

CREATE YOUR CO-OP'S EMPLOYEE/ MEMBER HANDBOOK!

A tool for worker-owned LLCs in
California



Sustainable
Economies
Law Center

TOOL FOR WORKER-OWNED LLCs IN CALIFORNIA

CREATING THEIR OWN HANDBOOK

This tool is not a completed handbook for your cooperative. Rather it is a framework for you to use in creating a handbook for the members of your cooperative's staff who work in California. It does not contain every potential policy your cooperative may need or want to include for optimal staff management and retention. Rather, it includes policies that help to manage common workplace issues and essential policies to comply with federal and California state laws. This tool also includes some suggested policy language to comply with some of the city ordinances related to employment that apply to personnel who work in San Francisco and Oakland. There may be other city ordinances that apply to employees who work in these cities and other cities. City ordinances should be checked regularly for laws applicable to personnel working within that city's jurisdiction.

This tool is intended to be used as a starting point for you to begin drafting your cooperative's handbook, which should include your cooperative's voice, style and manner of communicating to its worker-owners and employees, and should include any revisions to these policies or additional policies important to your cooperative.

Throughout this document there are references to titles and departments such as "Supervisor" and "Human Resources" or the "Human Resources Department" to describe a department or person to whom certain requests are made, or who have certain responsibilities. You will need to modify these titles based on the organizational structure of your cooperative to reflect the title of the staff member or department responsible for the Human Resources function or other function described in the policy.

This template is intended for an LLC cooperative whose members are not classified as employees. Worker-owners in a member-managed LLC can generally avoid employee classification under state and federal employment and labor laws if they co-own and co-manage the company. However, non-owners and probationary members of an LLC will still be considered employees under the law. Such workers will be referred to as "**employees**" throughout this manual. Members of the LLC will be referred to as "**worker-owners**" or "**members**." Collectively, they will be referred to as "**Staff**." While most of the policies in this manual are mandatory for employees, the cooperative may decide to extend some or all of the policies to non-employee members as well, and should make that clear in the handbook.

DISCLAIMERS:

- This handbook is **NOT LEGAL ADVICE** and is **NOT A SUBSTITUTE FOR ADVICE OF COUNSEL**. Adoption of any policy should be reviewed by a Human Resource expert or employment law attorney to ensure compliance with current laws prior to adoption.
- Many employment laws are state specific. **THIS HANDBOOK IS SOLELY FOR USE BY COOPERATIVES WITH WORKERS IN CALIFORNIA**. In addition, some cities have specific laws that apply to employers operating within their respective jurisdiction(s). Although several references are made to San Francisco and Oakland ordinances in this document, it does **NOT** meet the all of the requirements of any particular cities' laws and ordinances. Employers with employees working in San Francisco, Oakland, Berkeley, San Jose, (and any other city with city ordinance(s) governing the

employment relationship) should check regularly with each city where the work is performed to ensure continual compliance with obligations imposed on employers by each city.

- If your cooperative is unionized, you should consult with a labor law professional regarding the process for adopting a Handbook.
- Your cooperative should ensure consistent compliance with the policies in the final Handbook it adopts.
- Employment laws change frequently. It is your cooperative's responsibility to comply with all laws and to modify your Handbook as the laws change in order to remain in compliance.
- Many employment laws in California apply only to employers with a specific number of employees. This tool is for use by cooperatives with 5-24 employees. Please consult a Human Resources expert or attorney if your cooperative has less than 5 workers or more than 24 workers as some policies may not be required for smaller cooperatives, and additional provisions will be required for larger cooperatives in California.

DO NOT USE THIS TOOL IF YOUR COOPERATIVE HAS LESS THAN 5 OR MORE THAN 24 WORKERS. CONSULT A HUMAN RESOURCE PROFESSIONAL OR AN EMPLOYMENT LAW ATTORNEY.

HANDBOOK FOR COOPERATIVE STAFF

[INSERT COMPANY NAME HERE]

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SECTION 1: INTRODUCTION

1.1 *Welcome to [INSERT COMPANY HERE]*

[INSERT COMPANY WELCOME]

This section introduces all Company Staff (coop members and non-members) to our Company's cooperative principles, history, mission, values and culture. Staff are advised to read the Handbook carefully to better understand who we are and what we do. We expect Staff to incorporate this information into their day-to-day job performance, striving to reflect our Company's values in everything they do for the Company.

The remainder of this Handbook will familiarize Staff with the privileges, benefits, and responsibilities of being a Staff member of our Company. Staff should understand that this Handbook can only highlight and summarize our Company's policies and practices. If Staff have any further questions, please contact a member responsible for Human Resources.

Importance: Essential

Purpose: This section is used to welcome Staff and describe the scope of the Handbook.

Considerations: Staff will be directed to contact the “member responsible for Human Resources” at many different places in this Handbook. Employee handbooks commonly direct staff to a “supervisor,” but in order to avoid employee status, coop members should not have supervisors. Your cooperative also may not have a “Department” or group called “Human Resources.” You may need to replace those terms throughout this Handbook to direct Staff, for example, to the “Internal Policies Lead Link” if that is the position of the lead person responsible for personnel issues within your cooperative. Or if the responsibility is held by a group, direct Staff to, for example, the “HR Circle.” If directing Staff to the leader of an HR group, it is critical that the leader position remain filled at all times with an actual person so employees have a “go to” person in the cooperative.

1.2 *Our Story & Mission*

[INSERT COMPANY'S STORY AND MISSION STATEMENT]

Importance: Optional

Purpose: Including the Company's story and mission statement in the Handbook gives Staff workplace context and highlights the Company's values and priorities as an organization.

1.3 *Cooperative Principles*

The Company takes great pride in being a worker cooperative. Worker cooperatives are business entities that are owned and controlled by their members, who we refer to as worker-owners. The two central characteristics of worker cooperatives are: (1) worker-owners invest in and own the business together; and (2) decision-making is democratic, adhering to the general principle of one member-one vote.

The Company operates in accordance with the following internationally-recognized Cooperative Principles and Values, which are shared by the majority of cooperatives:

1.3.1 Voluntary and open membership: Cooperatives are voluntary organizations, open to all persons willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

1.3.2 Democratic member control: Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Members have equal voting rights.

1.3.3 Member economic participation: Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves; benefiting members in proportion to their hours worked in the cooperative; and supporting other activities approved by the membership.

1.3.4 Autonomy and independence: Cooperatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

1.3.5 Education, training and information: Cooperatives provide education and training for their members, elected representatives, supervisors, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public about the nature and benefits of cooperation.

1.3.6 Cooperation among cooperatives: Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

1.3.7 Concern for community: Cooperatives work for the sustainable development of their communities through policies approved by their members.

Importance: Optional

Purpose: Including cooperative principles in the Handbook can reinforce the Company's cooperative culture and educate Staff about cooperatives.

1.4 *Employment Status of Worker-Owners*

The Company considers and classifies its worker-owners as owners, and not “employees,” of the Company for purposes of the at-will employment relationship described in Section 3.1 below. Rather, a worker-owner's employment with the Company may only be terminated pursuant to the notice and hearing procedure outlined in Section 13.2 below and as described under Section _____ of the Operating Agreement addressing the removal of the LLC's members.

Importance: Essential

Purpose: To clarify the employment status of worker-owners in the Cooperative.

Considerations: As a member-managed LLC, the worker-owners are likely partners and not employees. They are therefore not subject to at-will employment and can only be separated from employment pursuant to the terms of the Operating Agreement. In a Cooperative Corporation, by contrast, worker-owners are likely to be considered employees. Such cooperatives should use the Cooperative Corporation version of this handbook tool.

1.5 *Right to Revise*

The Company reserves the right to revise, rescind, or supplement the policies in this Handbook from time to time. Nothing in this Handbook is a contract. If the Company makes substantive changes to policies in this Handbook, Human Resources personnel will endeavor to inform Staff

of new or revised policies either before, or as soon as is practical after the policy change goes into effect.

We are always looking for ways to improve our policies and our workplace relationships. Staff who have suggestions for ways to improve policies in this Handbook, or personnel relations in general, are encouraged to bring suggestions to a worker-owner, the Human Resources Department, or a Member of the Board of Directors.

Importance: Essential

Purpose: Allows employers to argue that the Handbook is not a contract. Rather, it is a collection of unilaterally established policies that the employer has reserved the right to change at its discretion.

1.6 *Role of the Operating Agreement*

In the case of a conflict between this Handbook and the Company's Operating Agreement, the Operating Agreement shall govern.

Importance: Essential

Purpose: Clarifies the role between the Handbook and the Company's governing documents.

SECTION 2: DISCRIMINATION AND HARASSMENT POLICIES

2.1 *Commitment to Equal Employment Opportunity*

The Company is committed to the right of equal employment opportunity for every applicant for employment and every Staff member without regard to race, religious creed, color, national origin, ancestry, physical disability, including HIV and AIDS, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status or any other status protected by law. This policy extends to recruiting, hiring, working conditions, benefits, training programs, promotions, discipline, use of facilities, and all other terms and conditions in the workplace.

2.2 *Prohibited Discrimination, Sexual Harassment, and other Unlawful Harassment*

The Company is committed to providing a work environment that is free of unlawful discrimination and harassment. The California Fair Employment and Housing Act and federal statutes prohibit coworkers, third parties, supervisors and managers from engaging in discriminatory, harassing, or retaliatory conduct in the workplace. The Company has a zero tolerance policy for unlawful discrimination, in any form, including sexual harassment and other forms of unlawful harassment. Any actions, words, jokes, looks, or comments based on an individual's race, religious creed, color, national origin, ancestry, physical disability, including HIV and AIDS, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status or any other status protected by law that constitute unlawful harassment or unlawful discrimination against that individual, or that result in a hostile work environment for anyone in the workplace are strictly prohibited by the Company.

Specific forms of unlawful harassment may include, but are not limited to the following:

2.2.1 **Verbal harassment:** suggestive, insulting or derogatory comments, epithets, innuendoes, jokes, teasing, or slurs, including sexual propositions or threats.

2.2.2 Physical harassment: assault, impeding or blocking movement, or any unwanted physical contact or interference with normal work or movement, including touching, pinching, brushing the body, or sexual contact when directed at an individual because of a protected characteristic of that individual.

2.2.3 Visual harassment: derogatory posters, cartoons, suggestive objects, pictures, letters or drawings and/or such actions as leering, whistling or obscene gestures.

2.2.4 Sexual harassment also includes unwelcome sexual advances, requests for sexual favors and other verbal or physical contact of a sexual nature which: has been made either explicitly or implicitly a term or condition of an individual's employment; is used as a basis for employment decisions such as promotions or benefits affecting such individual; or substantially interferes with an individual's work performance or creates an intimidating, hostile, or offensive working environment.

