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CHAPTER 1: Introduction

Welcome to the Smart Cow Family!

This Operations Manual is intended to explain the day-to-day operations of your very own Smart Cow Yogurt franchise. The instructions in this manual summarize the practices and policies in effect at the time of publication and supersedes all previously issued materials. This manual contains a lot of information – you are responsible for keeping it on hand as a useful reference tool so that you know exactly what is expected of you as a franchisee.

Please note that the guidelines in this manual cannot and do not describe all the circumstances and situations in which you might find yourself, nor do they or can they describe all policies and procedures that might affect the operation of your franchise. Although this Manual contains references to certain regulatory requirements that may affect your Smart Cow franchise, please be advised that it is not a comprehensive overview of all federal, state or local tax or regulatory requirements, which vary from state to state. Smart Cow Franchising, LLC recommends that you consult with a lawyer and accountant to ensure that you are operating your Smart Cow franchise in accordance with all applicable federal, state and local regulations, including but not limited to employment, health, OSHA and tax regulations. If, at any time, you have any questions or concerns about these guidelines or any other aspect of your franchise commitment, you are responsible for contacting Smart Cow Franchising, LLC for clarification.

Smart Cow reserves the right to revise, delete and/or add to the provisions of these guidelines; these policies can change at any time, for any reason, without warning. In any case, Smart Cow Franchising, LLC is solely responsible for the interpretation and application of these guidelines.

Confidentiality

This Manual contains confidential and proprietary information belonging to Smart Cow Franchising, LLC and is the sole property of Smart Cow Franchising, LLC. No part of this manual may be reproduced in any form by any electronic or mechanical means, including information storage and retrieval systems, without permission in writing from Smart Cow Franchising, LLC. This Manual is provided exclusively for the use of Smart Cow franchisees. Keep this manual in a locked and secure location when not in use. Theft or misuse of this material may result in a material breach of contract with Smart Cow Franchising, LLC and result in the termination or penalty of your franchise.

Individually Owned and Operated

Each franchisee is responsible for upholding all federal, state and local laws, regulations and ordinances. Smart Cow Franchising, LLC is not responsible for the operation of individual franchises.
Franchisee Feedback

A major benefit of the franchise operation is that individual franchises benefit from the cumulative experience of the entire organization. Suggestions on improving methods and procedures realized through experiences with a Smart Cow franchise are welcomed. Smart Cow Franchising, LLC evaluates suggestions in regard to the experience of other franchises and corporate locations and makes periodic additions or revisions to the manual. In this way, an informative feedback mechanism is created, aiding the growth of the franchise system as well as its individual members.

In order to maintain the most up-to-date Operations Manual, we encourage franchisees to provide ongoing review of the material. If you have comments, suggestions or ideas to improve the systems or routines, please communicate them to the corporate office.

When sending feedback, please include the following information:

- Name
- Store location
- Page number to which you are referring
- Comment or suggestion
- Suggested modifications, updates or solutions

Please mail or e-mail your comments, suggestions and concerns to:

Smart Cow Franchising, LLC
Attn: Operations Manual Updates
4201 E. Yale Ave. Ste. 200
Denver, CO 80222
Telephone: (303) 623-0502
E-Mail: info@smartcowyogurt.com

Our Beginnings

Smart Cow Yogurt Bar opened its first store in Arvada, Colorado in May, 2011 with two goals in mind: to provide a fun, unique place for our customers to meet and enjoy great-tasting yogurt, and, (equally as important), to be a business with a greater purpose.

Our Mission Statement: Smart Cow provides fresh, healthy frozen yogurt and an interactive customer experience at an affordable price, generating sales that allow the company to regularly donate a percentage of sales to neighborhood schools.
The Smart Cow Difference

At least twice a month, we donate part of our entire day’s sales to a neighborhood school, because we strongly believe in helping our schools manage challenging budgets – it is this “greater purpose” that makes Smart Cow different than our competition. To our knowledge, no other company gives as much or as often to schools as we do. As a Smart Cow franchisee, you will exemplify this core value - our commitment to education - by being informed about our giving, and enthusiastic and proud to be a part of something good. Our goal is to help as many schools as we can, and to be an example of what businesses and communities can do when they work together to improve education.
CHAPTER 2: Franchise Standards & Site Visitation

System Compliance
This Operations Manual outlines and details required and recommended procedures for ongoing operation of a Smart Cow franchise. Failure to comply with obligations under your Smart Cow Franchise Agreement or accompanying documents or to adhere to any Smart Cow program requirement is a default under your Smart Cow Franchise Agreement.

What Smart Cow Expects from You
As stated or in addition to the obligations in your Smart Cow Franchise Agreement and this Manual, Smart Cow Franchising, LLC expects you to:

- Participate on a regular basis in your Smart Cow franchise operation by spending at least forty (40) hours per week in your store. If you own two or more Smart Cow locations, you must have at least one manager employed full time at the store who successfully completed Smart Cow training.

- Devote all square footage, display areas and windows of the store to the operation of the Smart Cow Franchise.

- Adhere to high standards of professionalism and ethics.

- Comply with all applicable laws and regulations.

- Keep your Smart Cow yogurt bar safe, clean, neat, orderly, and in good repair.

- Follow the required Smart Cow hours of operation.

- Maintain a competent, conscientious and qualified staff.

- Keep Smart Cow Franchising, LLC informed of the names and contact information of all management personnel.

- Ensure that all employees are trained in Smart Cow operations and familiar with the Smart Cow concept and policies applicable to performance of their duties.

- Carry and maintain adequate inventory levels to serve the market.

- Maintain good customer relations.

- Allow Smart Cow Franchising, LLC’s representative to enter the Smart Cow franchise at all reasonable times to examine the store, talk with and assist you and your employees and others, inspect and check your operations, business and accounting records, furnishings, equipment and supplies, to assess compliance with the Franchise Agreement, adherence to Smart Cow requirements, reporting of all sales, and any other analysis.
• Use only Smart Cow-approved furnishings, materials, store layout, packaging, color scheme, signage, fixtures, displays, and other equipment.
• Conduct all business and operate your Smart Cow franchise in a manner that will not damage the goodwill associated with Smart Cow and/or Smart Cow Franchising, LLC trademark/logo.
• Maintain good credit.
• Maintain financial stability.
• Maintain and foster good relationships with vendors.
• Maintain a good community reputation and standing.
• Maintain good communications with Smart Cow Franchising, LLC personnel.
• Avoid defaults, but if one occurs, take appropriate and timely corrective action to cure the default in accordance with your Smart Cow Franchise Agreement.

Days and Hours of Operation
A Smart Cow franchise may not deviate from the minimum required hours unless prior written approval is received from Smart Cow Franchising, LLC. Only Smart Cow Franchising, LLC can provide this written approval.

Your Smart Cow franchise must be open for business at least the following hours:

Summer
Monday – Thursday 11am – 10pm
Friday – Saturday 11am – 11pm
Sunday – 12 noon – 10pm

Winter
Monday – Thursday 12 noon – 9pm
Friday – Saturday 12 noon – 10pm
Sunday – 12 noon – 9pm

Holiday Hours
Halloween- early close (7pm)
Thanksgiving - closed
Christmas Eve – early close (6pm)
Christmas Day - closed
New Year’s Eve – early close (6pm)
CHAPTER 3: Preopening Timetable and Preparation

Getting your new Smart Cow franchise off the ground involves making key financial decisions and completing a series of legal activities. This section provides information to help you plan, prepare, and manage your new business.

General Guidelines
When setting up a business, implement good business practices. Among these are:

- Gathering and recording all checks and receipts, starting with the first day of business.
- Immediately setting up an organized filing system for business accounting records.
- Never mixing personal and business expenses.

Step 1: Research and Plan Your Business
Create a business plan with an estimate of start-up costs, a break-even analysis, etc.

Step 2: Choose a Business Location
Choose a customer-friendly location and comply with zoning laws.

Step 3: Determine the Legal Structure of Your Business
Decide whether you are going to form a sole proprietorship, partnership, LLC, corporation, non-profit or cooperative. When beginning a business, you must decide what form of business entity to establish. Your form of business determines the amount of regulatory paperwork you have to file, your personal liability regarding investments into your business, and the taxes you have to pay. You may need to contact several federal agencies as well as your state business entity registration office. Http://business.usa.gov/ has detailed information on the most common business structures:

Sole Proprietorship - A business owned and managed by one individual who is personally liable for all business debts and obligations.

Partnership - A single business owned by two or more people.

Corporation - A legal entity owned by shareholders.

S Corporation – A special type of corporation created through a tax election. An eligible domestic Corporation can avoid double taxation (once to the shareholders and again to the corporation) by electing to be treated as an S corporation.

Limited Liability Corporation (LLC) – A hybrid legal structure that provides the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.
Step 5: Register a Business Name ("Doing Business As")

If you decide to create a corporation, a limited liability company or a partnership (limited, or limited liability), you will have to register your business and file certain documents with your state government. If your business is a sole proprietorship, you do not need to register your business with the state. However, many states require a sole proprietor to use their own name for the business name unless they formally file another name as a trade name, or a fictitious name.

The legal name of a business is the name of the person or entity that owns a business. If you are the sole owner of your business, its legal name is your full name. If your business is a partnership, the legal name is the name given in your partnership agreement or the last names of the partners. For limited liability corporations (LLCs) and corporations, the business' legal name is the one that was registered with the state government.

Your business' legal name is required on all government forms and applications, including your application for employer tax IDs, licenses and permits. However, if you want to open a shop or sell your products under a different name, then you may have to file a "fictitious name" registration form with your government agency. A fictitious name (or assumed name, trade name, or DBA name, short for "doing business as") is a business name that is different than your personal name, the names of your partners or the officially registered name of your LLC or corporation. In some states, fictitious names are registered with the state government; in others, you register fictitious names with the county clerk's office; and in others, there are no laws requiring businesses to register a fictitious business names.

For a chart that provides the requirements for fictitious name filing in all 50 states and territories visit this website: http://business.usa.gov/

Step 6: Get a Tax Identification Number

All businesses are required to pay federal, state, and in some cases, local taxes. Most businesses will need to register with the IRS and state and local revenue agencies, and receive a tax ID number or permit.

Employer Identification Number (EIN)

An EIN is also known as a federal tax identification number, and is used to identify a business entity. Employers with employees, business partnerships, and corporations and other types of organizations, must obtain an EIN from the U.S. Internal Revenue Service. To obtain an EIN, you can apply online http://www.sba.gov/content/obtain-your-federal-business-tax-id-ein or contact the IRS directly. U.S. Internal Revenue Service Phone: 1-800-829-4933

Step 7: Register for State and Local Taxes

Businesses that operate in each state are required to register for one or more tax-specific identification numbers, licenses or permits, including income tax withholding, sales and use tax (seller's permit), and unemployment insurance tax. The State Tax Guide provides links to information about business registration requirements and your tax obligations in your state.
Go to http://www.sba.gov/content/learn-about-your-state-and-local-tax-obligations for more details.

In addition to business taxes required by the federal government, you will have to pay some state and local taxes. Each state and locality has its own tax laws. The most common types of taxes requirements for small business include:

Tax Permit: In most states, business owners are required to register their business with a state tax agency and apply for certain tax permits. For example, in order to collect sales tax from customers, many states require businesses to apply for a state sales tax permit.

Income Taxes: Nearly every state levies a business or corporate income tax. Your tax requirement depends on the legal structure of your business. For example, if your business is an LLC, the LLC gets taxed separate from the owners, while sole proprietors report their personal and business income taxes using the same form. Consult a tax professional for specific requirements.

Employment Taxes: In addition to federal employment taxes, business owners with employees are also responsible for paying certain taxes required by the state. All states require payment of state workers' compensation insurance and unemployment insurance taxes. Five states (California, Hawaii, New Jersey, New York, and Rhode Island) and Puerto Rico require businesses to pay for temporary disability insurance. Information about tax requirements in various states can be found via this link: http://www.sba.gov/content/learn-about-your-state-and-local-tax-obligations.

Step 8: Obtain Business Licenses and Permits

Federal Licenses and Permits - Every business needs one or more federal, state or local licenses or permits to operate. Licenses can range from a basic operating license to very specific permits, (e.g., environmental permits).

Regulations vary by industry, state and locality, so it's very important to understand the licensing rules where your business is located. Not complying with licensing and permitting regulations can lead to expensive fines and put your business at serious risk.

State Licenses and Permits - Many types of businesses need to obtain some type of business or professional /occupational license or permit from a state government. Choose a state to find out about specific license and permit requirements in the state where your business is located: http://www.sba.gov/licenses-and-permits.

Step 9: Open a Business Checking Account
Call several banks to find out what services they offer and shop around for the best deal.

Step 10: Set Up Record Keeping System
Put together a simple and effective bookkeeping system for income and expenses as well as select a company or financial professional to generate your payroll checks.
Step 11: Get Business Insurance

By paying a relatively small premium to the insurance company, the business can protect itself against the possibility of sustaining a much larger financial loss. Smart Cow insurance requirements are as follows:

Maintenance of Insurance

You shall obtain, within thirty (30) days after the execution of this Agreement, and shall maintain in full force and effect at all times during the term of this Agreement, at your expense, an insurance policy or policies protecting you and Smart Cow Franchising, LLC and its subsidiaries, affiliates, successors and assigns and their respective officers, directors, shareholders, partners, employees, servants, independent contractors, representatives and agents, against any demand or claim with respect to personal injury, death or property damage or any loss, liability or expense arising out of or occurring upon or in connection with the condition, operation, use or occupancy of the franchised business.

Coverages

Such policy or policies shall be written by a responsible carrier or carriers with a Best's Insurance Guide rating of "A" or better and shall include, at a minimum (except for any additional coverage that may reasonably be specified by Smart Cow Franchising, LLC from time to time), in accordance with standards and specifications set forth in the Manuals or otherwise in writing, the following:

1. Bodily injury and property damage general liability insurance, with a minimum aggregate coverage per Restaurant of $2,000,000.00 and a minimum per occurrence coverage of $1,000,000.00 and with a Medical Payments limit of $5,000.00, together with all risk replacement cost property insurance covering your Restaurant and its contents, awnings, signs and glass and with provision for business income loss, food spoilage endorsement and equipment breakdown coverage.

2. Products liability insurance with a minimum aggregate coverage of $1,000,000.00.

3. An umbrella policy providing coverage with limits of not less than $1,000,000.00.

4. Medical payment, crime (inside/outside), and employee dishonesty insurance with minimum per occurrence coverage of $5,000.00, $5,000.00 and $15,000.00, respectively.

