, including work-related harassment by any KST personnel or any other person, should be reported promptly to the employee's supervisor or manager (or to any other member of management) or to KST, who is responsible for investigating the matter. Managers who receive complaints or who observe harassing conduct should inform their manager immediately. NOTE: An employee is not required to complain first to their supervisor if that supervisor is the individual who is harassing the employee. Every reported complaint of harassment will be investigated thoroughly, promptly and in a confidential manner. In addition, KST will not tolerate retaliation against any employee for cooperating in an investigation or for making a complaint to their manager or any other manager.

In the case of KST employees, if harassment is established, KST will discipline the offender. Disciplinary action for a violation of this policy can range from verbal or written warnings up to and including immediate termination depending upon the circumstances. With regard to acts of harassment by customers or vendors, corrective action will be taken after consultation with the appropriate management personnel.

INTERNAL COMPLAINT REVIEW PROCEDURE

Purpose and Scope: The purpose of the Internal-Complaint Review Policy is to afford all employees of KST the opportunity to seek internal resolution of their work-related complaints. This policy is intended to supplement the Open-Door Policy set forth in this handbook, which states the philosophy of KST that all employees have free access to their immediate supervisors or to other supervisors of their choice to informally express their work-related concerns.

PROCEDURES

Filing of Complaint: Employees should file written complaints as soon as possible after the events that give rise to the employee's work-related concerns. The written complaint should set forth in detail the basis for the employee's complaint.

Investigation: KST will annotate the date and log all written complaints and send the employee an acknowledgment that the complaint is under review.

Employee or their designee investigates the complaint, meeting separately with the employee and with others who either is named in the complaint or who may have knowledge of the facts set forth in the complaint. KST will attempt to treat all internal complaints and their investigation as confidential, recognizing, however, that in the course of investigating and resolving internal complaints some dissemination of information to others may be appropriate.

Upon completion of the investigation, all reports, findings, and conclusions will be forwarded to the employee. If the complaint is resolved to the employee's satisfaction, the terms of the resolution should be recorded and signed by both the employee and a representative of the employee.

Appeal: If the complaint is not resolved to the employee's satisfaction, the employee may submit a written request for review of the complaint to KST management. On completion of the appeal review, the employee should receive an oral explanation of the conclusion reached and the reasons for that conclusion. Decisions resulting from appeal reviews by management will be final.



Non-retaliation: If an employee has filed a complaint in good faith, the employee should not be disciplined or otherwise penalized because of the complaint, regardless of whether or not the complaint is sustained. If it appears that the complaint was not filed in good faith, approval of the Program Manager should be obtained before taking any action.

HOURS OF WORK, OVERTIME AND PAYDAY

HOURS OF WORK AND EMPLOYEE ADJUSTMENT PERIOD

KST work hours are: Monday through Friday, with one hour unpaid, for lunch. Employees receive two 10-minute paid break periods for each full workday, one in mid-morning and one in mid-afternoon (excluding official KST holidays). KST reserves the right to modify employees' starting and quitting times and the number of hours worked.

Your first ninety (90) days of employment with KST are considered a probation period. It will be a time to know your fellow employees, your manager and job position. Your manager will discuss with you your responsibilities and explain the processes of your job. During this time, KST will evaluate your suitability to the job and you also can evaluate KST as your employer. During this time frame, you may resign without detriment to your record. If your work habits/ethics, attendance or performance does not meet KST standards, KST has the right to terminate your employment.

OVERTIME PAY

Overtime Definition and Pay Rates: KST will pay overtime for hourly non-exempt employees only. Overtime is more than 40 hours per week. All overtime must be approved prior to any work being performed. All salaried employees are not paid overtime unless authorized by their contract.

Workweek and Workday: Unless otherwise provided, the workweek on which weekly overtime calculations will be based begins each Sunday at midnight; and each workday on which daily overtime calculations will be based begins at midnight.

Preauthorization: No employee may work overtime without the express prior approval of his or her supervisor.

OTHER TYPES OF PAY

Reporting Pay: An employee who reports to work at KST request, whether for a regularly scheduled shift or otherwise, will be paid a minimum of four hours' pay at the regular straight-time rate, without regard to the number of hours actually worked, unless the reasons for lack of work are beyond KST control.

Callback Pay: Any employee who is called back to work for a second work period in any one workday and is furnished with less than two hour's work is paid a minimum of two hours pay at the regular straight-time rate for the second work period, without regard to the number of hours actually worked, unless the reasons for lack of work are beyond KST control.

SHIFT EMPLOYEES: Employees are assigned to a scheduled workweek and shift when hired by KST. These assignments may change during the course of employment. When there are



changes in an employee's workweek or shift assignment, the employee will receive a minimum of five working days' notice.

HOLIDAY PAY: Employees are paid their regular straight-time wages for KST paid holidays as set forth under the guideline entitled Holidays.

PAY ADVANCES: If an employee wishes to be paid in advance for vacation or because of emergency circumstances, a Pay-Advance Request form must be completed and submitted to their manager. A vacation pay advance will be made only if the employee will be on vacation on the regularly scheduled payday(s) and only if the employee submits a request thirty (30) working days prior to the beginning of the vacation.

PLACE AND TIME FOR PAYMENT OF WAGES

Paydays: Employees are paid Bi-monthly. Employees' time sheets are required and must be filled out before paychecks will be issued. Time sheets are legal documents and are subject to audit and are the responsibility of the employee to provide accurate data. Time sheet requirements will be coordinated with the KST program manager. In the event of an error in recording your time worked, report the matter to the KST program manager.

Pay periods: Monday through Sunday for time card purposes.

Payment on Resignation of Termination: If an employee resigns, their paycheck will be available on the final day of work provided the employee has given at least 72 hours' notice. If an employee resigns without giving 72 hours' notice or fails to return to work, their paycheck will be mailed by regular mail to their last known address not later than 72 hours after the date when an employee is considered to have terminated. If an employee is terminated involuntarily, their paycheck will be available at the time of discharge. The employee's final paycheck will include payment for all wages due and not previously paid and for accrued but unused vacation time, minus authorized deductions, advances, loans, and/or education commitments. For 401K participants, coordination with KST administration will be required.

Management of your financial affairs is important and KST will assist you with your individual needs. In accordance with Federal Wage Garnishment Act, three or more garnishments of an employees pay may be cause for dismissal.

EMPLOYEE BENEFITS

INSURANCE BENEFITS

Worker's Compensation Insurance: KST carries workers' compensation insurance coverage as required by law to protect employees who are injured on the job. This insurance provides medical, surgical and hospital treatment in addition to payment for loss of earnings that result from work-related injuries. Compensation payments begin from the first day of an employee's hospitalization or after the third day following the injury if an employee is not hospitalized. The cost of this coverage is paid completely by KST.



Health and Welfare Coverage: KST provides, upon completion of the probationary employment period, the United Health Alliance (UHA) Medical and the Hawaii Dental Service (HDS) Dental benefit plans.

PENSION PLAN: KST provides a 401(k) Plan, contact KST administration for details.

