

# Operating Policies

Approved: 01/25/2017



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# Operating Policies of South Mountain Company, Inc.

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# Mission, Goals & Principles

## Mission

- To do exemplary work, support each other, strengthen our community, and cultivate positive change

## Goals

- To craft buildings and settings that will be loved and admired for generations
- To create lifelong, stable, meaningful jobs with living wages and good benefits
- To further our understanding of employee ownership and workplace democracy
- To become a zero energy and zero waste company
- To consider new business opportunities that extend our primary endeavors
- To be consistently profitable
- To endure for generations
- To advance the architectural expression of high performance building
- To pursue affordable housing opportunities which help to preserve community
- To facilitate responsible energy use in our work and renewable energy use in our region
- To bolster and enhance our local economy
- To practice environmental stewardship in all that we do
- To provide a superb experience for our clients from the beginning to beyond the end
- To share our expertise with others
- To nurture a culture of cooperation, teamwork, and fun

## Guiding Principles

Our mission and goals are living expressions of our will as a company. They spring directly from these guiding principles:

- Maintain a triple bottom line commitment (planet, people, and profits)
- Remember how fortunate we are to be able to produce the good things we do
- Establish enduring and respectful relationships
- Encourage individual creativity, health, opportunity, and fulfillment in the workplace
- Honor craft and those who practice it
- Embrace new ideas with a bold and flexible approach
- Employ reclaimed, renewable and energy efficient materials and systems whenever possible
- Make places that draw from past intelligence and anticipate future needs
- Seek projects that are consistent with our values
- Generate lasting value for our clients
- Grow only with purpose
- Concentrate our endeavors primarily on Martha's Vineyard
- Expand our extensive network of professional connections for learning and educating
- Use our financial resources to support our mission

# Governance

## Generally

South Mountain Company (SMC) is a worker-owned cooperative and a benefit corporation. Our governance system is a democracy with clear divisions of responsibility and authority.

### (A) Governing Documents

- (1) *The Articles of Organization* is SMC's formal corporate charter on file with the Secretary of the Commonwealth of Massachusetts. This document defines SMC as a worker-owned cooperative. It also defines SMC as a benefit corporation. Benefit corporations are similar to traditional for-profit corporations, but they differ in one important respect: while the Directors of traditional for-profit corporations must focus primarily on maximizing financial returns, the Directors of benefit corporations are expressly permitted to consider and prioritize the social and environmental impacts of their corporate decision-making. This aspect of governance reflects our commitment to a triple bottom line of planet, people, and profits. The Articles may be amended only by the Owners.
- (2) *The Bylaws* specify how SMC operates as a corporation. They include procedures for ownership, decision-making, accounting, meetings, the Board of Directors, officers, and similar matters. The Bylaws may be amended only by the Owners, and if there is any conflict with the Articles, the Articles supersede.
- (3) *The Operating Policies* describe all the additional rules of the company, including employee policies and benefits. The Operating Policies may be amended by either the Owners or the Board of Directors, and if there is any conflict with the Bylaws or Articles, the Bylaws or Articles supersede.

### (B) Governing Bodies

- (1) *The Owners* are the individuals who own one share each in the company and who, as a group, have responsibility for the company. Even though all employees are not Owners, all Owners are employees.
- (2) *The Board of Directors* is elected by the Owners to oversee policy matters of the company. At present, the Owners have elected each of themselves to serve as a Director. (This arrangement could change because the Owners are only required to elect a minimum of three Directors, and a Director need not be an Owner.) Additionally, the Owners have elected two non-Owners: one whose licensing provides SMC with the ability to be an electrical contractor, and the other who serves as an independent Benefits Director. The Board meets periodically to review financials, set policy, and make major decisions. Each Director has one vote, but we work by consensus with a super-majority backup mechanism.
- (3) *The Committees* manage day-to-day operations of the company. While the CEO (John), the COO (Deirdre), and the Management Committee share overall responsibility for operations and are directly responsible to the Board, the work of management also takes place in committees. Our management system is more open and decentralized than most. All are encouraged to make decisions and accept responsibility for those decisions. All are encouraged to question the decisions of others. Taking risks and making mistakes are everyday events. The company culture embodies a spirit of inquiry, experimentation, and teamwork.

## Owners

### (A) Generally

- (1) Owners are the individuals who own one share each in SMC. As a group, the Owners have responsibility for the company. This responsibility is exercised primarily by electing and overseeing the Board of Directors and by maintaining the Bylaws and Articles of Organization.
- (2) Ownership at SMC is a privilege, an expectation, and a responsibility. This does not mean that all employees will necessarily become Owners.
- (3) The terms of ownership are contained in the SMC Bylaws. The Operating Policies summarize key provisions from the Bylaws and set forth additional rules. Detailed information about our ownership history and structure can be found on the SMC website.

- (4) The list of current Owners appears within the list of Directors in this document. Because our current practice is that every Owner serves as a Director, meetings of the Board of Directors effectively serve as meetings of the Owners. When the distinction between Directors and Owners is critical, separate minutes are recorded.

## **(B) Becoming an Owner**

- (1) *Eligibility*: Ownership eligibility begins after a period of five years of employment and a minimum of 6,000 hours worked. Additionally, there are four essential criteria that prospective Owners are expected to meet:
- (a) The intention to work at SMC for the foreseeable future; not an absolute commitment for a certain number of years, but the expectation of long term employment.
  - (b) An ability to work well and cooperatively in whatever position the employee holds. Evaluations should demonstrate exemplary work and cooperation, or steady improvement where necessary, a non-defensive attitude which encourages constructive criticism from others, and a reflective attitude which permits self-criticism.
  - (c) A commitment to understanding and honoring the issues which are central to the company's values: quality work, ethical business conduct, environmental responsibility, and concern for other people. In other words, we expect that a new Owner will be a good representative of the company.
  - (d) A commitment that, while an Owner, the employee will make SMC their primary work.
- (2) *Process*
- (a) Employees are evaluated for ownership suitability and educated about the meaning of ownership during their first five years of employment. The process consists of periodic educational sessions and annual evaluations. The expectation is that it will be clear, when each employee reaches eligibility, whether the employee is ready to accept the responsibility and whether the current Owners are ready to accept the employee as a new Owner.
  - (b) After an employee meets eligibility requirements, applies for ownership, and is accepted by the Board of Directors, the employee can become an Owner on any following May 1st or November 1st.
- (3) *Ownership Fee*
- (a) *Purpose*: The Ownership Fee, as described in the SMC Bylaws, is for the purchase of one share in SMC.
  - (b) *Procedure*: The full fee may be paid at the beginning of ownership, or payments may be spread, at no interest, over a period of time not to exceed 36 months. The new Owner takes on all responsibilities and receives all benefits of ownership once 50% of the fee has been paid. The Ownership Fee is credited to the new Owner's individual capital account.
  - (c) *Amount*: Effective November 1, 2016, the Ownership Fee is \$15,000. This fee will increase \$500 every subsequent November 1st.

## **(C) Responsibilities of Ownership**

- (1) *Serve on the Board of Directors*: Our current practice is that every Owner is required to serve as a Director of the corporation. Owners are expected to study and understand all material in Board meeting packets and attend all Board meetings. To effectively serve, a new Owner must learn what it means to act in the best interests of the company, and should take an active role in charting the course of the company.
- (2) *Understand SMC Governance*: An Owner should be familiar with the SMC Bylaws, Mission, and Operating Policies.
- (3) *Serve on the Management Committee*: Every Owner is required to serve at least one rotation on the Management Committee.
- (4) *Represent SMC*: In a way, each Owner is a community ambassador for SMC. We expect that each of us will conduct ourselves in ways that are consistent with the values of the company, as expressed in our Bylaws, Mission, Goals, and Guiding Principles.

## **(D) Benefits of Ownership**

- (1) *One Vote (or Voice) on Policy Matters*: Ownership is an opportunity, as well as a responsibility, to impact the policy matters which decide the direction and destiny of SMC and which determine the quality of each employee's work-life.
- (2) *Ownership Title*: This is an intangible that may mean more to some than others, but the ability to consider and call oneself an Owner is surely an important benefit. Owners don't just work at SMC - they own it.

