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Welcome new employee!

On behalf of your colleagues, I welcome you to ABC Homebased DayCare Center and wish you every success here.

We believe that each employee contributes directly to ABC Homebased DayCare Center's growth and success, and we hope you will take pride in being a member of our team.

This handbook was developed to describe some of the expectations of our employees and to outline the policies, programs, and benefits available to eligible employees. Employees should familiarize themselves with the contents of the employee handbook as soon as possible, for it will answer many questions about employment with ABC Homebased DayCare Center.

We hope that your experience here will be challenging, enjoyable, and rewarding. Again, welcome!

Sincerely,

Mrs. Jane Doe
Owner / Director

Statement of Purpose

The good news of God's love is the central message of ABC. As a part of our family, we value the contribution that you will make to our children and their families. As a team, we are committed to providing a positive life experience which will enhance every child's physical, social, emotional, mental and spiritual growth in a loving and nurturing environment.

INTRODUCTORY STATEMENT

This handbook is designed to acquaint you with ABC Homebased DayCare Center and provide you with information about working conditions, and some of the policies affecting your full, part-time employment and/or your status as a contractual employee. You should read, understand, and comply with all provisions of the handbook. It describes many of your responsibilities as an employee or contractual worker and outlines the programs developed by ABC Homebased DayCare Center. One of our objectives is to provide a work environment that is conducive to both personal and professional growth.

No human resources handbook can anticipate every circumstance or question about policy. As ABC Homebased DayCare Center continues to grow, the need may arise and ABC Homebased DayCare Center reserves the right to revise, supplement, or rescind any policies or portion of the handbook from time to time as it deems appropriate, in its sole and absolute discretion. The only exception to any changes is our employment-at-will policy permitting you or ABC Homebased DayCare Center to end our relationship for any reason at any time. Employees will, of course, be notified of such changes to the handbook as they occur.

ACKNOWLEDGMENT FORM

The employee handbook describes important information about ABC Homebased DayCare Center, and I understand that I should consult Mrs. Jane Doe, regarding any questions not answered in the handbook. I have entered into my employment or contractual relationship with ABC Homebased DayCare Center voluntarily and acknowledge that there is no specified length of employment. Accordingly, either ABC Homebased DayCare Center or I can terminate the relationship at will, with or without cause, at any time, so long as there is no violation of applicable federal or state law. If my status is that of contractual worker, I understand that the terms of the termination of my agreement with ABC Homebased DayCare Center will be governed by the signed Contractual Agreement entered into by the Center and myself.

I further understand that the State of Texas Department of Social Services obligates ABC Homebased DayCare Center to comply with all of the policies and regulations that pertain to Class "A" Daycare facilities. Therefore, through my status as a contractual worker, I agree to familiarize myself with these state policies and to comply with the requirements therein.

Since the information, policies, and benefits described here are necessarily subject to change, I acknowledge that revisions to the handbook may occur, except to ABC Homebased DayCare Center's policy of employment-at- will. All such changes will be communicated through official notices, and I understand that revised information may supersede, modify, or eliminate existing policies. Only the chief executive officer of ABC Homebased DayCare Center has the ability to adopt any revisions to the policies in this handbook.

Furthermore, I acknowledge that this handbook is neither a contract of employment nor a legal document. I have received the handbook, and I understand that it is my responsibility to read and comply with the policies contained in this handbook and any revisions made to it.

My employment status is

DATE

EMPLOYEE'S SIGNATURE

EMPLOYEE'S NAME (TYPED OR PRINTED)

NATURE OF EMPLOYMENT

This handbook is intended to provide employees with a general understanding of our personnel policies. Employees are encouraged to familiarize themselves with the contents of this handbook, for it will answer many common questions concerning employment with ABC Homebased DayCare Center.

However, this handbook cannot anticipate every situation or answer every question about employment. It is not an employment contract and is not intended to create contractual obligations of any kind. Neither the employee nor ABC Homebased DayCare Center is bound to continue the employment relationship if either chooses, at its will, to end the relationship at any time.

In order to retain necessary flexibility in the administration of policies and procedures, ABC Homebased DayCare Center reserves the rights to change, revise, or eliminate any of the policies and/or benefits described in this handbook, except for its policy of employment- at-will. The only recognized deviations from the stated policies are those authorized and signed by the chief executive officer of ABC Homebased DayCare Center.