PAID TIME OFF (PTO)

HOLIDAYS: KST observes the following standard holidays and provides all full-time employees time off with pay at their normal base rate unless otherwise notified.

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

Pay in Lieu of Time Off: KST may, at its sole discretion, require an employee to work on a scheduled holiday and provide pay in lieu of time off. Any and all pay will be at normal pay rate.

Holidays: Holidays that occur during an employee's PTO are counted as holidays taken.

PTO POLICY: KST provides PTO benefits to eligible employees to enable them to take PTO for rest, recreation, and/or sickness. KST believes this time is valuable for employees in order to enhance their productivity and to make their work experience with KST personally satisfying. KST also provides long-service employees with additional PTO benefits as years of service are accumulated. The following details the available PTO for years of service with KST:

0 to 3 years - 2 weeks PTO
3 to 7 years - 3 weeks PTO
7 plus years - 4 weeks PTO

Accrual of PTO Hours: All regular full-time employees who have completed three months of continuous service, measured from the date of hire, are eligible for PTO benefits. Continuous service is defined as service that is uninterrupted by termination of employment and subsequent rehire by KST or a break in service that has been bridged. KST will allow 40 hours of PTO to be carried into the next year. Any PTO over 40 hours at the end of each calendar year will be eliminated or lost¹.

Part-time and Temporary Employees: Regular part-time employees working a minimum of twenty (20) hours per week accrue vacation benefits on a pro-rata basis. Temporary employees and employees who work less than twenty (20) hours per week do not accrue vacation benefits.

¹ Based on individual state law.



Pay in Lieu of PTO: No employee will receive pay in lieu of PTO except on the termination of their employment, as described below, unless the employee has deferred their vacation at KST's request.

PTO Accrual During Leaves of Absence: No PTO accrues during an unpaid leave of absence or while on disability salary continuation. PTO accruals recommence when the employee returns to work.

PTO Pay on Termination: On termination of employment, the employee is paid all accrued but unused vacation at the employee's base rate of pay at the time of their termination.

PTO Approval: All PTO must be approved thirty (30) days in advance.

PTO Scheduling: Scheduling of PTO is to be done in a manner consistent with KST operational requirements. PTO requests should be submitted by employees to their immediate supervisor for approval at least thirty (30) days prior to the commencement of a PTO period. In the event that two or more employees have requested PTO covering the same period and may not be absent simultaneously, preference shall be given to the employee with the greater length of KST service. If an employee wishes to receive their pay prior to going on vacation, they must make a PTO request at least four weeks in advance. Subject to supervisor approval, an employee may otherwise schedule and take PTO at any time once it has accrued.

PTO Advances: An employee is not permitted to borrow on future accrual of PTO benefits, except with the approval of KST. In no case may PTO hours be borrowed or taken before an employee becomes eligible to begin accruing PTO as described above. If an employee has used any PTO before they have been accrued and then leaves the employment of KST, the amount of pay for any PTO time taken that has not accrued at the time of termination will be deducted from the employee's final paycheck.

Holidays Occurring during PTO: If an observed KST holiday (see guideline entitled holidays) occurs during an employee's scheduled PTO, no deduction from accrued PTO will be made for the holiday period. An employee may add to their PTO period by adding to or using the holiday period in place of accrued PTO time.

UNPAID TIME OFF (UTO)

FAMILY AND MEDICAL LEAVE (FML): This section is based on individual State laws. For Hawaii², this section is not applicable until KST reaches 100 or more employees within the state for each working day during 20 or more calendar weeks in the current or preceding calendar year. To be eligible for FML, which is unpaid time off (UTO), an employee must have worked for KST for at least six (6) consecutive months.

Permissible Uses of FML: FML may be requested for:

- Birth of the employee's child³, or the adoption of a child, or

² <http://labor.hawaii.gov/wsd/hawaii-family-leave/>

³ Biological, adopted, or foster son or daughter of an employee; a stepchild; a legal ward of an employee.



- To care for an employee's child, spouse or reciprocal beneficiary, or parent⁴ with a serious health condition.

Substitution of PTO for FML: Employees may choose to use accrued PTO for FML in lieu of UTO.

Amount of Leave: Provided all the conditions of this policy are met, an employee may take a maximum of four (4) weeks of FML in a rolling 12-month period measured backwards from the date the employee's leave commences. Parents who are both employed by KST may take a maximum combined total of eight (8) weeks of family care leave in a 12-month period.

The substitution of PTO for FML does not extend the total duration of FML to which an employee is entitled. For example, if an employee has accrued four weeks of unused PTO at the time of the request for FML, that PTO may be substituted for the four weeks of FML.

FML taken for the birth, adoption, or foster-care placement of a child generally must be taken in blocks of at least two weeks' duration; however, KST will provide employees with FML for birth, adoption, or foster care placement for less than two weeks' duration on any two occasions. Family care leaves for the birth, adoption, or foster-care placement of a child must be concluded within one year of the birth, adoption, or placement.

FML may be taken intermittently or on a reduced schedule where medically necessary. If leave is taken intermittently or on a reduced schedule, KST retains the discretion to transfer the employee temporarily to an alternative position with equivalent pay and benefits that better accommodates the employee's leave schedule.

Effect on Benefits: During an employee's FML, for up to a maximum of four (4) weeks in a 12-month period, KST shall continue to pay for the employee's participation in KST group health plans, retirement plans, and supplemental unemployment-benefit plans to the same extent and under the same terms and conditions as would apply had the employee not taken leave.

If the employee fails to return from the FML for a reason other than the recurrence or continuation of the health condition that brought about the FML or other circumstances beyond the employee's control, KST can recover any health premiums paid by KST on the employee's behalf during any unpaid periods of the leave.

Employees on FML accrue employment benefits, such as PTO or seniority only when PTO is being substituted for UTO and only if the employee would otherwise be entitled to such accrual.

Procedure for Requesting FML

Notice Requirements: Employees should notify KST of their request for FML as soon as they are aware of the need for such leave. For foreseeable events, if possible, the employee must provide thirty (30) calendar days advance notice to KST of the need for family-care or medical leave. For events that are unforeseeable, but are not emergencies, the employee must notify KST as soon as

⁴ Biological, foster, adoptive parent; a parent-in-law; a stepparent; a legal guardian; a grandparent; or a grandparent-in-law.



they learn of the need FML, ordinarily no later than one to two working days after the employee learns of the need for the leave. If FML is requested in connection with a planned, non-emergency medical treatment, the employee may be requested to reschedule the treatment so as to minimize disruption of operational requirements.

If an employee fails to provide the requisite 30-day advance notice for foreseeable events without any reasonable excuse for the delay, KST reserves the right to delay the taking of the leave until at least thirty (30) days after the date the employee provides notice of the need for FML.

All requests for FML should include the anticipated date(s) and duration of the leave. Any requests for extensions of FML must be received at least five working days before the date on which the employee was originally scheduled to return to work and must include the revised anticipated date(s) and duration of the FML.

Effect on Reinstatement: Employees returning from FML are entitled to reinstatement to the same or comparable position consistent with applicable law. KST retains the “at will” right to deny reinstatement to employees.