(3) *Equity Sharing*: One of the important aspects of the system SMC has adopted is building equity through ownership. The following is an explanation of how this works:

- (a) *Internal Capital Accounts*: In accordance with Article III of the Bylaws, all Owners share equity in the form of internal capital accounts, including one individual capital account for each Owner. These internal accounts are not cash accounts, but paper accounts that are backed up by the company's net worth, and specifically, by the company's Equity Fund.
- (b) *Equity Fund*: The purpose of the Equity Fund is to provide funds to meet our equity commitments to Owners. The Management Committee evaluates the fund annually to assure that it contains sufficient capital. Except for "Distributions while an Owner" and "Payout upon Ownership Termination" as specified below, equity funds cannot be used for any purpose that does not produce revenue to the fund without the unanimous approval of all Owners.
- (c) *Individual Capital Accounts*: These are accountings of each Owner's accumulated equity in SMC. An Owner's individual capital account begins with the Ownership Fee that he or she pays. It increases at the end of each profitable year by means of a patronage dividend. (The account similarly decreases at the end of each year in which there is a loss.) The individual capital account continues to mature until termination of ownership and it is non-interest bearing. Following termination of ownership, the account is paid out to the former Owner according to the policy below in subsection (f).
- (d) *Patronage Dividends*: At the end of each profitable year, the Board distributes a percentage of the company's income as dividends to Owners, according to the recommendation of our accountant. (This dividend is separate and distinct from the cash profit sharing that is extended to all employees each year in the form of wage bonuses.) Dividends are based on hours worked during that fiscal year and are usually paid in a combination of paper equity and cash. At least 20% of dividends must be paid in cash, according to the IRS, and the entire annual dividend is taxable income to each Owner, even the non-cash portion. The Board tries to make certain that the cash portion is enough to at least cover the increased income tax liability generated by the dividend, so as to not cause a financial hardship to the individual Owners. The current practice is to distribute 30% in cash.
- (e) *Distributions while an Owner*: Our policy is that individual capital accounts are not accessible until ownership is terminated, but an Owner who has passed his or her 62nd birthday may request payment of his or her individual capital account, which proceeds according to the established redemption schedule. Such Owner may, at his or her option, continue as an Owner so long as he or she is eligible. This allows older Owners to continue their ownership rather than being forced to give up ownership by a need or desire to begin collecting equity payments.
- (f) *Payout upon Ownership Termination*: After the close of the fiscal year in which ownership is terminated, the value of the Owner's individual capital account will be calculated and paid out in equal payments spread over a period of eight years. (An Owner who is planning to depart can end ownership as of the end of the fiscal year, April 30th, in the year in which the departure will occur.) If a departing Owner wishes an accelerated payout of their account, or has any other special request regarding payout, they must make their request in writing to the Management Committee, which will make a proposal to be acted on by the Board. In the case of accelerated payout, the account will be valued as follows:
- |                  |                 |
|------------------|-----------------|
| 8 year payout    | @ 100% of value |
| 7 year payout    | @ 95% of value  |
| 6 year payout    | @ 90% of value  |
| 5 year payout    | @ 85% of value  |
| 4 year payout    | @ 80% of value  |
| 3 year payout    | @ 75% of value  |
| 2 year payout    | @ 70% of value  |
| 1 year payout    | @ 65% of value  |
| Immediate payout | @ 60% of value  |
- (g) *Value of Individual Capital Account for the Purpose of College Financial Aid Applications*: It is the opinion of our accountants that each individual capital account has no fair market value until the termination of ownership.

## **(E) Termination of Ownership**

- (1) In general, an individual's ownership is terminated upon any one or more of the following:
  - (a) Voluntary or involuntary termination of an Owner's employment (except for temporary layoffs or absences).  
Note that ownership does not guarantee permanent employment. In other words, ownership status does not protect against termination of employment.
  - (b) Nonpayment of the Ownership Fee.
  - (c) The amount of the Owner's individual capital account balance falls, through distributions, below the then current Ownership Fee.
  - (d) The Owner becomes less than a three-quarter time employee, as defined in these Operating Policies.
- (2) No individual's ownership may be terminated involuntarily without written notice and a right to a hearing before the Board of Directors or such other body as determined by the Owners.
- (3) Ownership shares and rights cannot be transferred or assigned to others. They can only be transferred back to the company.

## Board of Directors

### **(A) Generally**

- (1) The Board of Directors is elected by the Owners to determine the policies of SMC. The functioning of the Board is governed by Article V of the Bylaws.
- (2) The Owners are only required to elect a minimum of three Directors, and a Director need not be an Owner. Our current practice is that every Owner is elected to serve as Director. The Owners may invite non-employees and retiring Owners to serve as Directors.
- (3) All Directors are expected to attend all Board meetings, unless Owners make an exception to this policy. Current exceptions are John Center and Jerry Tulis. Directors who miss meetings must expect, of course, that important decisions may be made in their absence.
- (4) Meeting Frequency: Quarterly

### **(B) Directors**

#### (1) Owners

John Abrams (President & Chief Executive Officer)  
Rocco Bellebuono  
Deirdre Bohan (Vice President & Chief Operating Officer)  
Ryan Bushey  
Matt Coffey  
Jean DaSilva  
Brice Delhougne  
Billy Dillon  
Phil Forest  
Curtis Friedman  
Peter Ives (Clerk)  
Beth Kostman  
Ken Leuchtenmacher  
Peggy MacKenzie  
Rob Meyers  
Siobhan Mullin (Treasurer)  
Marc Rosenbaum  
Greg Small  
Betsy Smith  
DonE Turnell  
Jim Vercruysse

#### (2) Non-Owners

John Center (Employee, Master Electrician, Vice Clerk)  
Jerry Tulis (Non-Employee, Accountant, Benefit Director)

## **(C) Responsibilities**

The Board has responsibility for decisions that determine the course of the company and its future, such as:

- Acceptance of new Owners
- Benefits and compensation policies
- Patronage dividends
- Direction of future projects and work
- Expansion of company size
- New ventures
- Investments
- Major financial decisions
- Charitable contribution and pro bono policies

## **(D) Decision Making**

- (1) *Process*: Management Committee prepares the Board to make decisions and in most cases recommends direction and courses of action for the Board's consideration. Before each board meeting, an agenda and a package of supporting material is distributed to the Directors so they are prepared to discuss and deliberate.
- (2) *Board v. Management Decisions*: There are times when it is not clear whether a decision should be made by Management or the Board. In these cases, the Board discusses until a conclusion is reached. This allows adjustments and new understandings to be crafted over time. It is important to balance participation and efficiency. There is no map to guide us except past decisions. We need to be comfortable with trial and error, always being ready to alter the process as needed. We are a "work-in-progress."
- (3) *Decisions Involving Relatives, Close Friends, and Similar Issues*: Whenever there is an issue of hiring, evaluation, ownership, termination, or other personnel matters, all those involved in the decision-making process must remember to be especially careful to keep *the company's interest* first and foremost in deliberations and decision-making. It is essential to try to be frank, honest, open, and constructive, and to not allow personal issues to get in the way of good company decision-making. SMC allows (but does not require) any of the following:
  - An individual who is the subject of a discussion and/or decision may decide not to participate.
  - An individual decision-maker may directly ask the subject of a decision or a related party to not participate, and that person (the subject) may ask the decision-maker to reconsider.
  - A decision-maker may elect not to participate.
  - In the event that a decision-maker is uncomfortable saying something directly to the subject of a decision, that person may discuss with anyone on the Personnel Committee and ask the Personnel Committee member to raise their concern. This does not apply to non-participation requests.A primary aspect of this policy is that it is intended to assure personal safety while encouraging transparency.
- (4) *Difficult Decisions*: The process we commonly use with difficult decisions is to make a decision, sit with the decision, and then revisit it at a subsequent special or regular meeting. Any Director should call for this procedure when he or she feels it is warranted.
- (5) *Backup Voting Mechanism*: In the event that we are unable to reach a decision via consensus, our Bylaws provide that a super-majority of 75% is required to make a Board decision.
- (6) *Triple Bottom Line Provision*: Because SMC is committed to maintaining a triple bottom line (planet, people, and profits), Directors are expressly permitted to consider social and environmental impacts in their decision-making, including, but not limited to the social, economic, legal, environmental, and other effects of any action on current Owners, previous Owners who are still receiving capital account payments, employees, suppliers, customers, and the communities (local, regional, national, and global) in which SMC operates.

## Meeting Procedures

All SMC meetings will abide by the following procedures. (Note that the SMC Bylaws have additional specific provisions for Owner meetings and Board meetings.)

### **(A) Open Meetings**

Board meetings and Management Committee meetings are open to any employee who wishes to observe. You may observe a Board meeting without any advance arrangements. If you would like to observe an MCom meeting or suggest an agenda item for MCom, please speak with Deirdre or John to arrange.

## **(B) Facilitation**

- Board meetings and Owner Meetings are facilitated by the President of the Board (John).
- Company meetings are facilitated by the CEO (John).
- All other meetings will be facilitated by the Chairperson of the particular committee.

## **(C) Agendas**

- Agendas will be distributed before meetings.
- Agendas will be distributed by email, with paper copies only as necessary.

