

NFIB GUIDE TO THE EMPLOYEE HANDBOOK

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How to Create a
Custom and Effective
Handbook for
your **Employees**

DEVELOPED BY

NFIB | Small Business
The Voice of Small Business. | Legal Center



Dear NFIB Member:

As a small business owner, you work hard everyday at your dream of running a successful enterprise. Yet being a small business owner means spending countless hours going over every detail to make sure your business is in compliance with federal and state laws.

To help make compliance a little easier, we are pleased to provide you with this NFIB Guide to the Employee Handbook. Even the smallest business should have an employee handbook. Putting your company's policies in writing can help protect your business from disputes and lawsuits.

Developed by the NFIB Small Business Legal Center, the NFIB Guide to the Employee Handbook was written to serve as a blueprint for creating an employee handbook for your company. The NFIB Small Business Legal Center is the voice for small business in the nation's courts and the legal resource for small business owners nationwide.

This guide is just one of the many compliance guides developed by our Legal Center to make your job just a little bit easier. To find out about all of the guides available in this series, call 1-800-NFIB-NOW or visit www.NFIB.com/legal.

A handwritten signature in black ink that reads "Karen R. Harned". The signature is written in a cursive, flowing style.

Karen Harned
Executive Director

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ABOUT THE NFIB GUIDE TO THE EMPLOYEE HANDBOOK

Welcome to the fourth issue in our exclusive series of publications providing practical solutions to the challenges faced by small business owners. The *NFIB Guide to the Employee Handbook* has been compiled to assist you in creating a custom employee handbook for your business. Covering policies, procedures and more, your handbook will help orient new employees while detailing your business' rights and expectations. Please remember that the *Guide* does not constitute legal advice, and that you should consider consulting an employment attorney about any additional employment laws and regulations that are applicable in your state, locality or particular type of business. In addition, please note that if you make changes to the language in the *Guide*, you may not be in compliance with federal employment law.

ABOUT NFIB

The National Federation of Independent Business is the nation's leading small business advocacy association, with offices in Washington, D.C., and all 50 state capitals. NFIB's powerful network of grassroots activists send their views directly to state and federal lawmakers through our unique member-only ballot, thus playing a critical role in supporting America's free enterprise system.

ABOUT THE NFIB SMALL BUSINESS LEGAL CENTER

The NFIB Small Business Legal Center is the voice for small business in the nation's courts and the legal resource for small business owners nationwide. A 501(c)(3), tax-exempt public-interest law firm, the foundation litigates and educates for small business. Founded in 2000, the Legal Center has become a critical component of NFIB's influence.



INTRODUCTION

The purpose of an employee handbook is to orient new employees with the company. It is a resource that provides answers for the most frequently asked employee questions. Besides informing new employees about company policy, a good handbook emphasizes the at-will nature of the employment and the company's disciplinary and termination rights. Most importantly, it is a declaration of the employer's rights and expectations.

To prepare a handbook, review your company's policies. Decide which policies are fundamental, which need adjustment and which should be removed. This model handbook is intended to help in that review process. In addition, the model handbook may include policies that your company does not. In some cases, a specific policy that has been included in the model handbook might not apply to your company. For instance, if your company does not offer health insurance to your employees, you would not include a section on health insurance or COBRA.

At a minimum your employee handbook should contain the following seven items:

- 1) an employment at-will disclaimer (section 1.3);
- 2) a statement regarding equal employment opportunity (section 2.1);
- 3) a policy prohibiting unlawful discrimination and harassment (section 2.2);
- 4) a section that describes the policy for use of company property, privacy rules, and social media (section 3);
- 5) a section on employment classification and overtime rules (section 4);
- 6) a policy on Family and Medical Leave if you have 50 or more employees (section 6.3); and
- 7) a section on Safety (section 9).

You should also consider including a disciplinary guideline (section 8).



Throughout the handbook, you will note boxes of text similar to this. These boxes indicate a helpful tip or legal alert. Many of the topics covered in the handbook are legal in nature, but not all sections have a box. If you are unsure or unfamiliar with a section, research the law, contact the proper agency or consult an attorney. These boxes are not intended to be part of your company's manual, but rather are suggestions that will make crafting your manual easier.



SECTION 1 WELCOME

1.1 History, Goals & Culture



This section should welcome the new employee and introduce them to the character of the company. Write briefly about how the company began and who is in charge. Describe the company's goals, philosophy and core principles. Avoid describing the company like a family, as that might imply indefinite employment.

1.2 Purpose of this Handbook

This handbook has been prepared to inform new employees of the policies and procedures of this company and to establish the company's expectations. It is not all-inclusive or intended to provide strict interpretations of our policies; rather, it offers an overview of the work environment. This handbook is not a contract, expressed or implied, guaranteeing employment for any length of time and is not intended to induce an employee to accept employment with the company.

The company reserves the right to unilaterally revise, suspend, revoke, terminate or change any of its policies, in whole or in part, whether described within this handbook or elsewhere, in its sole discretion. If any discrepancy between this handbook and current company policy arises, conform to current company policy. Every effort will be made to keep you informed of the company's policies, however we cannot guarantee that notice of revisions will be provided. Feel free to ask questions about any of the information within this handbook.

This handbook supersedes and replaces any and all personnel policies and manuals previously distributed, made available or applicable to employees.

1.3 At-Will Employment

Employment at this company is at-will. An at-will employment relationship can be terminated at any time, with or without reason or notice by either the employer or the employee. The at-will employment status of each employee cannot be altered by any verbal statement or alleged verbal agreement of company personnel. It can only be changed by a legally binding, written contract covering employment status. An example of this would be a written employment agreement for a specific duration of time.

Sections 1.2 and 1.3 are essential items for a handbook. Employers are vulnerable to lawsuits if they do not provide statements regarding the non-contractual nature of the handbook or at-will employment. Employees should also agree to these terms on the "Acknowledgment of Receipt" form. Some states limit the terms of at-will employment, or have additional requirements for effectively disclaiming the existence of a contract (e.g., requiring that the disclaimer be conspicuous by underlining it or placing it in bold text). Additionally, the National Labor Relations Board (NLRB) has recently called into question the legality of at-will employment disclaimers in employee handbooks on grounds that such provisions may restrict an employee's Section 7 rights under the National Labor Relations Act. Specifically, the NLRB contends that typical at-will disclaimers may lead employees to conclude that they cannot alter their employment relationship, even through collective bargaining. As a result, you should consult with an employment attorney regarding your state's laws as well as federal issues.