LONG AND SHORT-TERM DISABILITY:

KST provides partial “wage replacement” insurance coverage to our eligible employees for nonwork-related injury or sickness, including pregnancy. This means that if an employee is unable to work because of an off-the-job injury or sickness and the employee meets the qualifying conditions of the law, the disabled employee will be paid disability or sick leave benefits to partially replace the wages lost. The Hawaii Temporary Disability Insurance (TDI) law, however, does not include medical care.

Under KST’s plan the employee is entitled to disability benefits, from the eighth (8th) day of disability for a maximum of 26 weeks, at 58% of the employee’s average weekly wages up to the [maximum weekly benefit](#) amount annually set by the State of Hawaii Disability Compensation Division.

To file a TDI claim, the employee should follow the procedures described below:

1. Notify the employer immediately of the disability.
2. Ask for Form TDI-45, Claim for TDI Benefits, from the employer. A TDI claim must be filed within 90 days of the start of the disability period.
3. Complete Part A, Claimant’s Statement, of the claim form.
4. Take the form to the physician to have disability certified on Part C, Doctor’s Statement.
5. Have the employer complete Part B, Employer’s Statement.
6. Mail the form to employer’s TDI insurance company if the employer is not self-insured.
7. The employer or the insurance carrier will notify the employee of his or her entitlement to benefits.

Note: The law requires that a claim be filed within 90 days from the date of disability. If the claim is filed after 90 days, the employee may lose part or all of the benefits unless good cause can be shown. If claim filed more than 26 weeks after disability, the employee will not be entitled to any benefits. To avoid partial or complete loss of benefits, file the claim within 90 days.



Pregnancy-Related Disability

Eligibility and Duration: KST employees may take a reasonable period of unpaid leave while they are disabled due to pregnancy, childbirth, and related conditions. How much time is reasonable is to be determined by the employee's physician. Any employee affected by pregnancy is entitled to transfer temporarily to a less strenuous or hazardous position or to less strenuous or hazardous duties if the transfer is medically necessary and the transfer can be reasonably accommodated.

Substitution of PTO for Pregnancy-Related Disability Leave: An employee taking pregnancy-related disability leave may substitute any accrued PTO for her unpaid leave. The substitution of PTO for pregnancy-related disability leave should not extend the total duration of the leave to which an employee is entitled. The State Temporary Disability Insurance (TDI) normally covers pregnancy. Generally, six weeks of TDI for natural childbirth or eight weeks for cesarean (as determined by the Doctor). TDI coverage is covered above under Long- and Short-Term Disability. KST employee is responsible in coordinating and completing required TDI forms. *Note:* At a minimum, thirty (30) days or sooner notice with KST management is encouraged for TDI requirements.

Effect on Benefits: If an employee taking a pregnancy-related disability leave is also eligible for FML, then the employee is entitled to KST continuation of benefits as described above, up to a maximum of four (4) weeks in a 12-month period.

Other Terms and Conditions of Leave: The provisions of KST FML policy regarding the leave's effect on pay, notice requirements, medical certification requirements, and reinstatement also apply to all pregnancy-related disability leaves. However, for pregnancy-related disabilities, there is no process for obtaining more than one medical opinion, and there is no reinstatement exception. For the purpose of applying those provisions, an employee's pregnancy-related disability is considered to be a serious health condition.

OTHER DISABILITY LEAVES: Employees may take a temporary disability leave of absence if necessary to reasonably accommodate a non-workplace injury or an American Disability Act (ADA) - qualified disability. Any disability leave under this section may run concurrently with any medical leave to which the employee is entitled under this policy.

Employees taking disability leave must comply with the FML provisions regarding substitution of paid leaves, notice and medical certification. For the purpose of applying these provisions, a disability leave will be considered to be medical leave.

The duration of a leave under this section shall be consistent with applicable law, but in no event, shall the leave extend past the date on which an employee becomes capable of performing the essential functions of their position, with or without reasonable accommodation. For a full explanation of leave duration and reinstatement rights, employees should contact KST.

LEGALLY REQUIRED LEAVES OF ABSENCE: Employees will be granted an unpaid leave of absence as required by law for the purpose of fulfilling any required legal or military obligation



(i.e. jury duty, appearance as a witness in a legal proceeding, military duty, appearance at school by a parent when requested, or performance of emergency duty by a volunteer firefighter).

Employees are required to provide reasonable advance notice of any need for such leave and are expected to return to work each day or portion of the day that they are not selected for jury duty or called as a witness. Salary during leave will be offset by any amounts received as jury or witness fees or as military pay, and no salary will be paid for workweeks in which no KST work is performed.

Employees who do not have sufficient time outside of their regular working hours to vote in a statewide election may request time off to vote. If possible, employees should make their request at least two days in advance of the election. Up to two hours of paid time off will be provided, at the beginning or end of the employee's regular work schedule, whichever will allow the most time for voting and the least time off work.

Employees will notify their supervisor for bereavement leave, KST allows three (3) days of PTO for the loss of an immediate family member. If the employee does not have the three (3) days of PTO accrued, KST will advance the PTO to them until they can repay it.

RULES OF CONDUCT AND DISCIPLINE

POLICY: Employees are expected to observe certain standards of job performance and good conduct. When performance or conduct does not meet KST standards, KST will endeavor when it deems appropriate to provide the employee a reasonable opportunity to correct the deficiency. If, however, the employee fails to make the correction, they will be subject to discipline including termination.

The rules set forth below are intended to provide employees with fair notice of what is expected of them. Such rules cannot identify every type of unacceptable conduct and performance. Therefore, employees should be aware that conduct not specifically listed below but which adversely affects or is otherwise detrimental to the interests of KST, other employees or customers may also result in disciplinary action. Nothing in these rules is intended to modify the nature of your employment with KST.

JOB PERFORMANCE: Employees may be disciplined for poor job performance, including but not limited to the following:

- Unsatisfactory work quality or quantity;
- Poor attitude (for example, rudeness or lack of cooperation);
- Excessive absenteeism, tardiness, or abuse of break and lunch privileges;
- Failure to follow government/non-government instructions or procedures;
- Failure to follow established government/non-government safety regulations.
- Failure to comply with government/non-government security regulations.

MISCONDUCT: Employees may be disciplined (including terminated) for misconduct, including but not limited to the following:

- Insubordination;
- Dishonesty;



- Theft;
- Discourtesy or disrespect;
- Misusing or destroying KST property or the property of another on their premises;
- Violating conflict-of-interest rules;
- Disclosing or using confidential or proprietary information without authorization;
- Falsifying or altering KST records, including the application for employment;
- Interfering with the work performance of others;
- Altercations;
- Harassing, including sexually harassing, employees or customers;
- Being under the influence of, manufacturing, dispensing, distributing, using, or possessing alcohol or illegal or controlled substances at assigned work place or while conducting KST business;
- Gambling at assigned work place or while conducting KST business;
- Sleeping on the job or leaving the job without authorization;
- Possessing a firearm or other dangerous weapon at assigned workplace or while conducting KST business;
- Being convicted of a crime that indicates unfitness for the job or raises a threat to the safety or well-being of KST, its employees, customers or property;
- Failing to report to KST within five days any conviction under any criminal-drug statute for a violation occurring in the workplace.