## **(D) Minutes**

- Minutes will note assigned tasks, with doers and deadlines where applicable.
- Minutes will be distributed to all committee members. In addition, all Board and Management minutes will be distributed to all employees.
- Minutes will be distributed within 72 hours of meetings, if possible. Minutes will be distributed by email, with paper copies only as necessary.
- Because our current practice is that every Owner serves as a Director, meetings of the Board of Directors effectively serve as meetings of the Owners. When the distinction between Directors and Owners is critical, separate minutes will be recorded.
- All SMC minutes are confidential, for employee use only, and should not be shared or forwarded outside the company. Minutes of the Board and Management Committee are particularly sensitive and should be stored and disposed of with care.

# Committees

## **(A) Generally**

Management, Personnel, and Charitable Contributions committees are appointed by the Board. Other committees are appointed by the Management Committee. Chairpersons are indicated by underlining.

## **(B) Management Committee (MCom)**

(1) *Members:* This committee consists of seven to eight employees appointed by the Board, including:

- The CEO and COO.
- Department Managers of Finance, Production, Design, and Energy.
- One additional Production employee who is an Owner.
- One rotating Owner, serving a six to nine month term. The purpose of this rotating position is to increase exposure to the work of MCom and to train potential future MCom members. Rotating members do not participate in wage reviews or the employee evaluation process.

Standing members: John Abrams, Deirdre Bohan, Ryan Bushey, Billy Dillon, Newell Isbell Shinn, Rob Meyers, Siobhan Mullin.

(2) *Responsibilities*

- Share overall responsibility for managing the company with the CEO and COO.
- Provide oversight of all SMC operations, including finances, projects, staffing, ownership preparation, minor personnel issues, pro bono work, and day-to-day operations.
- Serve as the executive arm of the Board. Bring policy proposals to the Board.
- Oversee hiring and firing. The Board establishes need for hiring based on MCom recommendations. When a new hire indicates an actual expansion of the company, it is a policy issue to be determined by the Board. When we are replacing a departed employee to keep staffing stable, it is an MCom decision. Members of MCom and other relevant individuals conduct the hiring process and make final hiring decisions.
- CEO, COO, and Department Managers work with Personnel Committee on employee evaluations.
- Maintain a succession plan (currently known as "The Avalanche Scenario") and oversee the implementation of this plan in the event of the death or incapacitation of the CEO.

(3) *Annual Tasks*

- Review the company annually, including the committee structure and the departments. Prepare "Post-Evaluation Summary" and "Strategic Plan."

- Review "SMC Operating Policies" annually and propose a set of revisions to the Board. Recommendations for new benefits will be collected over the course of the year for consideration during this process.

(4) *Meeting Frequency*: Weekly

### **(C) Personnel Committee**

(1) *Members*: This committee consists of four Owners appointed by the Board: John Abrams, Peter Ives, Peggy MacKenzie, Siobhan Mullin.

(2) *Responsibilities*: Handle confidential individual personnel issues (such as personal or work crises, housing grants and subsidies, etc.) and work with Management Committee on employee evaluations.

(3) *Meeting Frequency*: As needed and employee evaluations

### **(D) Charitable Contributions Committee (CharCom)**

(1) *Members*: This committee is appointed by the Board: John Abrams, Ken Leuchtenmacher, Betsy Smith, DonE Turnell.

(2) *Responsibilities*: Oversee the disbursement of funds for the South Mountain Company Foundation in accordance with the Charitable Contributions policy (located in *Additional Policies*).

(3) *Meeting Frequency*: As needed, but generally two times per year (March and December)

### **(E) Design Committee (DesCom)**

(1) *Members*: John Abrams, Deirdre Bohan, Ryan Bushey, Matt Coffey, Angie Francis, Newell Isbell Shinn, Beth Kostman, Rob Meyers, Greg Milne, Marc Rosenbaum

(2) *Responsibilities*: Maintain shared oversight and responsibility for the practices and operations of the Design Department. Conduct periodic design reviews and establish design standards.

(3) *Meeting Frequency*: Monthly

### **(F) Production Committee (ProdCom)**

(1) *Members*: John Abrams, Rocco Bellebuono, Deirdre Bohan, Ryan Bushey, Matt Coffey, Peter D'Angelo, Billy Dillon, Angie Francis, John Guadagno, Newell Isbell Shinn, Peter Ives, Beth Kostman, Peggy MacKenzie, Rob Meyers, Greg Milne, Marc Rosenbaum, Jim Vercruysse, Chris Wike.

(2) *Responsibilities*: Develop standards of practice; facilitate sharing of information and experience; identify production issues and develop solutions; link design and construction.

(3) *Safety Committee*: The Production Committee shall serve as the company's "Safety Committee" for all purposes where such a committee is required.

(4) *Meeting Frequency*: Quarterly, with Foremen or Carpenter meetings held in the intervening months

(5) *Foremen Subcommittee*

- *Members*: John Abrams, Rocco Bellebuono, Ryan Bushey, Peter D'Angelo, Billy Dillon, Newell Isbell Shinn, Peter Ives, Marc Rosenbaum, Jim Vercruysse, Chris Wike.

- *Meeting Frequency*: Once or twice per quarter

### **(G) Energy Committee**

(1) *Members*: John Abrams, Brice Delhougne, Phil Forest, John Guadagno, John Mazza, Rob Meyers, Abbie Rogers, Marc Rosenbaum.

(2) *Responsibilities*: Conduct regular meetings to discuss and refine Energy Department operations.

(3) *Meeting Frequency*: Monthly

### **(H) Marketing Committee**

(1) *Members*: John Abrams, Deirdre Bohan, Ryan Bushey, Matt Coffey, Beth Kostman, Rob Meyers.

(2) *Responsibilities*: Manage marketing program, including branding, website, publicity opportunities, and advertising budget.

(3) *Meeting Frequency*: Two times per year, and more as needed

## **(I) Social Committee (FunCom)**

- (1) *Members:* Rob Meyers, Siobhan Mullin, Abbie Rogers, Jim Vercruysse.
- (2) *Responsibilities:* Plan company social events.
- (3) *Meeting Frequency:* As needed

## Company Meetings

Company-wide meetings, for all SMC employees, are normally held four times a year. These meetings are important opportunities to learn about and discuss current matters within the company. All employees are expected to attend.

# Employment

## Nondiscrimination

- (A)** SMC is committed to a work environment in which all individuals are treated with respect and dignity. Each individual has the right to work in a professional atmosphere that promotes equal employment opportunities and prohibits unlawful discriminatory practices. Therefore, SMC expects that all company relationships will be business-like and free of bias, prejudice, and harassment.
- (B)** It is our policy to ensure equal employment opportunity and to prohibit discrimination on the basis of race, color, religion, sex, sexual orientation, gender identity or expression, age, disability, marital status, citizenship, genetic information, or any other characteristic protected by law.
- (C)** SMC encourages reporting of all perceived incidents of discrimination, harassment, or retaliation, regardless of the offender's identity or position. Individuals who believe that they have been the victim of such conduct should discuss their concerns with their immediate supervisor and/or any member of the Personnel Committee.

## Types of Employees

### **(A) Generally**

- (1) Employees are the individuals who are responsible for conducting the work of SMC in harmony with the company's mission, goals, and principles.
- (2) Employees are individuals who are currently on the SMC payroll.
- (3) SMC is a worker-owned cooperative, which means that all the Owners of SMC are employees. Not all employees, though, will become Owners (see the *Ownership* section above for more details).

### **(B) Benefitted Employee**

- (1) *Defined:* A benefitted employee is an SMC employee who is employed on a continuing full-time or three-quarter time basis, in accordance with the hours requirement chart below.
- (2) *Three-Quarter Time Employees:* Proposals for three-quarter time employment need Management Committee approval. All individual arrangements must work for the company as well as the employee. Three-quarter time employment is arranged as a reduced-hour work week.
- (3) *Hours Requirement:* All employees are expected to work at least the minimum number of hours for their category during each fiscal year (May 1 - April 30). The reduced requirement for employees who work primarily outside is in recognition of weather, daylight hours, and the physical stress of the job. Hours worked do not include hours for sick, personal, weather, maternity/paternity, holiday, or vacation time.

<b>Employee Category</b>	<b>Full-Time</b>	<b>3/4 Time</b>	<b>Part-Time</b>
- Company Manager - Department Manager	1850 Hours	1388 Hours	Under 1388 Hours
- Project Manager - Design/Engineering Professional - Assistant Manager (Inside) - Nonsupervisory Employee (Inside)	1800 Hours	1350 Hours	Under 1350 Hours
- Assistant Project Manager (Outside) - Nonsupervisory Employee (Outside)	1750 Hours	1313 Hours	Under 1313 Hours

Exceptions to this hours requirement include:

- Foremen and shop employees over age 60 are entitled to a 50-hour exemption on the above requirements to acknowledge the physical component of their work.
- Assistant Project Managers (Outside) and Nonsupervisory Employees (Outside) over age 60 are entitled to a 100-hour exemption on the above requirements to acknowledge the physical component of their work.
- If a serious medical or personal situation affects an employee's ability to fulfill their hours requirement, the employee may petition the Personnel Committee, at fiscal year end, to waive all or some of the shortfall.