SECTION 2

WORKPLACE COMMITMENTS

2.1 Equal Opportunity Employment

This company is an equal opportunity employer and does not unlawfully discriminate against employees or applicants for employment on the basis of an individual's race, color, religion, creed, sex, national origin, age, disability, marital status, veteran status or any other status protected by applicable law. This policy applies to all terms, conditions and privileges of employment, including recruitment, hiring, placement, compensation, promotion, discipline and termination.

Whenever possible, the company makes reasonable accommodations for qualified individuals with disabilities to the extent required by law. Employees who would like to request a reasonable accommodation should contact [enter authorized person's name].



Several laws enforced by the U.S. Equal Opportunity Employment Commission prohibit workplace discrimination. The Americans with Disabilities Act requires employers to provide, among other things, reasonable accommodations to qualified individuals with disabilities unless to do so would cause an undue hardship to the company. Include an equal opportunity statement and a disability statement to exhibit that your company observes these laws. The company should be aware of state and/or local laws which provide greater protection than the federal discrimination laws, such as recognizing additional protected classes beyond those protected by federal statute.

2.2 Non-Harassment Policy/
Non-Discrimination Policy

This company prohibits discrimination or harassment based on race, color, religion, creed, sex, national origin, age, disability, marital status, veteran status or any other status protected by applicable law. Each individual has the right to work in a professional atmosphere that promotes equal employment opportunities and is free from discriminatory practices, including, without limitation, harassment. Consistent with its workplace policy of equal employment opportunity, the company prohibits and will not tolerate harassment on the basis of race, color, religion, creed, sex, national origin, age, disability, marital status, veteran status or any other status protected by applicable law. Violations of this policy will not be tolerated.

Discrimination includes, but is not limited to: making any employment decision or employment-related action on the basis of race, color, religion, creed, age, sex, disability, national origin, marital or veteran status, or any other status protected by applicable law.

Harassment is generally defined as unwelcome verbal or non-verbal conduct, based upon a person's protected characteristic, that denigrates or shows hostility or aversion toward the person because of the characteristic, and which affects the person's employment opportunities or benefits, has the purpose or effect of unreasonably interfering with the person's work performance, or has the purpose or effect of creating an intimidating, hostile or offensive working environment. Harassing conduct includes, but is not limited to: epithets; slurs or negative stereotyping; threatening, intimidating or hostile acts; or denigrating jokes and display or circulation in the workplace of written or graphic material that denigrates or shows hostility or aversion toward an individual or group based on their protected characteristic.

Sexual harassment is defined as unwelcome sexual advances, requests for sexual favors and other verbal, visual or physical conduct of a sexual nature, when:

1. submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment;
2. submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual; or
3. such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment.

Examples of sexual harassment include: unwelcome or unsolicited sexual advances; displaying sexually suggestive material; unwelcome sexual flirtations, advances or propositions; suggestive comments; verbal abuse of a sexual nature; sexually-oriented jokes; crude or vulgar language or gestures; graphic or verbal commentaries about an individual's body; display or distribution





of obscene materials; physical contact such as patting, pinching or brushing against someone's body; or physical assault of a sexual nature.

COMPLAINT PROCEDURE:

Any company employee who feels that he or she has been harassed or discriminated against, or has witnessed or become aware of discrimination or harassment in violation of these policies, should bring the matter to the immediate attention of his or her supervisor or [enter name of alternative person to whom employees can report]. The company will promptly investigate all allegations of discrimination and harassment, and take action as appropriate based on the outcome of the investigation. An investigation and its results will be treated as confidential to the extent feasible, and permitted by law, and the company will take appropriate action based on the outcome of the investigation.

No employee will be retaliated against for making a complaint in good faith regarding a violation of these policies, or for participating in good faith in an investigation pursuant to these policies. If an employee feels he/she has been retaliated against, the employee should file a complaint using the procedures set forth above.

It is important for employers to implement non-harassment policies, including a provision regarding reporting procedures. To the extent that an employee fails to report harassment by a co-employee as required by an established policy, this may be a possible defense in response to a legal action initiated by the employee. Once in place, the company should make sure that the policy is carried out, including prompt investigation of claims of discrimination and harassment.

2.3 Drug-Free/Alcohol-Free Environment

Employees are prohibited from unlawfully consuming, distributing, possessing, selling, or using controlled substances while on duty. In addition, employees may not be under the influence of any controlled substance, such as drugs or alcohol, while at work, on company premises or engaged in company business. Prescription drugs or over-the-counter medications, taken as prescribed, are an exception to this policy.

Anyone violating this policy may be subject to disciplinary action, up to and including termination.

Some employers may choose to drug-test applicants and employees. There are federal, state and local laws governing drug testing. Accordingly, before implementing a drug-testing program, the company should consult an attorney. Some states or localities also require tobacco-free workplaces, and employers should check to see if their state or locality bans smoking in the workplace.

2.4 Open-Door Policy

The company has an open-door policy and takes employee concerns and problems seriously. The company values each employee and strives to provide a positive work experience. Employees are encouraged to bring any workplace concerns or problems they might have or know about to their supervisor or some other member of management.

2.5 Immigration Compliance

The company is committed to complying with federal laws and regulations concerning verification of employment eligibility and record-keeping for employees hired to work in the United States. As a condition of employment, every individual must provide satisfactory evidence of his or her identity and legal authority to work in the United States on his or her first day of employment with the company. Anyone with questions regarding any aspect of employment and/or identity verification should contact [insert appropriate manager's name].



SECTION 3

COMPANY POLICIES AND PROCEDURES

3.1 Code of Professional Conduct

This company expects its employees to adhere to a standard of professional conduct and integrity. This ensures that the work environment is safe, comfortable and productive. Employees should be respectful, courteous, and mindful of others' feelings and needs. General cooperation between coworkers and supervisors is expected. Individuals who act in an unprofessional manner may be subject to disciplinary action.

3.2 Dress Code

An employee's personal appearance and hygiene is a reflection on the company's character. Employees are expected to dress appropriately for their individual work responsibilities and position.

This section may be expanded to include the specific requirements of your company. Include information regarding uniforms, safety protections such as steel toe shoes or hairnets, or other dress requirements.

If the company provides uniforms, consider including a caveat about lost uniform charges or laundry.

3.3 Payday

Paychecks are distributed every [dates] after [time]. If the pay date lands on a holiday, paychecks will be distributed on the closest business day before the holiday.

The paycheck will reflect work performed for the [enter pay period dates, commission period dates, etc.] period. Paychecks include salary or wages earned less any mandatory or elected deductions. Mandatory deductions include federal or state withholding tax, and other withholdings. Elected deductions are deductions authorized by the employee, and may include, for example, contributions to benefit plans. Employees may

contact [enter authorized person's name] to obtain the necessary authorization forms for requesting additional deductions from their paychecks.