Accordingly, all forms of unlawful discrimination including sexual harassment and other prohibited harassment (both overt and subtle) are forms of serious misconduct that are demeaning to others, potentially injurious, significantly undermining of the integrity of the professional workplace relationships, and destructive of morale. Such behavior is strictly prohibited and violators will be appropriately reprimanded.

Importance: Essential

Purpose: Employers subject to state and federal laws that prohibit workplace discrimination should also explicitly prohibit unlawful harassment (a form of workplace discrimination) by prohibiting its employees and others in the workplace from harassing applicants or coworkers based on any protected status listed under Section 2.1. An explicit policy against unlawful harassment is essential to defending any claim of unlawful harassment brought against the Company.

Considerations: Place the policy near the beginning of the Handbook to emphasize its importance. The California Fair Employment and Housing Act has specific requirements as to how anti-discrimination and anti-harassment policies must be distributed and into what languages they must be translated, and the types of training that must be provided to supervisory workers and other workers in California, and when and how often the training must be provided by employers with as few as 1 employee. These laws change often, so keep informed of changes made to the Fair Employment and Housing Act.

2.3 Disability Accommodation

The Company is committed to principles of equal opportunity for all job applicants and Staff. In keeping with this policy, the Company does not engage in impermissible discrimination based on any protected characteristic, including an individual's disability. The Company is also committed to making reasonable accommodations for the known physical or mental disabilities or medical conditions of applicants and Staff.

As part of this commitment, the Company will participate in a timely, good faith, and interactive process with disabled applicants and Staff to determine effective, reasonable accommodations, if any, that can be made in response to a request for accommodation(s). Applicants and Staff are invited to identify reasonable accommodations that can be made to assist them to perform the essential functions of the position they seek or occupy. Individuals who need an accommodation, should contact Human Resources as soon as possible to request participation in a timely interactive process. By working together in good faith, the Company and the individual will identify and implement reasonable accommodations that are appropriate to the individual's needs.

Importance: Essential

Purpose: The state and federal employment discrimination laws prohibit discrimination against qualified individuals with physical or mental disabilities. They also require reasonable accommodations for the known physical or mental disability of a job applicant or employee where it would not result in an undue hardship for the Company. Employers with 5 or more employees should check both the federal Americans with Disabilities Act and the California Fair Employment and Housing Act for the disability laws that apply to job applicants and employees.

2.4 ***Reporting Discrimination and Harassment***

Any applicant or Staff member who becomes aware of an incident of unlawful discrimination, including sexual harassment or other prohibited harassment, should immediately report the matter to Human Resources, or any worker owner, or a Member of the Board of Directors. If a Staff member or worker-owner is unavailable, or the individual reporting an incident believes it would be inappropriate to make the report to that Staff member or worker-owner, the reporting individual should immediately contact a Board Member directly. Board Members can be reached by **INSERT EMAIL/CONTACT INFO HERE.** Complaints will be kept confidential (to the extent possible, given the Company's obligation to investigate the complaint), responded to in a timely manner, and thoroughly investigated, by qualified personnel appointed by the Company or the Board of Directors, in a timely and impartial manner. If misconduct is found during the investigation, appropriate remedial measures will be promptly taken.

Individuals reporting unlawful discrimination or unlawful harassment can raise concerns and make such reports without fear of retaliation. Retaliation by any Staff member against an individual for making a report of discrimination or harassment or for participating in an investigation of such a report is grounds for discipline of the Staff member engaging in retaliatory conduct.

Importance: Essential

Purpose: Individuals need not follow the conventional grievance procedure when making a report of discrimination, harassment or retaliation under this policy. Staff should be able to raise concerns of this type with different people in various roles to diversify reporting options. The discrimination and harassment complaint process should also explicitly prohibit retaliation.

Considerations: Avoid unrealistic assurances of total confidentiality to the reporting party, as disclosures will often be necessary during the investigation and in defense of any related claims that might be made to courts or government agencies. Also note that Employers may be obligated to translate their EEO policies into different languages, and publish the policies to employees in a manner specified in the California Fair Employment and Housing Act.

2.5 ***Conflict Resolution***

The Company values a diversity of opinions and constructive communication that is open, direct and honest. Staff are strongly encouraged to voice concerns and disagreements in a timely and respectful manner directly with the other Staff member(s) involved. The Company strives to create a culture of conflict-resolution based on constructive one-on-one communication.

Staff members who need help in the conflict resolution process should seek assistance from any worker-owner or from Human Resources to help mediate and resolve the problem.

If the problem remains unresolved after attempts to mediate internally, the Board of Directors may choose to bring in an outside mediator to intervene and facilitate more structured mediation sessions between the conflicted Staff members.

Importance: Optional

Purpose: A conflict resolution policy encourages open and direct communication amongst coworkers. It also outlines how unsettled conflicts will be resolved externally, if necessary.

2.6 *Our Doors Are Open to You*

The Company seeks to maintain a positive and pleasant environment for all Staff. In furtherance of this goal, the Company has an open-door policy, by which Staff are encouraged to report work-related concerns. Staff are encouraged to talk with a worker-owner or Human Resources if something about their job is bothering them, or if they have a question, concern, idea, or problem related to their work. We encourage Staff to come forward and make their ideas and concerns known. We can't help solve a problem, address a concern, or discuss an idea if we don't know about it.

Importance: Optional

Purpose: An open-door policy encourages open and direct communication between Staff and the Company. This allows the Company to be proactive about Staff concerns.

SECTION 3: THE EMPLOYMENT RELATIONSHIP

3.1 *At-Will Employment*

The relationship between the Company and its employees is an at-will employment relationship. In other words, the Company does not guarantee an employee's continued employment at the Company. Employees are free to quit at any time, for any reason, just as the Company is free to terminate an employee at any time, for any lawful reason—with or without notice, and with or without cause.

Additionally, the Company can demote employees or change their hours, job duties or other terms and conditions of their employment for any lawful reason at any time, with or without notice. Nothing in this Handbook modifies or is intended to modify the at-will employment relationship that employees have with the Company.

Importance: Essential

Purpose: An at-will employment policy helps employers defend against certain unlawful termination claims by former employees. It also allows both employers and employees flexibility in ending the employment relationship. Note that this policy does not extend to worker-owners.

3.2 *Nonexempt and Exempt Employees*

State and federal wage and hours laws include exemptions from overtime pay for certain categories of employees. Exempt employees are not covered by the overtime rules and do not receive overtime pay. Nonexempt employees are covered by the overtime rules and are entitled to receive overtime pay.

Importance: Essential

Purpose: An employee's classification may affect such matters as benefit eligibility, entitlement to overtime pay, meal and rest periods, work schedule limitations, etc. Whether an employee is exempt or nonexempt depends on how much they are paid, and what kind of work they do.

Non-exempt employees are entitled to overtime pay and specific meal and rest periods under the specific provisions of federal and state wage and hour laws.

Exempt employees are not entitled to overtime pay, and specific meal and rest periods need not be delineated. As defined by the Fair Labor Standards Act and state law, "exempt" employees must meet either the executive, administrative or professional duties test, with a threshold salary. An exempt employee is paid a salary which does not change based on the number of hours worked except in limited circumstances authorized by law.

Because worker-owners are not employees, they are not entitled to the overtime pay or other rights extended to non-exempt employees. This section applies only to non-member employees and probationary members who do not yet have voting rights and/or are subject to supervision.

Considerations: Offer letters and job descriptions should note whether a position is classified as non-exempt or exempt.

3.3 ***Part-Time and Full-time Staff***

Staff who are regularly scheduled to work fewer than hours per week are Part-Time Staff.

Staff who are regularly scheduled to work at least hours per week are Full-Time Staff.

Staff are eligible for certain Company benefits described in this Handbook depending on whether they qualify as Full-Time or Part-Time.

Importance: Essential

Purpose: See Section 3.2. Depending on the number of hours per week a worker is regularly scheduled to work, the worker is either part-time or full-time. It is important to understand these classifications because it will determine whether a Staff member is entitled to benefits and certain types of leave.

3.4 ***Regular and Temporary Employees***

Periodically, the Company hires individuals for a job or project that has a limited duration. Such employees are Temporary employees. Temporary employees are typically hired to adapt to needs such as fluctuating seasonal business, emergencies, or special projects. Temporary employees are not eligible for Company benefits unless specified in the particular benefit eligibility provisions.

Temporary employees are at-will employees. This means that both the Temporary employee and the Company are free to terminate the employment relationship at any time, for any lawful reason, with or without advance notice. Employment may be terminated at will, even if the Temporary employee has not completed the temporary term or project for which he or she was hired.

Regular Staff are all employees and worker-owners who are not temporary.

Importance: Optional

Purpose: See Section 3.3.

Considerations: See Section 3.3. Include this classification only if the Company actually hires (or might hire) temporary employees. Also, if the Company recognizes other categories of Staff they should be listed in this section 3 describing categories of Staff.

SECTION 4: HIRING, NEW EMPLOYEES AND WORKER-OWNER CANDIDACY

4.1 *Proof of Work Eligibility*

All offers of employment to non-members and probationary members are conditioned upon verification of an applicant's right to work in the United States. Within three business days of an employee's first day of work, the employee must complete federal Form I-9 and show the Company the required documentation proving identity and eligibility to work in the United States as required by federal law. In compliance with immigration laws, it is against the Company's policy to discriminate against individuals on the basis of national origin, citizenship or intent to become a U.S. citizen.

Employees who have previously worked for this Company need only provide Form I-9 information if it has been more than three years since an I-9 Form was completed, or if the I-9 Form previously provided to the Company is no longer valid.

Worker-owners do not need to provide Form I-9 unless the worker-owner is first hired as an employee or probationary member.

Importance: Essential

Purpose: Under the federal Immigration Reform and Control Act, employees must present proof that they are legally authorized to work in the United States. Under federal law employers may not ask for more or different documentation than that required by the I-9 Form, and may not refuse to accept documents that appear genuine on their face or engage in other types of document abuse. In California in 2017, SB 1001 made this type of conduct unlawful under state law as well. And in 2018, AB 450 imposes other state requirements concerning employees and I-9 Forms.

Considerations: There are many other laws that impact an employer's hiring practices including how and when employers may collect and use information from background checks, or a candidate's salary history. For example, California's AB 2282 (2019) bans inquiries about a candidate's salary history and requires employers to provide pay scales to applicants. And, California law generally prohibits consideration of an applicant's judicially sealed or expunged convictions. Laws impacting hiring decisions need not be listed in an Employee Handbook, but should be known by persons engaged in hiring for the Company.

4.2 *Introductory Period*

New Staff will be scheduled for orientation during which they will receive important information about the Company's policies and procedures and can ask questions about the Company and their new roles within the Company.