ATTENDANCE: In addition to the foregoing procedures, employees may be disciplined for failing to observe the following specific work attendance requirements:

- Reporting to work on time, observing the time limits for rest and lunch periods, and obtaining approval to leave work early; and
- Coordinate approval with the supervisor in advance of anticipated tardiness or absence.
- In case of emergency causing a tardiness or absence the supervisor will be notified immediately.

DISCIPLINE PROCEDURE: Except as set forth below, discharge for poor performance ordinarily will be preceded by an oral warning and/or a written warning.

KST reserves the right to proceed directly to a written warning or to termination for misconduct or performance deficiency without resort to prior disciplinary steps when KST deems such action appropriate.

PERSONNEL RECORDS AND SECURITY RECORDS: The information in the employee's personnel file is permanent and confidential, and must be kept up-to-date. The employee should immediately notify their supervisor and Facility Security Officer (FSO) whenever there are changes in personal data such as address, telephone number, marital status, number of dependents, and person(s) to notify in case of emergency.

The employee has the right to inspect their personnel file and security file at reasonable times at a reasonable place and on reasonable notice. In addition, employees have the right to request copies



of all employment-related documents they have signed. An employee may inspect only their own personnel file and security file and only in the presence of their supervisor and FSO.

Personnel files and security files are the property of KST and may not be removed from KST premises without written authorization from their supervisor.

CONFLICTS OF INTEREST: Employees are expected to devote their best efforts and attention to the full-time performance of their jobs. They are expected to use good judgment, to adhere to high ethical standards and to avoid situations that create an actual or potential conflict between the employee's personal interests and the interests of KST. A conflict of interest exists when the employee's loyalties or actions are divided between KST interests and those of another, such as a competitor, supplier, or customer. Both the fact and the appearance of a conflict of interest should be avoided. Employees unsure if a certain transaction, activity, or relationship constitutes a conflict of interest should discuss it with their immediate supervisor or the Program Manager for clarification. Any exceptions to this guideline must be approved in writing by KST.

While it is not feasible to describe all possible conflicts of interest that could develop, some of the more common conflicts, from which employees should refrain, include but are not limited to the following:

- Accepting personal gifts or entertainment from competitors, customers, suppliers or potential suppliers;
- Working for a competitor, supplier or customer;
- Engaging in self-employment in competition with KST;
- Using proprietary or confidential KST information for personal gain or to KST detriment;
- Having a direct or indirect financial interest in or relationship with a competitor, customer or supplier, except that ownership of less than 1 percent (1%) of the publicly traded stock of a corporation will not be considered a conflict;
- Developing a personal relationship with a subordinate employee of KST that might interfere with the exercise of impartial judgment in decisions affecting KST or any employees of KST.
- Actions that affect the morale in the workplace
- Using KST assets or labor for personal use;
- Acquiring any interest in property or assets of any kind for the purpose of selling or leasing it to KST; or
- Committing KST to give its financial or other support to any outside activity or organization; or
- If an employee or someone with whom an employee has a close relationship (a family member or close companion) has a financial or employment relationship with a competitor, customer, supplier or potential supplier, the employee must disclose this fact in writing to KST. Employees should be aware that if they enter into a personal relationship with a subordinate employee or with an employee of a competitor, supplier or customer, a conflict of interest may exist, which requires full disclosure to KST.

Part-time employees may engage in outside employment, provided they disclose such employment and get written approval from their immediate supervisor.



Failure to adhere to this guideline, including failure to disclose any conflicts or to seek an exception, will result in discipline up to and including termination of employment.

SOLICITATION, DISTRIBUTION AND BULLETIN BOARDS: Employees may engage in solicitation at their assigned work place and only during non-working time. Non-working time means time during meals or breaks and before or after work.

Solicitation or distribution in any way connected with the sale of any goods or services for profit is strictly prohibited anywhere and at any time. Similarly, solicitation or distribution of literature for any purpose by non-employees is strictly prohibited.

SECURITY AND CONFIDENTIAL INFORMATION: The security of employees, employee assigned property, or government/non-government property is of vital importance to KST. All employees share responsibility to ensure that proper security is maintained at all times.

PROPRIETARY AND CONFIDENTIAL INFORMATION: Property includes not only tangible property like desks and automation equipment, but also intangible property such as information. Of particular importance are proprietary information and confidential information. Proprietary information includes all information obtained by KST employees during the course of their work. This handbook, for example, contains proprietary information. Confidential information is any KST information that is not known generally to the public or the industry. Customer lists, customer files, personnel files, computer records, financial and marketing data, process descriptions, research plans, formulas, and trade secrets are examples of confidential information.

Given the nature of KST business, protecting proprietary and confidential information is of vital concern to KST. This information is one of the most important assets of KST. It enhances KST opportunities for future growth and indirectly adds to the job security of all employees.

Employees must not use or disclose any proprietary or confidential information they obtain during employment with KST except as required by their jobs. This obligation remains even after an employee's employment relationship with KST ends. If an employee is in a position that gives them access to particularly sensitive information, the employee might be required to sign a written nondisclosure agreement. In addition, all employees must observe good security practices. They are expected to keep proprietary and confidential information secure from outside visitors and all other persons who do not have a legitimate reason to see or use such information.

KST rules regarding document control, restricted access to areas of the facility and other such procedures must be strictly observed by each employee. Failure to adhere to KST policies regarding company proprietary and confidential information will be considered grounds for discipline including dismissal.

In addition to observing this policy, you will be asked to sign a written nondisclosure agreement.



OBLIGATIONS ON TERMINATION: On termination of employment, whether voluntary or involuntary, all KST and Government documents and other tangible KST and Government property in the employee's possessions or control must be returned to KST.

SECURITY REGULATIONS: KST maintains and promulgates security-procedures, which specifically outlines rules and regulations for maintaining control of entrances, exits, restricted areas, document control, and record keeping. Reference KST Security Standard Practice Procedures (SPP). Employees are expected to abide by these notices.

INFORMATION TECHNOLOGY (IT) RESOURCE USE AND PRIVACY: KST provides various IT resources to authorized employees to assist them in performing their job duties for KST. Each employee has a responsibility to use KST IT resources in a manner that increases productivity, enhances KST public image and is respectful of other employees. Failure to follow KST policies regarding its IT resources may lead to disciplinary measures up to and including termination of employment. KST reserves the right to advise appropriate legal authorities of any violation of law by an employee.

IT RESOURCES DEFINITION: IT resources consist of all electronic devices, software and means of electronic communication including, but not limited to the following: personal computers and workstations; laptop computers; mini and mainframe computers; computer hardware such as disk drives and tape drives; peripheral equipment such as printers, modems, fax machines, shredders, copiers, computer software applications and associated files and data, including software that grants access to external services such as the Internet; electronic mail; telephones; cellular phones; pagers; and voice mail systems.