### **(C) Non-Benefitted Employee**

- (1) *Defined:* A non-benefitted employee is an SMC employee who meets one or more of the following criteria:
- Is employed on a part-time basis, in accordance with the hours requirement chart above.
  - Is employed for a temporary period.
  - Has an employment agreement with SMC which excludes benefits.
- (2) *Part-Time Employees:* Proposals for part-time employment need Management Committee approval. All individual arrangements must work for the company as well as the employee. Any employee who makes an arrangement with the Management Committee to work less than three-quarter time will be considered a part-time employee. Part-time employees are not eligible to receive benefits.

### **(D) Internships & Mentorships**

(1) *Internships*

- (a) *Purpose:* The spirit of our internship program is one of mutual benefit: the intern acquires new skills and is exposed to new environments, and SMC receives assistance on specific projects and meets qualified young people with new perspectives. Internships are differentiated from other kinds of temporary employees by an active learning component, an assigned mentor, and a substantial project.
- (b) *Eligibility:* Internships are available for high school students, college students or postgraduates. Interns are selected by the level of experience appropriate for projects SMC has in mind; this varies by department.
- (c) *Employment:* An intern is a temporary SMC employee, paid at the applicable SMC rate. The position has set hours and may be part-time or full-time.
- (d) *Duration:* An internship lasts for a fixed duration (six months maximum). Generally, an internship is considered a one-time experience, but it is possible for an internship to be renewed for a longer period of time with approval by the Management Committee.
- (e) *Program*
- As with any new employee, SMC provides the intern with orientation, desk space and/or tools, lots of feedback, interaction with different areas of the company and exposure the inner workings of our business (organizational politics, need for confidentiality, importance of teamwork, profit-making, etc.).
  - When creating internship opportunities within SMC, each department should identify learning components, substantial projects, and challenging but realistic tasks interns can complete within the time allowed.
  - The department should select an employee who will act as a guide throughout the internship - providing leadership, communicating, developing, training and evaluating.

## (2) Mentorships

- (a) *Purpose:* Mentorships are designed to expose students to our field, and to business in general, without expectation that the mentee will generate productive work. Mentees are typically high school students, sponsored by their schools, and their experience at SMC is regarded as part of their education.
- (b) *Arrangements:* Mentorship requests should be directed to the Management Committee. If MCom determines that a mentorship would be suitable, a mentor will be assigned to work with the student and to determine the specific program and duration.
- (c) *Employment:* A mentee is not an employee of SMC and is not paid by SMC for any work they complete during the mentorship program.

# Employee Responsibilities

## (A) General Expectation

SMC expects and values individual responsibility rather than constant oversight. Employees are expected to be responsible, take care of themselves, and ask for what they need. At the same time, employees are accountable to supervising personnel and receive support from them.

## (B) Responsibility for Resources

Care for resources is expected in all situations. Please use equipment, tools, and materials correctly. Return tools to their places, clean and in good condition. If something is damaged, please inform your supervisor and/or Administration. Avoid unnecessary waste and spending. Recycle when possible.

## (C) Communications

- (1) All employees are responsible for understanding the SMC Operating Policies.
- (2) All carpenters are responsible for understanding the SMC Carpenter Manual.
- (3) All employees are responsible for regularly checking the following sources of company information:
  - *Email:* Check your southmountain.com email at least every day during the work week.
  - *Mailbox:* Check your mailbox in the office at least once a week.
- (4) All employees are expected to attend Company meetings.

## (D) Work Hours & Absences

- (1) *Generally:* SMC allows employees some measure of personal flexibility in their work schedule. Since much of our work, however, is team-based, employees have a responsibility to coordinate and communicate regarding regular hours, planned absences, and unplanned absences. There is a daily obligation as well as the annual hours obligation to satisfy.
- (2) *Unplanned Absences:* If you are going to be absent from work, arrive late, or depart early, it is important to notify your supervisor as far in advance as possible.
- (3) *Planned Absences:* Always indicate planned absences on the office calendar or the online calendar. It is important to notify your supervisor as far in advance as possible, and it is essential that Administration knows when people are at work or not.
- (4) *Shop & Office Personnel:* Always check in/out with Admin staff as you enter/leave the building. Please be sure to let them know where you are and when you will be back.
- (5) *Timesheets:* Enter your timesheet information every week, by the end of the day Sunday, using the online application "Harvest."

## (E) Difficult Situations

If you have a difficult issue, and you can't figure out how to deal with it or who is the appropriate person to go to, discuss it with John or Deirdre. They will help you figure it out or tell you who is the best person to ask for help.

## (F) Employee Bills

Employees will be billed for SMC labor and use of SMC resources. All bills should be fully paid off in a maximum of 90 days. Any discounts earned by SMC are passed along on these bills. Overhead of 5% will be charged on all bills.

# Professional Development

## **(A) Generally**

SMC is committed to supporting each employee's continued growth and professional development. Employee development is ongoing. We identify the necessary skills and resources needed to support individual professional goals and SMC's organizational needs and objectives, and we help our employees obtain them. This process is carried out in the following ways:

## **(B) Job Training**

Upon hiring, SMC will ensure that you receive adequate resources and training to enable you to carry out the responsibilities identified in your job description.

## **(C) Evaluations**

- (1) *Purpose*: SMC performs an annual evaluation for each employee. Additionally, new employees will have an evaluation six months after their arrival. These evaluations have several purposes:
- Administrative: To provide information about job performance for determining compensation and for recognizing progress and/or performance problems.
  - Developmental: To provide information to help us identify how to plan for necessary training or other coaching along with opportunity for feedback to help improve day-to-day performance, achieve goals, and prepare for future responsibilities. Constructive criticism should be welcome and expected.
  - Individual: To provide a structured time for two-way employee feedback and to provide opportunities for employees to understand the rationale for compensation decisions and performance recommendations.
- (2) *Process*: The CEO (John), COO (Deirdre), Department Managers, and Personnel Committee are all involved in the employee evaluation process. The process has four parts:
- Employee written self-evaluation
  - Employee meeting in April
  - Written summary of the employee meeting
  - Mid-year check-in in October or November
- (3) *Access to Personnel Information*: All members of the Personnel Committee, all standing members of the Management Committee, and all Department Managers will see all wages and have access to the Personnel folder on the server.

## **(D) Ongoing Training**

All employees are encouraged to seek out professional development opportunities that:

- Enhance their job-related skills in pursuit of SMC's strategic goals
- Provide access to valuable information and colleagues which they may not come across in their daily lives
- Support and share their particular passions and contribute to their professional development
- Maintain their job-related licensing in Massachusetts

Requests to participate in such opportunities may be made at annual evaluations and to the Management Committee at anytime.

## **(E) Compensation & Reimbursements**

In most cases, SMC will provide the following for professional training and outreach if approved by the Management Committee:

- Payment for a maximum of 8 hours per day
- Payment for cost of course, conference, etc.
- Reimbursement for transportation costs, including parking
- Reimbursement for overnight accommodations
- A food stipend of up to \$50/day
- For study and preparation, the employee will only be compensated in special cases. Study time for licensing is not covered.

Reimbursements will be issued when Bookkeeping receives a simple itemized list of expenditures.

## **(F) Professional Outreach**

- (1) *Generally:* SMC encourages employees to share their knowledge in the public realm, whenever appropriate. If an employee is invited to do so, they should check with John or Deirdre to ensure that the venue and content are in keeping with how and where SMC wishes to be represented. A draft of the presentation and all promotional materials should be run by John or Deirdre well in advance of the engagement, if requested.
- (2) *Compensation:* We encourage the employee to seek compensation from the host organization either in the form of a stipend, expenses, or both. If SMC is paying for time and/or expenses, and if compensation is offered by the host organization, such compensation should be paid directly to South Mountain Company to reduce SMC's expenses.