The first three (3) months of employment with the Company is the Introductory Period, which is intended to give new Staff the opportunity to demonstrate their ability to achieve a satisfactory level of performance and to determine whether the new position meets their expectations. The

Company uses this period to evaluate the new Staff member's capabilities, work habits, and overall performance.

Staff members are not eligible for certain Company benefits until after the completion of the Introductory Period as detailed in this Handbook under the sections describing the Company's benefits.

Although the Company hopes that all new Staff will be successful here, the Company reserves the right to expel any Staff member. Before a worker-owner may be expelled, the worker-owner will be afforded rights to notice and a hearing as described in Section 13.2 below and under Section - of the Operating Agreement. The Company may terminate an employee at any time, for any lawful reason, either during the Introductory Period or afterwards, with or without cause or notice. Employees are also free to quit at any time and for any reason, either during the Introductory Period or afterwards, with or without cause or notice. Successful completion of the Introductory Period does not guarantee any employee a job for any period of time. Nor does it change, in any way, the at-will nature of the employment relationship between the Company and its employees. (For an explanation of at-will employment, see Section 3.1 of this Handbook).

Importance: Recommended

Purpose: An Introductory Period policy allows the Company and new Staff members a period of time to gauge whether the new Staff member is a good fit for the job.

Considerations: This provision assumes that new hires are all hired on with the Company as employees and that such employees do not become worker-owners until at least after the Introductory Period. If new hires are worker-owners from the moment they join the Company, the Introductory Period provision should be eliminated altogether. Many Handbooks make optional benefits contingent upon a newly hired Staff member passing the Introductory Period because it can save a Company time and money by not enrolling new Staff members in Company benefit programs until after both Company and the new hire determine they are a good fit.

Cooperatives intending to avoid employee classification of any of its members should not have an Introductory or Candidacy Period (below); alternative approaches could include vetting potential members well before bringing them on as owners, or recruiting members after they complete a voluntary job training program from a nonprofit partner.

4.3 *Worker-Owner Candidacy Period*

After completing the Introductory Period, employees may be eligible to participate in the Company's Candidacy Program whereby employees of the Company can become worker-owners of the Company. The details of the Company's Candidacy Program are in the Company's - Operating Agreement and may be requested from Human Resources.

Importance: Recommended

Purpose: Mentioning the Worker-Owner Candidacy Program not only helps to distinguish between a worker-owner and an employee, but it might encourage employees to explore worker-owner candidacy.

Considerations: As mentioned above, if the Company does not want to treat a worker as an employee, that individual should be exempt from the Candidacy Period. The Company should not require a Candidacy Period of any of its members.

SECTION 5: STAFF RECORDS

5.1 *Your Personnel File*

This Company maintains a personnel file for each employee. Employees with questions about their personnel file should contact Human Resources.

Importance: Essential

Purpose: California law provides that current and former employees have the right to inspect and receive a copy of the personnel files and records that relate to the employee's performance or to any grievance concerning the employee (Labor Code Section 1198.5).

Considerations: The law does not require the Company to maintain a personnel file for non-employee worker-owners, and to do so may raise a suspicion that worker-members are, in fact, employees. Files related to worker-owners can be kept in an accessible location but should not be labeled "personnel files."

5.2 *Confidentiality of Personnel Files*

Because the information in an employee's personnel file is often personal, the Company keeps personnel files as confidential as possible. We allow other Staff access to an employee's personnel file only on a need-to-know basis. Employees seeking to access their own personnel file should contact Human Resources.

Importance: Recommended

Purpose: See Section 5.1.

5.3 *Notification of Information Changes*

Staff must notify Human Resources, whenever any of the following changes: the Staff member's name; mailing address; phone number; dependent(s); the number of dependents designated for income tax withholding; marital status; the name and phone number of the individual whom the Company should notify in case of an emergency; or restrictions on the Staff member's driver's license.

Importance: Recommended

Purpose: A updated personnel file provides current and accurate information about Company employees for internal use. Personnel files may turn into evidence in a lawsuit. Complete and accurate information in the file may help protect the Company in case of a lawsuit.

Considerations: Although the Company is not required to maintain a personnel file for worker-owners, having updated information about the owners of the LLC will still be useful for Company operations.

SECTION 6: HOURS AND PAY

6.1 *Hours of Work*

Our Company's regular hours of business are from **[start time]** to **[end time]**, **[days of operation]**.

The Company determines work schedules for employees, which change periodically. Worker-owners determine their work schedules collectively.

Regular attendance and punctuality are essential to the Company's efficient operation. Staff are expected to be ready to begin work on time, to take any mandated meal and rest periods, and to work to the end of their scheduled shifts. Repeated instances of tardiness, leaving work early or excessive unapproved/non-legally mandated absences are grounds for corrective action, up to and including separation from the Company as described under Sections 12.2 through 12.6.

Importance: Recommended

Purpose: Describing the Company's operating hours and Staff work schedules allows discussion about absenteeism and punctuality.

Considerations: To avoid employee status, worker-owners should not have their work schedules unilaterally assigned, but should use a process that allows them to collectively determine their schedules.

6.2 *Calling in Sick, Late or Absent*

In the event that an employee cannot come to work for a scheduled shift for any reason, they must inform a worker-owner on duty of the absence or tardiness at least 24 hours before the start of a scheduled shift, if practical. In emergency situations, or where an employee is unable to provide such notice, a worker-owner on duty must be contacted as soon as possible. Worker-owners who cannot work on days or at times when the other worker-owners are expecting them at the workplace are responsible for notifying the appropriate co-worker(s) as soon as possible and attempting to find another Staff member who can fill in for their absence.

Importance: Optional

Purpose: A policy on how to call in sick, late or absent can help make business operations more efficient and help other Staff prepare for a Staff absence. Business owners don't often refer to their work hours in terms of shifts, and should have more autonomy than employees, so the language for worker-owners is a little different than the language for employees.

6.3 *Flexible Scheduling*

The Company understands that many Staff members balance the demands of their job with the needs of their families and other outside commitments. Therefore, we offer our Staff the opportunity to request a flexible schedule.

Employees who would like to request a work schedule change -- for example, to come in and leave a few hours earlier or to work more hours on some days and fewer on others -- should talk to Human Resources or the Staff member responsible for making that employee's schedule.

The Company will consider flexible scheduling requests on a case-by-case basis. When deciding whether to grant an employee's request, we may consider, among other things, the nature of the employee's job, the employee's work history, the Company's staffing needs, and whether the request involves a legally mandated reasonable accommodation.

Worker-owners should discuss a proposed schedule change at the appropriate [circle/committee/general member] meeting to seek consent for the change from the other worker-owners.

Importance: Optional

Purpose: Some companies may be able to accommodate flexible scheduling for their employees. Check city ordinances in the cities where your employees work for any mandated policies regarding flexible schedules.

Considerations: Worker-owners should have more autonomy than employees to amend their work schedules, but should still discuss the proposed change with other worker-owners at the general member meeting, or relevant circle/committee meeting.

6.4 *Meal and Rest Breaks*

All nonexempt employees working at least five (5) consecutive hours during a shift shall take a meal period of at least thirty (30) minutes. However, on workdays shorter than six (6) hours, the meal period may be waived by written mutual consent of the employee and a worker-owner, or a Staff member responsible for Human Resources. Meal periods are not considered as time worked, and are unpaid.

All nonexempt employees shall take a 10-minute rest period for each four (4) hours worked or major portion thereof. Nonexempt employees are to be free from any work responsibility or interruption during their rest periods; however, in cases of emergency, employees will be expected to reschedule their rest period to some other time during the applicable four (4) hour period. Rest periods are considered, as time worked and are paid.

Nonexempt employees who feel unable, for any reason, to take their required rest or meal period must inform the Supervisor on duty before the scheduled rest or meal period. The Supervisor shall arrange the schedule so that all non-exempt employees take their mandatory rest periods and meal periods.

Importance: Essential

Purpose: Meal and rest period requirements for non-exempt employees are established by state laws. A written Meal and Rest Period policy will decrease the risk of wage and hour claims and clarify how much time must be taken for mandatory meal and rest periods for nonexempt employees.

6.5 *Lactation Accommodation*

The Company provides sufficient break periods for nonexempt employees who are breast-feeding to express milk at work. When possible, this should be done during the employee's paid rest period and unpaid meal period. Any additional time that is needed by nonexempt employees to express milk at work will be unpaid. Upon request, the Staff member(s) responsible for making scheduling decisions will consider a flexible schedule to accommodate lactation needs.

Worker-owners and exempt employees are likewise encouraged to take reasonable time to express milk during their work day. Because worker-owners and exempt employees are not paid by the hour (like nonexempt employees of the Company) any breaks taken for lactation will not impact their pay. If lactation breaks by a worker-owner or an exempt employee have the potential to impact their work, or the work of other Staff, they should raise and discuss such impacts and how to mitigate them with the Staff who may be impacted, or at an appropriate [circle/committee/general member] meeting.

The Company will provide a place, other than a bathroom, that is shielded from view and free from intrusion from co-workers and the public, which may be used by Staff to express breast milk.

Importance: Essential

Purpose: The federal Patient Protection and Affordable Care Act of 2010 requires employers to allow nursing mothers to express breast milk at work. The employer must provide a reasonable break time as well as a private space to do so. California law requires the private space to be in close proximity to the employee's work area. And AB 1976, effective Jan. 1, 2019, brings California law into conformity with federal law by requiring a location other than a "bathroom."

Considerations: Both federal and California laws have exemptions for employers who face "undue hardship" when attempting to comply with lactation accommodation laws. While worker-owners are not explicitly protected by these laws, most cooperatives would likely extend lactation breaks to worker-owners, and should not unduly restrict such breaks, as that would increase the risk of creating an employment relationship.

6.6 **Overtime**

On occasion, the Company may ask employees to work beyond their regular scheduled hours and expects employees to work a reasonable amount of overtime. When practical, the Company will give employees advance notice when overtime work is or will be necessary. However, advance notice may not be given to employees before the Company requests overtime work.

Exempt employees and worker-owners will not earn overtime pay for working beyond their regularly scheduled hours. Nonexempt employees are entitled to payment for overtime, according to the rules set forth below.

Nonexempt employees will be paid 1½ times their regular hourly rate of pay for time worked in excess of eight (8) hours in a workday and in excess of forty (40) hours in a workweek, and for other overtime work as required by state and federal laws.

The Company's workweek begins at 12:00 a.m. on Monday and ends at midnight on Sunday. Our workday begins at 12:00 a.m. and ends at midnight each day.

Importance: Essential

Purpose: The minimum regular hourly rate of pay is determined by the minimum wage at the federal, state and city levels. Many cities in California have a minimum hourly wage that is above both the California and the federal minimum wage. If your employees are working in a city with a minimum wage ordinance, they must be paid at least that city's minimum wage rate. These rates are different for each city and change frequently. Also, certain industries have specific overtime requirements. For example, on 01/01/19 agricultural employees, who were exempt from certain wage requirements, will begin having overtime requirements phased in by law (AB 1066). So, check for industry specific regular and overtime pay rates.