5. Worker’s compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation for injured workers satisfactory to Smart Cow Franchising, LLC, provided that you (i) maintain an excess indemnity or "umbrella" policy covering employer’s liability and/or a medical disability policy covering medical expenses for on the job accidents, which policy or policies shall contain such coverage amounts as you and Smart Cow Franchising, LLC shall mutually agree upon and (ii) conduct and maintain a risk management and safety program for YOUR employees as you and Smart Cow Franchising, LLC shall mutually agree is appropriate. Such policies shall also include, if
available, an "alternate employer endorsement" in favor of Smart Cow Franchising, LLC and a waiver of subrogation in favor of Smart Cow Franchising, LLC and its directors, officers, shareholders, partners, employees, servants, representatives, and agents.

6. Automobile liability coverage including coverage for non-owned and hired vehicles with coverage in amounts not less than $1,000,000.00 combined single limit.

7. Umbrella liability coverage of not less than $1,000,000.00 with general commercial liability, liquor legal liability, automobile liability and employer's liability insurance included on the underlying schedule of insurance.

8. Any insurance which may be required by statute or rule of the state or locality in which the franchised business will be operated or which may hereinafter be required by Smart Cow Franchising, LLC.

Deductibles
You may, with the prior written consent of Smart Cow Franchising, LLC, elect to have reasonable deductibles (not exceeding $2500) in connection with the coverage required under this agreement.

Builder's Risk
In connection with any finish-out, renovation, refurbishment or remodeling of your Restaurant, you or your approved contractor shall maintain Builder's All Risk insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to Smart Cow Franchising, LLC.

No Reliance Upon Smart Cow Franchising, LLC Insurance
Your obligation to obtain and maintain the above policy or policies in the amounts specified by Smart Cow Franchising, LLC shall not be limited in any way by any insurance which may be maintained by Smart Cow Franchising, LLC, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in this agreement.

Form Of Coverages
All of your insurance coverages shall name Smart Cow Franchising, LLC as an "additional insured". All public liability, property damage, motor vehicle liability, and business interruption policies shall contain a provision that your insurance coverage shall be primary to any coverage maintained by Smart Cow Franchising, LLC and Smart Cow Franchising, LLC shall be entitled to recover under your policies for any loss occasioned to Smart Cow Franchising, LLC, its subsidiaries, affiliates, successors and assigns, and their respective officers, directors, shareholders, partners, employees, servants, representatives, independent contractors, and agents, for whatever reason, and shall contain a waiver of subrogation in favor of Smart Cow Franchising, LLC.
Evidence Of Insurance
Within thirty (30) days after the execution of this Agreement and, thereafter, at least sixty (60) days prior to the expiration of any such policy, you shall deliver to Smart Cow Franchising, LLC certificates of insurance and, if requested by Smart Cow Franchising, LLC, copies of the applicable insurance policies evidencing the proper coverage with limits not less than those required hereunder. In addition, all insurance policies and certificates shall expressly provide that no less than thirty (30) days’ prior written notice shall be given to Smart Cow Franchising, LLC in the event of a material alteration to or cancellation of the policies.

Remedies
Should you, for any reason, fail to obtain or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Smart Cow Franchising, LLC in the Manuals or otherwise in writing, Smart Cow Franchising, LLC shall have the right (without, however, any obligation) immediately to obtain such insurance and to charge same to you, which charges, together with a reasonable fee for Smart Cow Franchising, LLC expenses, shall be payable by you immediately upon notice. These remedies shall be in addition to any other remedies at law or in equity that Smart Cow Franchising, LLC may have.

Step 12: Find a List of Food Suppliers in Your Area and Establish a Relationship
You will need to determine who in your area will be delivering your yogurt, toppings, paper goods, etc. Smart Cow can assist you in making contact with various food services suppliers provided those suppliers with which Smart Cow has an existing relationship do business in your area. Once you have made contact with your food suppliers, you will need to determine what their terms to doing business will be (COD, net-7 days, etc). You will also need to determine what your delivery schedule will be, what the suppliers minimum delivery dollar amount is and what their “will call” policy is. Most food suppliers will provide “will call” or same-day pick up of individual items that you may need in an emergency. Most times an operator may find themselves unexpectedly short on one or two critical items and will need to go to their supplier’s will-call service as the dollar amount to deliver these one or two items will be too small for your supplier to send a delivery truck to you.

Step 13: Contract with Vendors
- You will need to research and select vendors to provide the following services:
  - Cable, telephone, internet services
  - In-store security cameras and monitoring
  - Credit Card processing (Mercury Payment Systems)
  - Payroll
  - Fresh Fruit

Step 14: Purchase Your Furniture, Fixtures & Equipment
(See Furniture, Fixture & Equipment spreadsheet in the Franchise Resources Page on the Smart Cow web site)

Step 15: Purchase Your Small Wares
(See Appendix i)
Step 16: Hiring Your First Employees
We will cover this in greater detail in Chapter 5.

Step 17: Place Your Opening Inventory Order
We can help with placement of your opening order based on other opening orders done in the past.

Step 18: Training Your employees
Once you are well versed in all of the operational aspects of your new store you will want to take the last few days prior to opening to have your employees come in and learn what their day-to-day responsibilities will be.

Step 19: Open Your Doors for Business
Congratulations!
CHAPTER 4: Franchisee Training

Before the opening of your Smart Cow Yogurt bar, you (or if you are an entity, your managing owner) and the person who will be principally in charge for the management and operations of your Smart Cow Yogurt Bar (the “Designated Manager”), if different from you or your managing owner, must attend and complete to our satisfaction the initial training program. We do not charge you for this training up to two individuals, although you pay the travel, living expenses and wages for you and all employees who attend the training session. All training is currently conducted in the Denver, Colorado metro area. The training includes classroom training and on-the-job training. Our training program consists of approximately one day of classroom instruction, either at our corporate headquarters in Denver, Colorado or at another location in the Denver, Colorado area and up to approximately three days of hands-on training at a Smart Cow Yogurt bar located in the Denver Colorado metro area.

If you are opening your first Smart Cow Yogurt Bar, we provide up to four days of on-site training at your Smart Cow Yogurt Bar to you and your staff in connection with your grand opening to assist you in the opening of your Smart Cow Yogurt Bar. We may waive on-site training if you have previously opened a Smart Cow yogurt Bar. We conduct our training programs on an as-needed basis. As often as annually, you or your Designated Manager may be required to attend, at your expense, a national convention which may include mandatory training sessions. We may also require you, your Designated Manager, store managers, and designated employees to attend, at your expense, local or regional seminars up to two times per year.

As of the date of this Operations Manual, we plan to provide the following initial training to franchisees:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Hours of Classroom Training</th>
<th>Hours of On-The-Job Training</th>
<th>Location</th>
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<tbody>
<tr>
<td>Welcome &amp; Intro To the System</td>
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<td></td>
<td>Denver, CO</td>
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<tr>
<td>Manual Compliance/Employee Handbook</td>
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<td>Denver, CO</td>
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<td>Opening Duties/Prep/Scheduling</td>
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<td>POS Systems/Sales/Mercury Loyalty Management</td>
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<tr>
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<tr>
<td>Equipment Maintenance</td>
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<td>Deposits / Financial Reports/Payroll</td>
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<tr>
<td>Closing Duties</td>
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<td>Denver, CO</td>
</tr>
</tbody>
</table>
CHAPTER 5: Staffing

Taking on staff creates a series of new challenges: finding the right people, interviewing candidates, and managing people once they are on board to name a few. While those are all important issues, understanding your regulatory requirements as an employer is crucial to the success of your business. This chapter lays out ten easy steps for new employers to follow to ensure compliance with key federal and state regulations.

Step 1: Obtain an Employer Identification Number (EIN)
Before hiring employees, you need to get an employment identification number (EIN) from the U.S. Internal Revenue Service. The EIN is often referred to as an Employer Tax ID or as Form SS-4. The EIN is necessary for reporting taxes and other documents to the IRS. In addition, the EIN is necessary when reporting information about your employees to state agencies. To obtain an EIN, you can apply online or contact the IRS directly. U.S. Internal Revenue Service. Phone: 1-800-829-4933

Step 2: Set up Records for Withholding Taxes
The IRS states that you must keep records of employment taxes for at least four years. Also, keep good records for your business to help you monitor the progress of your business, prepare your financial statements, identify source of receipts, keep track of deductible expenses, prepare your tax returns, and support items reported on tax returns.

- **Federal Income Tax Withholding (Form W-4)**
  Every employee must provide an employer with a signed withholding exemption certificate (Form W-4) on or before the date of employment. The employer must then submit Form W-4 to the IRS either directly or via your payroll company.

- **Federal Wage and Tax Statement (Form W-2)**
  On an annual basis, employers must report to the federal government wages paid and taxes withheld for each employee. This report is filed using Form W-2, Wage and Tax Statement. Employers must complete a Form W-2 for each employee to whom they pay a salary, wage, or other compensation.

Employers must send Copy A of Forms W-2 (Wage and Tax Statement) to the Social Security Administration (SSA) by the last day of February (or last day of March if you file electronically) to report the wages and taxes of your employees for the previous calendar year. In addition, employers should send copies of Form W-2 to their employees by January 31 of the year following the reporting period.

See Appendix ii for a sample copy of form W4

- **State Taxes**
  Depending on the state where your employees are located, you may be required to withhold state income taxes. Visit your state tax agency for further information.

Step 3: Employee Eligibility Verification (Form I-9)
Federal law requires employers to verify an employee's eligibility to work in the United States. Within three days of hire employers must complete an Employment Eligibility Verification Form, commonly referred to as an I-9 form, and by examining acceptable forms of documentation supplied by the employee, confirm the employee's citizenship or eligibility to work in the United States. Employers can only request documentation specified on the I-9 form. Employers who ask for other types of documentation not listed on the I-9 form may be subject to discrimination lawsuits.

Employers do not file the I-9 with the federal government. Rather, an employer is required to keep an I-9 form on file for 3 years after the date of hire or 1 year after the date the employee's employment is terminated, whichever is later. The U.S. Immigration and Customs Enforcement (ICE) agency conducts routine workplace audits to ensure that employers are properly completing and retaining I-9 forms, and that employee information on I-9 forms matches government records. All U.S. employers are responsible for completion and retention of Form I-9 for each individual they hire for employment in the United States, including citizens and non-citizens.

See Appendix iii for a sample copy of form I9.

Step 4: Register with Your States New Hire Reporting Program
The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires all employers to report newly hired and re-hired employees to a state directory within 20 days of their hire or rehire date.

Visit the New Hires Reporting Requirements page to learn how to register with your state's New Hire Reporting System.

Step 5: Obtain Workers' Compensation Insurance
Businesses with employees are required to carry Workers' Compensation Insurance coverage through a commercial carrier, on a self-insured basis, or through the state Workers' Compensation Insurance program. Visit your state's Workers' Compensation Office more information on your state's program.

Step 6: Unemployment Insurance Tax Registration
Businesses with employees are required to pay unemployment insurance taxes under certain conditions. If your business is required to pay these taxes, you must register your business with your state's workforce agency. The State Taxes page includes links to your state's agency.

Step 7: Obtain Disability Insurance (If Required)
Some states require employers to provide partial wage replacement insurance coverage to their eligible employees for non-work related sickness or injury. Currently, if your employees are located in any of the following states, you are required to purchase disability insurance:

. California - Employment Development Department
. Hawaii - Unemployment Insurance Division
. New Jersey - Dept of Labor and Workforce Development
. New York - New York State Workers' Compensation Board
. Puerto Rico - Departamento del Trabajo y Recursos Humanos / Department of Labor and
Step 8: Post Required Notices
Employers are required by state and federal laws to prominently display certain posters in the workplace that inform employees of their rights and employer responsibilities under labor laws. These posters available for free from federal and state labor agencies. Visit the Workplace Posters page for specific federal and state posters you'll need for your business.

Step 9: File Your Taxes
If you are new employer, there are new federal and state tax filing requirements that apply to you.

Generally, each quarter, employers who pay wages subject to income tax withholding, social security, and Medicare taxes must file IRS Form 941, Employer's Quarterly Tax Return. Small businesses with annual income tax liability of $1,000 or less may file IRS Form 944, Employer's Annual Federal Tax Return instead of Form 941.

You must also file IRS Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, if you paid wages of $1,500 or more in any calendar quarter or you had one or more employees work for you in any 20 or more different weeks of the year.

New and existing employers should consult IRS' Employer's Tax Guide to understand all their federal tax filing requirements. Visit your state tax agency for specific tax filing requirements for employers.

Step 10: Get Organized and Keep Yourself Informed
Being a good employer doesn't stop with fulfilling your various tax and reporting obligations. Maintaining a healthy and fair workplace, providing benefits, and keeping employees informed about your company's policies are key to your business' success. Here are some additional steps you should take after you've hired your employees:

- Set up Recordkeeping
  In addition to requirements for keeping payroll records of your employees for tax purposes, certain federal employment laws also require you to keep records about your employees. You may be subject to state recordkeeping requirements as well. Therefore, it's good practice to set up a sound, organized system for maintaining all personnel records.

- Tax Recordkeeping Guidance
  Resources and tools aimed at helping employers maintain their tax records.

- Labor Recordkeeping Requirements
  Employment laws such as the Occupational Safety and Health (OSH) Act, the Fair Labor Standards Act (FLSA) and the Family and Medical Leave Act (FMLA), have certain recordkeeping and/or reporting requirements.

- Adopt Workplace Safety Practices
The Occupational Safety and Health Administration's (OSHA) Quick Start tool provides a clear, step-by-step guide that helps you identify many of the major OSHA requirements and guidance materials that may apply to your workplace.

- **Understand Employee Benefit Plans**
  If you will be providing benefits to your employees, you should become familiar with the uniform minimum standards required by federal law to ensure that employee benefit plans are established and maintained in a fair and financially sound manner. See the U.S. Department of Labor’s Employment Law Guide’s chapter on Employee Benefit Plans for more information.

- **Learn Management Best Practices**
  While you aren't legally required to be a good manager, it sure helps when trying to recruit and retain good employees. The U.S. Small Business Administration’s Guide to Managing Employees provides sound guidance on hiring, motivating, and directing employees.

- **Apply Standards that Protect Employee Rights**
  Complying with standards for employee rights in regards to equal opportunity and fair labor standards is a requirement. Following statutes and regulations for minimum wage, overtime, and child labor will help to avoid error and a lawsuit. See the Employment Law Guide’s chapter on Laws, Regulations and Technical Assistance Services for information and FirstStep Employment Law Advisor for advice on federal requirements. Also, visit the Equal Employment Opportunity Commission (EEOC) and Fair Labor Standards Act (FLSA).