# Employee Benefits

## **(A) Eligibility**

- (1) *Benefitted Employees:* All Benefitted Employees (and their dependents, where applicable) are eligible to receive employee benefits as described in this section, with the following adjustments applied as appropriate:
  - (a) *Three-Quarter Time Employees:* Three-quarter time employee benefits are prorated to 75% of full-time employee benefits. The prorated benefits are: Vacation, Sick/Personal Days, Holidays, Maternity/Paternity Leave, and Tool Allowance. If a three-quarter time employee elects to participate in our health plans, they will contribute 25% of costs, which will be taken as a deduction through payroll.
  - (b) *Short Hours:* If an employee works less than their minimum hours requirement, they will be expected to pay the product of the number of hours they are short multiplied by the cost of their benefits per hour, unless the hours requirement is waived by the Personnel Committee. This is calculated at the end of the fiscal year.
- (2) *Non-Benefitted Employees:* All Non-Benefitted Employees are ineligible to receive employee benefits as described in this section.

## **(B) Compensation**

- (1) *Salary Option:* By agreement with the Management Committee, full-time and three-quarter time employees may opt for a salary rather than an hourly wage. The value of vacation, sick/personal time, holidays, and overtime is included in the salary calculation. A part of the salary negotiation will be to establish a minimum hours requirement for compensation (based on work history and future expectations) which may be higher than the minimum hours requirement stated above for benefits eligibility. If the employee does not meet this minimum hours requirement for compensation, he or she will refund wages earned for the shortfall, unless the hours requirement is waived by the Personnel Committee.
- (2) *Overtime:* All hourly employees are eligible for overtime compensation at the rate of time-and-a-half for all time worked over 40 hours per week. Each overtime hour counts as one hour only for the purposes of profit sharing and calculating hours worked. Sick/personal, weather, maternity/paternity, holiday, and vacation hours cannot be used to earn overtime.
- (3) *Retirement Plan:* SMC offers a Simple 401k retirement plan to all employees after one year of employment and a minimum of 1,000 hours worked. The entry date is January 1 or July 1 after one year. An overview and history of the plan are available upon request. Plan investments are made in consultation with our investment advisor Lisa Haner at Morgan Stanley, and plan emphasis is on low-risk socially responsible investing. Contributions may be made through weekly payroll deductions and/or annual profit sharing payments (contributions are taxable for FICA only). The employee contribution for 2017 cannot exceed \$12,500 unless the employee is 50 years or older, in which case an additional \$3,000 catch-up contribution is permitted annually. SMC also contributes a match payment equal to 2% of gross wages. If an employee elects to opt out of the plan, their wage rate will be increased accordingly, and they will be unable to opt in at any time in the future.
- (4) *Profit Sharing:* SMC offers profit sharing based upon "net income before fiscal year-end accounting adjustments"\* and employee hours worked within each fiscal year. Management Committee decides on the total amount of profit sharing to be distributed each year using the chart below. The total amount to be distributed is divided by the total hours worked by SMC employees. The resulting per-hour factor is multiplied by each employee's hourly total. Profit sharing payments are processed as a bonus through payroll, and are distributed before the end of the calendar year for the fiscal year that ended on April 30th of that year.

<b>Net Income*</b>	<b>% Distribution</b>	<b>Distribution Range</b>	<b>Avg. \$/Hour</b>
Up to \$250,000	35%	\$0 - \$87,500	\$0.00 - \$1.62
\$250,000 to \$500,000	33%	\$82,500 - \$165,000	\$1.53 - \$3.06
\$500,000 to \$750,000	30%	\$150,000 - \$225,000	\$2.78 - \$4.17
\$750,000 to \$1,000,000	28%	\$210,000 - \$280,000	\$3.89 - \$5.19

### (C) Time Off

- (1) *Holidays*: SMC provides ten paid holidays per year (8 hours/day). These are not counted towards hours worked.
 

New Year's Day	Labor Day
Martin Luther King Jr. Birthday	Columbus Day
Washington's Birthday (Presidents' Day)	Thanksgiving
Memorial Day	Christmas
Independence Day (July 4th)	Employee Birthday
Veterans Day (only for those with military service)	
- (2) *Sick/Personal Time*: SMC provides each employee seven days (56 hours) paid sick/personal time per calendar year, four days (32 hours) of which may be carried into the next year. Sick/personal time is not counted towards hours worked. For any work-related illness or injury, see *Employee Benefits/Other Insurance/Workers' Compensation*.
- (3) *Weather Days*: Non-salaried field carpenters are entitled to additional paid "weather days" (8 hours/day). There is no limit on weather days and no entitlement number. Foremen call the weather days. Weather days are not counted towards hours worked.
- (4) *Maternity/Paternity Leave*: Each female employee is eligible for up to 16 weeks of maternity leave upon the birth of a child. Of this, eight weeks (320 hours) is paid. Additionally, she may be eligible to receive disability benefits (see: *Employee Benefits/Other Insurance/Disability Insurance/Short-Term Disability*). Each male employee is eligible for two weeks (80 hours) of paid paternity leave upon the birth of a child. The same maternity and paternity benefits will be extended to adoptive parents (except those adopting stepchildren). Maternity/paternity time is not counted as hours worked.
- (5) *Vacation*: Paid vacation time is accrued beginning at an employee's date of hire and according to the schedule below. Vacation hours are intended to be taken as job schedule dictates. All unused vacation hours will be paid out at the end of each calendar year, unless an employee elects to roll over a maximum of 80 hours into the following year. Vacation hours are not counted toward hours worked.
 

At date of hire:	One week (40 hours) per calendar year
After three years:	Two weeks (80 hours) per calendar year
After six years:	Three weeks (120 hours) per calendar year
After nine years:	Four weeks (160 hours) per calendar year
After twelve years:	Five weeks (200 hours) per calendar year
- (6) *Lunch & Breaks*: Lunch is unpaid time during the workday. Coffee break is paid time. Expenses for impromptu social gatherings, such as meals out, should be self-funded.
- (7) *Blood Donors*: An employee will be paid for one hour of time lost from work when donating blood to the Red Cross.
- (8) *EMT's, Firefighters, Search & Rescue Personnel*: An employee who engages in public service as an EMT, firefighter, or search & rescue team member will be paid for time lost from work when responding to calls.
- (9) *Jury Duty*: Employees who have jury duty will be paid by SMC at their regular rate (up to 8 hours/day) for the first three days. From the fourth day onwards, employees will be paid by SMC at their regular rate, less the \$50/day compensation paid by the Commonwealth of MA.
- (10) *Volunteer Work*: Although SMC does not compensate employees for volunteer work (except as noted above), the Board occasionally decides to engage in a volunteer activity in which participants are compensated. All employees are encouraged to bring proposals to the Management Committee regarding volunteer activities they would like to see the company undertake.

(11) *Sabbaticals*

(a) *Purpose*: To encourage Owners to undertake activities that promote rejuvenation and personal/professional enrichment, and ultimately contribute to the collective benefit of SMC.

(b) *Criteria*

- Eligibility begins after 7 years of full-time employment and is open to Owners only.
- In general, at least 6 years must elapse between an individual's sabbaticals.
- In general, sabbaticals will be limited to 2 per year company-wide.
- Sabbaticals are not for alternative employment (unpaid time off covers that).

(c) *Length*: The maximum length of each sabbatical will be 4 months, however it may be extended with MCom approval. If an extension is requested, MCom will consider the implications of the employee's absence.

(d) *Compensation & Benefits*: During the sabbatical period, salary and wages are unpaid, except in special situations as determined by MCom. All benefits will continue during this period and will be paid for by SMC. If sabbatical is extended, employee must then pay into benefits. A sabbatical differs from unpaid time off in that the requirement for minimum hours worked will be prorated relative to the length of the sabbatical.

(e) *Process*: Applications are submitted to MCom. Details and schedules are worked out with MCom.

(12) *Unpaid Time Off*: SMC encourages flexibility. Employees are encouraged to take time off as needed, but always in consultation with their direct supervisor (if three weeks or less) or management (if over three weeks). Under this arrangement:

- The employee will receive no salary or wages.
- The employee will continue to receive all benefits.
- The employee will still need to meet the requirement for minimum hours, or pay SMC for the shortfall  
(see: *Employee Benefits/Eligibility/Benefitted Employees/Short Hours*)

(13) *Personal Crises*: In the event of a personal crisis that impairs an employee's ability to meet their work responsibilities, the employee may ask the Personnel Committee to consider options for relief such as time off and other assistance. The Personnel Committee will make decisions on a case-by-case basis.

**(D) Health Benefit Plan**

(1) *Health Insurance*

(a) *Group Health Plan*

- Carrier: Harvard Pilgrim Healthcare (HPHC)
- Policy #: See your Harvard Pilgrim insurance card
- Plan Type: PPO
- Plan Period: March 25, 2017 - March 24, 2018
- Eligibility: Employees working at least 30 hours per week
- Coverage Effective: Date of hire
- Deductible and Co-pay: 100% reimbursable
- Prescription Coverage: 100% reimbursable
- Acupuncture: 20 visits per person per plan period
- Chiropractic: 12 visits per person per plan period
- Terms and Conditions: Details of coverage and instructions for handling claims are in the following documents which have been provided to you:
  - "Schedule of Benefits" booklet from HPHC
  - "Health Insurance" brochure from G/P Administration

(b) *Reimbursements*: Reimbursements are handled by G/P Administration. All Activity Summaries/Explanations of Benefits (EOB's) from HPHC must be sent to G/P in order to process reimbursements.