Once you establish the minimum hourly rate for regular (non-overtime) hours, federal and state labor laws require employers to pay nonexempt employees overtime at the rate of 1.5 times the regular rate for every hour worked in excess of eight hours in a workday and in excess of forty hours in a workweek. Double-time rate applies in California for all hours worked in excess of 12 hours in any workday and for all hours worked in excess of 8 on the seventh consecutive day of work in a work week. Employers are free to define the start of a workweek. It need not start on a Monday. A workday normally starts at midnight or 12:01 a.m. but should be specifically stated in the Handbook.

6.7 *Payday*

All Staff are paid every [REDACTED]. In the event that a regularly scheduled payday falls on a day off such as a weekend or holiday, Staff will be paid on the last day of work before the regularly scheduled payday. Staff may have pay directly deposited into their bank accounts if they provide the Company with advance written authorization by filling out and submitting the appropriate form to Human Resources. Staff will receive an itemized statement of wages each payday regardless of whether they elect direct deposit. Timesheets must be accurate and completed in a timely fashion.

In the event of unforeseen budgeting issues, the Company will endeavor to notify Staff as soon as practical if those issues may affect a Staff member's hours, pay rate or pay schedule. Staff will be given advance notice of any decrease in wages or salaries.

Importance: Essential

Purpose: Every Staff member is interested in the Company's payday, and paycheck stubs are mandatory for employees, so it is advisable to include a statement in the Handbook that addresses these topics.

Considerations: Worker-owners will be paid pursuant to the LLC's Operating Agreement. This section assumes that worker-owners are receiving guaranteed payments on the same schedule as employees on payroll are being paid. If that is not the case, this section should be amended to reflect the different employee and worker-owner pay schedules. Note that receiving guaranteed payments slightly raises the risk that worker-owners will be considered employees; however, most cooperatives find this risk worthwhile given the benefits of predictable payments to their members.

6.8 *Payroll Deductions*

Itemized statements that accompany paychecks reflect an employee's total earnings for the pay period, as well as any mandatory or voluntary deductions from the paycheck for the relevant pay period. Mandatory deductions are deductions that the Company is legally required to take. Such deductions include federal income tax, Social Security tax (FICA), and any applicable state taxes. Voluntary deductions are deductions that the Staff member has authorized, including capital contributions for worker-owners.

If employees have any questions about their deductions, or if they wish to change their federal withholding form (Form W-4), they should contact Human Resources.

Worker-owners should be aware that the Company will not withhold payroll taxes from their pay, and that worker-owners are individually responsible for paying required quarterly self-employment tax on both guaranteed payments and profits allocated to their internal capital accounts.

Importance: Essential

Purpose: Most Staff members will inevitably have questions concerning the nature and purpose of deductions. Listing the mandatory deductions in the Handbook may enable Staff to answer their own questions in some instances.

Considerations: Although worker-owners are typically responsible for self-employment tax on net income allocated to them, whether distributed in cash or not, some cooperatives decide to assist with this responsibility by either (1) making quarterly distributions to worker-owners to cover their tax burden or (2) filing the self-employment taxes on the worker-owners' behalf. If the Company decides to do either of these, it should amend this section accordingly.

6.9 *Wage Garnishments*

A wage garnishment is an order from a court or a government agency directing the Company to withhold a certain amount of money from an employee's paycheck and send it to another person or agency. Wages can be garnished to pay child support, spousal support or alimony, tax debts, outstanding student loans, or money owed as a result of a judgment in a civil lawsuit.

If the Company is instructed by a court or agency to garnish an employee's wages, the employee will be notified of the garnishment prior to the payroll in which garnishment will take effect. The Company is legally required to comply with these orders. If an employee wishes to dispute or has concerns about the amount of a garnishment, they must contact the court or agency that issued the order.

A creditor cannot garnish worker-owner's pay in the same way, since worker-owners are not considered employees and LLC distributions are not wages. However, a creditor could receive a court order called a charging order that would allow it to garnish worker-owner distributions (but not money allocated to the worker-owner and kept in the cooperative). Unlike wage garnishments, which are capped at 25% of an employee's wages after deductions (or less for lower income earners), creditors can take 100% of LLC distributions with a charging order. If the LLC does not make any distributions to the debtor-member, however, then the creditor takes nothing. Creditors also have the option to foreclose on a worker-owner's interest, but they usually settle before taking that step, given the expense of the foreclosure process.

Importance: Essential

Purpose: Any employer can be required to garnish an employee's wages by a court order, the IRS, or another government agency. An LLC may be required to turn over distributions to creditors if issued a charging order.

Considerations: The federal Consumer Credit Protection Act prohibits employers from discharging employees as a result of a garnishment. In the case of a charging order against a worker-owner's distribution, it may be more financially strategic to negotiate a settlement of the worker-owner's debt rather than make distributions to the worker-owner, all of which would need to be paid to the creditor until the full debt is discharged.

6.10 *Expense Reimbursement*

The Company reimburses work-related expenses incurred by Staff. Reimbursements will not be made unless the expense was approved in advance by the responsible Staff member and the Staff member seeking reimbursement submits a receipt, along with the expense reimbursement request, within 90 days of incurring the expense.

Importance: Recommended

Purpose: An Expense Reimbursement policy establishes what a worker can be reimbursed for and how and when to seek reimbursement for work-related expenses. While this policy is optional in a Handbook, California Labor Code Section 2802 does require employers to reimburse employees for "all necessary expenditures or losses incurred by the employee in direct consequence of the discharge of his or her duties." So reimbursing employees for such expenses is not optional.

7.1 ***Benefits Disclaimer***

The Company has established a number of benefit programs for its eligible Staff. This Handbook provides brief summaries of the key features of the benefits programs, but does not restate all of the features of these programs. Additional terms, conditions, and limitations regarding program eligibility and benefit entitlement may exist. For that reason, Staff members should consult the official plan documents for complete information regarding each benefit program. In the case of an actual or apparent conflict between the benefit summaries set forth in this Handbook and the terms of the plan documents, the provisions of the official plan documents shall govern.

In addition, the Company reserves the right to modify, curtail, reduce or eliminate any benefit, in whole or in part, either with or without notice to Staff. The Company will endeavor to provide Staff with reasonable notice of all material changes. Neither the benefit programs nor their descriptions are intended to create any guarantees to our employees regarding continued employment.

Importance: Essential

Purpose: A Benefits Disclaimer allows an employer to maintain flexibility in the benefits it offers to employees.

Considerations: Since worker-owners of an LLC are considered self-employed, they are not eligible for most of the following benefits. The cooperative could offer certain benefits on an after-tax basis, as noted below.

7.2 ***Medical, Dental and Vision Benefits***

The Company currently offers Regular, Full-Time employees who have completed their Introductory Period enrollment in the Company's medical and dental insurance coverage plans. Detailed plan descriptions are available from Human Resources.

Employees have up to days from the completion of their Introductory Period to make medical and dental plan enrollment elections. Once made, elections are fixed for the remainder of the plan year unless certain qualifying life events occur. There may be provisions in the specific plan documents that allow eligible employees to make mid-year changes in coverage. Employees who seek to make a mid-year change should contact the Staff member responsible for Human Resources to determine eligibility.

Before the end of each plan year, during open enrollment, eligible employees may change medical and dental elections for the following plan year.

Worker-owners are invited to enroll in the Company's medical and dental plan; however, any premiums the Company pays on the worker-owner's behalf will be considered taxable income for the worker-owner.

Importance: Optional

Purpose: Although companies aren't legally required to offer medical, dental or vision benefits, many companies do because many workers need insurance coverage and because it may be easier to attract and retain good workers. Also, companies with 50 or more full-time equivalent employees that don't offer insurance, or offer coverage that does not meet certain minimum standards, may be subject to IRS payment obligations. For more info:

[HealthCare.gov Information for Small Businesses](https://www.healthcare.gov/information-for-small-businesses/)

7.3 ***Retirement Savings Program Benefit***

The Company offers an employer-sponsored retirement plan. Eligible employees can elect to have deductions automatically applied to their retirement accounts and can choose their own contribution rate up to the federal annual maximum for their age. Worker-owners are eligible to contribute to the retirement plan as well. Detailed program descriptions are available from Human Resources.

Importance: Essential when it becomes mandated by law (SB 1234) the California Secure Choice Retirement Savings Program, requiring every California employer with 5 or more CA-based employees to begin offering a retirement savings program or be registered with www.calsavers.com by June 30, 2022. Employers with more than 100 employees must have one or be registered by June 30, 2020. Employer with more than 50 employees have until June 30, 2021.

Purpose: A Retirement Savings Program allows employees to begin saving for retirement via automatic payroll deductions.

Considerations: It is not mandatory that an LLC offer a retirement plan for its worker-owners, and the LLC should ensure that its retirement plan is available for workers classified as self-employed, or consider establishing a separate plan for worker-owners.

7.3 *State and Federal Program Benefits*

The following benefits are state programs, administered by the California Employment Development Department (EDD) and the federal Social Security Administration:

7.3.1 State Disability Insurance (SDI): SDI is a partial wage replacement benefit provided to employees who are unable to work for at least eight (8) consecutive days due to a disability. The Employment Development Department (EDD) pays benefits directly to the employee. Specific rules and regulations governing disability insurance are available from the EDD at www.edd.ca.gov.

7.3.2 Paid Family Leave (PFL): PFL is a partial wage replacement benefit provided to eligible employees who have absences longer than seven (7) days related to care of a family member, or bonding with a new child, that result in lost wages. The EDD pays benefits directly to the employee. Specific rules and regulations governing paid family leave are available from the EDD at www.edd.ca.gov.

7.3.3 Unemployment Insurance (UI): UI is a partial wage replacement benefit provided to employees who have lost employment or partial employment for reasons other than misconduct. Staff who voluntarily resign from employment are generally not eligible for UI benefits. Specific rules and regulations governing unemployment insurance are available from the EDD at www.edd.ca.gov.

7.3.4 Social Security/Medicare: All employees are covered under the federal Social Security and Medicare plans, which provide retirement income and medical coverage to eligible employees. The amount deducted from your wages for Social Security and Medicare taxes is matched by the Company. The total contributions for you and the Company are credited towards your benefits, which may be available at your retirement. In addition, disability and survivors' benefits are available to eligible beneficiaries. The Social Security Administration provides further information at www.ssa.gov.

7.3.5 Disability Insurance Elective Coverage: Worker-owners are not covered by the above state programs for employees. However, the EDD offers an optional program for non-employees who want to be covered by Disability Insurance and Paid Family Leave. If you enroll, you will be

responsible for paying quarterly premiums to the state. More information is available at www.edd.ca.gov.