**Labor**

Adequate labor levels will depend on the volume of sales at your shop. Volume will vary by time of day, day of the week and may also be weather dependent. We have historically seen spikes in sales volume when the weather is ‘warm’ and conversely we’ve seen depressed sales volume when the weather is ‘cold’. We suggest you make it a regular practice of looking at your local weather forecast roughly 1 week in advance to help predict sales volume and the labor and inventory needed to adequately meet those demands.

While labor will vary from day-to-day, a 10% labor level (give or take a few percentage points) should be your target. Your labor number will start at 100% in the morning and quickly decrease as time goes on and sales are rung into your POS. Should you notice that sale are coming slower than you normally experience, it may be necessary to recognize this and ‘cut’ staff members not needed for that shift to save on labor costs.

**Employee Stations**

Regardless of volume at any given time, your objective is to make sure that your ‘employee stations’ are adequately covered. This will ensure the highest level of customer service and can be adequately covered by a varying number of individuals based on sales volume. The busier your store, the more people you may need to adequately cover your stations. In slower times, several stations can be covered by several individuals provided those
individuals are aware of their multiple responsibilities and are diligent in performing their
duties.

The stations we’ve identified are as follows:

1) Cashier – This individual will be positioned at the cash register to ring up customers, attempt to enroll customers in the Mercury Loyalty Program, will greet customers as they enter the shop and can keep an eye on stocking the spoons, napkins etc as well as be a ‘floating cleaner’ should the sales volume be slow at any given time. There may be a need for 2 cashiers during very busy times in order to keep your lines moving quickly and avoid having customers’ yogurts start to melt prior to them getting their purchases rung up.

2) Toppings – This individual is positioned to the left of the cashier, directly behind the cold toppings case. The responsibility of this individual is to keep the self-serve toppings sorted and clean as well adequately stocked. One of the most common complaints from customers is a mixed, messy and/or insufficiently stocked toppings bar. Customers need to see this area clean and organized as clutter or toppings spills give the impression that the toppings bar is unsanitary.

3) Prep – This individual is positioned in the back of the house and is responsible for making sure the toppings spinners are always full, fresh fruit is prepped, dishes are clean as well as listening to the sounds your yogurt machines are making. Any abnormal screech or squeal could indicate a problem with your machine and these sounds should be reported to the manager on duty. Early detection of problems with your machines will result in swift correction and can limit the damage, if any, to your machines.

4) Lobby Cleaning – While all stations are important in keeping the flow of your store moving smoothly, the cleaning stations are one of the most critical. Customers in the self-serve model are inherently messy. They drop things, spill things, step on things and most times do not take the time to clean up after themselves. This means, in order to ensure the best experience for the customers that follow, each cleaning station member must have a trained eye and must be quick to clean and straighten-up. Customers will not return to your shop if they feel the shop is not ‘clean’. Cleaning station member should make ‘laps’ around the store. Starting at the front patio they should examine the ground and chairs for spills. They should then move through the front door checking the glass to be sure messy hands have not left smear marks on your entry way. Next is the garbage cans, are they full? If so, change them out. Spills and messy areas can form on your bar top, bar stools, floor, chairs, loading station, chalk tables, under your machines, in the front part of your toppings bar, bathrooms, etc. Self-serve yogurt shops get messy everywhere – fast. It is your utmost responsibility to be sure the shop remains tidy and gives the appearance of cleanliness at all times. You will lose customers if they perceive the shop to be ‘dirty’.

For a detailed map of the employee stations, please refer to Appendix iv
Scheduling
When your shop is slow, you may only need 2 individuals to handle all of these duties. When the shop is busy, you may need upwards of 6 plus a manager. It is our recommendation to hire for the following when first starting out:

Weekdays AM – 2 Associates plus a Manager
Weekdays PM – 5 Associates plus a Manager
Weekends AM – 4 Associates plus a Manager
Weekends PM – 6 Associates plus a Manager

Once you experience a few days open you can get a better gauge on where you can ‘cut’ staff and where you will need to add staff. Volume levels vary by store, time of day, day of week, by weather etc. It is your responsibility to refer to your sales reports to determine patterns of low and high volume, then adjust staff accordingly.

See Appendix v for a mock labor schedule

The Hiring Process
Once you are in compliance with all of the necessary requirements previously mentioned, it is now time to hire. The key steps to finding the right person to fill a position in your company include:

1) Determining your need to hire a new employee.
   Are you properly utilizing the skills and talents of your current employees? Do you know what needs to be done? Can your business growth support a new employee?

2) Conducting a thorough job analysis. What are the job's essential functions and key performance criteria?

3) Writing a job description and job specification for the position based on the job analysis.

4) Determining the salary for the position, based on internal and external equity. Is the salary comparable and proportional with the salaries and responsibilities of other positions inside your company as well as similar positions out in the marketplace?

5) Deciding where and how to find qualified applicants. What are the recruitment techniques to be used? What is the time frame for conducting your search? Remember, advertising is not the only, or necessarily the best, way to recruit.

6) Collecting and reviewing a fair amount of applications and resumes and then selecting the most qualified candidates for further consideration.
7) Interviewing the most qualified candidates for the position, based on the job's description and specification.

8) Checking references.

9) Hiring the best person for the job.

Conducting the Successful Interview - What to Do

1) Prepare in Advance for the Interview

- Know what you want in a candidate before you begin the interview. Review the job specifications and requirements that have been prepared.

- Know the job and its responsibilities. Review the job description.

- Prepare a list of standard questions concerning the candidate's skills, abilities, and past work performance that you want him/her to answer.

- Prepare a list of prioritized and measurable criteria, either in the form of a worksheet or other method, for analyzing and comparing the candidates.

- Review the candidate's resume prior to the interview.

- Set specific appointment times and reasonable time limits.

- Be prepared to justify the use of any required employment test. Typically, the most legally defensible tests are those that involve a piece of the job.

2) Collect Pertinent Information During the Interview

- Since past behavior predicts future behavior, look for the candidate's behavior patterns as you collect information. For example, has the candidate enjoyed big picture work or detailed analysis more? Is he/she more of a generalist or more of a specialist? Oftentimes, by listening to how the candidate responds to your questions about previous jobs, you will be able to get a very good idea of what their behavior will be like in the future.

- Try not to offer too much detailed information up front so that the candidate will be able to formulate answers that exactly fits your company's needs. Don't put the right words in his/her mouth. Remember, the candidate (hopefully) wants the job and will be looking to say the right thing to impress you.

- Ask questions that focus on the candidate's past performances. For example, if the job, such as an office manager, demands an individual who is well-organized and handles paperwork easily, you may want to ask, "How do you keep track of your own schedules and desk work in your current position?"
• Ask specific, structured questions in regards to specific problems that the jobholder may face. Focus on past behavior and the results of the candidate’s actions in a particular situation. For example: "As an Associate out on the floor, you may encounter an unhappy customer. Have you had any experience dealing with difficult customers? Who was the most difficult customer you had to deal with? What was the situation? How did you resolve the problem?"

• Notice how well the candidate listens and responds to the questions asked.

• Note the candidate's choice of words and non-verbal behavior. Are they answering your questions clearly?

• Listen to the questions the candidate asks. Clarify the reasons why the questions are being asked. Notice which questions he/she asks first as they may be his/her primary concerns.

• Take detailed handwritten notes concerning job related topics that will help you distinguish the candidates from one another (especially if you will be conducting several interviews).

• Record information pertaining to the set criteria that will help in the evaluation of candidates.

• Organize and analyze the information immediately after the interview when memory is fresh. Don't try to remember everything, it's impossible. One idea is to rate each candidate on each of the criteria immediately following the interview.

3) Look and Act Professionally During the Interview

• Dress appropriately.

• Avoid appearing bored and fatigued.

• Set a businesslike atmosphere.

• Structure the interview and inform the candidate of the structure. Let the candidate know you will be focusing on past results and that you will be taking a lot of notes.

• Provide information on the company and the job to each candidate.

4) Treat All Candidates Fairly

• Use your list of standard questions during each interview so that you treat the applicants equally and so you can compare apples to apples.

• Refer to the criteria for analyzing candidates. Ask questions in regards to the job criteria.

• Keep all questions job-related.
• Do not ask discriminating questions.
• Show a genuine interest in every candidate you interview.
• If possible, have at least one other person meet and/or interview candidates who are finalists. They should also rate the candidates on each of the criteria; ultimately, all interviewers should compare their ratings and discuss any discrepancies. Having more than one interviewer helps control personal biases.

5. Be Courteous and Respectful

• Conduct the interview in a private place away from distractions.
• Begin the interview on schedule.
• If possible, conduct the interview without interruptions.
• Allow sufficient time for the interview.
• Appreciate the candidate's accomplishments.
• Do not patronize the candidate.
• Do not argue with the candidate.
• Thank the candidate for his/her time and interest.

6. Facilitate Open Communication

• Immediately attempt to establish a rapport with the candidate by breaking the ice; for example, ask about their experiences in a particular industry or geographical location (refer to his/her resume).
• Promote a relaxed environment with free-flowing conversation.
• Do not dominate the discussion by talking too much. Many experts use a 80/20 rule - you talk 20% of the time and the candidate talks 80% of the time.
• Politely probe the candidate for information by asking open-ended questions that will provide insight into the candidate’s values and traits.
• Ask structured questions that will require some thought on the part of the candidate.
• Listen carefully to the candidate's answers. If they do not provide you with specific results, probe until they do.
• Explain the selection process to the candidate. Offer realistic time frames and stick to your word!
The Successful Interview - What Not to Do

The following list is comprised of subject matter that is widely regarded as off-limits for discussion in an interview by employment experts. Most of these subjects relate directly to federal and state employment laws. Legislation covering equal employment opportunity is extensive and complex. Check not only federal laws, but also your own state's laws and guidelines. Remember, state laws vary. In an interview, or on an employment application, do not ask the following types of questions:

- Concerning the age of the candidate. Be careful using the words over qualified with older candidates.

- About their arrest record (this is different from convictions - in most states, it is permissible to ask if the candidate has ever been convicted of a crime).

- About race or ethnicity.

- Concerning the candidate's citizenship of the U.S. prior to hiring (It is permissible to ask "Will you be able to provide proof of eligibility to work in the U.S. if hired?")

- Concerning the candidate's ancestry, birthplace, or native language (it is permissible to ask about their ability to speak English or a foreign language if required for the job).

- About religion or religious customs or holidays.

- Concerning the candidate's height and weight if it does not affect their ability to perform the job.

- Concerning the names and addresses of relatives (only those relatives employed by the organization are permitted).

- About whether or not the candidate owns or rents his/her home and who lives with them. (Asking for their address for future contact is acceptable.)

- Concerning the candidate's credit history or financial situation. In some cases, credit history may be considered job-related, but proceed with extreme caution.

- Concerning education or training that is not required to perform the job.

- Concerning their sex or gender. Avoid any language or behavior that may be found inappropriate by the candidate. It's his/her standard of conduct that must be met.

- Concerning pregnancy or medical history. Attendance records at a previous employer may be discussed in most situations as long as you don't refer to illness or disability.
• Concerning the candidate's family or marital status or childcare arrangements (it is permissible to if the candidate will be able to work the required hours for the job).

• Concerning the candidate's membership in a non-professional organization or club that is not related to the job.

• Concerning physical or mental disabilities (asking whether the candidate can perform the essential job duties is permitted). The ADA allows you to ask the applicant to describe or demonstrate how they would perform an essential function(s) when certain specific conditions are met. Check the law or consult with an attorney before moving forward.

Remember - when in doubt, ask yourself if the question is job-related; if not, don't ask!

If possible ask for and check references. Even though you may not get a complete picture of the candidate, you'll at least be able to verify employment history.

• Contact all of the candidate's previous employers listed in the resume or application.

• Have more than one person interview an applicant.

• Ask the candidate questions that directly relate to the job.

• Have every employee complete a job application, and make it clear that giving false information on the application is grounds for termination.

Smart Cow handles all job applications online, however there may be times when well-timed walk-ins will show up at your door. If you sense this candidate may be an asset to your business, refer to Appendix vi for a printable Job Application. You can have this candidate fill out the application right there on-the-spot. You may also want to keep several printed copies of the Job Application in case similar instances arise in the future,
CHAPTER 6: Company Policies

Below is a list of standard company policies. You as a franchisee are free to institute additional policies within your own store as long as they are considered acceptable practice by the Department of Labor in your area. An Employee Handbook will be provided for you to distribute to all employees. Have each new employee thoroughly read through the Handbook then sign the back page. Keep one copy of the signed page in your store and allow the employee to keep the other. This will be confirmation that each employee has read through the Handbook, that each employee understands its contents and has agreed to adhere to those policies throughout the entire term of employment.

3 Strikes Document
Smart Cow will provide a sample document for keeping documentation of policy violations. This document, called the 3-Strikes document should be introduced whenever you or your Store Manager feels that a violation of company policy has occurred and is serious enough to warrant consideration of possible employee termination. After an employee receives 3 strikes, you or your Store Manager will have a detailed summary of each infraction which you can then cite as reason for termination. Of course, if there is one major instance of employee misconduct that warrants termination, document as much of the incident as possible, retain any and all evidence and let the employee go. Some states may require final wages (less taxes) to be paid immediately in these instances. Other states like Colorado require final wages (less taxes) to be paid in 24 hours. Please consult your local Department of Labor for guidelines in your area.

See Appendix vii for a sample of the 3 Strikes Document

If Your Location is Located Within an At-Will Employment State
The original Smart Cow yogurt shops were opened in the State of Colorado. Colorado is an At-Will Employment state. The following defines what At-Will Employment is and should be clearly explained to each new employee. Please consult the Department of Labor in your area to determine whether your State is an At-Will Employment state or not.

At-Will Employment Language
"These guidelines below are not a contract and impose no legally enforceable obligation on our part. While we hope that your employment will be a great experience for both you and the Company, please understand that continued employment cannot be guaranteed for any Employee. As a Smart Cow Employee, you are employed at will. This means that you are free to leave your employment at any time, with or without cause, formality, or notice, and the Company retains the same right to terminate your employment at any time, with or without cause, formality or notice."
No one at the Company, except the Partners of (Your Company Name), has the authority to change this policy of at-will employment. This policy is the sole and entire agreement between you and the Company as to the duration of employment and the circumstances under which employment may be terminated. In the event of conflict between this disclaimer and any other statement, oral or written, present or future, concerning terms and conditions of employment, the at-will relationship confirmed by this disclaimer shall control, unless an express term is set forth in a written agreement signed by you and the (Company) Partners.