(2) *Extra Benefits Plan*

(a) *Group Dental Plan*

- Carrier: Ameritas
- Policy #: 10-43425
- Plan Type: PPO
- Plan Period: January 1 - December 31, 2017
- Eligibility: Employees working at least 30 hours per week
- Coverage Effective: Date of hire
- Deductible and Co-insurance: 100% reimbursable

- In addition to dental insurance and deductibles, SMC provides enhanced dental coverage to an annual maximum of \$2,000 per person.
- Orthodontics: Ameritas covers 50% up to age 19, with a \$2,000 lifetime maximum benefit. SMC matches the \$2,000 for a combined lifetime benefit of \$4,000.
- Eyeglasses: \$150 per person per calendar year reimbursement for eyeglasses or contacts.
- Terms and Conditions: Details of coverage and instructions for handling claims are in the following documents which have been provided to you:
  - "Schedule of Benefits" booklet from Ameritas
  - "Extra Benefits" brochure from G/P Administration

(b) *Compounded Prescriptions*: SMC will cover compounded prescriptions for employees and their eligible family members up to a maximum of \$2,000 per family per HPHC plan period. Because HPHC covers compounded prescriptions for individuals under the age of 18, this SMC coverage applies only to prescriptions for individuals over the age of 18.

(c) *Reimbursements*: Reimbursements are handled by G/P Administration. For dental claims, submit all Explanations of Benefits (EOB's) from Ameritas to G/P for reimbursement. For compounded prescription coverage, the provider or employee may submit a bill directly to G/P Administration for payment or reimbursement.

(3) *SMC Supplemental Coverage*

The following supplemental coverage is provided per calendar year (January 1 - December 31):

(a) *Additional Health Benefit*: SMC will allow for reimbursement up to the following annual amounts for health expenses related to alternative medicine, vision expenses, travel for medical purposes and amounts not covered by HPHC. (Please note that HPHC does cover one routine annual vision exam per person.) Unused portions may not be carried over to the next year. Each employee is allowed a maximum pooled allotment for this benefit. Employees will be responsible for any amounts over their maximum.

Employee	\$1,000
Employee & Spouse/Domestic Partner	\$1,250
Employee & Children	\$1,500
Family (Including Domestic Partner)	\$1,750

(b) *Mental Health Supplement*: Mental health claims should be submitted to HPHC. If HPHC does not cover a mental health claim, SMC will reimburse up to the following amounts per calendar year. Unused portions may not be carried over to the next year. Each employee is allowed a maximum pooled allotment for this benefit. Employees will be responsible for any amounts over their maximum.

Employee	\$1,000
Employee & Spouse/Domestic Partner	\$1,250
Employee & Children	\$1,500
Family (Including Domestic Partner)	\$1,500

(c) *Hearing Aids*: Hearing aids are not covered by the Harvard Pilgrim plan. SMC will cover 50% of the cost of hearing aids for employees and dependents to a maximum of \$2,500 in payments per individual per year.

(d) *Reimbursements*: Receipts for SMC Supplemental Coverage must be presented to the SMC group administrator (Siobhan) for reimbursement.

(4) *Health Benefit Eligibility for Family Members*

(a) *Generally*: The health and dental benefits described above are available to spouses, children, and domestic partners of eligible employees.

(b) *Domestic Partners*: In the case of domestic partnerships, the employee and their partner must cohabitate and must consider each other to be spouses. In the case that they no longer qualify, SMC will terminate coverage for the domestic partner.

(c) *Children*: Children are eligible if the employee is either their birth parent or their adoptive parent.

(5) *Opting Out*

Employees are permitted to opt out of the SMC Health Benefit Plan. If an employee formally opts out, wages will be increased by the approximate avoided cost to SMC.

(6) *Contact Information*

(a) Harvard Pilgrim Healthcare  
 PO Box 699183, Quincy, MA 02269-9183  
 1-888-333-4742  
[www.harvardpilgrim.org](http://www.harvardpilgrim.org)

- (b) Ameritas Group Claim Office  
PO Box 82520, Lincoln, NE 68501-2520  
1-800-487-5553 (Phone)  
1-402-467-7336 (Fax)  
www.ameritas.com
- (c) G/P Administration, LLC  
566 Union Street, Manchester, NH 03104  
1-877-669-4869 (Phone)  
1-603-669-4301 (Fax)  
paul@gpadministration.com

## **(E) Other Insurance**

### *(1) Life Insurance*

Our life insurance benefit for employees is \$50,000, provided by the carrier UNUM. Coverage applies for the duration of employment.

### *(2) Worker's Compensation Insurance*

All employees are fully covered (for medical expenses and work time lost) by workers' compensation insurance for work-related accidents or health problems. (Note that workers' compensation insurance does not apply to work on side jobs.) You must notify your supervisor and SMC Administration immediately in the event of any work-related accident or health problem. If an injury or health problem results in lost work time, SMC will pay for the first five days of lost work time, after which workers' compensation will commence. The employee's hours requirement will be pro-rated and reduced by the amount of lost work time.

### *(3) Disability Insurance*

(a) *Generally*: For disabling accidents or illness, SMC provides short-term and long-term disability insurance for employees only (not family members). Coverage is effective the date of hire.

(b) *Short-Term Disability*: Short-term disability will be applied to all employees who are unable to work due to illness or injury.

- *Eligibility*: To receive short-term disability for illness or injury, employees must submit a note from a doctor. If the circumstances of any employee's situation regarding short-term disability are not clear, the Personnel Committee will review the circumstances.
- *Terms*: Short-term disability begins on the 8th calendar day of disability. Maximum duration of this benefit is 90 calendar days, at which point one becomes eligible for long-term disability. While on short-term disability, an employee will be paid 70% of their normal 40 hour wage. For a three-quarter time employee, the amount paid would be 70% of their normal 30 hour wage. Short-term disability is subject to all payroll taxes.
- *Limited Work*: If employees are able to work at all while on short-term disability, we encourage them to do so. In such a case, we will pay the regular hourly rate for up to 20 hours as long as total pay for work done plus disability payment does not exceed 90% of a normal 40 hour wage. If an employee can work more than 20 hours per week, they go off short-term disability and resume regular wages.
- *Maternity*: If the attending physician specifies the need, up to 28 calendar days prior to delivery will be covered under this policy. If delivery is by C-section, an additional 35 calendar days are covered after delivery. (*See also: Employee Benefits/Time Off/Maternity & Paternity*)

(c) *Long-Term Disability*: Long-term disability begins when the short-term disability maximum is met, and continues until Social Security eligibility.

- Carrier: UNUM (www.unum.com) 1-877-225-2712
- The long-term benefit is 60% of average paycheck, to a maximum of \$8,000 per month. Long-term disability is a non-taxable benefit.
- For new enrollees, any condition up to 3 months prior to the effective date of coverage will not be a covered benefit until coverage has been in force for 12 months.
- If an employee is on long-term disability for one year, their employment at SMC will end, with the understanding that if that employee is able to return to work at some point, we will make every effort to reemploy that individual.

## **(F) Other Benefits**

### *(1) Tool Allowance*

- (a) Field and shop employees receive a \$450 per calendar year tool allowance for purchasing necessary tools and equipment. This tool allowance is intended to cover the basic tools needed on the job as described in the SMC Carpenter Training Manual. It is not intended to cover items that are likely to be used up or worn out by the end of a job (such items should be charged to the job). Unused portions of tool allowances may be carried over from year to year.
- (b) For all other employees, where appropriate, SMC will cover the cost of noise cancelling headphones. The price limit is \$350. Submit receipts to Siobhan for reimbursement.

### *(2) Tool Repairs*

In addition to the tool allowance, SMC pays for tool repairs. Tools must be boxed by the owner and detailed instructions must accompany the tool regarding repairs needed. Peggy can assist with this process.

### *(3) Truck Rack Purchase*

SMC will pay up to \$650 if a truck rack is needed for work. If a cap includes a rack, employee can receive up to \$650 for the cost portion of the rack. Before an employee sells their truck, racks purchased by SMC should be offered to someone in the company who needs it for work.