Notify a supervisor if the paycheck appears to be inaccurate or if it has been misplaced. The company reserves the right to charge a replacement fee for any lost paychecks. Advances on paychecks [are/are not] permitted. Information regarding final paychecks can be found under the termination section of this handbook.

Any change in name, address, telephone number, marital status or number of exemptions claimed by an employee must be reported to [enter authorized person's name] immediately.

Companies should consult state and local law for wage payment requirements, such as means of payment (including the opportunity to pay by direct deposit), timeframe for paying wages, and information that must be included on paycheck stubs.

3.4 Company Property

Company property, such as equipment, vehicles, telephones, computers, and software, is not for private use. These devices are to be used strictly for company business, and are not permitted off grounds unless authorized. Company property must be used in the manner for which it was intended. Upon termination, employees are required to surrender any company property they possess.

Company computers, Internet and e-mails are a privileged resource, and must be used only to complete essential job-related functions. Employees are not permitted to download any "pirated" software, files or programs and must receive permission from a supervisor before installing any new software on a company computer. Files or programs stored on company computers may not be copied for personal use.

Phones are provided for business use. The company requests that employees not receive personal calls while on duty. If urgent, please keep personal calls to a minimum and conversations brief. Personal long distance calls are not permitted.

Employees are reminded that they should have no expectation of privacy in their use of company computers or other electronic equipment.

Violations of these policies could result in disciplinary action.





Companies may institute a policy of “business use only.” Alternatively, a company may adopt a less stringent policy which advises employees that computers and phones are provided for business use, and any personal use must be kept to a minimum and must not interfere with work responsibilities. Companies should develop a policy specific to their own computer systems that protects against employee misuse and the computer viruses that may result from downloading outside materials.

3.5 Social Media Policy

The company understands that social media can be a fun and rewarding way to communicate with family, friends and co-workers. However, use of social media also presents certain risks and carries with it certain responsibilities. To assist employees in making responsible decisions about the use of social media, the company has established these guidelines for appropriate use of social media. This policy applies to all employees who work for the company.

GUIDELINES

In the rapidly expanding world of electronic communication, *social media* can mean many things. *Social media* includes all means of communicating or posting information or content of any sort on the Internet, including to your own or someone else’s web log or blog, journal or diary, personal website, social networking or affinity website, web bulletin board or a chat room, whether or not associated or affiliated with the company, as well as any other form of electronic communication. The same principles and guidelines found in the company’s policies apply to employees’ activities on-line. Ultimately, you are solely responsible for what you post on-line. Before creating on-line content, consider some of the risks and rewards that are involved. Keep in mind that any of your conduct that adversely affects your job performance, the performance of fellow employees or otherwise adversely affects customers, suppliers, people who work on behalf of the company or the company’s legitimate business interests may result in disciplinary action up to and including termination.

Know and follow the rules

Carefully read this Social Media Policy, the Equal Employment Policy, the Non-Harassment/Non-Discrimination Policy, and the Code of Professional Conduct and ensure your postings are consistent with these policies. Postings that may include maliciously defamatory remarks, unlawful harassment, and threats of violence or similar unlawful conduct will not be tolerated and may subject you to disciplinary action up to and including termination.



Be responsible

Use your best judgment and exercise personal responsibility. Take your responsibility as stewards of personal information to heart. Integrity, accountability, and respect are core values. We trust and expect you to exercise personal responsibility whenever you participate in social media or other on-line activities. Remember that there can be consequences to your actions in the social media world — both internally, if your comments violate company policies, and with outside individuals and/or entities. If you are about to publish, respond or engage in something that makes you even the slightest bit uncomfortable, don’t do it.

Also, we encourage you to try to resolve all differences with an individual, organization, or even the Company through direct communications with the individual, organization, or Company. Remember, the Company has an Open Door policy. It can be used to try to resolve differences with the Company, management, or even your co-workers. We encourage you to try to use the Open Door policy. It works!

Nevertheless, if you decide to post complaints or criticism, avoid using statements, photographs, video or audio that are maliciously defamatory, that are obscene, that disparage customers, that attack the Company’s product, or that might constitute unlawful harassment. Examples of such conduct might include false posts meant to intentionally or maliciously harm someone’s reputation or posts that could contribute to a hostile work environment on the basis of race, sex, disability, religion or any other status protected by law or company policy.

Be honest and accurate

The best practice is to check your facts before posting information or news, and if you make a mistake, correct it quickly. Be open about any previous posts you have altered. Remember that the Internet archives almost everything and deleted postings can be searched. Never post any information or rumors that you know to be false about the company, fellow employees, customers, suppliers, people working on behalf of the company or competitors.

Post only appropriate and respectful content

- Maintain the confidentiality of the company's trade secrets and private or confidential information. Trade secrets may include information regarding the development of systems, processes, products, know-how and technology.
- FTC regulations require persons with a material interest to disclose their association with a company if they give a testimonial or other product endorsement. Do not give a product testimonial, endorse the Company's product, or otherwise publicize or promote the Company in any way without identifying yourself as a company employee.
- Express only your personal opinions. Never represent yourself as a spokesperson for the company. If the company is a subject of the content you are creating, be clear and open about the fact that you are an employee and make it clear that your views do not represent those of the company, customers, or its suppliers. If you do publish a blog or post on-line related to the work you do or subjects associated with the company, make it clear that you are not speaking on behalf of the company. It is best to include a disclaimer such as "The postings on this site are my own and do not necessarily reflect the views of [the company]."

Using social media at work

Refrain from using social media while on work time, unless it is work-related as authorized by a manager. To help reduce spam and other unwanted e-mail traffic, employees should not use company e-mail addresses to register on social networks, blogs or other on-line tools utilized for personal use. Please use your own individual or private e-mail address.

Retaliation is prohibited

The company prohibits taking negative action against any employee for reporting a possible deviation from this policy or for cooperating in an investigation. Any employee who retaliates against another employee for reporting a possible deviation from this policy or for cooperating in an investigation will be subject to disciplinary action, up to and including termination.

With regard to e-mail and Internet policies, a "business only" rule MAY work, but our guess is the NLRB is eventually going to find that employer-owned computer systems, much like employer premises, have work areas and non-work areas and as long as an employee is not violating the general (lawful) non-solicitation rule, then employees are as free to use employer computers to engage in section 7 rights as much as they are the break room.



3.6 Privacy

Employees and employers share a relationship based on trust and mutual respect. However, the company retains the right to access all company property including computers, desks, file cabinets, storage facilities, and files and folders—electronic or otherwise—at any time. Employees should not entertain any expectations of privacy when on company grounds or while using company property.

All documents, files, voice-mails and electronic information, including e-mails and other communications, created, received or maintained on or through company property are the property of the company, not the employee. Therefore employees should have no expectation of privacy over those files or documents.