EMPLOYMENT CLASSIFICATIONS

It is the intent of ABC Homebased DayCare Center to clarify the definitions of employment classifications so that employees understand their employment status and benefit eligibility. These classifications do not guarantee employment for any specified period of time. Accordingly, the right to terminate the employment relationship at will at any time is retained by both the employee and ABC Homebased DayCare Center.

Each employee is designated as either NONEXEMPT or EXEMPT from federal and state wage and hour laws. NONEXEMPT employees are entitled to overtime pay under the specific provisions of federal and state laws. EXEMPT employees are excluded from specific provisions of federal and state wage and hour laws. An employee's EXEMPT or NONEXEMPT classification may be changed only upon written notification by ABC Homebased DayCare Center management.

In addition to the above categories, each employee will belong to one other employment category:

CONTRACTUAL employees are EXEMPT from federal and state wage hour laws in that these workers are independent contractual workers. Services rendered are governed by independent contractual agreements

INTRODUCTORY employees are those whose performance is being evaluated to determine whether further employment in a specific position or with ABC Homebased DayCare Center is appropriate. Employees who satisfactorily complete the introductory period will be notified of their new employment classification.

REGULAR FULL-TIME employees are those who are not in a temporary or introductory status and who are regularly scheduled to work ABC Homebased DayCare Center's full-time schedule. Generally, they are eligible for ABC Homebased DayCare Center's benefit package, subject to the terms, conditions, and limitations of each benefit program.

PART-TIME employees are those who are not assigned to a temporary or introductory status and who are regularly scheduled to work less than 25 hours per week. While they do receive all legally mandated benefits (such as Social Security and workers' compensation insurance), they are ineligible for all of ABC Homebased DayCare Center's other benefit programs.

TEMPORARY employees are those who are hired as interim replacements, to temporarily supplement the work force, or to assist in the completion of a specific project. Employment assignments in this category are of a limited duration. Employment beyond any initially stated period does not in any way imply a change in employment status. Temporary employees retain that status unless and until notified of

a change. All legally mandated benefits (such as Social Security and workers' compensation insurance) are provided to temporary employees. Some other ABC Homebased DayCare Center-sponsored benefits may also be available, subject to the terms, conditions, and limitations of each benefit program. Temporary employees may be hired through employment agencies and therefore all legally mandated benefits will be paid by the agency.

EMPLOYEE RELATIONS

ABC Homebased DayCare Center believes that the work conditions, wages, and benefits it offers to its employees are competitive with those offered by other employers in this area and in this industry. If employees have concerns about work conditions or compensation, they are strongly encouraged to voice these concerns openly and directly to their supervisors.

Our experience has shown that when employees deal openly and directly with supervisors, the work environment can be excellent, communications can be clear, and attitudes can be positive. We believe that ABC Homebased DayCare Center amply demonstrates its commitment to employees by responding effectively to employee concerns. This commitment is extended to both employees and contractual workers.

EQUAL EMPLOYMENT OPPORTUNITY

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at ABC Homebased DayCare Center will be based on merit, qualifications, and abilities. ABC Homebased DayCare Center does not discriminate in employment opportunities or practices on the basis of race, color, religion, sex, national origin, age, disability, or any other characteristic protected by law.

ABC Homebased DayCare Center will make reasonable accommodations for qualified individuals with known disabilities unless doing so would result in an undue hardship. This policy governs all aspects of employment, including selection, job assignment, compensation, discipline, termination, and access to benefits and training.

Any employees with questions or concerns about any type of discrimination in the workplace are encouraged to bring these issues to the attention of the director. Employees can raise concerns and make reports without fear of reprisal. Anyone found to be engaging in any type of unlawful discrimination will be subject to disciplinary action, up to and including termination of employment.

CONFLICTS OF INTEREST

Employees and contractual workers have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This policy establishes only the framework within which ABC Homebased DayCare Center wishes the business to operate. The purpose of these guidelines is to provide general direction so that employees can seek further clarification on issues related to the subject of acceptable standards of operation. Contact the Director for more information or questions about conflicts of interest.

An actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in a personal gain for that employee or for a relative as a result of ABC Homebased DayCare Center's business dealings. For the purposes of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage. An actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in a personal gain for that employee or for a relative as a result of ABC Homebased DayCare Center's business dealings. For the purposes of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

Transactions with outside firms must be conducted within a framework established and controlled by the executive level of ABC Homebased DayCare Center and the Department of Social Services. Business dealings with outside firms should not result in unusual gains for those firms. Unusual gain refers to bribes, product bonuses, special fringe benefits, unusual price breaks, and other windfalls designed to ultimately benefit either the employer, the employee, or both. Promotional plans that could be interpreted to involve unusual gain require specific executive-level approval.

Communications with outside firms or individuals should remain within the framework of all established company policies including confidentiality of client, personnel and company records as well as the release of all information.

No "presumption of guilt" is created by the mere existence of a relationship with outside firms. However, if employees have any influence on transactions involving purchases, contracts, or leases, it is imperative that they disclose to an officer of ABC Homebased DayCare Center as soon as possible the existence of any actual or potential conflict of interest so that safeguards can be established to protect all parties.

Personal gain may result not only in cases where an employee or relative has a significant ownership in a firm with which ABC Homebased DayCare Center does business, but also when an employee or relative receives any kickback, bribe, substantial gift, or special consideration as a result of any transaction or business dealings involving ABC Homebased DayCare Center.

ACCESS TO PERSONNEL FILES

ABC Homebased DayCare Center maintains a personnel file on each regular, part-time, contractual and temporary employee. The personnel file includes such information as the employee's job application, resume, records of training, documentation of performance appraisals and salary increases, and other employment records.

Personnel files are the property of ABC Homebased DayCare Center, and access to the information they contain is restricted. Generally, only supervisors and management personnel of ABC Homebased DayCare Center who have a legitimate reason to review information in a file are allowed to do so.

Employees who wish to review their own file should contact the Director. With a 72 hour advanced notice, employees may review their own personnel files in ABC Homebased DayCare Center's offices and in the presence of an individual appointed by ABC Homebased DayCare Center to maintain the files.

EMPLOYMENT REFERENCE CHECKS

To ensure that individuals who join ABC Homebased DayCare Center are well qualified and have a strong potential to be productive and successful, it is the policy of ABC Homebased DayCare Center to check the employment references of all applicants. Verification that at least three reference checks were completed on each employee shall be maintained in each file. For contractual workers this may include reference checks from previous assignments and/or vendors for whom the contractor performed services.

The Human Resources Department will respond in writing only to reference check inquiries that are submitted in writing. Responses to such inquiries will confirm only dates of employment, wage rates, and position(s) held. No employment data will be released without a written authorization and release signed by the individual who is the subject of the inquiry.

PERFORMANCE EVALUATION

Supervisors and employees are strongly encouraged to discuss job performance and goals on an informal, day-to-day basis. For the regular and part-time employee a formal written performance evaluation will be conducted at the end of an employee's initial period of hire, known as the introductory period. Additional formal performance evaluations are conducted to provide both supervisors and employees the opportunity to discuss job tasks, identify and correct weaknesses, encourage and recognize strengths, and discuss positive, purposeful approaches for meeting goals.

The performance of all employees is generally evaluated according to an on going annual cycle, beginning at the fiscal-year of employment. For the contractual worker, annual evaluations will be completed to determine the compliance with the contractual terms and provisions. The results of the evaluation will determine whether the agreement will be renewed.

ABC Homebased DayCare Center awards merit-based pay adjustments in an effort to recognize truly superior employee performance. ABC Homebased DayCare Center reserves the right to delay the award of cost of living increases and merit-based pay adjustments if it would create a financial hardship for the company. The decision to award such adjustments is also dependent upon numerous factors, including the information documented by this formal performance evaluation process.

WORKERS' COMPENSATION INSURANCE

ABC Homebased DayCare Center provides a comprehensive workers' compensation insurance program at no cost to regular full-time and part-time employees. This program covers any injury or illness sustained in the course of employment that requires medical, surgical, or hospital treatment. Subject to applicable legal requirements, workers' compensation insurance provides benefits after a short waiting period or, if the employee is hospitalized, immediately.

