

SUBJECT: **Ethics Policy and Certification Process**

1.0 POLICY

JPS Industries, Inc. and its subsidiaries (collectively referred to as the "Company") and its employees, officers and directors will adhere to the highest ethical and moral standards in the conduct of its business. This policy applies to all employees, officers and directors of the Company. All references herein to "employees" shall refer also to officers and directors. This Policy Statement is issued to guide employees in appropriate business conduct, and to prescribe a regular certification process that will promote awareness of and adherence to the ethical standards outlined in this Policy Statement.

2.0 LAWS AND REGULATIONS

In the conduct of the business of the Company, there shall be strict compliance with all laws and administrative regulations, federal, state, local and foreign, wherever they affect the Company.

Examples of illegal acts include, but are not limited to, theft, fraud, embezzlement, misappropriation of Company physical assets, direct disbursement of Company funds for personal expenses, taking kickbacks of money or property from vendors or customers, offering bribes, evading taxes, falsifying financial results, engaging in anti-trust activities, and failure to comply with environmental laws. While many unlawful activities are discussed further in this Policy Statement, it is impossible to cover every conceivable situation that an employee may face. It is the duty of every employee to espouse the highest standard of ethics, morality, honesty and decency in the performance of his job.

If you are unsure whether certain conduct is lawful or ethical you should talk to your supervisor or human resource manager. Where laws or regulations are ambiguous, difficult to interpret, or of questionable relevance, JPS Corporate and appropriate counsel should be called upon for advice.

3.0 RELATIONS WITH CUSTOMERS AND SUPPLIERS

3.1 If there is an intermediary between a customer or a supplier and JPS, the intermediary should be a regularly established agent or distributor charging established fees or commissions. In no event should irregular finder's or other fees or commissions be paid with respect to sales to any federal, state, local or foreign government.

3.2 Entertainment of customers, or by suppliers, should be confined to normal business courtesies involving no more than ordinary amenities. Such entertainment should not involve an effort to affect an individual's judgment or business decision, or to cause his personal enrichment. Local custom contrary

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to the foregoing which may prevail either in areas of the United States or abroad is not a sufficient reason for variance from the foregoing principles for JPS employees either in the offering or receiving of gifts or entertainment amenities. Entertainment beyond normal lunches or dinners should be approved by the Division President or Human Resource Manager.

4.0 POLITICAL CONTRIBUTIONS

JPS will not contribute to a political party, a campaign, a candidate for federal, state or local office, or a political committee. No JPS employee or director shall be reimbursed, directly or indirectly, by the Company for any personal political contribution.

Except when serving on behalf of a political fund-raising committee duly registered with the Federal Election Commission under the Federal Election Campaign Act, no JPS employee shall solicit from any other JPS employee any political contribution.

5.0 CONFLICTS OF INTEREST

5.1 No JPS employee or director shall:

- a. Hold a material interest (directly or indirectly, by the employee or his close relations) in, or engage in the management of, or act as a consultant for (i) any firm which provides services or materials or equipment to the Company, or (ii) any firm which is in competition with the Company, or (iii) any firm to which the Company makes sales. Ownership of less than 5% of the total outstanding stock of a Company shall not constitute a material interest. It is permissible for a JPS employee or director to serve on the Board of Directors of another corporation provided such membership on its Board of Directors is effectuated in a manner fully in compliance with the provisions of this Policy Statement, and such membership receives prior approval from the JPS Industries, Inc. Board of Directors.
- b. Hold any familial or other personal relationship with any of the Company's suppliers, customers, or competitors that could create conflicting loyalties. For example, an employee involved in any way with the purchasing function will appear to have a conflict of interest if the Company purchases items from a vendor owned by a family member. In cases similar to this example, an independent review by the Chief Financial Officer is necessary to protect both you and the Company.
- c. Personally borrow money from suppliers or customers.
- d. Accept favors or gifts from suppliers or customers, including cash, services, vacations, or discounts for himself or any member of his family or household which have greater than nominal value. Inexpensive promotional items, such as pens, golf balls, monogrammed hats and shirts, etc. may be accepted. If you are uncertain if an offered gift can be

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ethically accepted, contact your Human Resource Manager or Division President.