AUTHORIZATION: Access to IT resources is within the sole discretion of KST. Employees are given access to KST various technologies based on their job functions. Only employees whose job performance will benefit from the use of IT resources will be given access to the necessary technology. Additionally, employees must successfully complete KST approved training before being given access to KST or government/non-government IT resources.

USE: KST IT resources are to be used by employees only for the purpose of performing their job. Employees may, use IT resources for the following incidental personal uses so long as such use does not interfere with the employee's duties, is not done for pecuniary gain, does not conflict with KST business and does not violate any KST policy or any contractual requirement:

- To send and receive necessary and occasional personal communications;
- To prepare and store incidental personal data (such as personal calendars, personal address lists and similar incidental personal data) in a reasonable manner;
- To use the telephone system for brief and necessary personal calls; and
- To access the Internet for brief personal searches and inquiries during meal times or other breaks or outside of work hours provided that employees adhere to all other usage policies.

KST assumes no liability for loss, damage, destruction, alteration, disclosure or misuse of any personal data or communications transmitted over or stored on the provided IT resources. KST accepts no responsibility or liability for the loss or non-delivery of any personal electronic mail or



voice mail communications or any personal data. KST strongly discourages employees from storing any personal data on any KST or government/non-government IT resources.

IMPROPER USE

Prohibition Against Harassing, Discriminatory and Defamatory Use: KST is aware that employees use electronic mail for correspondence that is less formal than written memoranda. Employees must take care, however, not to let informality degenerate into improper use. KST will not tolerate discrimination or harassment based on gender, pregnancy, childbirth (or related medical conditions), race, color, religion, national origin, ancestry, age, physical disability, mental disability, medical condition, marital status, sexual orientation, family-care or medical-leave status, veteran status or any other status protected by state and federal laws. Under no circumstances may employees use provided IT resources to transmit, receive or store any information that is discriminatory, harassing or defamatory in any way (for example: sexually-explicit or racial messages, jokes or cartoons).

Prohibition Against Violating Copyright Laws: Employees must not use provided IT resources to copy, retrieve, forward or send copyrighted materials unless the employee has the author's permission or is accessing a single copy only for the employee's reference.

Other Prohibited Uses: Employees may not use any of the provided IT resources for any illegal purpose. It is considered contrary to the best interest of KST in any way that discloses confidential or proprietary information of KST or third parties, or for personal or pecuniary gain.

ACCESS TO IT RESOURCES: All messages sent and received, including personal messages, and all data and information stored on an electronic mail system, voice mail system, or computer systems are not private property regardless of the content. KST reserves the right to access all assigned computers, voice mail, and electronic-mail systems at any time.

Privacy: Although KST do not wish to examine personal information of its employees, on occasion KST may need to access the provided IT resources including computer files, electronic-mail messages, and voice mail messages. Employees should understand, therefore, that they have no right of privacy with respect to any messages or information created or maintained on provided IT resources, including personal information or messages. KST may at its discretion inspect all files or messages on assigned IT resources at any time for any reason. KST may also monitor usage of IT resources at any time in order to determine compliance with its policies, for purposes of legal proceedings, to investigate misconduct, to locate information or for any other business purpose.

Passwords: Passwords are intended to prevent unauthorized access to information. Passwords do not confer any right of privacy upon any employee of KST. Thus, even though employees may maintain passwords for accessing IT resources employees must not expect that any information maintained on IT resources, including electronic mail and voice mail messages, are private. Employees are expected to maintain their passwords as confidential. Employees must not share passwords and must not access coworkers' systems without express authorization.



DATA COLLECTION: The best way to guarantee the privacy of personal information is not to store or transmit it on the assigned IT resources. To ensure that employees understand the extent to which information is collected and stored, below are examples of IT resources:

TELEPHONE USE AND VOICEMAIL: Records are kept of all calls made from and to a given telephone extension. Although voicemail is password protected, an authorized administrator can reset the password and listen to voice mail messages.

ELECTRONIC MAIL: Electronic mail is backed up and archived. Although electronic mail is password protected, an authorized administrator can reset the password and read electronic mail.

DESKTOP FACSIMILE USE: Copies of all facsimile transmissions sent and received are maintained in the facsimile server or similar capabilities.

DOCUMENT USE: Each document stored on IT resources has a history, which shows which users have accessed the document for any purpose.

INTERNET USE: Internet sites visited, the number of times visited and the total time connected to each site is recorded and periodically monitored.

DELETED INFORMATION: Deleting or erasing information, documents or messages maintained on IT resources is in most cases ineffective. All employees should understand that any information kept on IT resources may be electronically recalled or recreated regardless of whether it may have been deleted or erased by an employee. Because data are periodically backed up and because of the way in which computers reuse file storage space, files and messages may exist that are thought to have been deleted or erased. Therefore, employees who delete or erase information or messages should not assume that such information or messages are confidential.

THE INTERNET AND ONLINE SERVICES: Employees are authorized to access online services such as the Internet. KST expects that employees will use these services in a responsible way and for business-related purposes only. Under no circumstances are employees permitted to use IT resources to access, download or contribute to the following:

- Gross, indecent, or sexually-oriented materials;
- Sports sites;
- Job-search sites;
- Entertainment sites;
- Gambling sites;
- Games, humor;
- Illegal drug-oriented sites;
- Personal pages of individuals; and
- Politically oriented sites or sites devoted to influencing the course of legislation or public policy.

Additionally, employees must not sign guest books on Web sites or post messages to Internet news groups or discussion groups on Web sites. These actions will generate junk electronic mail and might result in liability or unwanted attention because of comments that employees may make.



KST strongly encourages employees who wish to access the Internet for non-work-related activities to obtain their own personal Internet access accounts.

CONFIDENTIALITY: Some of the accessed information can be confidential (classified). Employees should avoid sending confidential information over the Internet except when absolutely necessary. Employees also should verify electronic-mail addresses before transmitting any messages.

MONITORING: Workplace monitoring on both the amount of time spent using online services and the sites visited by individual employees may occur. Access can be limited including blocking access altogether.

SOFTWARE USE

LICENSE RESTRICTIONS: No software is to be installed or used that has not been duly paid for and licensed appropriately for the use to which it is being put. No employee may load any software on workplace computers by any means of transmission unless authorized in advance. Authorization for loading software onto workplace computers should not be given until the software to be loaded has been thoroughly scanned for viruses.

SOFTWARE FOR HOME USE: Software licenses may be used on portable computers and home computers in addition to workplace computers. Before transferring or copying any software to another computer, employees must request permission and receive written authorization from the primary license holder.

CONFIDENTIAL INFORMATION: KST is very sensitive to the issue of protection of trade secrets and other confidential and proprietary information of both KST and third parties (Confidential Information). Therefore, employees are expected to use good judgment and to adhere to the highest ethical standards when using or transmitting Confidential Information.

Confidential Information should not be accessed in the presence of unauthorized individuals. Similarly, Confidential Information should not be left visible or unattended. Confidential Information transmitted should be marked with the following legend: "This message contains confidential information. Unless you are the addressee (or authorized to receive for the addressee), you may not copy, use or distribute this information. If you receive this type of message in error, return it promptly by mail", or similar notice.