If you plan to enforce a privacy policy, ensure that you are very explicit about what the company expects. Privacy laws are relatively new and vary from state to state. Consult with an employment attorney regarding your state's privacy laws.

3.7 Personnel Files

The company maintains a personnel file on each employee. These files are kept confidential to the extent possible. Employees may review their personnel file upon request.

It is important that personnel files accurately reflect each employee's personal information. Employees are expected to inform the company of any change in name, address, home phone number, home address, marital status, number of dependents or emergency contact information.

Employers should consult state and local law regarding any provisions relating to employee access to personnel files. In the absence of such a provision, the company may not be required to allow employees to have access to their personnel files. However, the company may nonetheless allow employees to have access. In the event that a company allows employee access, the company may want to consider limiting the access to by-appointment-only during normal business hours.

SECTION 4

EMPLOYMENT CLASSIFICATION

This company assigns positions, determines wages and compensates employees for overtime in accordance with state and local laws and the Fair Labor Standards Act.

4.1 Exempt Employees

Exempt employees are those that are excluded from the overtime pay requirements of the Fair Labor Standards Act. Exempt employees are paid a salary, have certain types of job duties, and are expected to work beyond their normal work hours whenever necessary to accomplish the work of the company.

As an exempt employee, your salary is subject to certain deductions. For example, absent contrary state law requirements, your salary can be reduced for the following reasons:

- Full-day absences for personal reasons.
- Full-day absences for sickness or disability.
- Full-day disciplinary suspensions for infractions of the company's written policies and procedures.
- Family and Medical Leave absences (either full- or partial-day absences).
- To offset amounts received as payment for jury and witness fees or military pay.
- The first or last week of employment in the event you work less than a full week.
- Any full work week in which you do not perform any work.

Your salary may also be reduced for certain types of deductions such as your portion of health, dental or life insurance premiums; state, federal or local taxes; Social Security; or, voluntary contributions to a 401(k) or pension plan. In any work week in which you performed any work, your salary will not be reduced for any of the following reasons:

- Partial day absences for personal reasons, sickness or disability.
- Your absence on a day because your employer has decided to close a facility on a scheduled work day.
- Absences for jury duty, attendance as a witness, or military leave in any week in which you have performed any work.
- Any other deductions prohibited by state or federal law.

Employees should consult with [insert manager's name here] if they have questions regarding their classification as an exempt employee.

4.2 Non-Exempt Employees

Non-exempt employees are those eligible for overtime pay of 1.5 times the regular hourly rate of pay for all hours worked over 40 per work week. All overtime must be approved in advance. Employees should consult with an administrator if they have questions regarding their classification as a non-exempt employee.

The Fair Labor Standards Act ("FLSA") provides narrow provisions for who qualifies for exempt employee status. Exempt employees must meet a certain salary threshold and perform certain job duties, which are specified in the FLSA and interpreting regulations. Misclassification of employees (as exempt versus non-exempt) can result in a company paying a significant amount in damages. The company should consult the Department of Labor's website at <http://www.dol.gov> or an attorney for more information on employee classification.

4.3 Part-Time, Full-Time or Temporary Status

Part-time or full-time status depends on the number of hours per week an employee works. Regular employees who work fewer than [enter hours] receive part-time classification. Part-time employees [are/are not] eligible for employee benefits as described in this handbook. Regular employees who work at least [enter hours] receive full-time classification.

From time to time the company may hire employees for specific projects or periods of time. Temporary employees may work either part-time or full-time, but generally are scheduled to terminate by a certain date. Temporary employees who remain on duty past the scheduled termination remain classified as temporary. Only [enter authorized person's name] may change an employee's temporary status. Temporary employees are not eligible for employment benefits.



The Fair Labor Standards Act limits the employers that must pay overtime wages to those engaged in "interstate commerce" and other particular types of businesses.

Companies should consult an attorney if there is a question about an obligation to pay overtime wages. Companies should also consult state and local law regarding broader overtime coverage than is provided under the federal Fair Labor Standards Act. For example, some jurisdictions may require companies to pay overtime for all hours worked in a day over 8 hours, rather than using the federal standard of paying overtime for all hours worked over 40 hours in a given work week.



SECTION 5

ATTENDANCE POLICIES

5.1 General Attendance

The company maintains normal working hours of [enter hours]. Hours may vary depending on work location and job responsibilities. Supervisors will provide employees with their work schedule. Should an employee have any questions regarding his/her work schedule, the employee should contact the supervisor.

The company does not tolerate absenteeism without excuse. Employees who will be late to or absent from work should notify a supervisor in advance, or as soon as practicable in the event of an emergency. Chronic absenteeism may result in disciplinary action, up to and including termination.

Employees who need to leave early, for illness or otherwise, should inform a supervisor before departure. Unauthorized departures may result in disciplinary action, up to and including termination.

5.2 Tardiness

Employees are expected to arrive on time and ready for work. An employee who arrives [enter time period] after their scheduled arrival time is considered tardy. The company recognizes that situa-

tions arise which hinder punctuality; regardless, excessive tardiness is prohibited, and may be subject to disciplinary action, up to and including termination.

5.3 Breaks

When working conditions permit, and pending a supervisor's approval, employees are entitled to [enter number] [enter time] minute breaks for every [enter hours] hours worked.

Meal periods are for [enter time] minutes, and must be approved by a supervisor.



The laws regarding break and meal periods are different for each state. Consult with an employment attorney regarding your state's laws to make sure you provide the required meal and break times.

SECTION 6

LEAVE POLICIES

6.1 Vacations

The company provides, as a benefit, paid vacations for its eligible employees. Forward requests for time off in advance to a supervisor, who may approve or deny the request based on company resources. The company is flexible in approving time off when doing so would not interfere with company operations. Vacation days are granted only on a full-day or half-day basis.

A regular employee is eligible to receive paid time off after [enter number] months of full-time service. Accrued time off may be taken after [enter eligibility dates]. Employees must earn and accrue vacation benefits before they may be used. Employees should consult [enter authorized person's name] regarding the amount of vacation leave they accrue each pay period.

Any remaining accrued time off [may/may not] be accumulated or carried forward into the next year. Vacation benefits [do/do not] accrue during any period of extended leave of absence.

Generally, states do not require vacation benefits for employees, but most employers offer this benefit. If you have a set vacation accrual for your company, insert it into this section. Modify this section if your company provides paid time off instead of vacation and sick leave. You should also consult with an employment attorney regarding your state's requirements related to the accrual and carryover of vacation or paid time off.