- e. Acquire any financial interest in any property or any other Company which JPS is considering acquiring.
- f. Speculate in equipment, supplies, materials or property customarily purchased or sold by the Company.

6.0 COMPANY RECORDS, REPORTS AND COMMUNICATIONS

The books, accounts and records of the Company shall reflect full, true and accurate recordings of all Company transactions. It is the policy of the Company to make, and it is the duty of JPS employees to ensure, full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, any governmental authority and in other public communications by the Company. No JPS employee shall permit any false entry in the books, accounts or records which obscures the purpose or intent of a transaction. Examples of the latter include but are not limited to artificially accelerating revenue recognition, misstating inventories, manipulation of earnings to meet a forecast, concealment of fraud, granting of excessively liberal terms to accelerate sales, etc.

- 6.1 No JPS employee shall permit or approve the making of any payment on behalf of the Company with the intention or understanding that any part of such payment is to be used for a purpose other than that reported or described in the documents supporting the payment.
- 6.2 Every JPS employee making a report of any JPS operation under this control or within the purview of his duties shall make a full, complete and accurate report whether it be intended for use within the Company, or for its auditors, or for external use.
- 6.3 JPS employees deal on a daily basis with confidential information about the Company. This information includes business plans, manufacturing processes and technology, marketing and pricing information, customer lists, etc. JPS's business could be damaged if this information were disclosed to competitors or to anyone else outside the Company. Additionally, sensitive information should not be disseminated due to the potential for illegal stock trading based on inappropriate information. This issue is discussed further in the section on Improper Trading.

Each employee should assume that all information about JPS and its business is confidential. As such, an employee must not disclose such information to any person outside the Company without the Company's prior consent. If, however, JPS has disclosed the information in its reports to stockholders or the employee can otherwise verify that the information is publicly known, the information does not need to be treated confidentially.

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6.4 JPS Industries has in place a standard policy for record retention. Employees should not destroy any company records prior to the prescribed destruction date. Additionally, records, including e-mails, relating to any matter (i) where there is a reasonable belief that a lawsuit or governmental inquiry or investigation is anticipated or contemplated, or (ii) that is currently under investigation by any governmental authority should not be destroyed, regardless of age.

7.0 ANTITRUST LAWS

Antitrust laws are intended to preserve fair competition in business. Examples of activities which violate antitrust laws include agreements among competitors to fix prices, discounts, or terms of sale; divide markets, customers, or territories; or refused to deal with, or boycott, third parties. Each of these activities can lead to severe civil and criminal penalties, as well as jail sentences and fines for the responsible individuals.

While JPS employees should compete vigorously and aggressively in the market, they must do so fairly and without any anti-competitive understandings or agreements with competitors.

8.0 IMPROPER TRADING

An employee may not use his or her access to material, non-public information regarding the Company for personal gain or to aid others to realize personal gain. Thus a purchase or sale of securities of the Company cannot be made if, at the time, the employee is in possession of material information regarding the Company that has not been publicly disclosed and that, if publicly known, might reasonably be expected to impact the price or trading activity in the security, or influence the other party to the transaction in his or her own decision to sell or buy. Further, a purchase or sale of securities of another company cannot be made if, as a result of employment with the Company, the employee comes into possession of material information regarding the other company that has not been publicly disclosed, and that, if publicly known, might reasonably be expected to impact the price or trading activity in the security, or influence the other party to the transaction in his or her own decision to sell or buy.

Examples of material non-public information may include the following:

- a. a pending acquisition, sale, merger or similar transaction of a material nature;
- b. a contemplated dividend, stock split or recapitalization transaction;
- c. an unexpected sharp increase or decrease in revenues, earnings or losses for the current period or an extraordinary gain or loss (whether or not a cash item);
- d. a pending default under outstanding loans; and
- e. the occurrence of any other event (such as new product development or

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product defect) which, if publicly known, would be likely to result in an increase or decrease in the stock price or trading activity.