Importance: Essential

Purpose: California requires employers to withhold a portion of an employee's paycheck to pay for the required benefits listed in this section, so it is good for employees to know about these benefits. Worker-owners are not eligible for the employment benefits, but can choose to enroll in the elective coverage.

7.4 *Workers' Compensation Insurance*

Employees who suffer from an illness or injury that is work-related are eligible for workers' compensation benefits. Workers' compensation will pay for medical care and lost wages resulting from job-related illnesses or injuries.

Employees who witness or suffer a work-related injury, must inform a worker-owner or Human Resources immediately, regardless of how minor the injury or illness might be.

Employees who are unable to work because of an illness or injury that is not related to work, may be eligible for state disability insurance instead of workers' compensation benefits.

Worker-owners are eligible for workers compensation insurance coverage but have signed waivers of coverage. The Company provides alternative benefits to its worker-owners.

Contact Human Resources for more information.

Importance: Essential

Purpose: Most employers must carry workers' compensation insurance to provide benefits to employees who suffer a work-related injury. Getting the initial report of injury immediately is crucial to managing workers' compensation insurance claims. All employees are covered by workers' compensation insurance, regardless of employee status for other purposes.

Considerations: Worker-owners are exempt from the workers' compensation requirement if they (1) do not receive guaranteed payments ("wages irrespective of profits") or (2) they are managing members of the LLC that elect to be excluded from coverage. To waive coverage, the member must sign and submit a waiver to the LLC's insurance carrier. See Cal. Corp. Code sections 3351(f) and 3352(a)(17). The sample language above assumes all worker-owners receive guaranteed payments, and are managing members (to avoid employee classification), and have signed workers' compensation insurance waivers. If this is not the case, the language in this section should be modified accordingly.

SECTION 8: LEAVES OF ABSENCE

8.1 *Requesting Leaves of Absence*

The Company will grant all legally mandated leaves and may also grant a leave of absence in other circumstances. Employees should notify Human Resources, in writing, as soon as the employee becomes aware of the need for a leave of absence, or as soon as practicable under the circumstances. The Company will consider employee leave requests in accordance with the applicable law and the Company's leave policies. If a leave request is granted, the employee must comply with the terms and conditions of the leave, which may include keeping in touch with Staff member(s) during the leave, and giving prompt notice if there is any change in status or anticipated return date.

Paid leave (such as paid sick leave and paid vacation) will not accrue while an employee is on an unpaid leave of absence. If continuation of an employee's medical benefits during a leave is not required by law, eligible Staff may continue coverage by paying the full amount of the premiums under the provisions of the federal Consolidated Omnibus Budget Reconciliation Act ("COBRA").

For worker-owners, decisions about paid leave will be made by the worker-owners at the appropriate worker-owners' meeting. Although the Company may internally track the amount of paid leave each worker-owner takes in a given period of time, such tracking is for the internal purpose of informing worker-owners during any self-evaluations and any peer reviews by the other worker-owners.

Importance: Essential

Purpose: Certain leaves of absence are mandated by law and as a result, employees should have a clear understanding on how to request the different kinds of leaves of absence.

Considerations: Worker-owners can describe above how they hold each other accountable for investing time and effort into the business – in a way that is not accruing leave like employees accrue paid leave. Also, instead of specifying various types of leave for their employees, some organizations with a high level of trust adopt a more flexible time off policy without limits and accrual rates specified. An example of such a policy adopted by the Sustainable Economies Law Center can be found on their website at this link:

<https://docs.google.com/document/d/1mzSEvS5govK9-L4pGTjRnCTMaggdEuJ7VUpEtS6ioWA/edit>

8.2 *Holidays*

Full-time employees who have completed their Introductory Period are eligible for paid holidays. Part-time employees who have completed their Introductory Period are eligible for paid holidays for the hours they would normally be scheduled to work, when the holiday falls on their regularly scheduled work day.

The Company's paid holidays each year are: *[list]*.

If a holiday falls on a weekend, the Company will inform Staff as to when the holiday will be observed. Ordinarily, holidays falling on a Saturday will be observed the preceding Friday; holidays falling on a Sunday will be observed the following Monday.

Importance: Optional

Purpose: Most companies offer their employees paid time off on certain holidays.

Considerations: If the Company is open for business on a Paid Holiday, the Handbook should address whether nonexempt employees scheduled to work on that Holiday will be paid at a premium pay and, if so, what that premium pay rate will apply for 8 hours and for over 8 hours worked. Exempt employees who are scheduled to work on a Paid Holiday may be afforded another paid day off during a period of time before or after the Paid Holiday they were scheduled to work. There is no legal obligation to offer any employees any Paid Holidays (or premium pay on a Holiday) unless there is overtime worked by a nonexempt employee. Companies are also free to decide whether to offer paid holidays to employees during the Introductory Period.

8.3 *Paid Vacation*

All Regular Full-Time employees who have completed their Introductory Period accrue paid vacation according to the schedule in the chart below. Regular Part-Time Staff accrue paid vacation pro-rata based on the percentage of their regular weekly schedule to 40 hours. Temporary Employees are not eligible for vacation benefits.

Employees may not accumulate more than [REDACTED] hours of vacation leave. Employees who reach the XX-hour accumulation cap will not accrue any further vacation leave until they take a vacation and fall below the vacation leave accumulation cap.

Vacation is accrued on a daily basis. Employees may use their accrued vacation upon approval of a Vacation Request made with at least [REDACTED] weeks advance notice to the Company. Although efforts will be made to accommodate employee requests to take vacation at a specified time, Staff who consider vacation leave requests must consider the needs of the Company when approving vacation requests.

Upon termination, employees will be paid for all accrued but unused vacation hours, subject to the accumulation cap provisions.

Employees are not allowed to incur a negative vacation accrual balance. If all accrued vacation has been used by an employee, any additional approved leave will be unpaid, unless paid leave is provided under a different paid leave benefit (such as paid sick leave).

Number of Years Worked	Vacation accrued at a rate of:	Total number of days per year
0-2 years	1.52 hours per week	10
2+ to 5 years	2.308 hours per week	15
5+ years	3.080 hours per week	20

Paid vacation for worker-owners is covered in Section 8.5, Paid Time Off Policy for Worker-Owners.

Importance: Optional

Purpose: Although employers aren't legally required to offer paid vacation to their employees, most companies do offer this benefit. Offering paid vacation benefits may make it easier to attract and retain good employees and allows for necessary rest and rejuvenation.

Considerations: The chart is just an example. The Company must decide accrual rates if it offers paid vacation to its employees. Many California employers do not offer paid vacation during the Introductory Period because if the new employee separates from employment during the Introductory Period the employer must pay out the accrued vacation hours upon separation. Some employers only offer paid vacation to Full Time employees Most employers cap accrued vacation to limit the amount of paid vacation liability the Company carries, since accrued vacation in many states, including California, must be paid out upon termination of the employment relationship. Paid Time Off policies sometimes encompass both employee vacation and sick leave. Alternatively, the Company can consider implementing a paid time off policy without specified limits or accruals, such as [the one adapted by the Sustainable Economies Law Center](#). There are legal considerations that arise from PTO policies, and consulting with legal counsel is advised. Because owners of a company usually do not choose to limit the amount of time the owners decide not to work, worker-owners should not be limited by vacation accrual policies, but should have some other method of keeping their co-owners accountable for the relative amounts of time and effort invested in the business.

8.4 ***Paid Sick Leave***

The Company offers paid sick leave benefits to its employees in compliance with California's Healthy Family Healthy Workplaces Act of 2014.

Company employees (Full-Time, Part-Time, and Temporary employees who work in California for at least 30 days in a year) accrue paid sick leave on an hourly basis at the rate of one hour of sick leave for every 30 hours worked. Exempt employees will accrue paid sick leave based on a 40-hour workweek, or based on their regularly scheduled work hours, if they regularly work fewer than 40 hours a week.

Employees may not accumulate more than 48 hours of sick leave. Employees who reach the 48-hour accumulation cap will not accrue any further sick leave benefits until they take sick leave and fall below the sick leave accumulation cap. Any accrued and unused sick leave will be carried over to the next year. Sick leave that is accrued but unused will not be paid out to the employee upon termination of employment.

Employees must complete and submit a written request to their Supervisor in advance of the requested sick leave, where practical, or immediately upon return from sick leave. The Company reserves the right to send a sick employee home to accelerate or complete health recovery and minimize the contagious effects to co-workers and customers.

Sick leave may be used for preventative care and for the illness or injury, diagnosis, care or treatment of an employee's existing health condition. Sick leave may also be used to care for the following persons when they are ill, injured, receiving medical care, diagnosis or treatment: an employee's child, parent, legal guardian or ward, grandparent, sibling, spouse or domestic partner. If the employee has no spouse or registered domestic partner, the Staff member may designate one person as to whom the employee may use paid sick leave to care for. An employee may also use paid sick leave if she/he is a victim of domestic violence, sexual assault or stalking, and for any other permitted purpose provided by law.

If an illness or disability of the employee or the employee's family member lasts more than seven (7) calendar days, or if an employee is hospitalized before the eighth day of absence, the employee

can apply for State Disability Insurance or Paid Family Leave through the Employment Development Department.

Paid sick leave for worker-owners is covered in Section 8.5, Paid Time Off Policy for Worker-Owners.

Importance: Essential

Purpose: Sick leave for employees is mandated by various cities in the Bay Area as well as the State of California.

Considerations: Be aware of local city ordinances that have stricter or simply different guidelines than what is set out by the California Paid Sick Leave law. For example, Oakland and San Francisco have such ordinances. Employers in those cities that have 10 or more employees must have a 72-hour (or more) accumulation cap as opposed to the state's allowed 48-hour cap. Employers may also choose not to impose any accumulation cap on sick leave, since (unlike accumulated vacation hours) California employers are not obligated to pay out accumulated sick leave upon termination of employment. Accrued sick leave balances are provided to employees on paycheck stubs. Companies may, but are not required to, mandate advance notice of requests for sick leave when practicable. Even companies with free time off policies must comply with the employee notice provisions and accrual requirements applicable to paid sick leave for their employees. In order to avoid any possible liability for failure to comply with sick leave accrual requirements, some LLCs choose to track sick leave accrual for both their worker-owners and their employees.

8.5 ***Paid Time Off Policy for Worker-Owners***

A “free time off” policy applies to worker-owners, meaning there is no universal limit to paid time off or paid sick time that a worker-owner may take. Each worker-owner has the opportunity and responsibility to take as much paid time off as they see fit, so long as he or she can fulfill his or her roles and responsibilities to the organization. In order to balance the needs of the cooperative as a whole with the needs of individual members, worker-owners should notify other worker-owners of proposed time off and modify such proposals if any concerns are raised about the potential impact to the cooperative. The amount of paid time off taken by a worker-owner may be considered during by the worker-owner in any self-review, and by other worker-owners in any peer reviews.