6.2 Sick Leave

Situations may arise where an employee needs to take time off to address medical or other health concerns. The company requests that employees provide notification to their supervisor as soon as practicable when taking time off. Sick days are granted on a [paid/unpaid] basis to regular employees. Employees may consult [enter authorized person's name] regarding the amount of (paid) sick leave provided each year. Sick days may not be carried over into the next year. Abuse of this policy may result in disciplinary action.

States are increasingly requiring employers to provide a minimum number of paid sick leave days to employees. Consult with an employment attorney regarding your state's laws regarding mandatory paid sick leave.



6.3 Family and Medical Leave Act Leave

The company offers leave consistent with the requirements of the federal Family and Medical Leave Act (FMLA). Under the FMLA, an employee may be eligible for an unpaid family and medical leave of absence under certain circumstances, if the employee has worked as an employee of the company for at least 1,250 hours for 12 months and works within a seventy-five (75) mile radius of fifty (50) or more company employees.

REASONS FOR LEAVE

Employees eligible for FMLA leave may take leave for the following reasons:

- The birth of a child and to care for the newborn child;
- Placement of a child into adoptive or foster care with the employee;
- Care for a spouse, child, or parent who has a serious health condition;
- Care for the employee's own serious health condition;
- Qualifying emergencies arising out of a spouse's, child's, or parent's active duty or call to active duty as a member of the military reserves or National Guard ("Emergency Military Leave"); or
- Care for a spouse, child, parent or next of kin (nearest blood relative) who is (a) an Armed Forces member (including the military reserves and National Guard) undergoing medical treatment, recuperation, therapy, or is otherwise in an outpatient status, or is otherwise on the temporary disability retired list, due to a serious injury or illness incurred or aggravated in the line of duty; or (b) a person who, during the five (5) years prior to the treatment necessitating the leave, served in the active military, Naval, or Air Service, and who was discharged or released under conditions other than dishonorable (a "veteran" as defined by the Department of Veterans Affairs) and who has a serious injury or illness incurred or aggravated in the line of duty while on active duty that arose before or after the member became a veteran ("Military Caregiver Leave").

LENGTH OF LEAVE

With the exception of Military Caregiver Leave, the maximum amount of FMLA Leave will be twelve (12) workweeks in any 12-month period.

If both spouses work for the company and are eligible for FMLA leave, the spouses will be limited to a total of 12 workweeks off between the two of them for leave related to the birth, adoption or foster care of a child, and leave to care for the serious health condition of a family member.

The maximum amount of FMLA Leave for an employee wishing to take Military Caregiver Leave will be a combined leave total of twenty-six (26) workweeks in a single 12-month period.

If both spouses work for the company and are eligible for FMLA leave, the spouses will be limited to a total of 26 workweeks off between the two of them when the leave is for Military Caregiver Leave or a combination of Military Caregiver Leave with another leave category.

Leave may be taken on an intermittent or reduced schedule in certain circumstances. When leave is taken intermittently, the company may transfer the employee to another position with equivalent pay and benefits, which is better suited to periods of absence.

NOTICE AND CERTIFICATION

If the need for leave is foreseeable, employees should notify a supervisor 30 days prior to taking FMLA leave. If the need for FMLA leave arises unexpectedly, employees should notify a supervisor as soon as practicable, giving as much notice to the company as possible.

Employees requesting FMLA leave may be required to provide: medical certifications supporting the need for leave if the leave is due to a medical condition of the employee or employee's family member; periodic recertification of the medical condition; and periodic reports during the leave regarding the employee's status and intent to return to work. Employees requesting Military Caregiver Leave, are required to provide: as much advance notice as is reasonable and practicable under the circumstances; a copy of the covered military member's active duty orders when the employee requests leave; and a completed Certification of Qualifying Exigency form within 15 calendar days, unless unusual circumstances exist to justify providing the form at a later date.

Certification forms are available from Human Resources. At the company's expense, the company may also require a second or third medical opinion regarding an employee's own serious health condition. Employees are expected to cooperate with the company in obtaining additional medical opinions that the company may require.

Employees are expected to return to work immediately after the completion of the requested FMLA leave, and employees who have taken leave because of their own serious health condition must submit a fitness-for-duty certification before being allowed to return to work.

USE OF PAID AND UNPAID LEAVE

Subject to certain conditions, the employee or the company may choose to use accrued paid leave (such as sick leave or vacation leave) concurrent with FMLA leave.

BENEFITS

The company will maintain group health insurance coverage for an employee on family and medical leave on the same terms as if the employee had continued work. If applicable, arrangements will be made for the employee to pay their share of health insurance premiums while on leave. The company may recover premiums paid to maintain health coverage for an employee who fails to return to work from family and medical leave.

If an employee would like the company to maintain other paid benefits during the period of leave, premiums and charges which are partially or wholly paid by the employee must continue to be paid by the employee during the leave time.

FMLA leave will not result in the loss of any employment benefit accrued prior to the date on which the leave commenced. However, an employee on FMLA leave does not continue to accrue benefits (e.g., sick leave or vacation leave) during the period of family and medical leave. Questions regarding particular benefits should be directed to [enter authorized person's name].

REINSTATEMENT

Upon returning from FMLA leave, an employee will be restored to his/her original job or an equivalent job with equivalent benefits, pay, seniority, and other employment terms and conditions, to the extent required by the Family and Medical Leave Act. If an employee fails to return to work at the conclusion of the FMLA leave, and has not obtained an extension of the leave, the company may presume that the employee does not plan to return to work and has voluntarily terminated his or her employment.



If your company has 50 or more employees, you are required to comply with the Family and Medical Leave Act. If you are covered, your manual should include an FMLA section. For more information on the FMLA, visit the Department of Labor's website at www.dol.gov. In addition, some states and local jurisdictions, including the District of Columbia, provide broader family and medical leave coverage to employees, so you should consult an attorney regarding applicable state and local laws. If your company is required to comply with the FMLA, you may consider requiring employees to exhaust their accrued paid leave at the same time they are on FMLA leave. Otherwise, an employee could take up to 12 weeks of FMLA leave in addition to all of his/her accrued vacation and sick leave.



6.4 Holidays

The company observes the following holidays:

- New Year's Day
- Martin Luther King, Jr. Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day
- Christmas Day

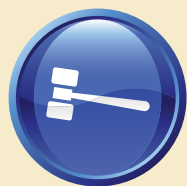
[list other observed holidays]

Holidays are observed on a [paid/unpaid] basis for all eligible employees. [Full-time employees are eligible for paid holiday benefits.]

Companies should consult state and local law to determine if there are any mandated holidays in the jurisdictions in which they are located.

6.5 Jury Duty Time Off

The company understands that occasionally employees are called to serve on a jury. Employees who are selected for jury duty must provide a copy of their jury summons to a supervisor. Time taken for jury duty is granted on a [paid/unpaid] basis. Employees released from jury duty with [enter number] hours remaining in the workday, are expected to return to work.