If an employee purchases or sells securities when information of this character has not yet been publicly announced (either by means of a press release or in an SEC filing), he or she may be exposed to civil and criminal liability (and possible SEC sanctions).

Similarly, information of this character may not be disclosed (“tipped”) to friends, relatives or others, even though the employee does not share (or expect to share) in the profits realized by the “tippee.”

It is important to note the trading issues discussed in this section apply to ALL EMPLOYEES. Directors, executive officers, and any employees who are also shareholders and who beneficially own at least 10% of the outstanding common stock of the Company must also comply with additional securities laws which are discussed in Appendix A to this Policy Statement. Even if a purchase or sale of securities might be permissible under all of the provisions discussed in Appendix A, such purchase or sale cannot be made if the individual has material, non-public information as discussed above.

9.0 VIOLATIONS OF THE CODE OF ETHICS

Violation of the provisions of this Policy Statement may result in disciplinary action, varying from reprimand to dismissal. If an employee becomes aware of a violation of a governing law or statute, an irregularity regarding accounting, internal accounting controls, or auditing matters, or any other violation of the Company code of ethics, that individual should inform a member of JPS management. The employee is encouraged to report the violation to his or her immediate supervisor, or a higher level of management if preferred. Failure to report a known policy violation is, in itself, a violation of Company policy. No employee who makes such a report can be discharged, demoted, suspended, threatened, harassed, or in any other manner discriminated against because of making such a report.

However, if the employee wishes to make a confidential, anonymous submission, the Company provides a hotline for employee complaints via a toll free line. Details of this anonymous hotline must be posted prominently on bulletin boards at all Company locations.

10.0 AMENDMENTS AND WAIVERS

Except as herein otherwise expressly provided, no amendments or waivers of this Policy Statement or its provisions can be made without the prior approval of the Board of Directors of the Company. Any such waiver for the benefit of a director or executive officer will promptly be disclosed to the public.

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11.0 DISSEMINATION OF THIS POLICY STATEMENT

- 11.1 At least once every two years, Subsidiary chief operating and financial officers will have copies of this Policy Statement distributed to all employees. Posting the policy on company bulletin boards and notifying employees of its availability on line will constitute distribution. New hires should receive a copy of this Policy Statement upon beginning work. Supervisors will discuss the contents of this Policy Statement with personnel over whom they exercise supervision. Executive officers and Directors will also receive Appendix A – Securities Laws.
- 11.2 By November 20 of each applicable year, Corporate officers, and Subsidiary chief operating, chief financial, and chief accounting officers, will execute and return to the Corporate CFO a completed Statement of Compliance, with any exceptions noted, in the form attached as Exhibit I. Other employees may be required to sign a compliance statement at management discretion.
- 11.3 If this Policy Statement is amended in any significant way, the certification process will be performed immediately upon issue of the amended policy.
- 11.4 This Policy Statement will be publicly disclosed.

APPENDIX A - SECURITIES LAWS

Although described in general terms, the matters discussed below are highly technical, complex and fact-sensitive. Consequently, this Policy Statement must not be viewed as an exhaustive discussion of these matters and is not a substitute for direct consultation with legal counsel.

Monitoring Policy – It is the Company’s policy to prohibit its employees, officers and directors from trading in the securities of the Company on, or improperly disclosing or otherwise using, material non-public information relating to the Company. Accordingly, the Company has adopted the procedures outlined below for those of its (i) directors, (ii) executive officers, and (iii) employees who are also shareholders and who beneficially own at least 10% of the outstanding common stock of the Company ("Primary Shareholders"), who trade in the Company’s securities in order to avoid even the appearance of impropriety. The procedures set forth below are subject to the general prohibition against any non-employee director, executive officer or Primary Shareholder trading in the Company’s securities at any time as such person possesses material non-public information with respect to the Company. If you are unsure whether you are in possession of material non-public information relating to the Company, you should contact the Chief Financial Officer (or, in his absence, the Treasurer) before engaging in any transaction with respect to securities of the Company.