Worker-owners may take paid sick leave for the same purposes as employees, and the Company may track sick leave “accrual” for worker-owners. However, as owners of the Company, worker-owners do not have a limit on their available sick leave. Worker-owners should notify other Staff when taking sick leave, and such leave shall be paid and presumed approved by the other worker-owners.

Importance: Recommended

Purpose: As owners of the cooperative, worker-owners should not be subject to strict caps on vacation and paid sick leave, but should also take into consideration the needs of the cooperative when taking time off.

Considerations: It is recommended that the cooperative establish a method of tracking worker-owner time off so that it can receive feedback and hold each other accountable, even while having significant freedom, as business owners, to take time off. Because worker-owners are not employees, and vacation does not accrue, worker-owners are not entitled to reimbursement for unused vacation time when they leave the cooperative.

8.6 *Workers' Compensation Leave*

Employees who have an accepted claim for workers' compensation benefits shall be provided an unpaid leave of absence until such time as they are medically released to return to work. If an employee is released for modified duty, the Company will attempt to provide alternate work that meets the stated work restrictions. If alternate work is available, the employee is expected to return to work.

Upon submission of a medical certification that an employee is able to return to work, the employee, under most circumstances, will be reinstated to her/his same position held at the time the leave began, or to an equivalent position, if available.

Importance: Essential

Purpose: See Section 7.4.

8.6 *Pregnancy Disability Leave (PDL)*

Employees who are disabled from working due to pregnancy, childbirth or a related medical condition are eligible for leave for up to 693 hours, or approximately four (4) months, for 40-hour/week employees. This amount is pro-rated for employees who work less than 40 hours/week. Employees may request to use accrued vacation or sick leave in order to be paid for a portion of their PDL.

Worker-owners will collectively decide on the length, payment, and other accommodations for worker-owners impacted by pregnancy-related disabilities.

Employees may also be eligible to apply for state-provided wage replacement benefits during their PDL. Contact Human Resources for more information.

PDL can be used for prenatal care, severe morning sickness, miscarriage, doctor-ordered bed rest, childbirth, recovery from childbirth, or any other pregnancy-related medical condition.

Employees who are affected by a pregnancy-related condition are also eligible to transfer to a position with less strenuous or hazardous duties while working during their pregnancy when supported by medical certification.

When the Company requires pregnancy disability medical certification the certification should include: the date(s) required for either leave, transfer, or modified duties, as specified; the likely duration of the leave, transfer, or specified modified duties; and a statement that, due to pregnancy, the employee either requires leave; or requires a transfer to less strenuous job duties or requires her job duties be modified as specified by the medical practitioner.

Employees who have a pregnancy-related disability should request leave or other accommodation from the Company in writing directed to Human Resources. Employees will not be discriminated or retaliated against because of pregnancy, perceived pregnancy, or pregnancy-related disabilities.

Importance: Depends on employee count

Purpose: Employers with five or more employees must offer their employees Pregnancy Disability Leave.

8.7 *Voting Leave and Jury Duty*

Employees and worker-owners are encouraged to exercise their right to vote. If an employee's work schedule and the location of their polling place will make it difficult for them to get to the polls before they close, they are entitled to take up to hour(s) off work, at the beginning or end of a shift, to cast their ballot. Nonexempt employee time will be [select one: paid/unpaid] for these hours.

Employees who will need to take time off work to vote must inform Human Resources at least day(s) in advance. Employees are expected to work with Human Resources to ensure that their absence doesn't negatively impact Company operations.

Employees and worker-owners called for jury duty are entitled to take time off, as necessary, to fulfill their jury obligations. Employees should request jury duty leave from Human Resources as soon as the need for such leave is known. Nonexempt employees will be [select one: paid/unpaid] for their scheduled shifts missed because of approved leave for jury duty. Exempt employees should contact Human Resources to discuss the length of jury duty and whether it will affect their salary. No employee will face discipline or retaliation for taking approved leave for jury service.

Employees who are chosen to sit on a jury, must inform Human Resources as to how long the trial is expected to last and must check in with Human Resources periodically during jury service, so the Company knows when to expect them back at work.

Workers-owners who are chosen to sit on a jury should advise the other worker-owners and attempt to minimize any disruption to the Company resulting from their jury duty service.

Importance: Essential

Purpose: Voting and jury duty leave is required by law for all employers. Most employers do not pay for voting and jury duty leaves of absence since (especially jury duty) may be prolonged and unpredictable. Special attention must be paid to wage and hour laws for exempt employees before modifying their regular salary because of prolonged jury duty (or any prolonged absence not covered by paid vacation or sick leave benefits).

8.8 *Other Legally Mandated Leaves*

The Company will provide employees with any leave of absence required by law, including for appearance as a witness in a legal proceeding; and for domestic violence and crime victims to appear in court or to obtain services; for organ donor or bone marrow transplants; for a parent or guardian at school when requested, as provided in the Education Code, for performance of emergency duty by a volunteer firefighter or police reservist for military service or for any other reason authorized by law. Employees must provide reasonable advance notice to Human Resources of the need for a legally required leave of absence, whenever possible. Unless specified otherwise, the leave will be unpaid—however, in certain circumstances employees may utilize their accrued paid leave to cover these absences.

Importance: Essential

Purpose: Laws change over time, so having a disclaimer such as this informs employees that their employer will honor legally mandated leaves while allowing employers the flexibility in their employee Handbook.

Considerations: Employers should stay abreast of leave laws in the cities and states where their Staff work, and update their Handbooks accordingly. For example, San Francisco passed a Paid Parental Leave for Bonding with New Child Ordinance that took effect in 2017. And California passed SB 63, the New Parent Leave Act that took effect in 2019 mandating small businesses with 20+ employees to provide up to 12 weeks unpaid leave to bond with a child.

8.9 *Family and Medical Leave*

Because of our small size, our Company is not required to comply with the federal Family Medical Leave Act and the California Family Rights Act. However, we recognize that employees may occasionally need to take unpaid leave to care for a new child, to care for a seriously ill family member, or to handle a Staff member's own medical issues.

If you anticipate the need to take time off to deal with family issues and/or medical issues, please contact Human Resources. The Company can't guarantee that it will grant every request, but the Company seriously considers employee requests on a case-by-case basis. Among other things, the Company may consider its staffing needs, the employee's position, the reason why the leave is needed, the expected duration of the leave, and any accrued but unused paid sick leave or paid vacation leave that might be available to the employee for the requested leave.

Importance: Depends on the number of employees in the Company.

Purpose: Employers with 50 or more employees must allow their employees to take Family and Medical Leave under the FMLA and the CFRA. An Employer with 50+ employees should include specific provisions relating to employee rights under both statutes in their Handbook.

8.10 *Bereavement Leave*

Upon the death of an immediate family member, employees are entitled to take up to [redacted] consecutive hours off work upon notice and approval by Human Resources. Nonexempt employees will be [select one: paid/unpaid] for their scheduled shifts missed because of approved bereavement leave.

Immediate family members include [redacted].

The Company will consider, on a case-by-case basis, requests for bereavement leave for the death of someone who does not qualify as an immediate family member under this policy.

Importance: Optional

Purpose: A bereavement leave policy gives employees time and to grieve and mourn the loss of a loved one.

Considerations: A bereavement leave policy should be clear as to what type of relationship qualifies for bereavement leave. For example, a policy need not require the person be an immediate family member. If the leave is paid leave, it may be important to carefully define who is included in the term "immediate family member."

SECTION 9: CODE OF CONDUCT

9.1 ***Work-Related Conduct for Employees***

This section applies only to Company employees; worker-owners maintain a separate document detailing their expectations of each other and steps they will take to resolve issues. The process for removing a worker-owner is governed by the Operating Agreement.

The Company reserves the right to take appropriate remedial action up to and including termination of its employees for workplace-related conduct, regardless of whether the workplace conduct is specifically listed in this Section 9 Code of Conduct. Although the Company may elect to take progressive disciplinary steps prior to or instead of termination, any such progressive discipline of employees shall not alter the at-will nature of the relationship the Company maintains with its employees.

By accepting employment with the Company, employees agree to adhere to certain rules of behavior and conduct listed or prohibited by this Section 9 Code of Conduct. The following behaviors and activities are among the actions that may result in remedial action up to and including termination.

- 9.1.1 Willful violation of any Company rule.
- 9.1.2 Failure to observe security or safety rules.
- 9.1.3 Negligence or careless action that is work-related and endangers the life or safety of other people.
- 9.1.4 Working while intoxicated or under the influence of any illegal drug.
- 9.1.5 Violation of any law on Company premises, including the use, possession or sale of any illegal drug. Employees who possess or are at work under the influence of legal over-the-counter drugs or drugs prescribed by a doctor will not be subject to discipline unless they fail to inform Human Resources or supervisory Staff when taking such legal medications that could impair their judgment or ability to engage in safe work practices. If the prescribed or over-the counter medicines are determined to impair work performance or safety on the job, the employee may be placed on leave.
- 9.1.6 Acts of sexual or other unlawful harassment, including, but not limited to: insults, intimidation, assault, physical contact, violence, requests for sexual favors, or other verbal or physical contact that prevents employees from effectively performing their duties or creates a hostile work environment.
- 9.1.7 Unauthorized possession of dangerous or illegal firearms, weapons or explosives on Company property or at Company events.
- 9.1.8 Violence or threats of violence toward anyone on Company premises or when representing the organization, including, horseplay, fighting, or provoking a fight.
- 9.1.9 Insubordination or refusing to obey work-related instructions.
- 9.1.10 Intentionally, or with gross negligence, destroying or damaging Company property, or the property of fellow Staff, suppliers, or visitors.
- 9.1.11 Theft of Company property or the property of fellow Staff including unauthorized possession or removal of any Company property without prior permission. Property includes documents and electronically stored information.
- 9.1.12 Dishonesty, including willful falsification or misrepresentation of information on any work-related documents.

- 9.1.13 Engaging in behavior designed to create discord and lack of harmony or interfering with the work of any other Staff on the job.
- 9.1.14 More than: a) [REDACTED] unexcused employee absences from work; or b) [REDACTED] unexcused employee late arrivals for a work shift over any [REDACTED] month period of employment.
- 9.1.15 Disclosing the Company's confidential information to persons or entities outside the Company.
- 9.1.16 Failure to maintain an appropriate appearance while representing the Company.
- 9.1.17 Unsatisfactory job performance.

Importance: Essential

Purpose: Standards of conduct sets expectations for employees.