Most state laws prohibit an employer from taking any disciplinary action against employees for taking time off to vote or serve on a jury. Some states even require the time off to be granted on a paid basis. If your state requires paid jury/voting time off, be sure to provide as much detail as possible about your leave provisions.

6.6 Voting Time Off

Employees are encouraged to participate in elections. The company grants incremental time off to cast a ballot in an election. Voting time off is granted on a [paid/unpaid] basis. Should extenuating circumstances arise while voting, notify a supervisor as soon as possible.

6.7 Military Leave

Employees called to active military duty, military reserve or National Guard service may be eligible to receive time off under the Uniformed Services Employment and Reemployment Rights Act of 1994. To receive time off, employees must provide notice and a copy of their report orders to an immediate supervisor. Military leave is granted on a [paid/unpaid] basis [if leave is on a paid basis, indicate the maximum number of days of paid leave



Every company, regardless of the number of people employed, is required to comply with the Uniformed Services Employment and Reemployment Rights Act.

Under the Act, employers are prevented from taking disciplinary action against an employee because of their military status. For more information on the USERRA, visit the Department of Labor's website at www.dol.gov.

to be provided by the company]. Upon return with an honorable discharge, an employee may be entitled to reinstatement and any applicable job benefits they would have received if present, to the extent provided by law.

6.8 Leave of Absence

Regular full-time employees may request an unpaid leave of absence after the exhaustion of paid leave. A request for a leave of absence must be submitted in writing in advance to the employee's immediate supervisor.

Leave of absences that are granted are unpaid, and will not be considered until an employee has exhausted all appropriate accrued leave balances. Continuation of employee benefits during a leave of absence will be addressed on an individual basis, as required by law.

Companies should consider establishing a leave of absence policy. It is a common practice for companies to consider employees' requests for unpaid leaves of absence. In particular, it may be appropriate for a company to allow a qualified disabled employee to take additional unpaid leave beyond the amount of leave he/she may be entitled to under the Family and Medical Leave Act. As a result, it may make sense to provide employees with a written policy on this benefit.

SECTION 7

WORK PERFORMANCE

7.1 Expectations

The company expects every employee to act in a professional manner. Satisfactory performance of job duties and responsibilities is key to this expectation. Employees should attempt to achieve their job objectives, and act with diligence and consideration at all times. Poor job performance can result in disciplinary action, up to and including termination.

7.2 Reviews

The company may periodically evaluate an employee's performance. The goal of a performance review is to identify areas where an employee excels and areas that need improvement. The company uses performance reviews as a tool to determine pay increases, promotions and/or terminations.

All performance reviews are based on merit, achievement and other factors that may include but are not limited to:

- Quality of work
- Attitude
- Knowledge of work
- Job skills
- Attendance and punctuality
- Teamwork and cooperation
- Compliance with company policy
- Past performance reviews
- Improvement
- Acceptance of responsibility and constructive feedback

Employees should note that a performance review does not guarantee a pay increase or promotion. Written performance evaluations may be made at any time to advise employees of unacceptable performance. Evaluations or any subsequent change in employment status, position or pay does not alter the employee's at-will relationship with the company.

Forward any questions about performance expectation or evaluation to the supervisor conducting the evaluation.



Companies that adhere to a performance review policy can avoid problems handling “poor performance” terminations. If your company has a review policy, it is not necessary to include the whole policy in the handbook. Adding a simple timeline of when employees may expect a review is sufficient.

7.3 Insubordination

Supervisors and employees should interact with mutual respect and common courtesy. Employees are expected to take instruction from supervisors or other persons of authority. Failure to comply with instructions or unreasonably delaying compliance is considered insubordination. Acts of insubordination are subject to disciplinary action, up to and including termination.

If an employee disagrees with a supervisor, the employee should first try to mediate the situation by explaining their position. If possible, a compromise might be met and accusations of insubordination avoided.



SECTION 8

DISCIPLINE POLICY

8.1 Grounds for Disciplinary Action

The company reserves the right to discipline and/or terminate any employee who violates company policies, practices or rules of conduct. Poor performance and misconduct are also grounds for discipline, up to and including, termination.

The following actions are unacceptable and considered grounds for disciplinary action. This list is not comprehensive; rather, it is meant merely as an example of the types of conduct that this company does not tolerate. These actions include, *but are not limited to*:

- Engaging in acts of discrimination or harassment in the workplace;
- Possessing, distributing or being under the influence of illicit controlled substances;
- Being under the influence of a controlled substance or alcohol at work, on company premises, or while engaged in company business;
- Unauthorized use of company property, equipment, devices or assets;
- Damage, destruction or theft of company property, equipment, devices or assets;
- Removing company property without prior authorization or disseminating company information without authorization;
- Insubordination or refusal to comply with directives;
- Falsification, misrepresentation or omission of information, documents or records;
- Lying;
- Failing to adequately perform job responsibilities;
- Excessive or unexcused absenteeism or tardiness;
- Disclosing confidential or proprietary company information without permission;
- Illegal or violent activity;
- Falsifying injury reports or reasons for leave;
- Possessing unauthorized weapons on premises;
- Disregard for safety and security procedures;
- Disparaging or disrespecting supervisors and/or co-workers; and
- Any other action or conduct that is inconsistent with company policies, procedures, standards or expectations.

This list exhibits the types of actions or events that are subject to disciplinary action. It is not intended to indicate every act that could lead to disciplinary action. The company reserves the right to determine the severity and extent of any disciplinary action based on the circumstances of each case.

8.2 Procedures

Disciplinary action is any one of a number of options used to correct unacceptable behavior or actions. Discipline may take the form of oral warnings, written warnings, probation, suspension, demotion, discharge, removal or some other disciplinary action, in no particular order. The course of action will be determined by the company at its sole discretion as it deems appropriate.

8.3 Termination

Employment with the company is on an at-will basis and may be terminated voluntarily or involuntarily at any time.

Upon termination, an employee is required:

- To continue to work until the last scheduled day of employment;
- To turn in all reports and paperwork required to be completed by the employee when due and no later than the last day of work;
- To return all files, documents, equipment, keys, access cards, software or other property belonging to the company that are in the employee's possession, custody or control, and turn in all passwords to his/her supervisor;
- To participate in an exit interview as requested by [enter authorized person's name].



If your company uses a progressive discipline system, placing that policy in a handbook can be binding. You are guaranteeing to your employees that the company follows a set method for discipline each and every time. Companies could become liable for not adhering to their own policies in every situation. In addition, progressive discipline policies can sometimes defeat the purposes of an at-will employment relationship.