SECURITY: Any employee found tampering or disabling any IT security devices will be subject to discipline up to and including termination.

AUDITS: KST may perform auditing activity or monitoring to determine compliance with these policies. Audits of software and data stored on KST database may be conducted without warning at any time.

DRUG-FREE WORKPLACE

PURPOSE: It is the intent of KST to maintain a workplace that is free of drugs and alcohol and to discourage drug and alcohol abuse by its employees. KST has a vital interest in maintaining



safe and efficient working conditions for its employees. Substance abuse is incompatible with health, safety, efficiency, and success at KST. Employees who are under the influence of a drug or alcohol on the job compromise KST interests, endanger their own health and safety and the health and safety of others, and can cause a number of other work-related problems, including absenteeism and tardiness, substandard job performance, increased workloads for coworkers, behavior that disrupts other employees, delays in the completion of jobs, inferior quality in products or service, and disruption of customer relations.

To further its interest in avoiding accidents, to promote and maintain safe and efficient working conditions for its employees, and to protect its business, property, equipment, and operations, KST has established this handbook concerning the use of alcohol and drugs. As a condition of continued employment with KST, each employee must abide by this handbook.

EMPLOYEE COOPERATION: Early detection of substance-abuse problems benefits everyone. For example, it benefits the employee with the substance-abuse problem because it gives them the opportunity to correct the problem before it leads to serious harm to the employee or others; it benefits the employee's coworkers who otherwise might have to carry an extra burden by covering for the substance abuser or who otherwise might be exposed to serious injury; and it benefits KST because it gives KST an opportunity to prevent accidents and avoid the performance problems and other losses associated with substance abuse. Accordingly, all employees should understand that coworkers with substance-abuse problems should be encouraged to seek assistance.

DEFINITIONS: (For purposes of this handbook)

- "Illegal drugs or other controlled substances" mean any drug or substance that is not legally obtainable; or is legally obtainable but has not been legally obtained; or has been legally obtained but is being sold or distributed unlawfully.
- "Legal drug" means any drug, including any prescription drug or over-the-counter drug, that has been legally obtained and that is not unlawfully sold or distributed.
- "Abuse of any legal drug" means the use of any legal drug for any purpose other than the purpose for which it was prescribed or manufactured; or in a quantity, frequency or manner that is contrary to the instructions or recommendations of the prescribing physician or manufacturer.
- "Reasonable suspicion" includes a suspicion that is based on specific personal observations such as an employee's manner, disposition, muscular movement, appearance, behavior, speech or breath odor; information provided to management by an employee, by law enforcement officials by a security service or by other persons believed to be reliable; or a suspicion that is based on other surrounding circumstances.
- "Possession" means that an employee has the substance on their person or otherwise under their control.

PROHIBITED CONDUCT: The prohibitions of this section apply whenever the interests of KST may be adversely affected, including any time the employee is:

- Conducting or performing KST business, regardless of location, i.e. government/non-government locations.



- Operating or responsible for the operation, custody or care of KST equipment or other property; or
- Responsible for the safety of others.

Alcohol: The following acts are prohibited and subject an employee to discharge:

- The unauthorized use, possession, purchase, sale, manufacture, distribution, transportation or dispensation of alcohol; or
- Being under the influence of alcohol.

Illegal Drugs: The following acts are prohibited and subject an employee to discharge:

- The use, possession, purchase, sale, manufacture, distribution, transportation or dispensation of any illegal drug or other controlled substance; or
- Being under the influence of any illegal drug or other controlled substance.

Legal Drugs: The following acts are prohibited and subject an employee to discharge:

- The abuse of any legal drug;
- The purchase, sale, manufacture, distribution, transportation, dispensation or possession of any legal prescription drug in a manner inconsistent with law; or
- Working while impaired by the use of a legal drug whenever such impairment might:
- Endanger the safety of the employee or some other person;
- Pose a risk of significant damage to property or equipment; or
- Substantially interfere with the employee's job performance or the efficient operation of KST business or equipment.

DISCIPLINARY ACTION

DISCHARGE FOR VIOLATION OF HANDBOOK: A first violation of this handbook will result in immediate discharge whenever the prohibited conduct:

- Caused injury to the employee or any other person, or in the sole opinion of management endangered the safety of the employee or any other person;
- Resulted in significant damage to property or equipment, or in the sole opinion of management posed a risk of significant damage;
- Involved the sale or manufacture of illegal drugs or other controlled substances;
- Involved in the possession, distribution, or dispensation of illegal drugs or other controlled substances or alcohol in a quantity greater than for personal use;
- Involved an employee who had not completed the introductory period.
- Involved the failure of an employee to report a criminal conviction as required.

DISCRETION NOT TO DISCHARGE: In circumstances other than those described above, KST in the discretion of management can choose not to discharge an employee for a first violation of this handbook if the employee satisfactorily completes participation in an approved drug- or alcohol-abuse assistance or rehabilitation program.

EFFECT OF CRIMINAL CONVICTION: An employee who is convicted under a criminal-drug statute for a violation occurring in the workplace or during any KST related activity or event would be deemed to have violated this handbook.



WRITTEN WARNING: An employee who is not discharged for a first violation of this handbook will receive a final written warning and immediate suspension without pay for a period of three calendar days.

EFFECT OF SECOND VIOLATION: A second violation of this handbook at any time will result in immediate discharge.

EFFECT OF DISCHARGE ON ELIGIBILITY FOR REHIRE: Employees who are discharged for a violation of this handbook will not be eligible for rehire by KST.

DRUG-FREE AWARENESS PROGRAM

EMPLOYEE AWARENESS: KST will provide information to inform employees about the dangers of drug abuse in the workplace and to help assure that employees are familiar with this handbook and with the disciplinary actions that can result from a violation of this handbook. From time to time, employees will be requested to attend sessions regarding dangers of drug use.

MANAGEMENT AWARENESS: Managers and supervisors should be attentive to the performance and conduct of those who work with them and should not permit an employee to work in an impaired condition or otherwise in violation of this handbook. When management has reasonable suspicion to believe an employee or employees are working in violation of this handbook, prompt action will be taken.

CRIMINAL CONVICTIONS: Employees are required by this handbook to notify KST of any conviction under a criminal-drug statute no later than five days after any such conviction. When required by federal law, KST will notify any federal agency with which it has a contract of any employee who has been convicted under a criminal drug statute for a violation occurring in the workplace.

USE OF LEGAL DRUGS: KST recognizes that employees may, from time to time, be prescribed legal drugs that when taken as prescribed or according to the manufacturer's instructions may result in their impairment. Employees may not work while impaired by the use of legal drugs if the impairment might endanger the employee or someone else, pose a risk of significant damage to property or substantially interfere with the employee's job performance. If an employee is so impaired by the appropriate use of legal drugs, they may not report to work. To accommodate the absence, the employee may use accrued sick leave or vacation time.