Considerations: Worker-owners should not be subject to the same type of a disciplinary process and standards as employees. They should have their own set of expectations for themselves but use a conflict resolution process or, if necessary, the termination process outlined in the Operating Agreement.

9.2 *Dress Code*

Staff are expected to be presentable, professional, clean and readily identifiable as Company Staff. While working a shift, Staff must wear [REDACTED], and closed-toe shoes. Staff should refrain from wearing headphones while working or engaging with customers.

Importance: Optional

Purpose: A dress code requirement can help build company culture and/or assist with safety concerns in the workplace. Any dress code language should be tailored to the Company's actual requirements and workplace culture

9.3 *Hygienic Guidelines*

Staff must abide by the Company's food safety and hygienic guidelines when preparing or handling foods, and must comply with all local, state and federal food safety guidelines.

Importance: Optional

Purpose: A hygienic guidelines policy is necessary in food businesses that fall under local, state and federal food safety guidelines. Other businesses may want to institute dress, grooming, and personal hygiene guidelines to set Company standards in the workplace.

9.4 *Non-Disclosure and Confidentiality*

The protection of confidential organizational information is vital to the interests and the success of the Company. Such confidential information includes, but is not limited to, the following examples:

9.4.1 Computer, telephone, or internet passwords; customer lists, vendor lists; marketing, advertising or pricing strategy or other strategic plans.

9.4.2 The Company's financial information including profit and loss statements, inventory lists, balance statements or bank account statements.

Employees who improperly use or disclose the Company's confidential information will be subject to remedial action, up to and including termination of employment.

Importance: Optional

Purpose: A non-disclosure and confidentiality policy alerts employees and worker-owners to the consequences of disclosing sensitive Company information. The confidential information listed should be described to accurately reflect the Company's particular types of confidential information and should not include any information that is already publicly available.

9.5 *Conflicts of Interest*

The Company does not allow Staff to engage in other work relationships or activities that either create an actual conflict of interest, or disrupt Company operations.

Although we cannot list every activity or relationship that would create an actual conflict of interest, or disrupt Company operations, examples of activities that violate this policy include the following:

9.5.1 Working for a direct competitor as an employee, consultant, independent contractor, co-owner, or in any other capacity.

9.5.2 Using the resources of the Company for Staff's own personal gain or a competitor's gain.

Staff who believe they may have a conflict of interest with the Company should disclose such conflict to Human Resources, to appropriate worker-owners or to a Board Member. Staff who violate this policy will be subject to disciplinary action, up to and including termination.

Importance: Optional

Purpose: A conflicts of interest policy sets the expectation that Staff should be loyal to the Company, and not to its competitors.

9.6 *Safety Issues*

Every Staff member is responsible for safety in the workplace. To achieve our goal of providing a safe work place, everyone must be safety conscious. Staff must correct any safety hazards immediately if it is safe for them to do so, or report any unsafe or hazardous conditions directly to an appropriate Staff member or Human Resources immediately. Every effort will be made to remedy safety issues as quickly as possible.

Staff should help each other, clients and visitors to observe the following common-sense rules:

9.6.1 Promptly report all unsafe or potentially hazardous conditions, such as the following, to the appropriate Staff member, or correct the safety hazard if it is safe to do so, including:

- a. Wet or slippery floors.
- b. Equipment left in halls or in walkways.
- c. Exposed wiring.
- d. Careless handling of equipment.
- e. Defective equipment.

9.6.2 Follow all building security procedures when Staff are the first to enter the building or the last to leave.

9.6.3 Eliminate fire hazards.

- 9.6.4 Immediately report all accidents to Human Resources or appropriate Staff.
- 9.6.5 Stay alert for safety hazards or potential safety hazards.
- 9.6.6 Never wear headphones while working if such use could pose a safety hazard.
- 9.6.7 Do not operate electrical equipment with wet hands.

Staff must report any work-related injury, regardless of how serious, to appropriate Staff or Human Resources immediately. Failure to report accidents can result in a violation of legal requirements, and can lead to difficulties in processing insurance and benefit claims. Employees injured on the job are entitled to benefits under the workers' compensation laws in most cases. The Company carries workers' compensation insurance and will assist employees to obtain the insurance benefits to which they are legally entitled.

Importance: Essential

Purpose: Federal and state laws require employers to keep their workplace free of hazards, investigate accidents quickly, and keep proper safety records.

9.7 *Driving on Company Business*

Employees who are required to drive their own vehicle on Company business must provide Human Resources with proof of a current, valid California driver's license, and current insurance. Employees who have a driver's license or insurance cancelled or revoked must notify Human Resources as soon as possible. With prior Company approval, Employees who use their personal vehicle on Company business should submit a request for mileage reimbursement at the current government rate.

Importance: Optional

Purpose: A policy on driving while on Company business sets the expectation that employees must abide by state driving license laws and be covered by insurance while driving on Company business.

SECTION 10: PERFORMANCE EVALUATIONS

10.1 *Performance Evaluations*

Written performance evaluations will be given to all employees as part of the Company's performance evaluation process. Employees will generally be evaluated on an annual basis. Evaluations will provide employees with an opportunity to discuss progress toward any previous goals set; specific job duties; the employee's weaknesses and strengths; and plans for meeting any new goals established.

The evaluator(s) and the employee will be asked to sign the written evaluation. One copy will be given to the employee being evaluated, and one copy will be retained in the personnel file.

Worker-owners will conduct annual self-reviews and peer reviews for each other, which will provide a space for reflection and feedback on topics applicable to worker-owners including some topics that are also covered in the employee evaluations.

Importance: Recommended

Purpose: A policy on performance evaluations informs employees about how often and by whom their performance will be appraised. Evaluations may be conducted by a worker-owner or a group of peer evaluators, or a combination of both. Specify in this section who will be evaluating the employees and worker-owners and how often the reviews will take place. Routine written performance evaluations often serve as an important risk mitigation tool for the Company and should be completed according to schedule. To avoid employee classification, worker-owners should conduct peer reviews of each other rather than having their evaluations conducted by non-worker owners.

SECTION 11: USE OF COMPANY PROPERTY, TELEPHONE AND INTERNET

11.1 *Company and Personal Property Are Subject to Search*

The Company reserves the right to search Company premises, including, but not limited to, employee desks, lockers, workspaces filing cabinets and other storage spaces and also to search an employee's personal property brought onto Company premises, including, but not limited to, toolboxes, briefcases, purses, backpacks and bags at any time, without warning, to ensure compliance with Company policies, including those that cover employee safety, workplace violence, harassment, theft, drug and alcohol use, and possession of prohibited items. Therefore, no employee should expect that their work areas or their personal property brought onto Company premises will be private.

Importance: Recommended

Purpose: Employers may need to search an employee's workplace and personal possessions to enforce workplace policies and to keep the workplace safe.

11.2 *Telephones and Cell Phones*

The Company's telephone system is for business use only. Employees are expected to keep personal phone calls and texts made either on company phones or employee cell phones to a minimum during that employee's work hours. If employees must make or receive a personal call during their work hours, they should keep their conversation brief. Excessive personal calling or texting during work time is grounds for discipline. Personal use of the Company's telephones for toll calls is not permitted.

The Company reserves the right to monitor calls made from or received on Company telephones. Therefore, no employee should expect that conversations made on Company telephones will be private.

Importance: Optional

Purpose: Many employees have access to copy, fax, email, telephone, scanning, and other equipment. Due to the myriad of legal issues that exist in connection with the use of computers and other electronic communications devices, employers who have such devices available for employee use should publish written policies regarding such use.

11.3 *Use of the Computers and Email System*

The Company's electronic communication system is intended for official Company business. Although employees may use the computers and email system occasionally for personal use, such use should be restricted to non-work hours. Employees who send personal messages through the Company's communication system must exercise discretion as to the number and type of messages sent. Personal use of the Company's computers and email system must not interfere with employee job duties or performance. Employees who abuse this privilege may be subject to discipline.

Employees may not use their own personal email accounts to transact Company business. Employees may not store work-related documents and email messages in a personal email account. Employees may not send work to a personal email account, engage in work-related communications (with customers, clients, or coworkers, for example) using a personal email account, or "bounce" messages from their Company email to their personal email when they are out of the office.

All Company policies and rules of conduct apply to employee use of the computer and email system. For example, employees may not use the email system to send harassing or discriminatory messages, including messages with explicit sexual content or pornographic images; or to send threatening messages; or to reveal Company trade secrets or confidential information. Employees may not use the Company email system to solicit others to patronize an outside business or to support an outside organization, a political candidate or cause, or a religious cause. Employees may not use a password, access a file or retrieve any stored communication without authorization. Employees may only use software on multiple computers according to the software licensing agreement. The Company prohibits the illegal duplication of software.

Email messages, including attachments, and all other communications sent from, or received by, or stored on Company communication systems are the property of the Company. The Company reserves the right to access, monitor, read, and/or copy any such communications at any time, for any reason. Employees should not expect privacy for any communications sent or received using Company communication systems, including messages that employees might consider to be personal or label with a designation such as "Personal" or "Private."

Importance: Optional

Purpose: See Section 11.2.

11.4 *Personal Use of the Internet*

Our network and Internet access are for official Company business only. Employees may access the Internet for personal use only outside of work hours and only in accordance with the other terms of this policy. Employees who engage in excessive Internet use, even during non-work hours, or who violate any other provision of this policy, may be subject to discipline.

The Company reserves the right to monitor employee use of the Internet at any time. Employees should not expect that use of the Internet -- including but not limited to the site visits, the amount of time spent online, and the communications transmitted -- will be private.

Employees may not, at any time, access the Internet using Company equipment or links for any of the following purposes:

11.4.1 To view websites that offer pornography, gambling, or violent imagery, or are otherwise inappropriate in the workplace.

11.4.2 To operate an outside business, online auction, or other sales site; solicit money for personal purposes; or otherwise act for personal financial gain or profit.

11.4.3 To download or copy software, games, text, photos, or any other works in violation of copyright, trademark, or other laws.

11.4.4 To stream, run, or download any non-Company-licensed software program without the express consent of the Company's IT department.

11.4.5 To stream, run, or download music, video, games, mini-desktop applications (widgets), or any form of multimedia, from the Internet.

11.4.6 To read, open, or download any file from the Internet without first screening that file for viruses using the Company's virus detection software.

11.4.7 To transmit personal opinions by, for example, posting a comment to a blog or social networking page or contributing to an online forum, regardless of whether the employee is identified in that transmittal as a Company employee.

Any employee who believes that their job duties may require an action forbidden by this policy must consult with their Supervisor for guidance.

Importance: Optional

Purpose: See Section 11.2.

SECTION 12: PROGRESSIVE DISCIPLINE

12.1 *Progressive Discipline Disclaimer*

Worker-owners agree to hold themselves and other worker-owners accountable to the rules of behavior and conduct they have agreed to, and to take remedial action with respect to the other worker-owners who fail to follow the rules of behavior and conduct that the worker-owners have agreed to. Such expectations and remedial steps are outlined in a separate policy document and/or in the Operating Agreement.