### *(4) Cell Phones & Cases*

- (a) SMC will provide cell phones and service to those for whom it is deemed job-related. Be aware that, with the SMC plan, roaming incurs extra charges, so please be mindful when you are traveling out of state. Siobhan should be notified in the event of any international travel.
- (b) We encourage all employees to buy cases for their smartphones and tablets to prevent damage. An allowance is available for the purchase of a case in the amount of \$30 for SMC-owned phones and \$50 for SMC-owned tablets. This allowance is intended to cover one case per device upgrade (should the case break, the second case would not be reimbursable), and to cover the more expensive Otterbox cases recommended for the field. Submit receipts to Siobhan for reimbursement.

### *(5) Job Waste & Giveaways*

All materials and items available from houses, or scrap materials, that have a value of less than \$100 will be distributed by job foremen. All materials with greater value should be reported to Peggy, who will coordinate this process. Peggy will notify employees of available items via email. Particulars about removal requirements will be included. Employees who are interested must respond to Peggy. If more than one employee wants the same item, Peggy and the interested employees will decide together on the most sensible way to distribute, whether by discussion or lottery.

### *(6) Employee Rates for Work Performed on Employee's Primary Residence*

These rates are 30-45% or more below retail and must be negotiated case by case for larger projects. A 5% overhead charge will be added to all bills.

Engineering	\$100/hour
Design	\$75/hour
Energy & Foreman	\$60/hour
Carpenter	\$50/hour
Subcontractors	At cost
Materials	At cost

### *(7) Photovoltaic Systems*

SMC will install a PV system on an employee's primary residence and will bill according to the above *Employee Rates for Work Performed on Employee's Primary Residence*. Additionally, a Sunpower rebate is available. For those employees for whom a personal PV system will not work, SMC will continue to explore other viable options.

### *(8) Electric Vehicles*

- (a) *Purchase/Lease Incentive*: SMC will provide a \$3,000 incentive, in the form of a check issued through payroll, for the purchase or lease (36 months minimum) of an electric vehicle (EV) as an employee's daily vehicle (where the primary user is the employee, not another family member). This incentive will be available no more than once every eight years to any full-time employee (or three-quarter time employee on a pro-rated basis), and a cumulative total of no more than \$12,000 per year will be available on a first-come, first-served basis. The full benefit applies to all-electric vehicles and plug-in hybrids that have an electric-only range of 35 miles or more. Plug-in hybrids that do not meet the specification above will be eligible for a \$2,000 incentive.

(b) *Charging Stations*: SMC headquarters charging stations are available to charge employee electric vehicles at no cost.

(9) *Housing Grants*

(a) *Purpose*: SMC is committed to helping employees satisfy their housing needs for the following reasons: to ensure a more stable workforce; to enhance the lives of our employees; and to contribute to the sense of the company as a community.

(b) *Goals*: The goals of this program are to:

- Help committed SMC employees to fill the gap between what they can afford and the cost of a modest home;
- Help committed employees who have purchased or built a home to make them affordable; and
- Help employees with temporary rent subsidies.

(c) *Availability*: The availability of grants and rent subsidies shall be based on the financial ability of the company to provide them at the time of need. Our resources are limited.

(d) *Eligibility*: Employees who have been full-time for a minimum of three years and are on an ownership track (as determined by both the employee and the Board of Directors) are eligible to apply. The time of employment can be reduced if extenuating circumstances so dictate.

(e) *Amounts*: Eligible employees may apply for the following:

- An employee who is building or purchasing a home, or has recently purchased a home, may apply for a maximum grant of \$20,000.
- An employee who is renting, and is not a homeowner, may apply for a rent subsidy of up to \$500/month for a maximum of two years.

All grant amounts will be determined strictly on the basis of need. The bottom threshold for establishing need is defined as the amount of money it will take for the employee to complete a new house, purchase an existing house, or be able to live in a currently-owned house, and maintain housing costs (mortgage, property taxes, insurance, and condo/lease fees) of roughly 35% of combined household income.

(f) *Early Sales*: If an employee who has received a grant sells within five years of grant approval, a prorated proportion of the grant will be repayable at closing (100% up to one year, 80% up to two years, 60% up to three years, 40% up to four years, and 20% up to five years).

(g) *Decision-Making*: Each case will be fully considered on its own merits by the Personnel Committee.

Personnel will make recommendations to the Management Committee, which will make all final decisions.

(h) *Income Tax Consequences*: SMC will do everything within its power and within the law to minimize tax consequences, but it shall be the sole responsibility of the grant recipient to determine tax consequences and pay taxes if warranted.

(10) *Loans to Employees*

(a) *Amount*: Loans of up to \$6,000 are available to employees.

(b) *Terms*: Employee loans will be repaid in equal monthly installments, starting no more than 60 days after receipt of loan, with a maximum of 24 payments (e.g., a \$6,000 loan would be paid back in 24 payments of \$250). It is the full responsibility of the borrower to make these payments on time and regularly.

(c) *Interval*: There shall be a two-year minimum interval between full repayment of a loan and a new loan request (except in the case of short-term bridge loans of 60 days or less, which do not trigger the waiting requirement).

(d) *Total Indebtedness*: Total individual indebtedness to the company (excluding the Ownership Fee) should never exceed \$6,000, except in the case of work on an employee's primary residence.

(e) *Cap*: The total of all employee loans outstanding to SMC at any one time shall not exceed a cap of \$50,000. This cap does not apply to ownership payment plans.

(11) *Adoption Expenses*

Adoptive parents will receive 50% of their documented adoption expenses (including expenses relating to the adoption of stepchildren).

(12) *Financial Planning*

SMC's financial advisor, currently Lisa Haner of Morgan Stanley, is available to each employee to assist with their personal financial planning. A financial advisor may be useful when planning a personal budget, debt strategies, buying a house, children's education, retirement, wills, trusts, and health care directives. Contact Siobhan for information.

## Work Shortages

In the event of insufficient work to provide full-time employment for all employees of the company, Management, in consultation with Personnel, will select from the following options before deciding on permanent layoffs:

- Voluntary unpaid temporary rolling furloughs
- Employ people doing speculative work for a limited period of time
- Employ people doing non-income-producing work for a limited period of time
- Strategically reduce hours worked
- Reduce wages across the board, on a percentage basis
- Involuntary unpaid temporary rolling furloughs

Before doing any of the above, Management will employ all resources at its disposal to create work for all.

## Termination of Employment

### **(A) Generally**

This policy is intended to serve as a guideline. The Management Committee may, in some circumstances, decide that it does not apply, or may apply it differently.

### **(B) Involuntary Termination**

In the event of the involuntary termination of an employee, the following severance package will apply:

- (1) Severance pay to be determined.
- (2) Prorated sick, personal, and vacation time paid in full.
- (3) The employee will not be eligible for profit sharing for the hours worked during the fiscal year.
- (4) The employee will be expected to repay all SMC bills and loans in full.
- (5) The employee may elect to sign up for COBRA on the SMC Health Plan (generally for 18 months).
- (6) Owners may begin their equity payout as per the existing policy.

This severance will constitute the end of the financial arrangements between SMC and the departing employee.

### **(C) Voluntary Termination**

In the event that an employee decides to leave employment at SMC voluntarily, the following will apply:

- (1) A gift of \$250 net payout per year served for three-quarter and full-time benefitted employees.
- (2) Owners will receive a photo book of their years at SMC.
- (3) Prorated sick, personal, and vacation time paid in full.
- (4) Profit sharing for the hours worked during the fiscal year.
- (5) The employee will be expected to repay all SMC bills and loans in full.
- (6) The employee may elect to sign up for COBRA on the SMC Health Plan (generally for 18 months) or Medicare if over 65.
- (7) Owners may begin their equity payout as per the existing policy.

### **(D) Subsequent Part-Time Employment**

In the event that a former employee wishes to continue to work at SMC on a part-time flexible basis, and SMC determines that there is a need, the former employee will become a non-benefitted employee at a new wage rate to be determined.

# Additional Policies

## Safety

Our Mission, Goals, and Principles speak of a workplace which supports health and personal fulfillment. With that in mind, SMC's goal is to provide a safe working environment that is respectful of each employee's need to perform their job efficiently, successfully, and safely. We use materials that are environmentally benign and minimally toxic whenever possible and appropriate. We expect our employees and subcontractors to use common sense on the job and to responsibly maintain their work areas. We expect vigilance with regard to safety of self and others on the job site. We encourage all to speak up about safety issues we need to be aware of and/or attend to.

## Business Travel

Employees are paid for both work and travel time. If business is combined with pleasure, employees are paid only for what can be considered legitimate business expenses. Expenses should be billed appropriately. Questions should be referred to Deirdre. (See also: *Professional Development/Compensation & Reimbursements*)

## Side Jobs

Side jobs must always be secondary to consistent performance at SMC and should not intrude on the workday in any way. Employees must come to work fully prepared to concentrate on work and in good condition to perform the work. All employees must observe the following side job policies:

### **(A) Communication**

No side job communication should occur at any time during the workday with the exception of scheduled breaks (except caretaking emergencies).