Subject to the clearance procedures described below, all non-employee directors, executive officers or Primary Shareholders (collectively, “Insiders”) are permitted to trade in the Company’s securities for four periods (each, a “Window Period”) during the year. Each Window Period begins on the second full business day after the Company publicly announces its quarterly earnings (or full year earnings in the case of the fourth quarter) and ends thirty calendar days thereafter.

During each Window Period, all Insiders (and their respective related accounts) must receive advance clearance from the Chief Financial Officer (or, in his absence, the Treasurer) prior to effecting a trade (whether purchase or sale) in the securities of the Company; however, an Insider should never effect a trade at any time as such Insider possesses material non-public information relating to the Company. If the Chief Financial Officer or Treasurer clears a proposed trade, such trade must be effected within 48 hours of receipt of approval. After the passage of such 48 hour period, clearance must again be obtained before such trade may be effected.

Restrictions on Sales of Securities – Restrictions on the sale of the Company’s securities by Insiders, as well as by members of their families and entities that they may actually or be deemed to Control, include (i) restrictions imposed under the Securities Act of 1933, as amended (“1933 Act”), based on the status of the securities themselves (“restricted securities”), (ii) restrictions imposed under the 1933 Act based on the status of such persons as Insiders, (iii) restrictions imposed under the Securities Exchange Act of 1934 as amended (the “1934

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Act”), on so-called “short-swing” trading and on “short-sales”, and (iv) restrictions imposed under judicial interpretations of the 1934 Act based on an Insider’s presumed access to material non-public information regarding the Company. The following is a general description of such restrictions.

Restricted Securities – “Restricted securities” are securities acquired directly or indirectly from the issuer, or from an affiliate of the issuer, in a transaction or chain of transactions not involving any public offering. (None of the Common Stock or the Warrants issued by the Company under the plan of reorganization to former holders of claims and interests are restricted securities, unless the holders thereof are deemed to be “underwriters” under the federal Bankruptcy Code, i.e., one who purchased securities from the Company with a view to their distribution. Note that there is a presumption that a person who acquires 10% or more of the voting securities of an issuer has acquired such securities with “a view toward distribution,” and such person is deemed to be an underwriter with respect to such securities.) “Restricted securities” may be resold only (i) in a registered public offering or (ii) in a transaction that is exempt from the registration requirements of the 1933 Act (e.g. under Rule 144 adopted by the Securities and Exchange Commission).

Rule 144 provides that, so long as the Company has been subject to the reporting requirements of the 1934 Act for at least 90 days and remains in compliance with those reporting obligations, a holder of “restricted securities” may begin selling those securities in the public market if at least one year has elapsed since the date of the acquisition of such securities from the Company or an affiliate of the Company. After such one-year period has elapsed, the holder thereafter may sell in each three-month period such number of “restricted securities” which does not exceed the greater of (i) one percent of the total number of securities outstanding or (ii) the average weekly trading volume in the securities during the four calendar weeks preceding the time the order to sell the securities is given. Although there are certain technical exceptions, any such sale also must be made in an ordinary brokerage transaction in which no more than the usual commission is paid and no solicitation of by orders is made. Finally, except for certain small transactions, a Notice of Sale on Form 144 must be filed with the SEC at the time the order to sell is given to the selling broker. Pursuant to paragraph (k) of Rule 144, sales of “restricted securities” may be made without regard to the aforementioned volume and other limitations on resale if (i) such securities are sold for the account of a person who is not an Insider at the time of sale and has not been such for the three-month period preceding the sale and (ii) at least two years have elapsed since the date the securities were acquired from the Company or from an affiliate of the Company (whichever is later).

Securities acquired by an Insider in the open market, while not “restricted securities,” assume in the hands of the Insider most of the characteristics of “restricted securities” and may not be freely resold in the public market, except in accordance with Rule 144. The only significant difference between “restricted securities” and securities acquired in the open market by an Insider is that the latter category of securities may be resold under Rule 144 without regard to any

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minimum holding period (i.e., need not be held for one year before resales may begin).

It is important to note that the restrictions on resale imposed by the 1933 Act are in addition to the restrictions on “short-swing” trading (and other prohibitions) imposed by the 1934 Act. Those restrictions are discussed below.