Employees who sustain work-related injuries or illnesses should inform their supervisor immediately. No matter how minor an on- the-job injury may appear, it is important that it be reported immediately. This will enable an eligible employee to qualify for coverage as quickly as possible.

Neither ABC Homebased DayCare Center nor the insurance carrier will be liable for the payment of workers' compensation benefits for injuries that occur during an employee's voluntary participation in any off-duty recreational, social, or athletic activity sponsored by ABC Homebased DayCare Center.

As per the terms of the each Contractual Workers Agreement, contractual workers are responsible for providing their own disability and health insurance coverage. These workers are strongly encouraged to obtain independent policies that shall protect them in the event of injury or loss.

EMPLOYMENT TERMINATION

Termination of employment is an inevitable part of personnel activity within any organization, and many of the reasons for termination are routine. Below are examples of some of the most common circumstances under which employment is terminated:

RESIGNATION - voluntary employment termination initiated by an employee.

DISCHARGE - involuntary employment termination initiated by the organization.

LAYOFF - involuntary employment termination initiated by the organization for non-disciplinary reasons.

RETIREMENT - voluntary employment termination initiated by the employee meeting age, length of service, and any other criteria for retirement from the organization.

ABC Homebased DayCare Center will generally schedule exit interviews at the time of employment termination for regular full and part-time employees. The exit interview will afford an opportunity to discuss such issues as employee benefits, conversion privileges, repayment of outstanding debts to ABC Homebased DayCare Center, or return of ABC Homebased DayCare Center-owned property. Suggestions, complaints, and questions can also be voiced.

Since employment with ABC Homebased DayCare Center is based on mutual consent, both the employee and ABC Homebased DayCare Center have the right to terminate employment at will, with or without cause, at any time. Employee benefits will be affected by employment termination in the following manner. All accrued, vested benefits that are due and payable at termination will be paid. Some benefits may be continued at the employee's expense if the employee so chooses. The employee will be notified in writing of the benefits that may be continued and of the terms, conditions, and limitations of such continuance.

SAFETY

To assist in providing a safe and healthful work environment for employees, customers, and visitors, ABC Homebased DayCare Center has established a workplace safety program. This program is a top priority for ABC Homebased DayCare Center. The Chief Operating Officer has responsibility for implementing, administering, monitoring, and evaluating the safety program. Its success depends on the alertness and personal commitment of all.

ABC Homebased DayCare Center provides information to employees about workplace safety and health issues through regular internal communication channels such as supervisor-employee meetings, bulletin board postings, memos, or other written communications.

Employees and supervisors receive periodic workplace safety training. The training covers potential safety and health hazards and safe work practices and procedures to eliminate or minimize hazards.

Some of the best safety improvement ideas come from employees. Those with ideas, concerns, or suggestions for improved safety in the workplace are encouraged to raise them with their supervisor, or with another supervisor or manager, or bring them to the attention of the Chief Operating Officer. Reports and concerns about workplace safety issues may be made anonymously if the employee wishes. All reports can be made without fear of reprisal.

Each employee is expected to obey safety rules and to exercise caution in all work activities. Employees must immediately report any unsafe condition to the appropriate supervisor. Employees who violate safety standards, who cause hazardous or dangerous situations, or who fail to report or, where appropriate, remedy such situations, may be subject to disciplinary action, up to and including termination of employment.

In the case of accidents that result in injury, regardless of how insignificant the injury may appear, employees should immediately notify the Director or the appropriate supervisor. Such reports are necessary to comply with laws and initiate insurance and workers' compensation benefits procedures.

REST AND MEAL PERIODS

Each workday, full-time nonexempt employees are provided with two rest periods of ten minutes in length. To the extent possible, rest periods will be provided in the middle of work periods. Since this time is counted and paid as time worked, employees must not be absent from their work stations beyond the allotted rest period time.

All full-time REGULAR employees are provided with one meal period of 60 minutes in length each workday. Supervisors will schedule meal periods to accommodate operating requirements. Employees will be relieved of all active responsibilities and restrictions during meal periods and will not be compensated for that time.