### **(B) Leaving the Jobsite**

No side job trips should occur at any time during the work day, except maximum 30 minutes absence from work during lunch (except caretaking emergencies).

### **(C) Subcontractors**

Employees using SMC subcontractors for side jobs must conscientiously avoid scheduling conflicts with SMC jobs.

### **(D) Clients**

No SMC employee should engage in design or construction side jobs for current or former SMC clients unless approved by the CEO (John).

### **(E) Use of SMC Facilities, Equipment, Vehicles & Accounts**

See *Use of SMC Facilities, Equipment, Vehicles & Accounts/Side Job Use*

# Use of SMC Facilities, Equipment, Vehicles & Accounts

## (A) Personal Use

- (1) Office equipment is available for personal use, as scheduling permits.
- (2) The company dump truck, JCB machines, and shop are available for personal use, but are to be used by SMC employees only, and only as scheduling permits. Use of a JCB machine requires a qualified driver and foreman approval.
- (3) Materials from SMC inventory for any personal use must be approved by Jim.
- (4) SMC resources used for personal use will be billed to the employee at the following rates, plus a 5% overhead charge:

Shop and office equipment	No Charge
Company dump truck	No Charge
JCB machine	No Charge
Materials	At Cost
- (5) SMC charge accounts should not be used for personal purchases except in the case of work on an employee's primary residence. In that case, if SMC is not doing the work on the house, Siobhan should be informed in advance that the employee will be using the accounts and for how long.

## (B) Side Job Use

- (1) No SMC facilities or equipment may be used for a side job during regular business hours.
- (2) The company dump truck, JCB machines, and shop are available for side job use, but are to be used by SMC employees only, and only as scheduling permits. Use of a JCB machine requires a qualified driver and foreman approval.
- (3) Materials from SMC inventory for any use outside of SMC jobs must be approved by Jim.
- (4) SMC resources used for side jobs will be billed to the employee at the following rates, plus a 5% overhead charge:

Shop and office equipment	\$20/hour
Company dump truck	\$20/hour
JCB machine	\$60/hour
Materials	Retail Price
- (5) SMC accounts are not to be used for employee side jobs. Employees who do side jobs are expected to set up their own accounts for materials/labor for these jobs.

## (C) Use of Company-Owned Vehicles

- (1) *Generally:* Company-owned vehicles are to be driven only by SMC employees with a valid drivers license.
- (2) *JCB Machines:* JCB's should not leave SMC premises or jobs as a general rule. If a qualified operator needs a machine for personal use, he/she must ask the foreman (or Jim, in the case of the shop machine), who may or may not approve the use.
- (3) *Electric Vehicle (EV):* The Volkswagen eGolf is a shared company car to be used only for work-related driving. We have a two-year lease (as of August 2015) on this car and will reevaluate the car and policies during the summer of 2017. In addition to common sense (follow the rules of the road, etc.), the following guidelines apply to the use of this car:
  - The first time you use the car, please connect with Rob so he can give you a quick overview.
  - Reserve the car using the SMC online calendar (just like the meeting room). If the car has not been reserved and is in the lot, it can be used during work hours for short errands.
  - Sign out the car using the sign-out sheet on the key cabinet next to Siobhan's desk.
  - Pick up the key from the key cabinet next to Siobhan's desk.
  - Return the car to the upper parking lot.
  - Plug in the car each time you return it to SMC.
  - If you have a problem with the car, such as indicator light, etc., let Newell know.
  - Use the car for work purposes only.
  - The car is not to leave Martha's Vineyard, except for scheduled maintenance.
  - If you have any questions about the car, appropriate usage, etc. please ask Deirdre.

#### **(D) Generators**

If there is a hurricane or general emergency, generators are to remain at the shop, so the facility can be used by everyone. If someone needs a generator at other times, they should ask Jim and sign it out on the Dump Truck Board.

#### **(E) Use of Facilities by Nonprofits**

Employees who are on the board of, or actively engaged with, a local nonprofit may use SMC facilities to host meetings. The employee should use the calendar for room reservations, be present for the duration of the meeting, and ensure that all spaces are left as they were found. The SMC employee hosting the meeting is responsible for final cleanup and building lockup, and must be the last person from the meeting to leave the building.

#### **(F) Use of Facilities by Former Employees**

SMC facilities (not including rolling stock, which can only be used by employees) may be used by former employees by permission only, and for personal use only. If shop work is needed for commercial projects, it can only be done by current shop employees at regular rates. Permission should come from the appropriate party (Jim for shop, Deirdre or John for office, etc.)

## Workplace Practices

#### **(A) Dogs**

Each part of the company (shop, office, each of the crews) shall meet as necessary to make individual decisions about tolerance of dogs at the workplace and the conditions under which dogs are or are not allowed. The company provides these guidelines:

- (1) Dogs should not be loose on a jobsite or other place where tools are in use and work is going on.
- (2) If any person is particularly uncomfortable with the way things are going with dogs at their workplace, he or she should discuss with the foreman (or with someone on the Management Committee), the crew should meet, and all should acknowledge and respect this discomfort and work hard to find solutions.
- (3) In the end, it is the dog owner's responsibility to comply with the agreed-on policy and to be certain that all are comfortable.
- (4) Whatever the policy, all subcontractors and visitors should be required to abide by it.

#### **(B) Smoking**

No smoking is permitted inside SMC headquarters or in any SMC project.

## Subcontractors

Before any subcontractor starts work on a job, they must have a signed and current subcontractor agreement, including proof of insurance coverage, on file at the SMC office, unless alternative arrangements have been made with John and/or Newell.

## Charitable Contributions

#### **(A) Purpose**

South Mountain Company donates funds and services to reflect the values and interests of the Owners and employees of SMC. This is one aspect of our commitment to our community and to social change.

#### **(B) Types and Amounts of Donations**

SMC has two mechanisms by which we make charitable contributions: (1) cash donations from the SMC Foundation, and (2) pro bono and/or discounted services. Our annual goal is to contribute 10% of the company's previous year's net profits (per our accountant's financial statements) through the Foundation in cash. It is our further goal to distribute another 10% of our annual net profits in the form of pro bono and/or discounted services. Cash donations are made only to 501(c)(3) nonprofit organizations.

### **(C) Emphasis**

We distribute the majority of our funds to local organizations with a strong emphasis on local affordable housing, food, and energy initiatives. The same is true of our pro bono and discounted services. The remaining funds are distributed to organizations that fall within the following categories: Conservation & Environment, Schools & Children, Health & Social Services, Arts & Culture, Professional Organizations, Global Poverty Relief. We also contribute to 501(c)(3) organizations whose purpose is to promote political participation and community organization/action. We generally target organizations with limited resources rather than those with good fundraising departments and large budgets.

### **(D) Operation**

The Board determines charitable contribution practices and emphases. The Charitable Contributions Committee makes decisions about and oversees the distribution of Foundation funds. The CEO (John) makes decisions on between-meeting requests, generally for \$250 or less. The Management Committee makes decisions about and keeps a record of all pro bono and discounted services. The Charitable Contributions Committee provides an annual report to the Board detailing all cash and pro bono contributions. SMC employees are encouraged to request donations for organizations they would like to support. Requests, including a specific dollar amount, should be made in writing. SMC employees are also encouraged to recommend opportunities to contribute pro bono services.

### **(E) Redistribution**

The Foundation can also accept and redistribute donations of cash and/or property as deemed appropriate. The Foundation welcomes donations from living persons and estates for redistribution and/or designated purposes consistent with company values.

## Internal Financial Practices

- (A)** All checks in amounts over \$10,000 will require two signatures.
- (B)** The signature stamp will be kept in a secure, locked place and will be used only by the primary check-writer for multiple checks.
- (C)** Bank statements and checks will go unopened to Deirdre or John who will open them and look at all checks before passing on to Siobhan.
- (D)** Regarding financial powers, the Board has passed resolutions:
  - (a) To allow any two of the four officers to borrow; and
  - (b) To allow any two of the four officers to pledge securities.
  - (c) To allow either the President, Vice-President, or the Treasurer to wire-transfer funds.
- (E)** In order to take advantage of certain tax provisions, the Board of Directors has adopted the following accounting policy effective 12/01/2014: "South Mountain Company, Inc. will treat as an expense amounts paid for property with an economic useful life of 12 months or less, with a cost that does not exceed \$500." This limit is now revised to \$2,000.
- (F)** SMC will provide gifts for various occasions. Administration will maintain a list of occasions to be recognized and the types and values of gifts to be given.

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