Short-Swing Trading - Section 16(b) of the 1934 Act provides that any profit realized by an Insider on any combination of a purchase and sale, or a sale and purchase, of any equity security of the Company within any period of less than six months must be “disgorged” to the Company. If such profit is not disgorged voluntarily, the Company may sue to recover such profit (and if the Company does not any stockholder of the Company may bring such suit). The violation, even if inadvertent, cannot be waived.

Section 16(b) is draconian in its effects, a profit can be deemed to exist even though no actual profit is realized. This can occur because the statute applies to any combination of a purchase and sale, or sale and purchase, within a Period of less than six months. For example, assume a director buys 1,000 shares of common stock at \$6 per share on April 20, 2002. Clearly if he or she were to sell shares of common stock (whether or not the same shares) within six months thereafter at more than \$6 per share, the difference would be a realized profit which would have to be disgorged. But suppose, instead, that on May 15, 2002 the director sells the 1,000 shares at \$5.50 (realizing a loss of \$.50 per share) and then on September 15, 1999 buys 1,000 shares at \$5.00 and continues to hold those shares for more than six months. Under Section 16(b), the sale at \$5.50 on May 15, 2002 would be matched against the purchased at \$5.00 on September 15, 2002 for a “deemed” profit of \$.50 per share. This “deemed” profit could not be offset by the actual prior loss for purposes of Section 16(b) and would have to be “disgorged” to the Company. The ability to net profits and losses for tax purposes is irrelevant for Section 16(b) purposes. Thus, the director in this case would have realized an actual out-of-pocket loss, but nevertheless would have to pay Section 16(b) “profit” to the Company. The foregoing hypothetical assumes a relatively small transaction value. However, the transaction size in many cases is significantly larger and, therefore, the “sting” of Section 16(b) can be very severe.

Section 16(b) treatment also is applied in dealing with “derivative securities” (which include options, warrants, puts, calls, convertible securities, exchangeable securities and stock appreciation rights). Ownership of a derivative security is treated as ownership of the underlying equity security for purposes of Section 16(b). Accordingly, if someone who acquired a “call” option to purchase shares of common stock on June 1, 2002 subsequently exercised the option on August 1, 2002 and sold the underlying stock on January 1, 2003, the transaction would not violate Section 16(b) because ownership of the underlying stock is considered to have commenced on June 1, 2002 and the exercise of such option (if the option is “in-the-money” or “at-the-money”) is a transaction exempt from Section 16(b) (although the exercise of the option would have to be reported in the Insider’s Form 4). However, if an Insider were to sell shares on a given date

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and two months later purchase a warrant or option on the open market, the two transactions would be matched for Section 16 purposes.

The only way to assure against inadvertently being drawn within the scope of the statute is to avoid (i) selling shares or derivative securities whenever shares or derivative securities have been purchased within the preceding six months and (ii) buying shares or derivative securities whenever shares or derivative securities have been sold within the preceding six months. It is important to note that the receipt by an Insider of an option (i.e., a derivative security) granted under the Company's stock option plans (which were designed to satisfy the requirements of Rule 16b-3 under Section 16) generally should be considered exempt from Section 16(b) and therefore would not be matched with any sales of shares occurring within a period of less than six months.

Prohibition on Short Sales – Pursuant to Section 16(c) of the 1934 Act, it is unlawful for any Insider to sell any equity securities of the Company which he or she does not own at the time of sale. Such a transaction is commonly known as a “short sale.” In a short sale, the seller is “betting” on a decline in the price of the stock, and sells securities that are “borrowed” from the selling broker, thus leaving the seller in a position where he “owes” the broker an equivalent number of securities. In order to “settle” the “debt,” the seller subsequently “covers” his or her short position by buying the same number of securities in the open market (presumably at a lower price than that at which he previously sold) and delivering such securities to his broker.

It was because a short sale was considered to be purely a trading (as distinguished from an investment) activity and was presumed to have such an inherent potential for speculative abuse by an Insider that Congress crafted an absolute prohibition against such activity. Violations of the prohibition can lead to civil (and, in rare cases, criminal) sanctions.