The employment at-will relationship is not affected by performance evaluations. Please understand that a positive performance evaluation does not guarantee an increase in salary, a promotion or even continued employment. Performance evaluations are conducted for the limited purpose of providing both you and your Manager/Supervisor with the opportunity to discuss your job tasks, identify and correct weaknesses, encourage and recognize strengths, and discuss methods for improving your performance.

With the exception of employment at-will, term and conditions of employment with the Company may be modified at the sole discretion of the Company with or without cause or notice at any time. No implied contract concerning any employment-related decision or term or condition of employment can be established by any other statement, conduct, policy or practice.

Examples of the types of terms and conditions of employment that are within the sole discretion of the Company include, but are not limited to, the following: promotion; demotion; transfers; hiring decisions; compensation; benefits; qualifications; discipline; layoff or recall; rules; hours and schedules; work assignments; job duties and responsibilities; production standards; subcontracting; reduction, cessation, or expansion of operations; sale, relocation, merger, or consolidation of operations; determinations concerning the use of equipment, methods, or facilities; or any other terms and conditions that the Company may determine to be necessary for the safe, efficient, and economic operation of its business.”

**Equal Employment Opportunity**

Smart Cow is an equal employment opportunity employer and strives to comply with all applicable laws prohibiting discrimination based on race, creed, color, national origin or ancestry, religion, sex, age, veteran status, physical or mental disability, marital status, medical condition, sexual orientation, or any other category protected by federal, state, or local laws. All such discrimination is unlawful and all persons involved in the operations of the Company are prohibited from engaging in this type of conduct. Our personal practices strive to comply with federal, state, and local laws regarding nondiscrimination in employment.

Specifically, Smart Cow is committed to recruiting, hiring, training and promoting qualified persons to all job titles without regard to any protected characteristic or classification, and to administering all personnel actions, such as compensation, benefits, transfers, layoffs or terminations, returns from layoff, training, education and social and recreational programs, without unlawful discrimination. To assure that promotional decisions are in accord with this policy, only valid requirements for promotional opportunities are imposed.

Smart Cow has also established general principles intended to govern the conduct of all employees. These principles are not intended to cover every situation, but rather to state the
Company’s basic philosophy of conducting business lawfully and with integrity.

We provide qualified employees with disabilities reasonable accommodation as required by law, unless doing so would create an undue hardship on the Company. Any qualified applicant or employee with a disability who requires an accommodation in order to perform the essential functions of the job must contact their manager and request an accommodation.

You must report an instance of unlawful discrimination to Smart Cow corporate regardless of whether you or someone else is the subject of the discrimination. Detailed reports – including names, descriptions, and actual events or statements made – will greatly enhance the Company’s ability to investigate. Any documents supporting the allegations should also be submitted. Based on your information, the Company will conduct an investigation. The Company prohibits any and all retaliation for submitting, in good faith, a report of unlawful discrimination and for cooperating in any investigation. Any manager or employee who retaliates against the accuser or those involved in the investigation may be disciplined, up to and including termination from employment.

If the investigation determines that prohibited discrimination or other conduct in violation of Company policy has occurred, the Company may take disciplinary action, up to and including termination of employment, against those who engaged in the misconduct. The Company may also evaluate whether other employment practices should be added or modified in order to deter and prevent that conduct in the future.

Antiharassment

In compliance with applicable laws, Smart Cow strives to provide a working environment free from harassment of any type of its employees based on race, creed, color, national origin or ancestry, religion, sex, age, veteran status, physical or mental disability, marital status, medical condition, sexual orientation, or any other non-work related basis as protected by federal, state or local law. All such harassment is unlawful and will not be tolerated.

Sexual harassment includes many forms of offensive behavior, but is not limited to, making unwanted sexual advances and requests for sexual favors where either (1) submission to such conduct is made an explicit or implicit term or condition of employment; (2) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual; or (3) such conduct has the purpose or effect of substantially interfering with an individual’s work performance or creating an intimidating, hostile or otherwise work environment. Whether a particular behavior constitutes harassment may depend on the circumstances; however, the following is a partial list of examples:

- Unwanted sexual advances.

- Offering employment benefits in exchange for sexual favors.

- Making or threatening reprisals after a negative response to sexual advances.

- Visual conduct such as leering, making sexual gestures, displaying sexually suggestive objects or pictures, cartoons or posters.
• Verbal conduct such as making or using derogatory comments, epithets, slurs, sexually explicit jokes, or comments about an employee’s body or dress.

• Verbal sexual advances or propositions.

• Verbal abuse of a sexual nature, graphic verbal commentary about an individual’s body, sexually degrading words to describe an individual, or suggestive or obscene letters, notes, or invitations.

• Physical conduct such as touching, assault, or impeding or blocking movements.

• Retaliation for reporting harassment or threatening to report harassment.

Sexual and other forms of harassment are unlawful and may result in discipline, up to and including termination. Harassment may also subject the harasser to personal civil and/or criminal liability.

This policy applies equally to men and women, to same-sex and opposite-sex relationships, to supervisor-subordinate relationships, and to peer relationships. Depending on the extent of the Company’s exercise of control it may also apply to non-employees, such as customers, vendors, and other visitors.

If you believe that you have been subjected to sexual or other forms of harassment, or if you believe that you have observed the harassment of another employee, you must immediately report the incident to Smart Cow corporate. Your complaint should be as detailed as possible, including the names of individuals involved, the names of any witnesses, direct quotations when language is relevant, and any documentary evidence (notes, pictures, cartoons, etc.).

If you believe you have been subjected to harassment, you are encouraged to confront the offending person and ask him or her to stop. You should not attempt to personally resolve incidents involving others that you observe or hear about from others; it is the responsibility of the Franchisee to investigate all such claims and take appropriate disciplinary action.

To the extent possible, any investigation will be handled in confidence. We cannot promise anonymity to persons who report harassment or participate in any investigation, but we will not tolerate retaliation against any individual who brings a harassment complaint. Filing a false or bad-faith complaint, however, is prohibited and may result in discipline up to and including termination.

Smart Cow complaint procedure provides for an immediate, thorough, and objective investigation of any claim of unlawful or prohibited harassment, appropriate disciplinary action against one found to have engaged in prohibited harassment, and appropriate remedies for any victim of harassment. After the investigation is completed, a determination regarding the reported harassment will be made and communicated to the employee who complained and to the accused harasser(s). The Company will not knowingly permit any retaliation against any employee who complains of prohibited harassment or who participates in an investigation.

Any employee of Smart Cow, whether a coworker or manager, who is found to have engaged
in prohibited harassment is subject to disciplinary action, up to and including termination from
employment. Managers who knew about harassment and took no action to stop it or failed to
report the harassment to an appropriate company official may also be subject to discipline up
to and including termination of employment. The Company does not consider conduct in
violation of this policy to be within the course and scope of employment or the direct
consequence of the discharge of one’s duties. Accordingly, to the extent permitted by law,
the Company reserves the right not to provide a defense or pay damages assessed against
employees for conduct in violation of this policy.

If you have any questions concerning this guideline, you should contact Smart Cow corporate
for clarification.

Anti-Violence
Smart Cow strives to provide a safe working environment for all employees. The costs of
workplace violence are great, both in human and financial terms. We believe that the safety
and security of Smart Cow employees are paramount. Therefore, the Company has adopted
this policy regarding anti-violence, and the following anti-violence guidelines apply to all Smart
Cow Store locations.

It is prohibited to possess a weapon, threaten another individual with bodily harm or assault
another individual at any time while on Company property, or while engaged in Company
business regardless of the location. Acts or threats of physical violence, including
intimidation, harassment, and/or coercion, that involve or affect the Company or that occur on
Company property or in the conduct of Company business off Company property, will not be
tolerated. This prohibition against threats and acts of violence applies to all persons involved
in Company operations, including, but not limited to, Smart Cow employees, contract workers,
temporary employees, and anyone else on Smart Cow property or conducting Company
business off Company property. Violations of this policy, by any individual, will lead to
disciplinary action and/or legal action as appropriate.

If you are threatened or witness or overhear a threat of bodily harm, you must report it
immediately to Smart Cow corporate. If you receive a threat while off of Company property
and not in the course and scope of your employment with the Company, you must still report
the threat to Smart Cow corporate if you have reason to believe that the threat may be carried
out on Company property or while you are engaged in Company business.

If you are assaulted or witness an assault, you must report it immediately.

If you are aware that an employee or customer has possession of a weapon while on
Company property, or that another employee has a weapon while they are engaged in
Company business regardless of whether they are on Company property, you must report it
immediately to Smart Cow corporate.

This policy is intended to bring Smart Cow into compliance with existing legal provisions
requiring employers to provide a safe workplace; it is not intended to create any obligations
beyond those required by existing law.
Whistleblower Protection
An employee’s discovery of events of a questionable, fraudulent or illegal nature or those in violation of this policy should be reported immediately to Smart Cow corporate. A whistleblower as defined by this policy is an employee who reports an activity that he/she considers to be illegal or financially irregular. The whistleblower is not responsible for investigating the activity or for determining fault or corrective measures; appropriate management officials are charged with these responsibilities.

If an employee has knowledge of or a concern of illegal or financially irregular activity, the employee is to contact the Franchisee who will be responsible for investigating and/or coordinating corrective action. The employee must exercise sound judgment to avoid baseless allegations. An employee who intentionally files a false report of wrongdoing will be subject to discipline up to and including termination.

Whistleblower protections are provided in two important areas -- confidentiality and against retaliation. Insofar as possible, the confidentiality of the whistleblower will be maintained. However, identity may have to be disclosed to conduct a thorough investigation, to comply with the law and to provide accused individuals their legal rights of defense. Smart Cow will not retaliate against a whistleblower. This includes, but is not limited to, protection from retaliation in the form of an adverse employment action such as termination, compensation decreases, poor work assignments, and threats of physical harm.

Safety
Smart Cow is committed to providing a safe and healthy work environment for team members, customers, and visitors. Smart Cow will provide reasonable safety information to team members about workplace safety and health issues through internal communication channels. Each team member is expected to obey safety rules and to exercise caution in all activities. Team members who violate safety standards, 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 employment termination.

Investigations of Current Employees
All Company property is subject to inspection and search, with or without notice. While on Company property, employees’ personal belongings, including any vehicles, bags, purses, briefcases, and clothing, are also subject to inspection and search, with or without notice.

The Company may occasionally find it necessary to investigate current employees, where behavior or other relevant circumstances raise questions concerning work performance, reliability, honesty, trustworthiness, or potential threat to the safety of coworkers or others. Employee investigations may, where appropriate, include investigations of criminal records, including appropriate inquiries about any arrest for which the employee is out on bail. The employee is required to appear at any investigative meetings and provide accurate and truthful information during the investigation.
To the extent permitted by law, you authorize the Company to conduct searches of personal property on any of our business premises in connection with any workplace investigation. Employees subject to an investigation are required to cooperate with the Company’s lawful efforts to obtain relevant information, and may be disciplined up to any including termination for failure to do so.

**Substance Abuse**

Smart Cow has a compelling interest in maintaining a safe, healthful and productive work environment for our employees, guests and visitors. Therefore, the sale, purchase, use, consumption, or possession of alcohol (except at, or in connection with, Company-sponsored events and you are of legal drinking age), controlled substances/drugs or drug paraphernalia of any kind on Company property or while engaged in Company business, regardless of location, is prohibited and may result in discipline up to and including termination of employment or Franchise Agreement. Distribution, sale, manufacture, or purchase – or the attempted distribution, sale, manufacture or purchase – of an illegal drug, intoxicant, or controlled substance during working hours or while on premises owned or occupied by the Company is prohibited and may result in discipline up to and including termination of employment or Franchise Agreement. Likewise, reporting to work impaired by alcohol or controlled substances/drugs of any kind is prohibited, as is the use of alcohol or controlled substances/drugs before work, during any break or during mealtime so as to influence, in our judgment, your ability to work. As used in this guideline, “controlled substance/drug” includes prescription drugs. Prescription drugs may be used while at work only consistent with a physician’s prescription and only when a physician has granted you permission to use or consume the drug in question while at work and does not affect the employee’s ability to perform his/her duties. Employees required to take prescription drugs that may affect their performance, judgment or ability to work safely, must report this to you the Franchisee. Smart Cow reserves the right to terminate employment if employees required to take prescription medication cannot perform his/her duties as a result.

If the Company has a suspicion that an employee has violated any of the above prohibitions, the Company may require the employee to undergo drug or alcohol testing, in accordance with the federal, state, and local regulations relating to the location of employment. In addition, the Company may require drug or alcohol testing if an employee contributes to a work-related accident or sustains a lost-time injury in the course of his or her employment.

If you have problems arising out of substance abuse or dependency, you are encouraged to seek counseling. We may, at our discretion, require that you (if we have reason to believe you are dependent upon alcohol or any controlled substance, and if your possible dependency creates or increases safety risks or negatively affects work performance or conduct) undergo and successfully complete a treatment program as a condition of your continued Franchise Agreement.

Any Employee suspected of possessing an illegal drug, intoxicants, or a controlled substance is subject to inspection and search, with or without notice. Any violation of the Company’s substance abuse policy, including having a positive drug-test result, may lead to disciplinary action, up to and including employment termination.
Any failure to comply with this substance abuse guideline may result in discipline up to and including employee termination or termination of your Franchise Agreement.

Electronic and Telephone Systems
You provide electronic systems (like computers, telephones, Point-of-Sale and voice mail systems) and access to these systems for the use by your employees to assist in the conduct of business and are provided to employees for the benefit of the company and its customers, vendors, and suppliers. Franchisee and employees should use these systems with the understanding that all of these systems and all of the information created, conveyed or stored in or through them is the property of Smart Cow.

These systems are provided for business purposes only, and communications transmitted through them should always be professional and courteous, and should contain only information that would be communicated face-to-face. Likewise, messages sent over the internet from Smart Cow’s facility or equipment may be transmitted with the Company name attached. Accordingly, you must treat internet e-mails as if it were sent on firm letterhead, and refrain from using unprofessional or discourteous language. Voice mail and e-mail are to be used for non-confidential business contacts. Any confidential business should be conducted through telephone conversations and/or meetings rather than through electronic messaging.

The personal use of Company electronic systems is not appropriate, and you should note that certain messages may be electronically stored so that even when deleted by the recipient, they can be retrieved. Please be aware that unauthorized or improper use of computer system is prohibited, as is the installation of any unauthorized software. The Company reserves the right to retrieve and read any message composed, sent, or received. Employees may access only messages, files or programs, whether computerized or not, that they have permission to enter. All IT policies and procedures must be followed at all times.