When drafting your discipline section, do not over explain the policy or include steps that you might not take every time. If you do plan to include a progressive discipline policy in your handbook, have an employment attorney review your submission.



SECTION 9

EMPLOYEE HEALTH AND SAFETY

9.1 Workplace Safety

The company takes every reasonable precaution to ensure that employees have a safe working environment. Safety measures and rules are in place for the protection of all employees. Ultimately, it is the responsibility of each employee to help prevent accidents. To ensure the continuation of a safe workplace, all employees should review and understand all provisions of the company's workplace safety policy. Employees should use all safety and protective equipment provided to them, and maintain work areas in a safe and orderly manner, free from hazardous conditions. Employees who observe an unsafe practice or condition should report it to a supervisor or [enter alternate name] immediately. Employees are prohibited from making threats against anyone in connection with his/her work or engaging in violent activities while in the employ of the company. Any questions regarding safety and safe practices should be directed to [enter authorized person's name].

In the event of an accident, employees must notify a supervisor immediately. Report every injury, regardless of how minor, to a supervisor immediately. Physical discomfort caused by repetitive tasks must also be reported. For more information about on the job injuries, refer to the workers' compensation section of this handbook.

Employees should recognize any potential fire hazards and be aware of fire escape routes and fire drills. Do not block fire exits, tamper with fire extinguishers or otherwise create fire hazards.

9.2 Workplace Security

Employees must be alert and aware of any potential dangers to themselves or their coworkers. Take every precaution to ensure that your surroundings are safe and secure. Guard personal be-

longings and company property. Visitors should be escorted at all times. Report any suspicious activity to a supervisor immediately.

9.3 Emergency Procedures

In the event of an emergency, dial 911 immediately. If you hear a fire alarm or other emergency alert system, proceed quickly and calmly to the nearest exit. Once the building has been evacuated, only a supervisor may authorize employees to reenter.



Many companies have separate safety and health handbooks or policies that describe the safety and health programs that must be implemented to comply with various Occupational Safety and Health Administration ("OSHA") standards and regulations. If your company must comply with certain OSHA standards, then you must have separate written programs describing how you comply. Please consult OSHA's website (www.osha.gov) or an attorney for additional information on safety and health programs your company may be required to have. Include the name of the accident contact person and the location of safety posters that your company is required to post. If you have company vehicles, include a section on accident reporting.



SECTION 10

EMPLOYEE BENEFITS

This handbook contains descriptions of some of our current employee benefits. Many of the company's benefit plans are described in more formal plan documents available from [enter authorized person's name]. In the event of any inconsistencies between this handbook or any other oral or written description of benefits and a formal plan document, the formal plan document will govern.



Even with the disclaimer language provided above, it is important to conform the benefit plans described in the handbook with the company's formal plan documents. It is not necessary to provide detailed information about the benefit plans in the handbook, but it may be helpful to provide general information on the types of benefits provided and where employees can find more detailed information on the benefits provided.

10.1 Health Insurance

The company makes group health benefits available to eligible employees and their family members. Eligible employees are full-time employees who have worked for [enter time] months. Part-time employees are eligible if they work at least [enter hours] hours per week and have been employed for [enter time] months.

Health benefits are paid in part by the company. The remainder of the costs are the employee's responsibility. Employees can receive details about benefits provided, contribution rates and eligibility from [enter authorized person's name].

10.2 Retirement Plan

The company participates in a 401(k) plan so that employees may save a portion of their earnings for retirement. Regular employees who have worked at least [enter hours] for [enter months] are eligible to participate. Employees may elect to make regular contributions to the 401(k) plan up to the maximum amount allowed by federal law.

Contact [enter authorized person's name] for detailed information regarding eligibility, employee contributions, vesting

period or employer contributions. More information can also be found in the plan summary description, which is available from [enter benefits coordinator's name]. If there are any inconsistencies between this handbook and any of the Summary Plan Descriptions, the Summary Plan Descriptions shall govern. The company reserves the right to modify or terminate any or all of its retirement benefits or to change benefit providers at any time with or without notice.

This section should briefly describe the company's offered benefits. A detailed account of the plan's characteristics is not necessary. Simply include a basic description of the benefits offered, the eligibility requirements and a contact name. To provide more information about a specific plan, create a benefits handbook or ask the plan administrator for an informational booklet to present to eligible employees.

10.3 Workers' Compensation

As required by law, the company provides workers' compensation benefits for the protection of employees with work-related injuries or illnesses.

Workers' compensation insurance provides coverage to employees who experience job-related injuries or illnesses. If an employee is injured or becomes ill as a result of his/her job, it is the employee's responsibility to immediately notify a supervisor of their injury in order to receive benefits. Report every illness or injury to a supervisor, regardless of how minor it appears. The company will advise the employee of the procedure for submitting a workers' compensation claim. If necessary, injured employees will be referred to a medical care facility. Employees should retain all paperwork provided to them by the medical facility. Failure to report a work-related illness or injury promptly could result in denial of benefits. An employee's report should contain as many details as possible, including the date, time, description of the illness or injury, and the names of any witnesses.

A separate insurance company administers the workers' compensation insurance. Representatives of this company may contact injured employees regarding their benefits under the plan. Additional information regarding workers' compensation is available from [enter authorized person's name].



Workers' compensation can be required and the laws vary from state to state. Check with your state workers' compensation agency to determine if you are required to carry workers' compensation insurance.

10.4 Disability Coverage

Disability insurance provides partial paycheck reimbursement for times of serious illness or injury which leads to total disability. Total disability is defined as the inability to perform any job function as a result of the injury or illness. Employees who have worked for [enter number] months are eligible for disability insurance coverage. To qualify for benefits, the period of total disability must exceed [enter number] days. Coverage extends for [enter number] days of disability. Employees must exhaust any sick leave benefits before being eligible for disability leave coverage.