The employee may also contact KST to determine whether or not they qualify for an unpaid leave of absence, such as family-care or medical leave. Nothing in this handbook is intended to sanction or encourage the use of accrued sick leave or vacation time to accommodate absences due to the abuse of legal drugs. Furthermore, nothing in this handbook is intended to diminish KST commitment to employ and reasonably accommodate qualified disabled individuals. KST will reasonably accommodate qualified disabled employees who must take legal drugs because of their disability and who because of their appropriate use of such drugs cannot perform the essential functions of their positions adequately or safely.



UNREGULATED OR AUTHORIZED CONDUCT

CUSTOMARY USE OF OVER-THE-COUNTER DRUGS: Nothing in this handbook is intended to prohibit the customary and ordinary purchase, sale, use, possession or dispensation of over-the-counter drugs so long as that activity does not violate any law or result in an employee being impaired by the use of such drugs.

OFF-THE-JOB CONDUCT: Unless an employee is in a designated safety-sensitive position, this handbook is not intended to regulate off-the-job conduct so long as the employee's off-the-job use of alcohol or drugs does not result in the employee being under the influence of or impaired by the use of alcohol or drugs in violation of this handbook. If an employee is in a designated safety-sensitive position, they will be subject to drug testing as described below.

CONFIDENTIALITY: Disclosures made by employees to an investigating source concerning their use of legal drugs will be treated confidentially and will not be revealed to managers or supervisors unless there is an important work-related reason to do so in order to determine whether it is advisable for the employee to continue working. Disclosures made by employees to an investigating source concerning their participation in any drug or alcohol rehabilitation program will be treated confidentially.

REASONABLE SUSPICION TESTING: If an employee occupies a designated safety-sensitive position and their supervisor or manager has a reasonable suspicion that the employee is working in an impaired condition or otherwise in violation of this handbook, the employee will be asked about any observed behavior and offered an opportunity to give a reasonable explanation. If the employee is unable to explain the behavior, they will be requested to take a drug test in accordance with the procedures outlined below.

If the employee refuses to cooperate with the administration of the drug test, the refusal will be handled in the same manner as a positive test result.

ACKNOWLEDGMENT AND CONSENT: Any employee subject to testing under this policy will be asked to sign a form acknowledging the procedures governing testing and consenting to the collection of a urine sample for the purpose of determining the presence of alcohol or drugs, and the release to KST of medical information regarding the test results. Refusal to sign the agreement and consent form or to submit to the drug test will result in the revocation of an applicant's job offer or will subject an employee to discipline up to and including termination.

CONFIDENTIALITY: All drug testing records will be treated as confidential.

INSPECTIONS AND SEARCHES ON PREMISES

PURPOSE: KST believes that maintaining a workplace that is free of drugs, alcohol, and other harmful materials is vital to the health and safety of its employees and to the success of KST business. KST also intends to protect against the unauthorized use or removal of property. In addition, KST intends to assure its access at all times to property, equipment, records, documents, and files. Accordingly, KST has established this handbook concerning inspections and searches, on established work site. This handbook applies to all employees of KST.



DEFINITIONS:

- “Prohibited materials” means firearms or other weapons; explosives and/or hazardous materials or articles; illegal drugs or other controlled substances as defined in KST Drug-Free policy; drug-related paraphernalia; and alcoholic beverages or property that an employee is not authorized to have in their possession.
- “Property” includes all documents, records, software, and files relating to KST business; and all equipment, hardware and other property of any kind whether owned, leased, rented or used by KST.
- “Premises” includes all premises and locations owned or leased by KST or occupied by KST personnel while performing contract duties (government or non-government).
- “Reasonable suspicion” includes a suspicion that is based on specific personal observations such as an employee’s manner, disposition, muscular movement, appearance, behavior, speech or breath odor; information provided to management by an employee, by law enforcement officials, by a security service or by other persons believed to be reliable; or a suspicion that is based on other surrounding circumstances.
- “Possession” means that an employee has the substance or property on their person or otherwise under their control.

INSPECTIONS AND SEARCHES: Access to property: In order to ensure access at all times to property and because employees properly in possession of KST property or information related to KST business may not always be available to produce the property or information when needed in the ordinary course of KST business, KST reserves the right to conduct a routine inspection or search at any time. KST reserves the right to access information and communications stored on IT resources.

Routine searches or inspections for property may include an employee’s office, desk, file cabinet, closet, computer files, voicemail, or similar places where employees may store property or KST related information, whether or not the places are locked or protected by access codes.

Because a routine search for property might result in the discovery of an employee’s personal possessions, all employees are encouraged to refrain from bringing into the workplace any item of personal property that they do not wish to reveal to KST.

Inspections and Searches for Prohibited Materials: Inspections or searches for prohibited materials in or on assigned premises also will be conducted whenever KST has reasonable suspicion that a particular employee or employees may be in possession of such materials.

Inspections or searches for prohibited materials may be conducted by an independent security service or by KST with its own personnel. In all cases, a member of management should be present.

Inspections or searches for prohibited materials may be conducted from time to time even when there is no immediate reason to suspect the presence of the materials.

Inspections or searches for prohibited materials may include an employee’s office, desk, file cabinet, closet, or other locations where employees may place personal possessions, when on



assigned premises, and/or other items of personal property worn or carried while on assigned premises.

Employees who refuse to cooperate during an inspection or search will not be forcibly detained or searched. They will be informed, however, that KST will base any disciplinary decision on the information that is available, including their refusal to consent to the search as well as the information that gave rise to a reasonable suspicion that the employee was in possession of prohibited materials, if applicable, and that their failure or refusal to cooperate could deprive KST of information that may clear them of suspicion. In addition, KST reserves the right to take appropriate action to prevent the unauthorized removal of assigned property.

DISCIPLINARY ACTION: Employees found to be in possession of prohibited materials in violation of this handbook or have used assigned property in an unauthorized manner and/or are found to be in violation of other KST policies and guidelines will be subject to discipline up to and including discharge, regardless of KST reason for conducting the search or inspection.

If an employee refuses to cooperate with a search or inspection that is based on reasonable suspicion that the employee is in possession of prohibited materials, KST may take that refusal into consideration in determining appropriate disciplinary action. Discipline will be based on all available information, including the information-giving rise to the reasonable suspicion. It is therefore to the employee's advantage to cooperate with the search or inspection whenever prohibited materials are present.

TERMINATION

VOLUNTARY TERMINATION: KST will consider an employee to have voluntarily terminated their employment if an employee does any of the following:

- Elects to resign from KST;
- Fails to return from an approved leave of absence on the date specified by KST; or
- Fails to report for work without notice to KST for two consecutive days.

INVOLUNTARY TERMINATION: An employee may be terminated involuntarily for reasons that include poor performance, misconduct, or other violations of KST rules of conduct. KST reserves the right to discharge "at will" with or without cause and with or without prior notice.

TERMINATION DUE TO REORGANIZATION, ECONOMICS, OR LACK OF WORK:

From time to time, KST may need to terminate an employee as a consequence of reorganization, job/position elimination, economic downturn in business, or lack of work. Should KST consider such termination necessary, KST will attempt to provide all affected employees with advance notice when practical.

WORKPLACE SAFETY

POLICY: KST is committed to providing and maintaining a healthy and safe work environment for all employees.