We reserve the right, at any time, for any reason, and without notice to or consent of users, to access all information conveyed or stored anywhere on any of our electronic systems, including telephone calls and electronic mail messages, even if the information has been password protected or encrypted. We may use the information so obtained for any legal purpose, including disclosure to third parties, subject only to applicable law, but otherwise in our sole discretion. We may exercise this right in the course of an investigation or as we deem necessary to locate substantive information that is not more readily available by some other less intrusive means. We may disclose the contents of any electronic communication sent to or received by any employee and may use information regarding the number, sender, recipient and address of messages sent over the electronic mail system for any purpose. Employees have no right to privacy as to any information or file transmitted or stored through the company’s computer systems, voice mail, electronic mail, or other technical resources.

Misuse of electronic communications systems is serious misconduct and may result in discipline up to and including employment termination or termination of your Franchise Agreement.

Use of Personal Communication Tools
It is essential while at work that employees focus on performing their job. Use of cellular
phones, pagers, two-way pagers, Blackberry devices, PDAs, or other communication devices is prohibited by employees on the clock. Use of these devices is allowed during employee breaks and in the back-of-house only.

Electronic Recording in the Workplace
No employee may secretly or otherwise tape, film or electronically or mechanically record, or cause anyone to do so, any other employee, including without limitation, supervisory or management personnel. Such recording has a detrimental effect on candor and the free expression and exchange of ideas in the workplace and causes mistrust among employees. In addition, no employee may secretly or otherwise tape, film or photograph any of the Company’s facilities, areas, or operations. Violation of this policy will result in disciplinary action, up to and including immediate termination of employment.

Employment of Relatives
There are three instances whereby it is prohibited for a person to be employed by the Company when a member of that person’s immediate family is also employed by the Company. For purposes of this section, “immediate family” and “relative” is defined to include spouse, live-in partners, parents, children, siblings, grandparents, cousins, aunts, uncles, and in-law relatives. This policy covers biological relationships, marriage relationships, and step relationships.

Employment of relatives is strictly prohibited under the following circumstances:

• Where one family member would directly or indirectly exercise supervisory, appointment, or dismissal authority over, or have the authority to impose disciplinary action as to, another family member.

• Where one family member would audit, verify, receive or be entrusted with moneys received or handled by another family member; or

• Where one family member would have access to Company payroll, personnel or other type of confidential information.

In addition, no employee with hiring authority shall hire a member of his or her immediate family for employment with the Company. Failure to comply with this policy may result in disciplinary action up to and including employee termination.

If two employees become related while working for the Company, they will both be allowed to remain with the Company. However, if one of them supervises the other, only one of the employees will be allowed to keep his or her current position. The other will either have to transfer to another position or leave the Company.

Fraternization and Prohibited Relationships
Smart Cow is aware of the fact that romantic relationships and sexual conduct between co-workers, even if consensual, can create conflicts of interest, and may also contribute to or result in inappropriate workplace conduct ranging from distraction from work-related duties to
illegal sexual harassment.

To minimize these problems and help ensure a productive, professional workplace, romantic relations and sexual conduct between employees are strictly prohibited under the following circumstances:

• Where one employee would directly or indirectly exercise supervisory, appointment, or dismissal authority over, or have the authority to impose disciplinary action as to, the other;

• Where one employee would audit, verify, receive or be entrusted with moneys received or handled by the other; or

• Where one employee would have access to Company payroll, personnel or other type of confidential information.

In addition, as to relationships not encompassed by the preceding prohibition, under no circumstances shall any employee engage in flirting, sexual horseplay, or romantic or sexual conduct while on Company property or during either participant’s work hours. If you are aware of any situation or event that violates this guideline, you are required to take action immediately.

Any employee engaging in conduct prohibited by this guideline may receive discipline up to and including termination, and may also subject the individual involved to personal civil and/or criminal liability.

Solicitation
Smart Cow has established rules, applicable to all employees, to govern solicitation and distribution of written material during working time and in working areas, and entry onto the premises and work areas. All employees are expected to comply strictly with these rules.

• No employee shall solicit or promote support for any cause or organization during working time or during working time of the employee or employees at whom the activity is directed;

• No employee shall distribute or circulate any written or printed material, including e-mail, in work areas during working time, or during the working time of the employee or employees at whom the activity is directed; and

• Under no circumstances will non-employees be permitted to solicit or to distribute written material for any purpose on Smart Cow property. This includes allowing non-employees to set up or leave “counter cards” or any other printed material promoting other businesses, organizations or causes.

Employee Performance Evaluations
Smart Cow believes it is important that your employees receive feedback regarding good performance and appropriate suggestions for improvement, to help them perform their jobs to the best of their abilities. Consistent with this goal, you should attempt, subject to business
demands, to evaluate employee performance on an ongoing basis and provide them with periodic written evaluations of their performance. You should attempt to conduct performance evaluations during the month of your employees’ annual anniversary date.

Wage increases are made at your discretion and are in fact conducted separately from the Annual Performance Evaluation.

For any job description of any job classification, the following will universally be considered essential functions of the job (in addition to any others deemed essential by the Company) and will always be considered major factors in any performance evaluation: regular and reliable attendance; the ability to respond positively to direction and criticism of performance; the ability to work productively and harmoniously with others on a consistent basis; and the consistent maintenance of professional and appropriate demeanor. All written performance evaluations will be based on overall performance in relation to job responsibilities and will also take into account conduct, demeanor, and the essential functions of the job.

In addition to the performance evaluations described above, you may conduct special written or unwritten performance evaluations at any time to advise employees of performance or disciplinary problems.

Promotions
We encourage you to encourage your employees to learn all they can about their jobs and to communicate their goals to you the Franchisee.

Vacation Time
Hourly Employees are not eligible for paid vacation. Any time off is unpaid and prior approval by a manager is required. Arrangements for shift coverage must also be made in advance as per the Shift Coverage Procedure Policy (see page 45). Salaried Employees are eligible for vacation after 6 months of service. After the completion of 6 months of service, eligible salaried employees will be entitled to 1 week paid vacation in years 1 & 2. Eligible salaried employees will be entitled to 2 weeks paid vacation in year 3 and each year thereafter. All vacation time must be scheduled at least 1 month in advance and approved by you.

Employee Records
All statements made by employees on any employment record, including application for employment, must be true, accurate and complete. Inaccuracies or omissions on any such record, whether or not intentional, may result in discipline up to and including employment termination.

Employees should notify you if their legal name, address, telephone number, marital status, insurance beneficiaries, number of dependents, or other pertinent information changes during their employment.

Current employees may review their personnel file and request a copy of the records contained in that file, upon reasonable notice, during normal working hours. Any former
Employee may request a copy of his or her personnel file, but must do so in writing. As permitted by law, we reserve the right to require prepayment of duplication expenses by any present or former employee requesting personnel documentation. In addition, we reserve the right and have the sole discretion to require that files be reviewed only under observation by a Company representative.

Non-Employees may not, except with specific written authorization, have independent access to personnel files. Generally, such access would be granted only as required by law (e.g., in response to a subpoena, summons, or request for information from a federal administrative or law enforcement agency). No information will be provided to non-Employees on the basis of a telephone request.

**Child Support Reporting Requirements**

Federal and state laws require you to report basic information about new employees, including name, address, and Social Security number, to a state agency called the State Directory of New Hires. The state collects this information to enforce child support orders. If the state determines that employees owe child support, it will send you an order requiring you to withhold money from their paycheck to pay their child support obligations.

**Pranks and Practical Jokes**

Although we want your employees to enjoy their jobs and have fun working together, we cannot allow employees to play practical jokes or pranks on each other. At best, these actions disrupt the workplace and dampen the morale of some; at worst, they lead to complaints of discrimination, harassment, or assault. If you have any questions about this policy, contact Smart Cow corporate. Employees who play pranks or practical jokes may face disciplinary action, up to and including termination.

**Leave Without Pay**

Employees may be eligible for several forms of unpaid leave including personal leave, leave under the Family and Medical Leave Act, pregnancy leave and military leave. To the extent permitted by law, we reserve the right, in our sole discretion, to modify, withdraw or deviate from the following guidelines without prior notice.

Employees qualify for leave without pay if you meet two criteria: 1) they have been employed by you for at least twelve months and 2) they have worked at least 1,250 hours in the twelve-month period immediately preceding the start of the leave. These criteria may vary by state, please consult your local Department of Labor for guidelines in your area.

Except in emergencies, or as required by law, all requests for leave without pay must be submitted at least thirty days in advance, in writing, and must be approved by you. Requests for leave without pay must set out expected departure and return dates. Appropriate documentation such as medical recommendations from a licensed physician, military order, court orders or other affidavits are required as evidence of need for these leaves. Anticipated departure and return dates will be subject to approval by you. Whether requests for leave without pay will be granted is a matter within the discretion of the Company or as required by
In circumstances deemed appropriate, you may in your discretion require any employee on or applying for unpaid leave to submit to an independent medical examination conducted by a physician selected by you. They will be notified whether their leave request is granted or denied. If they are granted leave, they must comply with the terms and conditions of the leave, including keeping in touch with you during their leave, and giving prompt notice if there is any change in their return date. Upon return from an unpaid leave of absence, they will be credited with the full employment status that existed prior to the start of the leave however you cannot guarantee the same number of working hours will be provided. Acceptance of other employment or application for unemployment benefits while on leave shall be treated as a voluntary resignation from employment.

**Workers' Compensation**

You will grant a workers’ compensation leave to employees with occupational illnesses or injuries in accordance with state law. As an alternative, you may try to reasonably accommodate such employees with modified work. Leave taken under the workers’ compensation policy runs concurrently with Family and Medical Leave (FMLA) under both federal and state law.

Employees must report all accidents, injuries and illnesses to you no matter how small the injury may seem. If employees are seen by a health-care provider for their injury, they must provide the Company with a certification from them prior to their return to modified work or reinstatement to work. You may be required to keep a list of approved physicians’ names, addresses and phone numbers in the store in case an injury occurs and the employee requires immediate medical attention.

Workers’ compensation leaves are without pay. However, employees may utilize any earned vacation time during the leave. All such payments will be coordinated with any state disability, workers’ compensation or other wage reimbursement benefits for which employees may be eligible. At no time shall employees receive a greater total payment than their regular salary.

**Jury Duty**

We understand that employees are required to serve on a jury or witness duty when called and we encourage full participation. If an employee is required to serve on a jury, they will be given time off for jury duty. Payment for jury duty will be made in accordance with applicable state law. Verification from the court clerk of having served may be required and employees will be expected to report or return to work for the remainder of their work schedule on any day they are dismissed from jury or witness duty in accordance with applicable state law.

To qualify to receive pay for jury duty, employees must notify you within a reasonable time after their jury duty notification is received. In addition, once their service has been completed, they must submit a copy of:

- The notice to serve;

- Acceptable proof showing dates and time of service
These documents must be presented to you before any pay will be issued.

Payment for jury duty varies from state to state, so check local law.

**Bereavement**

For salaried Employees, if they experience a death in their immediate family, they will be given up to five paid days (1 day = 8 hours) off for the purpose of making any necessary arrangements and/or attending the funeral. The number of days will be determined by the location of the funeral along with other considerations. All paid time off is to be taken in consecutive scheduled calendar days, “Immediate family” is defined as spouse, parents, children, siblings, grandparents, and immediate in-law relatives. Permission to attend other funerals, requests for other types of bereavement leave, and additional time off will be considered on a case-by-case basis and must be approved by you.

Hourly Employees and Hourly Shift Leaders are approved to take up to five days of unpaid bereavement leave.

**Confidentiality**

Employees shall not disclose to any person, firm, corporation or other entity outside Smart Cow, any information relating to the Smart Cow’s business such as, but not limited to, financial information or records, including audited and unaudited financial statements, financial statistics, handbooks, procedure manuals, tax returns, customer information, customer records, personal information regarding our employees or customers, including telephone numbers, addresses, and social security numbers, information concerning our computer processes, programs, codes or passwords, information regarding pending projects and proposals, and all other materials of a confidential nature obtained during employment with Smart Cow which is not known to the general public (“Confidential Information”).

Any materials containing Confidential Information (including social security numbers) may not be discarded by employees as regular trash. Employees must ensure that Confidential Information is shredded, as appropriate, and only as authorized by you.

**Work Product Ownership**

All Smart Cow Employees must be aware that Smart Cow retains legal ownership of the product of their work. No work product created while employed by Smart Cow can be claimed, construed, or presented as property of the individual, even after employment by Smart Cow has been terminated or the relevant project has been completed. This includes written and electronic documents, audio and video recordings, system code, and also any concepts, ideas, or other intellectual property developed for Smart Cow, regardless of whether the intellectual property is actually used by Smart Cow.

**When Employment Ends**

After employment ends, an employee shall not communicate or divulge any Confidential Information to any person, firm or corporation outside Smart Cow, and immediately upon the end of employment, each employee shall return to Smart Cow, in addition to all Smart Cow property,
all Confidential Information in his or her possession or control, including without limitation, originals and copies of all Smart Cow records, graphics, computer programs, and all other Smart Cow related materials.

Non-Competition

During employment by Smart Cow, an employee shall not in any way directly or indirectly, on his or her own behalf or on behalf of any other person, firm, corporation or other entity render service or solicit business in competition with Smart Cow or engage in the research, development, production, writing, or marketing of products or services, in competition with Smart Cow.

In support of the above restrictions, an employee shall not agree with any person, firm, corporation or other entity to do anything which he or she is prohibited or restricted from doing by this policy or which is contrary to any obligation which he or she may have pursuant to any provision of this Employee Handbook.

Employee Compensation

In general, our philosophy is to “pay for performance”. We want to recognize and reward good performance based upon work results.

Employee compensation is also determined based on our business needs and circumstances, pertinent job descriptions, qualifications and other factors that we deem relevant. The Company is not required to adhere to any set salary scale and we may, at our discretion, deviate from salary norms, as circumstances require.

We may, at our discretion, adjust individual salaries and wages. Employees are never guaranteed a raise or, if given a raise, guaranteed that the raise will be in a certain amount. We reserve the right to lower salaries based on market and competitive compensation or the performance of the company. We reserve the right to consider any factor we deem relevant in determining whether an adjustment is appropriate; however, relevant factors may include the Company’s business and financial needs and conditions, labor market conditions, job performance and conduct, and education and professional achievements.

Employees are paid every other week (except as required by state laws). Employees will receive an Earnings Statement with their check, which shows the detail of how their pay was calculated. Your non-exempt employees who has recorded authorized overtime on the time clock, they will be paid overtime pay as required by law. If you have an exempt employee, you will not pay overtime for hours worked in excess of forty (40) per week. Their paycheck reflects total earnings for the pay period, as well as any mandatory or voluntary deductions from their paycheck. Mandatory deductions are deductions that we are legally required to take. Such deductions include federal income tax, Social Security tax (FICA), and any applicable state taxes. Voluntary deductions are deductions that the employee has authorized.