EMPLOYEE CONDUCT AND WORK RULES

To ensure orderly operations and provide the best possible work environment, ABC Homebased DayCare Center expects employees to follow rules of conduct that will protect the interests and safety of all employees and the organization.

It is not possible to list all the forms of behavior that are considered unacceptable in the workplace. The following are examples of infractions of rules of conduct that may result in disciplinary action, up to and including termination of employment:

- ◆ Theft or inappropriate removal or possession of property
- ◆ Falsification of timekeeping records
- ◆ Working under the influence of alcohol or illegal drugs
- ◆ Possession, distribution, sale, transfer, or use of alcohol or illegal drugs in the workplace, while on duty, or while operating employer-owned vehicles or equipment
- ◆ Fighting or threatening violence in the workplace
- ◆ Boisterous or disruptive activity in the workplace
- ◆ Negligence or improper conduct leading to damage of employer-owned or customer-owned property.
- ◆ Insubordination or other disrespectful conduct
- ◆ Violation of safety or health rules
- ◆ Smoking in prohibited areas
- ◆ Sexual or other unlawful or unwelcome harassment
- ◆ Excessive absenteeism or any absence without notice

- ◆ Unauthorized disclosure of business "secrets" or confidential information
- ◆ Violation of personnel policies
- ◆ Unsatisfactory performance or conduct

Employment with ABC Homebased DayCare Center is at the mutual consent of ABC Homebased DayCare Center and the employee, and either party may terminate that relationship at any time, with or without cause, and with or without advance notice.

DRUG AND ALCOHOL USE

It is ABC Homebased DayCare Center's desire to provide a drug-free, healthful, and safe workplace. To promote this goal, employees and contractual workers are required to report to work in appropriate mental and physical condition to perform their jobs in a satisfactory manner.

While on ABC Homebased DayCare Center premises and while conducting business-related activities off ABC Homebased DayCare Center premises, no employee may use, possess, distribute, sell, or be under the influence of alcohol or illegal drugs. The legal use of prescribed drugs is permitted on the job only if it does not impair an employee's ability to perform the essential functions of the job effectively and in a safe manner that does not endanger other individuals in the workplace.

Violations of this policy may lead to disciplinary action, up to and including immediate termination of employment and/or contractual status. Such violations may also have legal consequences.

Employees with questions or concerns about substance dependency or abuse are encouraged to discuss these matters with the Director to receive assistance.

Under the Drug-Free Workplace Act, an employee who performs work for a government contract or grant must notify ABC Homebased DayCare Center of a criminal conviction for drug-related activity occurring in the workplace. The report must be made within five days of the conviction.

SMOKING

In keeping with ABC Homebased DayCare Center's intent to provide a safe and healthful work environment, smoking is prohibited throughout the workplace.

This policy applies equally to all employees, parents and visitors.

SEXUAL AND OTHER UNLAWFUL HARASSMENT

ABC Homebased DayCare Center is committed to providing a work environment that is free of discrimination and unlawful harassment. Actions, words, jokes, or comments based on an individual's sex, race, ethnicity, age, religion, or any other legally protected characteristic will not be tolerated. As an example, sexual harassment (both overt and subtle) is a form of employee misconduct that is demeaning to another person, undermines the integrity of the employment relationship, and is strictly prohibited.

Any employee who wants to report an incident of sexual or other unlawful harassment should promptly report the matter to the Director. If the supervisor is unavailable or the employee believes it would be inappropriate to contact that person, the employee should immediately contact any other member of the Board of Directors or any other member of management. Employees can raise concerns and make reports without fear of reprisal.

Any supervisor or manager who becomes aware of possible sexual or other unlawful harassment should promptly advise the Director or any member of management who will handle the matter in a timely and confidential manner.

Anyone engaging in sexual or other unlawful harassment will be subject to disciplinary action, up to and including termination of employment.

ATTENDANCE AND PUNCTUALITY

To maintain a safe and productive work environment, ABC Homebased DayCare Center expects employees to be reliable and to be punctual in reporting for scheduled work. Absenteeism and tardiness place a burden on other employees and on ABC Homebased DayCare Center. In the rare instances when employees cannot avoid being late to work or are unable to work as scheduled, they should notify their supervisor as soon as possible in advance of the anticipated tardiness or absence.