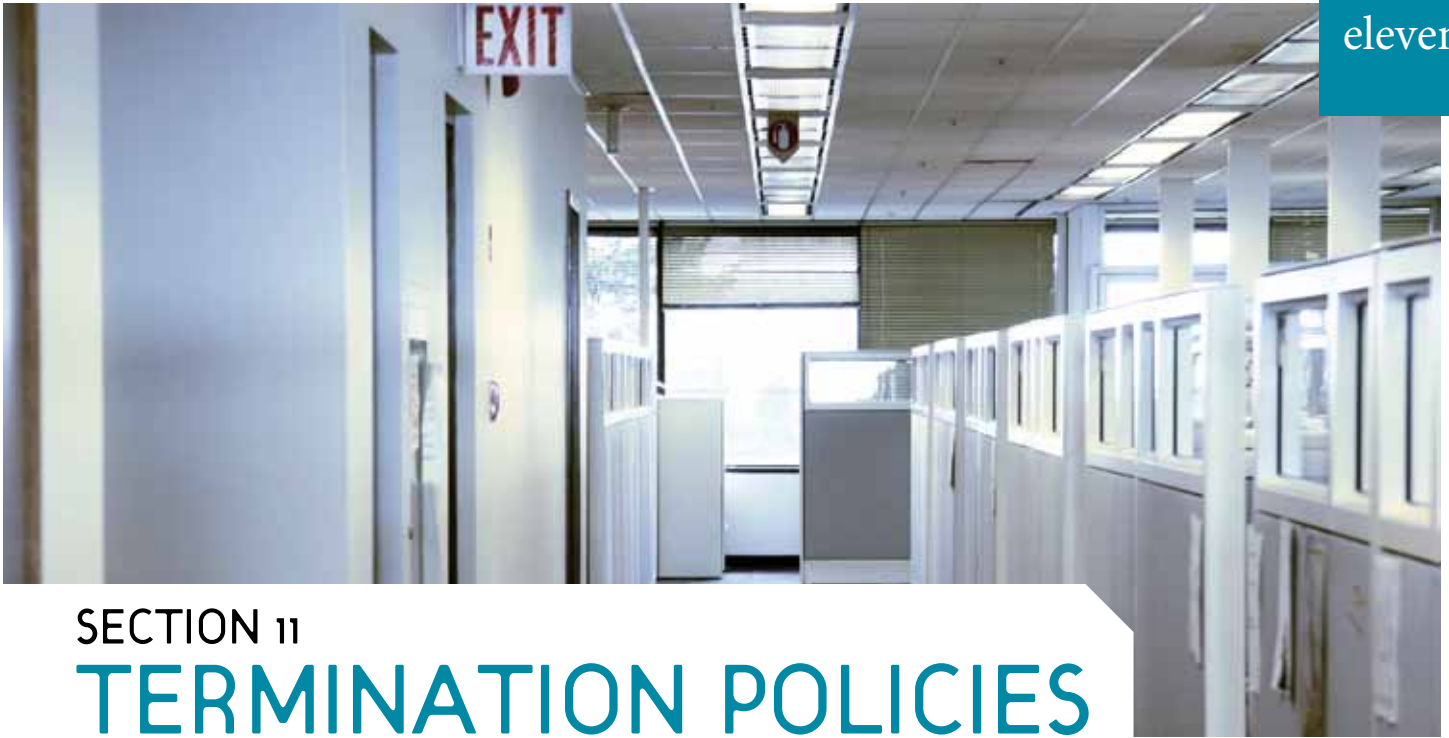
Disability benefits are calculated as [enter percentage] of an employee's base salary. Any payments received from workers' compensation or state disability will result in an equal decrease in disability benefits. Disability benefits are subject to employment withholding provisions.

The employee is responsible for notifying a supervisor of their disability, expected date of return, and the name of their attending physician. The company may request that an independent medical provider perform an examination. In addition, the company may require a medical release form prior to returning to work. For more information regarding disability benefits, contact [enter authorized person's name]. If there are any inconsistencies between this handbook and any of the Summary Plan Descriptions, the Summary Plan Descriptions shall govern. The company reserves the right to modify or terminate any or all of the benefits or to change benefit providers at any time with or without notice.



Disability insurance is generally not required, but if your company provides disability benefits, include a brief description in your handbook. Companies with more than 15 employees are required to comply with the Americans with Disabilities Act, including providing reasonable accommodations for employees who have a disability. For more information about the ADA, visit the ADA home page at www.ada.gov.





SECTION 11

TERMINATION POLICIES

11.1 Voluntary Termination

The company recognizes that personal situations may arise which require a voluntary termination of employment. Should this occur, the company requests that the employee provide two weeks advance notice in writing. This request does not alter an employee's at-will relationship with the company.

All rights and privileges of employment with the company terminate upon the date of separation. As further discussed in Section 8.3, terminating employees are required to return all company property assigned to them. Failure to do so may result in the withholding of their final paycheck.

11.2 Final Paycheck

Employees who terminate employment with the company will be given their final paycheck [enter time required by state law]. Should the employee be unable to personally retrieve their paycheck, it will be mailed to the address on file.



Most states require that a terminated employee receive their paycheck within a certain number of days after termination. Consult with an employment attorney to determine what your state requires.

11.3 COBRA Continuation of Health Benefits

Under the federal Consolidated Omnibus Budget Reconciliation Act (COBRA), a qualified employee who terminates employment (for reasons other than gross misconduct on the employee's part) or who loses health and dental coverage due to a reduction in work hours may temporarily continue group health and dental

coverage for him/herself, his/her spouse, and any covered dependent children at the full premium rate plus administrative fees. That eligibility normally extends for a period of eighteen (18) months from the qualifying date. For more information regarding COBRA health insurance benefits, see [enter authorized person's name].

11.4 Exit Interview

The company may request an exit interview upon notice of termination. The purpose of the exit interview is to complete necessary forms, collect company property and discuss employment experiences with the company.

Companies may also consider instituting some of the following policies, depending on the nature of the company's business and workforce:

- Confidentiality
- Conflict of Interest
- Intellectual Property Ownership
- Outside Employment
- Additional Benefits, such as Training or Education Reimbursement
- Expense Reporting
- Use of Company Vehicles

ACKNOWLEDGEMENT OF RECEIPT FOR EMPLOYEE HANDBOOK

(Employee Copy — Keep with Handbook)

I acknowledge that I have received a copy of the Employee Handbook. I understand that I am responsible for reading the information contained in the Handbook.

I understand that the Handbook is intended to provide me with a general overview of the company's policies and procedures. I acknowledge that nothing in this Handbook is to be interpreted as a contract, expressed or implied, or an inducement for employment, nor does it guarantee my employment for any period of time.

I understand and accept that my employment with the company is at-will. I have the right to resign at any time with or without cause, just as the company may terminate my employment at any time with or without cause or notice, subject to applicable laws. I understand my at-will employment cannot be altered by any verbal statement or alleged verbal agreement made by company personnel. It can only be changed by a legally binding, written contract covering employment status.

I acknowledge that the company may revise, suspend, revoke, terminate, change or remove, prospectively or retroactively, any of the policies or procedures of the company, whether outlined in this Handbook or elsewhere, in whole or in part, with or without notice at any time, at the company's sole discretion.

(Signature of Employee)

(Date)

(Company Representative)

ACKNOWLEDGEMENT OF RECEIPT FOR EMPLOYEE HANDBOOK

(Employer Copy — Detach and retain for records)

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(Signature of Employee)

(Date)

(Company Representative)