The work week starts Monday and ends the following Sunday. Paychecks are issued on Fridays. Special scheduling requests should be discussed with you at least two weeks prior to the posting of any new schedule.
Employees are required to clock in and out for shifts. Please be aware that employees are responsible for checking the accuracy of their paycheck, so if an employee becomes aware of a lost check or irregularity, they must report it immediately to you. Any misrepresentation or omission on any payroll record, time card or other document relating to compensation, whether or not intentional, may result in discipline up to and including termination.

**Employment Categories**

Each team member is designated either a exempt or non-exempt under federal and state wage and hour laws. Exempt employees are excluded from the overtime pay requirements of federal and state wage and hour laws. Non-exempt employees are entitled to overtime pay under the specific provisions of federal and state laws. A team member’s exempt or non-exempt classification may be changed only upon written notification by you.

**Tips**

You may keep a ‘tip jar’ near your POS to collect tips. As per Colorado Wage Order 27, Colorado wage law allows for Smart Cow to assert claim to, right of ownership in, or control over tips. A printed sign in a conspicuous location at the place of business is to be posted giving notice to the general public that all tips or gratuities given by the patron are not property of the employee, but instead property of the employer. Tips are distributed to employees on a weekly basis at management’s discretion based on performance. Check with the Department of Labor in your area for requirements on the handling of tips collected at the POS.

**Wage Garnishments**

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

If an employee is instructed by a court or agency to garnish an employee’s wages, the employee will be notified of the garnishment as required by state law. Please note that we are legally required to comply with these orders. If an employee has a dispute or has concerns about the amount of a garnishment, they must contact the court or agency that issued the order.

**Salary Advances**

Do not make advances on salary.

**Employment Reference Checks**

To ensure that individuals who join Smart Cow are well-qualified, Smart Cow reserves the right to check the employment references of applicants. Providing inaccurate or incomplete information on a resume, application, or related forms or in any personal interview is a violation of Smart Cow policy and will disqualify the applicant for employment, or if employed, will result in termination from employment.
Severance
Employees are not entitled to severance pay upon separation from the Company, irrespective of the circumstances of the separation. If, at your discretion, you decide to grant severance payments, these payments shall be determined by you at the time of separation in your sole discretion.

We expect employees to perform their job duties to the highest business standards at all times. We will not tolerate improper or insubordinate conduct. We therefore reserve the right, in all instances, to impose discipline, up to and including termination, with or without prior notice.

Whether or not your performance, conduct or behavior warrants disciplinary action is within the judgment and discretion of Smart Cow as is the appropriate type of discipline in a particular form of disciplinary action, such as warnings or notice, or progressive discipline, prior to termination.

Courtesy
You must treat all guests, visitors, and other employees with the highest degree of respect, courtesy, kindness and caring. Collectively, we are in the “people business,” and it is of the utmost importance that you maintain a friendly, courteous and cooperative attitude while at work.

Employee Dress and Grooming
Employees represent Smart Cow and are expected to dress and groom yourself in a casual, yet professional manner that is appropriate for their duties. We reserve the right to prohibit employees from wearing any article of clothing, any hair style or other adornment that you deem, in your sole discretion, that their appearance or grooming is inappropriate. Employees ordinarily will be sent home to correct the problem and may, in addition, be subject to discipline up to and including termination.

• Clean, non-slip, rubber sole shoes with a closed toe are required.

• Name tag on the right side of employee shirt.

Here’s what’s NOT OK (at work) – ragged, torn, un-hemmed, and/or excessively faded pants or shorts. Also, no skirts or skorts.

Jewelry, Piercing, Tattoos and Make-up
Our goal is to develop a business that reflects the community we serve. Because of that, you may require, at your own discretion, that employee jewelry and piercings be removed. In any event, jewelry, piercings and make-up must be used in moderation. In addition, you may require that tattoos be covered while at work.
Hair
• Hair must be well groomed and present a professional appearance.
• Hair longer than the collar must be pulled away from the face and off the shoulders.
• A well-groomed mustache (trimmed to the corners of the mouth) will be permitted. Other facial hair that is neatly trimmed and meets your local and state health department requirements is acceptable.

Personal Hygiene
• Employees must wash and sanitize hands prior to their shift, whenever they change job assignments, after eating or smoking and after using the restroom.
• Keep fingernails neatly trimmed and clean. Nail polish and sculptured nails may be prohibited by your local health department.
• Employees must shower, use deodorant, brush teeth, keep hair clean, etc.
• Use of perfumes/colognes/aftershaves in moderation only.

Uniform
Smart Cow requires all employees to conform to the uniform policy while working, uniform headgear, in the form of a Smart Cow issued cap or visor as well as a Smart Cow T-shirt and name button are required to be worn. Each employee will be provided one piece of headgear, one t-shirt and a name button. Name buttons are to be kept at the store when employees are not working. In the event that a name button is lost or damaged, Smart Cow will replace the name button at no expense to the employee. Additional pieces of headgear and/or t-shirts however may be purchased from Smart Cow.

Have employees sign a Uniform Agreement, which states that an employee agrees to reimburse the company for the cost of a uniform shirt should employment be terminated within 2 months of service. In addition, the Agreement should state that the employee agrees to return their uniform hat or visor upon termination of employment or else the cost of such headgear will be withheld form their last paycheck.

See Appendix viii for a Sample Uniform Agreement document.

Cell Phones
Smart Cow requires all employees prior to clocking in to place personal cell phones in a designated container in the kitchen. Cell phone use is prohibited during working hours unless on break.
Tobacco Use
Smoking, or the use of any tobacco product, is prohibited within our stores and anywhere within view of our Guests. Tobacco use is allowed only during an authorized break and only in a designated area determined by you. Designated smoking areas must be in compliance with all local, state, and federal health codes.

Threatening, Abusive or Vulgar Language
We expect our employees to treat everyone they meet through their jobs with courtesy and respect. Threatening, abusive, and vulgar language has no place in our workplace. It destroys morale and relationships, and it impedes the effective and efficient operation of our business.

As a result, we will not tolerate threatening, abusive, or vulgar language from employees while they are on the work site, conducting Company business, or attending Company-related business or social functions. Employees who violate this policy will face disciplinary action, up to and including termination.

Sickness
No Employee knowingly sick or infected with a communicable disease that can be transmitted through food or who is a carrier of an organism which causes such a disease shall be allowed to work in any capacity where there is likelihood of such employee contaminating food or food-contact surfaces with pathogenic organisms or transmitting disease to other persons. It is the responsibility of each employee to notify the manager on duty for his or her shift that they are sick and unable to work. If the sickness lasts more than one day, you must call in every day. Excessive or unusually high number of call-in for being sick may result in termination of duty.

Parking
All Employees are to park either behind the store, to the side of the store or in the 4th row or further.

Timekeeping
Non-exempt Employees should report to work no more than five (5) minutes prior to their scheduled starting time, nor stay more than five (5) minutes after their scheduled ending time, unless otherwise authorized in writing by their immediate supervisor. Employees are not permitted to make up lost time. Lateness shall be recorded and employees will only be paid for time worked.

Altering, falsifying, tampering with time records, or recording time on another employee’s time record may result in disciplinary action, up to and including termination of employment. Under no circumstances will “voluntary” time be considered.
Work Schedule
Managers will create the work schedule and post in the store for all employees to view. Staffing needs and operations demands may necessitate variations starting and end times, as well as variations in the total hours that may be scheduled each day and week.

Procedure for Absences/Lateness or Early Departures
When, for any reason, an employee is unable to report to work or will be late, it is the employee’s responsibility to contact his or her immediate supervisor, or another appropriate manager, no later than the start of the work day unless verification can be presented proving it was impossible to do so. Employees are required to call in themselves, each day they are out, unless incapacitated. Leaving a message with a fellow employee is not acceptable.

Smart Cow requires a justifiable reason for each absence as well as advance notice, where practicable, for any absence or lateness or for leaving work early. Smart Cow reserves the right to request a physician’s note or verification.

If it is necessary for an employee to report to work late or leave prior to normal departure time, permission from your immediate supervisor is required.

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

Shift Coverage Procedure Policy
It is the responsibility of the employee to get any shifts covered should they need to do so. Employees getting shifts covered must inform the store Manager for his/her approval and coverage details will be posted on the Shift Coverage Sheet so Managers are aware of who should be reporting to work on any particular shift where coverage is occurring.

See Appendix ix for an example of a Shift Coverage sheet

Discounts
Employees will generally receive one 50% discount on yogurt per shift at the time of their meal break or directly before/after their work shift. There are no discounts for beverages and/or retail items except for additional uniform headgear and/or t-shirts as outlined previously.

Discounts will also be given to customers with valid Mercury Loyalty coupons codes, students (only during designated days of the week and during qualifying hours), teachers and members of the military. Occasionally we will allow a merchant neighbor discount for employees or managers of neighboring businesses. These discounts will be given by you or your manager only and will be given with discretion keeping in mind that all discounts impact the bottom line.
Food or any other store items may not be given away to vendors, delivery people, salespeople, other employees, friends, or family. In addition, no unauthorized discounts for food or any other item may be given away to vendors, delivery people, salespeople, other employees, friends, or family. This will be considered theft.

Teacher Discounts
We as a company recognize the role teachers play in preparing our children for the challenges they will face later in life. Because of this, we offer discounts to teachers working in grade schools, middle schools, high schools, colleges and universities. “Educators that are not traditional teachers part of an educational institution such as Driver’s Education instructors, Flight Instructors, Golf Instructors, non-teacher employees of the school district, etc do not qualify for our Teacher Discount. In order to receive a teacher discount at the point-of-sale, teachers are required to present valid teacher ID. Should the teacher be part of a group of customers purchasing yogurt in the same transaction, we offer the discount on the teacher’s cup only. All others in the group of the same transaction pay full price unless eligible for another discount such as our Mercury Loyalty Rewards coupon.

Military Discounts
We as a company also recognize the sacrifices the men and women of our armed forces make. Because of this, we offer a military discount to active and/or retired military personnel. Spouses, children, and grandchildren do not qualify for the Military Discount. In order to receive a military discount at the point-of-sale, customers are required to present valid military ID. Should the customer be part of a group of customers purchasing yogurt in the same transaction, we offer the discount on the military customer’s cup only. All others in the group of the same transaction pay full price unless eligible for another discount such as our Mercury Loyalty Rewards coupon.

Meal Periods
Employees shall be entitled to an uninterrupted and duty free meal period of at least a thirty (30) minute duration when the scheduled work shift exceeds five consecutive hours of work. The employees must be completely relieved of all duties and permitted to pursue personal activities to qualify as a non-work, uncompensated period of time. When the nature of the business activity or other circumstances exist that makes an uninterrupted meal period impractical, the employee shall be permitted to consume an on-duty meal while performing duties. Employees shall be permitted to fully consume a meal of choice on the job and be fully compensated for the on-duty meal period without any loss of time or compensation. Laws governing the duration of meal periods or “breaks” may vary by state. Check with your local Department of Labor for the laws in your area.

Personal Beverages
Any personal beverage such as water, coffee, energy drinks, etc consumed by an employee
on-duty must have a lid as per local and state health ordinances. In addition, any beverage consumed on the clock must be done so in the back-of-house and out of sight from customers.

CHAPTER 7: Store Operations and Maintenance

Yogurt is a dairy product produced by bacterial fermentation of milk. Fermentation of lactose produces lactic acid, which acts on milk protein to give yogurt its texture and its characteristic tang. There is evidence of cultured milk products being produced as food for at least 4,500 years. Yogurt contains active bacterial cultures and probiotics proven to aid in digestion.

Frozen yogurt is a frozen dessert made from dairy products with live active culture added. It is slightly more tart than ice cream and lower in fat due to the use of milk instead of cream. Frozen yogurt is a healthier alternative to ice cream because of its lower fat content and live active culture.

Our required brand of yogurt is Honey Hill, A Sugar Creek Foods brand. It is supplied frozen, in four 1 gallon ‘Super Jug’ cases. Case dimensions are 9 ½ x 11 ½ x 12 ¾ (cube .82 cf.). The gross weight of each case is 37.5 lbs (product weight is 36 lbs or 9 lbs per 1 gallon jug). Please note when storing your yogurt, the cardboard cartons in which the cases come shipped will not withstand stacking over two cases high or though repeated handling if the product is thawed.

Product will be delivered to you frozen. Frozen shelf life is 12 months and 10 days when thawed. Please anticipate thawing time requirements (72 hours) prior to use. If possible, enough product should be ordered to enable you to keep a small reserve in a freezer to cover sudden sales increases and prevent shortages if no ‘will-call’ ordering is available to you. Upon receiving each shipment of yogurt product, it is recommended that you write the date of receipt on the cap of each gallon. You should then properly ‘rotate’ your stock by looking at the date on the cap of each gallon before use, ensuring that you use the oldest yogurt first. Dating each gallon may be a requirement in some states. You may also want to smell the yogurt in the jug before pouring into a machine. Without making contact with the jug, place the open container under your nose in an effort to detect whether your yogurt has a fowl odor or not. With any dairy product, there is risk of spoilage and sometimes, while rare, you may encounter a jug that has spoiled while in your refrigerator. Early detection of a spoiled yogurt allows you to throw the yogurt away prior to pouring in your machine and contaminating the rest of the yogurt in the machine and the machine itself. Please check with your local health department for their policies regarding thawing and smelling of product.

Thawing
Frozen mix should be thawed approximately 72 hours in a 40 degree cooler. Product must be
used within 10 days after thawing. Product should not be re-frozen after complete thawing, since it may cause served product to have a coarse or grainy texture, as well as being more prone to spoilage.

Emergency Thawing
All yogurt should be thawed under refrigerated conditions that maintain temperature of 41 degrees or below. Alternatively, yogurt can be thawed by completely submerging under running water at temperature of 71 degrees or below for a period of time that does not allow thawed portion to rise above 41 degrees for more than 4 hours. Jugs should be shaken approximately every 10 minutes, mix needs to be used immediately after thawing. You should check with your local health department to ensure this practice is acceptable to them.

Usage
Frozen mix should be completely thawed prior to loading in soft-serve machines, even small ice particles may change texture of served product or clog your machine. You may notice separation of thawed product in your machine hoppers. This is due to differing freezing temperatures of ingredients and is normal. Jugs should be shaken prior to loading in machine to minimize separation of ingredients.