You are required to comply with and to follow safe and healthy work practices at all times. You also are required to report immediately to your supervisor any potential health or safety hazards and all injuries or accidents.

SAFETY RULES: Safety is everyone's business and should be given primary importance in every aspect of planning and performing all KST activities. We want to protect you against industrial injury and illness, as well as minimize the potential loss of production. Report all injuries (no matter how slight) to your manager immediately, as well as anything that needs repair or is a safety hazard. Below are some general safety rules. Your manager may post other safety procedures in your work area:

- Avoid overloading electrical outlets with too many machines.
- Use flammable items such as cleaning fluids with caution.
- Walk - do not run.
- Report to your manager if you or a coworker becomes ill or is injured.
- Ask for assistance when lifting heavy objects or moving heavy furniture.
- Keep cabinet doors and file and desk drawers closed when not in use.
- Sit firmly and squarely in chairs that rolls or tilt.
- Avoid horseplay or practical jokes.
- Start work on any machine only after safety procedures and requirements have been explained (and you understand them).
- Practice all principles of Security.

Note: Failure to adhere to these rules will be considered serious infractions of safety rules and will result in disciplinary actions.

MISCELLANEOUS

OPEN-DOOR POLICY: KST has an Open-Door Policy that encourages employee participation in decisions affecting them and their daily professional responsibilities. Employees who have job-related concerns or complaints are encouraged to talk them over with their supervisor or any other management representative with whom they feel comfortable. KST believes that employee concerns are best addressed through this type of informal and open communication.

Employees are encouraged to raise work-related concerns with their immediate supervisor, or with a supervisor or other management representative of their choice, as soon as possible after the events that cause the concern. Employees are further encouraged to pursue discussion of their work-related concerns until the matter is fully resolved. Although KST cannot guarantee that in each instance the employee will be satisfied with the result, KST will attempt in each instance to explain the result to the employee if the employee is not satisfied. KST will also attempt to keep all such expressions of concern, the results of its investigation and the terms of the resolution confidential. However, in the course of investigating and resolving the matter, some dissemination of information to others may be appropriate.

Employees who conclude that their work-related concerns should be brought to the attention of KST by written complaint; a formal investigation may be required for follow up reviews as described in Internal Complaint Review Procedure section.



TRAVEL AND EXPENSES: KST will reimburse employees for previously approved/reasonable expenses incurred throughout a business travel or entertainment. The required information is self-explanatory and each employee will:

- Provide a complete expense sheet with the appropriate title of the travel and/or training.
- Attached original copies of receipts for all expenses.
- Annotate accurate mileage driven for appropriate reimbursement.
- Leave the “Training” column blank, as the cost will generally be paid by KST.
- Complete and submit travel expenses within five working days after completion of travel.
- Ensure close coordination of submitted expense sheet with the KST program manager.

Note: Expense sheet requirements may change from time to time and KST will provide employees updates as they become final.

EMPLOYMENT OF RELATIVES: Relatives of present employees may be hired by KST only if the individuals concerned will not work in a direct supervisor-subordinate relationship, and the employment will not pose difficulties for supervision, security, safety or morale. “Relatives” are defined as spouses, children, sisters, brothers, mothers or fathers, and persons related by marriage. Present employees who marry or who become related by marriage will be permitted to continue employment with KST only if they do not work in a direct supervisory relationship with one another, or otherwise pose difficulties for supervision, security, safety or morale. If employees who marry or who become related by marriage do work in a direct supervisory relationship with one another, KST will attempt to reassign one of the employees to another position for which they are qualified if such a position is available. If no such position is available, then one of the employees will be required to leave KST. The decision as to which employee will leave is left solely to the spouse-employees.

EXIT INTERVIEW: Employees who leave KST for any reason may be asked to participate in an exit interview. This interview is intended to permit terminating employees the opportunity to communicate their views regarding their work with KST, including job duties, job training, job supervision, and job benefits. At the time of the interview, employees are expected to return all assigned property, such as equipment, ID cards, keys, credit cards, documents, and handbooks. Arrangements for clearing any outstanding debts with KST and for receiving final pay also will be made at this time.

VIOLENCE IN THE WORKPLACE: KST recognizes that workplace violence is a growing concern among employers and employees. KST is committed to providing a safe, violence-free workplace and strictly prohibits employees; consultants, customers, visitors or anyone else in the workplace or engaging in a KST related activity from behaving in a violent or threatening manner. As part of this policy, KST seeks to prevent workplace violence before it begins and reserves the right to deal with behavior that suggests a propensity towards violence even prior to any violent behavior occurring.

KST believes that prevention of workplace violence begins with recognition and awareness of potential early warning signs.

WORKPLACE VIOLENCE DEFINED: Workplace violence includes:



Threats of any kind;

- Threatening, physically aggressive, or violent behavior such as intimidation of or attempts to instill fear in others;
- Other behavior that suggests a propensity toward violence, which can include belligerent speech, excessive arguing or swearing, sabotage or threats of sabotage of property, or a demonstrated pattern of refusal to follow policies and procedures;
- Defacing property or causing physical damage to the facilities; or
- Bringing weapons or firearms of any kind into the work place (security personnel are exempt).

REPORTING: any employee observes or becomes aware of any of the above-listed actions or behavior by an employee, customer, consultant, visitor or anyone else, they should notify KST immediately. Furthermore, employees should notify KST if any restraining order is in effect or if a potentially violent non-work-related situation exists that could result in violence in the workplace.

INVESTIGATION: Reports of workplace violence will be taken seriously and will be investigated promptly and thoroughly. To the extent possible, KST will maintain the confidentiality of the reporting employee and of the investigation but may need to disclose results in appropriate circumstances, for example, in order to protect individual safety. KST will not tolerate retaliation against any employee who reports workplace violence.

CORRECTIVE ACTION AND DISCIPLINE: When KST determines that workplace violence has occurred, KST will take appropriate corrective action and will impose discipline on offending employees. The appropriate discipline will depend on the facts, but may include written or oral warnings, probation, and reassignment of responsibilities, suspension, or termination. If the violent behavior is that of a non-employee, KST will take appropriate corrective action to ensure that such behavior is not repeated. Under certain circumstances, KST may forego disciplinary action on the condition that the employee takes a medical leave of absence. In addition, KST may request that the employee participate in counseling, either voluntarily or as a condition of continued employment.

ARBITRATION: KST strongly believes in and endorses expeditious, non-judicial resolution of employment disputes.

WORKPLACE ATTIRE: As an employee, KST encourages a professional image. You have the freedom of selecting clothing suited to your taste; however, there are items which are not appropriate (i.e. blue jeans, T-shirts, and/or slippers). Exceptions to the foregoing are based on requirement, which may require you to perform major moves of furniture, equipment, laying cables, etc. Always double-check with your KST supervisor or PM if unsure.



I, the undersigned, acknowledge having read and understood the contents of this employee handbook. Should I have any further questions, I will contact Mr. Chris Ashby (808) 521-7000 or cashby@ksthawaii.com for clarification.

Signature

Date

Printed Name