By accepting employment or worker-ownership with the Company, all employees agree to follow the rules of behavior and conduct, as well as maintain standards of job performance. The Company reserves the right to terminate any employee who violate rules of behavior and conduct, or who do not meet minimum job requirements. However, when in the sole discretion of the Company it is appropriate, one or some of the following disciplinary actions may be taken:

Importance: Recommended to have some established process for addressing personnel issues related to employees that can lead to conflict in the workplace.

Purpose: It is desirable to provide employees access to a system for “progressive” discipline (or intervention of some sort) and also a “grievance” or “dispute resolution process” to raise and resolve personnel matters internally. This may correct unwanted behavior at an early stage, provide fair warning to employees who are not meeting expectations, correct possible mistakes/miscommunications, and promote a sense of fairness.

Considerations: Cooperatives may choose to forego progressive discipline policies altogether in favor of a different process for managing issue and tensions. Whatever method the Cooperative uses to address conduct and performance issues in the workplace should be clearly described in the Handbook. Documented progressive discipline steps are often used to defend against employment claims, so documenting whatever process is adopted for correcting job performance and conduct issues is an important risk control management tool. To avoid employee classification, worker-owners should not be subject to discipline such as this from a non-worker-owner, but fellow worker-owners can initiate conflict resolution processes to deal with workplace behavior or performance issues. If that fails, they can terminate the worker-owner’s membership according to the process in the LLC’s operating agreement.

12.2 *Verbal Warning*

After consulting with at least one worker-owner, an appropriate Staff member may issue a verbal warning to an employee at any time.

Importance: Recommended

Purpose: See 12.1.

12.3 *Written Warning*

After consulting with at least one worker-owner, an appropriate Staff member may issue a written warning to an employee at any time. A copy of the warning shall be made part of the employee’s personnel file.

Importance: Recommended

Purpose: See 12.1.

12.4 *Goals & Milestones Plan*

After consulting with Human Resources and at least one worker-owner, an appropriate Staff member may issue to an employee a written goals and milestones plan with specified goals the employee is expected to reach within a certain time period. If those goals are timely achieved, the written plan, including progress made and goals achieved shall be made part of the employee’s personnel file. If the goals are not timely achieved, the written plan, including any progress made and any unmet goals, will be made part of the employee’s personnel file and the appropriate Staff member, after consulting with Human Resources, may take other disciplinary actions, including suspension or termination of the employee.

12.5 *Employee Suspension*

After consulting with Human Resources and at least one other worker-owner, an appropriate Staff member may issue an employee a written suspension. Such suspension would be without pay for a

period of up to 30 calendar days. An employee returning from suspension may be issued a written goals and milestones plan and must continue to meet the conditions outlined in that plan, or risk termination.

Importance: Recommended

Purpose: See 12.1.

12.6 *Addressing Worker-Owner Behavior, Conduct, and Performance*

If worker-owners have concerns about the behavior or job performance of their fellow worker-owners, they are encouraged to bring up the concerns during peer reviews, discuss the concerns directly with the worker-owner, and if such measures do not address the issue, follow the Company's conflict resolution policy.

Worker-owners whose behavior or performance does not improve may be subject to termination as described below and pursuant to the Company's operating agreement.

Importance: Recommended

Purpose: Worker-owners who are not employees should not be subject to direct supervision and should not be easily terminate or disciplined by fellow worker-owners. Rather, worker-owners must use best efforts to address co-owners' workplace behaviors, and resolve problems and conflicts with their fellow worker-owner and only advance to termination when those efforts are unsuccessful, and according to the process outlined in the operating

SECTION 13: ENDING EMPLOYMENT

13.1 *Voluntary Resignation*

Staff have the right to terminate their employment relationship voluntarily or terminate their co-ownership status at any time (according to the process in the Operating Agreement). The Company would appreciate at least two weeks written notice of a resignation, if possible, to allow for workload redistribution. Absent extraordinary circumstances, any employee who has been absent for three consecutive scheduled work days, and has not contacted a worker-owner or Human Resources, will be assumed to have voluntarily terminated their employment as of close of business at the end of the third day missed.

Importance: Essential

Purpose: At-will employees and worker-owners may terminate their employment at any time for any reason. A Voluntary Resignation policy can outline the ideal procedures for resignation.

13.2 *Termination: Employees and Worker-Owners*

Employees may be terminated by the Company at will, at any time, without notice or hearing, and conversely may terminate their employment relationship with the Company at will, at any time, without notice.

Pursuant to Section [xx] of the operating agreement, a worker-owner can only be expelled and their membership rights terminated after the worker-owner receives not less than [fifteen (15)] days notice, and a hearing that is held not less than [five (5)] days before the effective date of termination

of their membership rights. A worker-owner's membership can only be terminated by a vote of [seventy-five (75) percent] of the worker owners.

A worker-owner may, however, be placed on paid leave by a majority vote of all other worker-owners, pending any internal investigation, notice and hearing to decide suspension, expulsion and/or termination of a worker-owner's membership rights.

Importance: Essential

Purpose: Worker-owners are afforded more rights when faced with termination of their membership rights. This section distinguishes the different requirements for termination of employment for employees and expulsion or suspension and termination of a worker-owner's membership rights.

Considerations: This section should mirror the terms of the operating agreement and should be amended if the operating agreement is amended.

13.3 *Final Paycheck*

Employees separating from the Company are given a final paycheck on the day of separation. However, if employees resign without 72-hours' notice to the Company, the final paycheck will be available within 72 hours of the resignation. Final paychecks include payment for all hours worked, any paid absences during the current pay period, and any accrued but unused vacation hours.

Importance: Essential

Purpose: State law requires that an employee's final paycheck be paid on the day of separation, unless they do not give 72-hours' notice. In that case, it must be paid within 72 hours of quitting.

13.4 *Worker-owner Member Accounts*

When a worker-owner separates from the Company for any reason, the amount in the Member Account will automatically be converted to debt owed to the former worker-owner, or, if necessary, to the worker-owner's estate, or to another assignee designated by the worker-owners. See the Company's operating agreement, section [xx], for more details.

13.5 *Benefits Continuation (COBRA)*

COBRA and similar state law give employees and their qualified beneficiaries the opportunity to continue health and dental insurance coverage under the Company health plan when a "qualifying event" would normally result in the loss of eligibility. Some common qualifying events are resignation or termination of employment, death of an employee, a reduction in an employee's hours, or a leave of absence, an employee's divorce or legal separation, and a dependent child no longer meeting eligibility requirements. Employees with questions about COBRA benefits should contact Human Resources.

Importance: Optional

Purpose: If an employer offers health insurance coverage to employees under a group health plan, it may be required to offer continued coverage for a specific period of time after separation. Employees will have to pay the cost of this coverage.

13.6 *Return of Company Property*

Upon termination of employment, or a worker-owner's separation from the Company, any and all Company property must be returned immediately to the Company including, but not limited to Company confidential information and other documents, manuals and guides, phones, computers, equipment, keys, badges and tools. The Company reserves the right to take any lawful action to recover or protect Company property.

Importance: Essential

Purpose: This policy serves as a reminder for Staff to return company property after separation from the Company.

13.7 *Exit Interview*

Exploring Staff's reasons for resigning, or the factors resulting in an employee's termination or a worker-owner's separation enables the Company to better evaluate whether the work environment is conducive to Staff satisfaction or whether changes can or should be made.

In conducting an exit interview, the following topics may be addressed:

13.6.1 The Staff member's reasons for leaving and any suggestions from the departing Staff member as to how the Company could be improved;

13.6.2 Process for the Staff member to contact the Company in the future;

13.6.3 Verification of final pay and return of Company property;

13.6.4 Staff benefits and conversion privileges;

13.6.5 COBRA, if applicable.

Importance: Optional

Purpose: Exit Interviews provide an opportunity for an employer to learn valuable information about the Company from departing Staff.

13.7 *References*

When the Company is contacted by prospective employers seeking information about former Company Staff, the Human Resources Department will release the following written data only: the position(s) held, the dates employment or co-ownership began and ended, and for employees, final salary or rate of pay.

Staff who would like the Company to give a more detailed reference to prospective new employers, or other organizations, must provide the Company with a signed written release and consent form approved by Human Resources.

Importance: Optional

Purpose: Employers must occasionally address requests for information about current and former employees or worker-owners made by third parties. It is an important risk mitigation practice to adopt explicit processes that delineate the manner in which reference requests will be handled. Oral references given by company representatives to prospective employers or other third parties can lead to preventable claims and litigation.

RECEIPT AND ACKNOWLEDGEMENT OF HANDBOOK

By signing this form, I acknowledge that I have received and read a copy of the Company's Handbook. I understand that it contains important information about the Company's policies and that I am expected to read and understand. I acknowledge that I have had the opportunity to ask a co-owner or Human Resources for clarification of any part of this Handbook that were unclear and I understand the contents of the Handbook. I understand that the policies in the Handbook apply to me as a Staff member of the Company. I understand that nothing in the Handbook constitutes a contract or promise of continued employment, or a promise of continued co-ownership in the Company and that the Company may change the policies in the Handbook at any time.

Staff Member's Signature

Date

Staff Member's Name (Print)

TO BE PLACED IN STAFF MEMBER'S PERSONNEL FILE

Importance: Essential

Purpose: Signed proof that a Staff member has read and is aware of the policies in the Company's Handbook.

RECEIPT AND ACKNOWLEDGEMENT OF DISCRIMINATION AND HARASSMENT POLICIES

I acknowledge that I have received and read a copy of the Company's Equal Employment Opportunity, Disability Accommodation and Sexual and Other Prohibited Harassment Policies and that I have had an opportunity to ask any questions that I have concerning the policies, including any questions concerning my rights and duties under the policies. I understand that it is my obligation to promptly report to the Company all complaints or concerns of potential employment discrimination, harassment, or retaliation, regardless of the potential offender's identity or position, as well as to request accommodations that I believe I need to assist me in performing my job duties.

I understand that the Company is committed to a work environment in which all individuals are treated with respect and dignity and that the Company prohibits unlawful discrimination, harassment and retaliation in the workplace. I understand that Company Staff who violate the Equal Employment Opportunity, Disability Accommodation and/or Sexual and Other Prohibited Harassment Policies will be subject to appropriate disciplinary action, up to and including immediate termination of employment.

Staff Member's Signature

Date

Staff Member's Name (Print)

TO BE PLACED IN STAFF MEMBER'S PERSONNEL FILE

Importance: Essential

Purpose: Signed proof that a Staff member has read and is aware of the Company's policies on discrimination and unlawful harassment.