Flavors
While it is up to you to determine which flavors you will make available to your customers, Smart Cow requires the following product mix at any given time:

At least 2 NSA flavors
At least 2 Sorbets
At least 2 tart flavors, one of which will be Honey Hill’s Italian Tart flavor

This provides variety and options for those with special dietary needs.

When changing flavors, it will be important to remember to change the flavor signs on the floor above each machine. Also, you will need to change your Digital Flavor Sign and update your Facebook page.

See Appendix x for instructions on how to update the Digital Flavor Sign

Weekly Ordering of Food Supplies
In order to keep your new Smart Cow location sufficiently stocked yet operating in the most efficient manner possible, it is critical to engage in proper inventory management practices. You will need to determine, based on sales volume, how much yogurt, toppings fruit and paper goods you will need on hand at any given time without having too much of any of above sitting around on your shelves for too long. In order to do this, you will need to keep an eye on which supplies get used faster than others and order replenishment stock in a timely manner. Figuring out how much of any given supply is called ‘establishing a par’ for that item. For example, this means that over time, you will notice that you typically go through about 6
cases of Triple Chocolate yogurt between deliveries. That means you always need to have roughly 6 cases of triple Chocolate yogurt on-hand. We have included a sample Order Guide for you to use on a weekly basis which will allow you to keep track of what you ordered last order date, what you have remaining in the store and thus how much you need to order this time around to reach your ‘par’ for that item.

Some food suppliers may make available to you deliveries once a week, others make available to you deliveries several times a week. In most cases there will be a minimum dollar amount required to make the delivery to avoid a delivery fee. Please check with the food supplier in your area to determine what their guidelines are.

If you receive a delivery and any item is not up to your standards of satisfaction, do not open the item or write on it’s packaging. Call your food supplier rep right away and make arrangements for the item to be picked up and/or sent back with the delivery driver to receive proper credit for the unsatisfactory item.

See Appendix xi for a Sample Order guide.

Operation of your Yogurt Machines
Currently, Smart Cow is using several different model of yogurt freezer manufactured by Taylor. Operation and maintenance of your machines will vary slightly by model. Each machine will come with an operators manual, cleaning kit and tune-up kit. Operation and maintenance will be clearly laid out in the operators manual of your particular model. It is required that you operate and maintain your machines according to the guidelines spelled out in the operator’s manual for the models in your store. Upon installation of your machines, a Taylor representative will conduct a training session which will cover proper operation and maintenance of your new yogurt machines.

Checking your Machines
It is your responsibility to be sure your machines are holding temperature and not dispensing product that spoiled or running too warm and thus running the risk of dispensing spoiled product. With a quick-temp thermometer that has been sanitized, check the temperature of your hoppers several times a day. Document these temperatures on a ‘Daily Temp Sheet’. This gives you peace of mind to know that your machines are functioning properly. This will also allow you to detect any machine problems quickly and will allow you to present your findings to any health Department inspector who may show up for their inevitable surprise visit.

• Be sure to listen to the sound of the yogurt machines whenever you are in the back of the house. If you hear, any grinding, cycling and/or squealing noises coming from the machines no matter how loud or soft be sure to tell your Manager right away. This could indicate a simple situation such as the machines needing more yogurt mix or it could be an indication that a more serious problem is occurring.

• Whenever you are in the back of the house peek at the external temperature gauges of the refrigerators. If they are registering above 50 degrees check your gfi outlets, breakers or call a service tech to repair the problem. Move inventory to another refrigerated location to avoid
Scales
Scales will need to be calibrated annually by your local Dep’t of Agriculture Weights & Measures department. Contact them right after installation. In addition, check the digital read-out of the scales constantly to be sure they register at Zero. If they do not, please readjust the scales to the correct starting position so the customer is not paying the incorrect amount on the incorrect weight.

Opening, Closing, and Weekly Cleaning List
In order to keep consistency in the way you open up, close down and maintain your shop on daily, weekly and monthly basis, we recommend you develop an Opening List, Closing List and regular interval Cleaning Lists (weekly, monthly, etc.). This will allow you and your employees to understand exactly what is expected of them when opening the store to begin a sales day as well as when closing down at the end of a sales day. Walk through your store, write down all of the things that need to be done prior to opening, next to each task create a space where the employee(s) can write their initials. This creates a virtual ‘check-list’ for the employee to follow. This also allows you to hold employees accountable if they miss a task or perform a task in an unsatisfactory manner. You can keep your list in a sheet protector and use dry-erase markers to initial a task once it’s been completed. The sheet protector and dry erase markers allow you to erase and reuse the list over and over again without having to print off a new list each day.

Garage Door
The garage door is a signature fixture in all Smart Cow stores. Keep the garage door open as often as weather permits. If employees are chilled with the door open we invite them to wear a second layer t-shirt UNDER your Smart Cow uniform shirt in order to make themselves a little more comfortable. In addition, please spot check the interior and exterior of the door frame and glass and remove any/all streaks, smudges crumbs or trash that may have found its way onto the frame or glass. Spray eco-friendly insect repellent around the door frame in the AM prior to opening and once again in the afternoon prior to the evening rush.

Music in the Store
The radio station that is broadcasting in the front of house should remain on an easy listening Adult Contemporary station at all times. The volume should be left at a moderate level where customers will not need to strain to hear it and will not have to shout to communicate with one another.

TV Policy
TV’s in any of the stores need to be tuned to the Trivia DVD’s provided.
Water Bubbler
Keep the water in the self-serve water bubbler full at all times. This means when the water level reaches HALF-FULL it is time to refill the basin. To refill the bubbler, be sure the power is tuned OFF. Remove the dual-layered lid and refill water with cool tap water in the approved blue multi-gallon jug provided. In addition, fruit in the bubbler should be rotated out every third day or if the fruit becomes pale or unsightly, whichever comes first.

Mopping
The floors in both the front-of-house and back-of-house should be mopped once everyday or if any other circumstance requires that a spill be cleaned up. Proper techniques for mopping is to fill the mop bucket half way with warm water. Add one cap-full of bleach. Submerge mop in the mop bucket then ring dry in the self-ringer. Move mop in back and forth motion until additional water is required to clean the soiled area.

Hand Washing
Employees should clean their hands and exposed portions of their arms for at least 20 seconds and use the following procedure: Vigorous friction on the surfaces of the lathered fingers, finger tips, areas between the fingers, hands and arms for at least 20 seconds, followed by thorough warm running water and immediately follow the cleaning procedure with thorough drying of clean arms and hands.

Employees should clean their hands and exposed portions of their arms immediately before engaging in food preparation including working with fruit, clean equipment and utensils as well as:

• After using the toilet room.

• After coughing, sneezing, using a handkerchief, disposable tissue, using tobacco, eating or drinking.

• After touching bare human parts except for cleaned hands and cleaned, exposed arms.

• Before using single use gloves for working with food and between removing soiled gloved And putting on new gloves.

• After handling soiled utensil or equipment.

• After emptying trash cans.

• After any activity that may soil the hands.
Washing of Fruits
All raw fruits to be consumed whole (blueberries, raspberries, blackberries, etc) or will be cut but consumed with its outer skin (strawberries) need to be thoroughly rinsed with cool potable water before being placed in the cold toppings display for customer consumption. Fruits to be cut but not consumed with its outer skin (Pineapple, kiwi) do not need to be rinsed.

Cutting of Fruits
When prepping fruits, be sure to use one cut-resistant glove on your ‘non-knife’ hand and one vinyl glove on your ‘knife’ hand. This will keep the foods you are prepping sanitary as well as protect you from nicks and cuts. Cut resistant gloves are not cut-proof. If used correctly, they will prevent some cuts and accidents but will not prevent all accidents. Please use the utmost care when handling knives or sharp objects of any kind.

Have employees sign a Cut Waiver, in which the employee agrees to wear a cut-resistant glove whenever handling knives.

See Appendix xiv for a copy of the Cut Waiver

Cutting of strawberries: Strawberries should be thoroughly rinsed and inspected in your prep sink. Strawberries will be laid on their side to be cut. The point of your knife should be anchored on your cutting board and in a downward guillotine motion, the tops should be cut off and thrown away. In the same guillotine motion, strawberries should be cut in half lengthwise once, then cut in half again with the flat exposed part of the strawberry face down. Place freshly cut fruit into a cambro container, date the container and store in your refrigerator.

Cutting of Pineapple: With a large chef’s knife, cut the top of your pineapple off, then cut the bottom of your pineapple off. Place pineapple upright and cut the outer skin of your pineapple while trying to preserve as much of the fruit as possible. Once your pineapple is skinned, cut in a downward motion pieces of fruit eliminating the core from the middle. Once you have several large pieces of pineapple with no skin and no core, dice the remaining fruit into small pieces. Place freshly cut fruit into a cambro container, date the container and store in your refrigerator.

Cutting of Kiwi: Cut a small piece off both the top and bottom of your kiwi. Once you have fruit exposed on both ends, use a vegetable peeler to remove the remaining skin. Once all the skin is removed, cut your kiwi in half. Place the flat end down on your cutting board and slice remaining fruit into pieces that resemble ‘half moons’. Place freshly cut fruit into a cambro container, date the container and store in your refrigerator.

Food Storage
Containers of food shall be stored a minimum of six inches off the floor or on racks and shelving provided. All food containers shall be labeled and dated. All such storage areas
shall be kept clean at all times.

**Pizzelles**

*Pizzelle* (pronounced with *ts* sound, like "pizza") are traditional [Italian](https://en.wikipedia.org/wiki/Italian_cuisine) waffle cookies made from a pizzelle mix are used to enhance your yogurt and toppings offerings. Pizzelles should be made on a regular basis and done so immediately after your Opening List tasks have been completed. Pizzelle making requires undivided attention and attempting to make pizzelles during busy store hours will keep you from performing other critical store operating functions such as customer service, cleaning, etc.

**Recipes for Pizzelles**

**Vanilla** - 5 CUPS MIX, 1-1/4 CUPS WATER, 2 TABLESPOONS VANILLA. Mix ingredients into a bowl. Pour onto warn pizzelle iron coated with cooking spray, close the pizzelle iron lid and carefully remove with a spatula when done. Lay flat onto wax paper to allow to cool. Once cool, place in a storage cambro, label and date.

**Chocolate** - 4 CUPS MIX, ¼ CUP WATER, 2 PUMPS CHOS SYRUP. Repeat process above.

**Wiping Cloths**

Cloths used for wiping food spills and food contact surfaces shall be cleaned and rinsed frequently in sanitizing solution. Cloths used for cleaning non-food surfaces such as tables and chairs will be clean and rinsed and used for no other purpose. White cotton cloths shall be used to clean all surfaces that are non-metal. Blue microfiber towels shall be used to clean metal scratch prone surfaces.

**Laundry**

Washing of towels shall be done daily. White towels will be washed separately in hot water with cold rinse and with a bleach additive. Blue microfiber towels will be washed in warm water with cold rinse separately without any additives. All towels will be dried in the store dryer. All laundry will be timed so that no wet towels will be left in a washing machine overnight and no dryers are to be running when the store is closed and unoccupied.

**Washing of Dishes**

All dishes, utensils or any other soiled item need to be washed in the triple sink. Proper setup of the triple sink is as follows:

Basin 1, Warm soapy water. Basin 2, cool clean water. Basin 3, cool water mixed with sanitizer solution. It will be required that you have each basin clearly labeled: WASH, RINSE, SANITIZE. The proper techniques for washing dishes is to soak/scrub the soiled dish in the warm soapy water first. Next you will rinse the dish in the cool clean rise water in Basin 2. Finally you will dunk the dish in the sanitizer solution in Basin 3. Proper drying technique is to place all dished on the wire shelving to air dry. All dishes will be stacked in a pyramid formation as to allow air to flow freely from below, the side and on top of the wet dishes. This process should be done each time a dish is brought to the back of the house. Take a quick minute to scrub, rinse and sanitize a dirty dish and get it up on the shelf to dry. Do not just
pile dishes on the counter. When it is busy you will need to rotate dishes and if you do not clean a dish before taking a new dish you will eventually find no clean dishes available when you need one.

Dry Toppings
All toppings should be labeled and dated when deliveries arrive. Proper rotation of toppings supplies by order of oldest-to-freshest should be practiced. The toppings shelves should be kept neat and orderly so each Employee can find a refill of toppings if needed. Also keep all dry toppings closed tightly at all times. This helps keep the toppings fresh and keeps out flies when left overnight. In addition, toppings are for sale and are not meant to be sampled or snacked on during shifts. Eating or snacking on any dry toppings is considered theft of goods.

Cold Toppings
The cold toppings display will be set up according to the display template provided. Each topping will correspond to the labels placed on the counter out front. When changing out a topping, each employee will use the following technique: When a topping reaches the ¼ full level, employee will go to the back of the house and grab a clean dry toppings container. With disposable gloves on, employee will fill the new container ¾ of the way then take it out to the cold toppings display. Once at the display employee will remove the ¼ full container and pour the ¼ “older topping” on top of the ¾ “new topping” This will ensure proper rotation of “older” and “newer” inventory. Take the soiled container to the back of the house and scrub, rinse, sanitize and place on the rack to dry. Keep in mind that customers may be watching you perform this duty. Be sure to handle food and conduct yourself in such a manner where no customer has the ability to complain or question the proper technique of safe food handling.

Labeling of Toppings
In order for your customers to make more informed choices, we require that all toppings be labeled using Brother P-Touch label maker with 0.47” white-with-black lettering laminate labeling tape.

In addition, it is also advised that a nut-allergy warning sign be placed above your toppings bar to alert customers that nuts are present and cross-contamination is possible due to spillage of one topping onto another.

See appendix xv for a sample of the Nut Allergy Warning sign

Guest Experience
We are a business that strives to create a fun and welcoming environment, a place where people meet up with friends to socialize and enjoy a treat together. You are part of this “family” and your friendliness is key to our success. Welcome customers as they walk through the door, be helpful in any way you can and be sure to thank every customer for coming. Your friendliness is key to creating a memorable experience for our customers.
• Greet your guests as soon as they enter the store with eye contact and a smile. Be sincere and friendly.

• Look for any and all ways to be helpful but not intrusive.

• Handle your guest’s special needs and complaints in a positive way.

• Explain our concept to new guests.

• Serve each one of your guests at their pace.

• Keep in mind that guests are watching your every move. Conduct yourself in such a manner under the assumption that they are judging everything you do...because they are!

• ASK EACH AND EVERY CUSTOMER IF THEY ARE A REWARDS MEMBER. If they are, please be sure to accurately capture their phone number or email address AT EVERY TRANSACTION so they may receive credit for each purchase they make. If they are not rewards members, briefly describe the program and encourage the guest to sign-up.