Poor attendance and excessive tardiness are disruptive. Either may lead to disciplinary action, up to and including termination of employment.

PERSONAL APPEARANCE

Dress, grooming, and personal cleanliness standards contribute to the morale of all employees and affect the business image ABC Homebased DayCare Center presents to customers and visitors.

During business hours, employees are expected to present a clean and neat appearance and to dress according to the requirements of their positions.

Consult your supervisor or department head if you have questions as to what constitutes appropriate attire.

PROGRESSIVE DISCIPLINE

The purpose of this policy is to state ABC Homebased DayCare Center's position on administering equitable and consistent discipline for unsatisfactory conduct in the workplace. The best disciplinary measure is the one that does not have to be enforced and comes from good leadership and fair supervision at all employment levels.

ABC Homebased DayCare Center's own best interest lies in ensuring fair treatment of all employees and in making certain that disciplinary actions are prompt, uniform, and impartial. The major purpose of any disciplinary action is to correct the problem, prevent recurrence, and prepare the employee for satisfactory service in the future.

Although employment with ABC Homebased DayCare Center is based on mutual consent and both the employee and ABC Homebased DayCare Center have the right to terminate employment at will, with or without cause or advance notice, ABC Homebased DayCare Center may use progressive discipline at its discretion.

Disciplinary action may call for any of four steps -- verbal warning, written warning, suspension with or without pay, or termination of employment -- depending on the severity of the problem and the number of occurrences. There may be circumstances when one or more steps are bypassed.

Progressive discipline means that, with respect to most disciplinary problems, these steps will normally be followed: a first offense may call for a verbal warning; a next offense may be followed by a written warning; another offense may lead to a suspension; and, still another offense may then lead to termination of employment. If more than 24 months have passed since the last disciplinary action, the process will normally start over.

ABC Homebased DayCare Center recognizes that there are certain types of employee problems that are serious enough to justify either a suspension, or, in extreme situations, termination of employment, without going through the usual progressive discipline steps.

While it is impossible to list every type of behavior that may be deemed a serious offense, the EMPLOYEE CONDUCT AND WORK RULES policy includes examples of problems that may result in immediate suspension or termination of employment. However, the problems listed are not all necessarily serious offenses, but may be examples of unsatisfactory conduct that will trigger progressive discipline.

By using progressive discipline, we hope that most employee problems can be corrected at an early stage, benefiting both the employee and ABC Homebased DayCare Center.

PROBLEM RESOLUTION

ABC Homebased DayCare Center is committed to providing the best possible working conditions for its employees. Part of this commitment is encouraging an open and frank atmosphere in which any problem, complaint, suggestion, or question receives a timely response from ABC Homebased DayCare Center supervisors and management.

ABC Homebased DayCare Center strives to ensure fair and honest treatment of all employees. Supervisors, managers, and employees and contractual workers are expected to treat each other with mutual respect. Employees are encouraged to offer positive and constructive criticism.

If employees disagree with established rules of conduct, policies, or practices, they can express their concern through the problem resolution procedure. No employee will be penalized, formally or informally, for voicing a complaint with ABC Homebased DayCare Center in a reasonable, business-like manner, or for using the problem resolution procedure.

If a situation occurs when employees believe that a condition of employment or a decision affecting them is unjust or inequitable, they are encouraged to make use of the following steps. The employee may discontinue the procedure at any step.

1. Employee presents problem to immediate supervisor within 15 calendar days, after incident occurs. If supervisor is unavailable or employee believes it would be inappropriate to contact that person, employee may present problem to any other member of management.
2. Supervisor responds to problem during discussion or within 15 calendar days, after consulting with appropriate management, client or other persons involved when

necessary. Supervisor documents discussion and forwards copy of written response to Human Resources Office for employee's file.

3. Employee presents problem to other management or Board of Directors within 15 calendar days, if problem is unresolved.
4. President reviews and considers problem. President informs employee of decision within 15 calendar days; The President has full authority to make any adjustment deemed appropriate to resolve the problem.

Not every problem can be resolved to everyone's total satisfaction, but only through understanding and discussion of mutual problems can employees and management develop confidence in each other. This confidence is important to the operation of an efficient and harmonious work environment, and helps to ensure everyone's job security.