• Genuinely thank your guests for their business and tell them that SPOONS AND NAPKINS ARE ON THE TABLE while motioning to the spoon/napkin table upon completion of the transaction.

Be certain to invite them back!

Handling Customer Complaints
Even an occasional mistake can turn into a good customer experience if you respond immediately and effectively. The ability to handle complaints in a cool, collected, and professional manner is a sign of great customer service. Problems are reduced when employees are equipped with the right tools and skills to handle complaints. Dealing effectively with displeased or angry customers is one of the most important challenges you will face as you work to retain and expand your customer base.

General Guidelines
• The basic rule of thumb: Franchisees/Managers should do everything within reason to satisfy customers.

• If in doubt, or if there is a question as to the validity of the information that the customer is providing, decide in favor of the customer.

• Acting quickly and reasonably prevents other customers from siding with the complainant and unnecessarily compounding the situation/problem.

• Many emotional situations can be resolved if customers feel that you and/or your managers are genuinely apologetic for any error or inconvenience they experienced.
Handling Level I Complaints
A Level 1 complaint is relatively minor and includes such issues as wrong orders or unsatisfactory customer service. These complaints can easily be handled by using the L.A.S.T. strategy outlined below.

Recognize and acknowledge the “hassle factor” experienced by your customer. Adding 30 complimentary points to the customers Loyalty Account doesn’t cost much and can make the difference in retaining a customer. What is important is that the customer is truly satisfied and that you retain the customer’s loyalty. Work not only to resolve the cause of the complaint but to regain the goodwill and the loyalty of the customer.

L.A.S.T. Strategy
Use the LAST method to effectively handle customer complaints. L.A.S.T. stands for:
• Listen
• Apologize
• Solve
• Thank

Listen
Active listening means that you are paying attention to what the customer is saying. When people feel listened to, their defenses come down.

• Use eye contact
• Don’t interrupt and wait until the customer has finished talking.
• Repeat the complaint back to the customer and ask, “Is that correct?”

After listening carefully to the customer’s concern, ask any questions that are necessary to further clarify the situation. Also ask, “How may I take care of this problem for you?” This shows your commitment to solving the problem. This creates instant rapport and furthers the image that your restaurant is a friendly, helpful place.

Apologize
There are times when it makes sense to apologize, and other times when it does not. It is proper to apologize for minor incidents, inconsistent service, etc. Use common sense and remember that the purpose of the apology is to acknowledge a mistake, so that it may be resolved.
When apologizing:

- Use eye contact
- Use a softer tone of voice; be kind
- If the person interrupts; wait until they're finished before responding
- Be sincere and mean it

Solve

Most problems can be easily solved if handled immediately. To ensure that the customer’s needs are being met, it is important to find out how he/she wants the situation solved.

- Ask, “How would you like me to solve this problem for you?”
- Listen and repeat the answer back to confirm the resolution is acceptable
- If you can solve it, do so
- If you cannot solve it, explain why to the customer and find another solution

Find Ways to Say Yes:

- Ask open-ended questions to get the customer to describe what is going on in their mind
- Ask, “If we can do X, Y, Z, would that make you happy?”
- Ask, “What would you like us to do to solve the problem?”
- Be honest; if you can’t help, then say so and explain why
- Guide the conversation in a solution-oriented direction
- Make the solution happen

Thank

Customers bring you problems so that you can improve your operation. This gives you an opportunity to make your crew and facility better. Because of this, it is important that the customer is thanked for bringing the problem to your attention.

- Be sincere; use eye contact and a calm tone of voice
- Say, “Thank you for bringing this problem to my attention”
Handling Level II Complaints

Level II complaints include foreign objects in food, illness, injury, slips and falls.

- Employees should listen to the customer's complaint, and get you or the on-duty manager to handle these complaints.
- You or your manager should invite the customer to a table in the dining room and fill out a Customer Incident Form. See Appendix xvi for a sample Incident Form.
- Fax or scan/email the form to Smart Cow Franchising, LLC at after the customer leaves.
- If a foreign object is in the food, the manager or employee should ask the customer for the item, insert it in a sample baggie, label it carefully and store it in the freezer until you can check the item.
- If the customer refuses to turn over the foreign material, you or your manager should obtain pertinent information, fill out a Customer Incident Form and try to take a digital photograph of the object.
- If you are not in the store, inform your manager to call you in case of such complaints.

Level III Complaints

Level III complaints include fatality, serious injury, crime, workplace violence, unsolicited media inquiries and natural disasters.

- If appropriate, call a local emergency number.
- Instruct your managers to call you if you are not in the store for a serious emergency situation.
- See the Safety and Security chapter for details on dealing with serious emergency situations and media attention.

Refusal of Service

Smart Cow Yogurt Bars are considered under the law to be places of public accommodation, and therefore must comply with state and federal anti-discrimination laws. Restaurants are not allowed to discriminate on the grounds of race, religion, gender and any other class that the government in that place has deemed protected.

A Smart Cow Yogurt Bar may refuse service for any non-discriminatory reason. The following examples are representative of such situations:

- Drunk, disorderly or offensive conduct
• Customers not wearing shirt or shoes (food safety and sanitation concerns)
• Any customer who is sexually harassing or otherwise harassing employees or customers
• Panhandlers or solicitors

It is your responsibility to be aware of the anti-discrimination laws in your state or locale. Any questions regarding these laws should be directed to an attorney. If your managers and employees have questions about situations in which refusal of service is appropriate, they should contact you immediately.

Quality of Operations
In our self-serve model, store fixtures, furniture and equipment can become dirty very quickly. Even one customer who passes through the door can dirty our dining area immediately after it has just been cleaned. Keep busy looking for things to clean in the dining area, work area and restrooms.

Strictly follow sanitation and maintenance procedures.

Do not allow employees to congregate in the back of the house while on the clock. There should only be one, sometimes two people max in the back of the house while clocked-in. Keep the chit-chat to a minimum as all employees should be performing their assigned duties and when each has a “free moment” they should be doing laps to identify all the things on the patio, in the dining area and in the bathrooms that need to be cleaned and restocked.

In addition, keep work area well stocked, and maintain proper rotation of spoons, cups, paper goods and inventory. Properly operate and maintain all equipment. Do quality work when faced with new or unexpected situations. Respond positively to changes in policies and procedures. Accomplish the expected work during your shift.

Employee Experience
• Pitch in to help other Employees. Practice good teamwork in order to better serve your Guests.
• Treat other Employees with respect, using “Please” and “Thank You”.
• Be positive and supportive of other Employees and Managers as appropriate.

Employee Responsibility
Employees should be:
• On time and ready to work.
• Be in uniform, neat, and well groomed.
• Attend Employee meetings.
• Do a task without being asked.
• Do another task without being asked.
• Work without close supervision.
• Stay longer to cover unexpected shift needs, be available to come in and work when needed.
• Work safely.
• Follow directions from your Managers.
• Effectively communicate with other members of the store’s team.
• Seek new skills.
• Managers also need to be active participants while working.
• Managers need to pitch in and help with all store operating responsibilities as well as keep an eye on employees, customers, machines and the general satisfaction of all customers.
• Managers should not be sitting in the office and not participating unless they are engaged in an essential administrative function.

Sales and Profits
Know our products and sell menu items that build the guest’s experience.
Be cost-conscious, watch your waste.
CHAPTER 8: Accounting

General Accounting Expectations
Smart Cow Franchising, LLC expects your accounting information system to be set up to communicate the key financial data that helps management and operations make better decisions.

Retaining and Storing Records
Store daily sales records in a secure area. These records may not be destroyed without prior written consent from Smart Cow Franchising, LLC. You must advise Smart Cow Franchising, LLC of the location of all original documents. Keep your records in a secure, offsite location. You may also want to consider online backup-service providers for back-office computers. These providers automatically back up your data on a daily basis, or even as soon as you save changes to critical files and folders. Data is securely stored and easily accessible.

You must retain materials from the following accounting procedures for at least five years:

- Daily POS Sales slips
- Bank deposit slips
- Cash disbursements
- Check records
- Vendor invoices
- Journal and general ledgers
- Order forms
- Payroll and reports of payments to contractors, including quarterly and annual returns
- Refunds or exchanges
- Sales tax records
- Tax returns (must be retained for 7 years)

Hiring an Accountant
A good accountant will set up your financial processing systems, provide bookkeeping support and prepare income tax returns. Most important, your accountant can advise you on details you need to know for your business: registering for sales tax, setting up your books, handling employee taxes properly, and many other financial requirements.

Carefully check the qualifications of potential accountants. The word “accountant” is not regulated; anyone can use the title of accountant and offer to prepare your financial statements and tax returns. Look for accountants with knowledge and training required to
earn designations such as Certified Public Accountant (CPA), Chartered Accountant (CA), and Certified Management Accountant (CMA). If you are considering an accountant with one of these designations, do some research online and find out the level of qualification required to earn the designation, and if those qualifications fit your needs. Ask for references (other clients of the proposed accountant) and speak to those references to find out how satisfied they are, and any concerns they have about the proposed accountant.

Hiring a Bookkeeper
We recommend you hire a qualified, competent bookkeeper to keep your books on a day-to-day basis. Select a person who understands your business and can fully-service your needs and handle the following duties:

- Manage and maintain the general ledger
- Prepare the balance sheet, profit and loss statement and cash flow statements
- Reconcile bank statements; deposits and payments
- Track and enter invoices; Accounts Receivable and Accounts Payable
- Create ad-hoc reports to help manage the business.

The following are samples of questions to consider asking a bookkeeper in an interview:

How much experience do you have?
Experience in your field is as important for the bookkeeper as it is for a CPA. This is because you want a bookkeeper who understands the parameters of your business, and potential pitfalls and problems.

How often do you backup your data and where is the data stored?
Be certain the bookkeeper you use regularly backs up your data, and stores the backup offsite.

How are your rates calculated?
Just as with the CPA, find out the bookkeeper’s rates and how they are calculated.

What is your current client load?
It is important that you work with a bookkeeper who meets deadlines and isn’t overwhelmed with clients. You don’t want to default on your responsibilities under the Franchise Agreement.

Daily Accounting
You must complete specific accounting procedures on a daily basis to ensure accurate monthly profit and loss statements.

- Enter Accounts Payable and Receivables as necessary
- Manage and file daily records
• Back up your records
• Petty cash reconciliation

Daily Bank Deposit
Smart Cow recommends that you make a bank deposit daily. This helps you maintain accurate records and reduces the risk of loss. The bank deposit amounts must match deposit amounts listed on the deposit slips. It is your responsibility to verify that deposits are being made. Because of the time lapse between daily deposits, monthly closing and bank reconciliations, you could incur a significant loss of cash if you fail to follow this procedure.

Weekly Accounting
• Pay any Accounts Payable
• Track weekly sales on a graph to get an idea of seasonal high and low points, and adjust your marketing efforts accordingly.

Monthly Accounting
• Pay Smart Cow Franchising, LLC monthly royalties
• Employment taxes may be due monthly, quarterly or annually (check with your CPA to determine specific requirements)
• Make payroll and contractor payments (semi-monthly)
• Provide payroll and Food Cost reports (see Appendix xvii) to CPA or bookkeeper
• Pay sales and use taxes as required
• Reconcile balance sheet accounts
• Preparation of Financial Statements which are the following (i) Statement of Assets, Liabilities and Equity and (ii) Statement of Revenue and Expenses on an Income Tax Basis

Quarterly Accounting
• Employment taxes as required (could be monthly, quarterly or annually depending on situation)
• Pay estimated income taxes
• Quarterly Financial Statement review
• Pay Sales and Use taxes as required

**Annual Accounting**
• Annual financial statement review
• Archive paperwork
• Pay employment taxes as required
• Generate 1099 and W-2 forms
• Pay income taxes
• Make all required filings with Secretary of State
• Pay sales and use taxes as required

**Payment Transactions**
It is important to monitor and maintain records of the inflow and outflow of revenue on a daily basis.

**Cash**
Record all cash disbursements and cash expenditures. All cash sales must be rung properly through your POS system.

**Credit Card Processing**
You need to apply for and establish a merchant services account with Mercury Payment Systems to process and handle your credit card transactions.

**Checks**
Check with your city and county to verify the check acceptance policy for your area. Checks can be risky for you to accept. It is easy for someone to pay you with a check, even though they do not have enough money in their bank account to pay the check. There are also many different kinds of fraud that people engage in by paying for goods with checks. For these reasons, Smart Cow Franchising, LLC recommends that your restaurant not accept personal checks. Your cashier can tell customers “I’m sorry, we don’t accept personal checks. It’s our policy”.

**Taxes**
It is important that you are clear about tax that is due and when it must be paid. Do not forget about personal property tax and other taxes that may be unique to your geographical location. This is an area to review in detail with your tax professional.
Tips
All tips distributed to the employees must be documented and accounted for on payroll checks. Keep track of tips distributed using Appendix xvii – Tip Sheet

Using a Payroll Service
A common way for both large and small business to deal with the complexity of payroll reports, deposit rules, and due dates is to hire an outside company to handle the payroll. Payroll processing companies prepare employee paychecks, journals, and summary reports; collect and remit funds for federal, state and local payroll taxes; and file all required forms with government taxing authorities.

Financial Statements
Numbers are the words used in business. Most business results can be indicated with numbers. Your ability to understand and analyze numbers allows you to minimize waste, improve productivity and maximize efficiency in your Smart Cow franchise. Your Accountant should prepare in the format shown on Appendix xix, Financial Statements which are the following (i) Statement of Assets, Liabilities and Equity and (ii) Statement of Revenue and Expenses on an Income Tax Basis. Quarterly Financial Statements in the format shown on Appendix xix are to be prided to Smart Cow Franchising, LLC.
CHAPTER 9: BASIC POS FUNCTIONS

Assigning the Cash Drawer/Opening for the Day
Starting with the left-hand terminal, slide the Rpower card assigned the Cashier 1 with magnetic stripe facing you. “Clock-in” Cashier 1. Drawer will now be assigned to Cashier 1. On the right-hand terminal, slide the Rpower card assigned to Cashier 2 with the magnetic stripe facing you. Drawer is now assigned to Cashier 2. You can now begin to have employees clock-in for the day.

Add New Employee
Press ‘Other Options’, ‘Manager’, ‘Reports’, ‘Employee Setup’, ‘Add New’, enter ID#, enter passcode assigned to that employee, enter name, then press ‘Edit Jobs’, select H (hourly) or S (salary) and the hourly/daily wage.

Clocking-In

Adjusting Employee Time Clock

Checking Sales / Labor %

Discounting 1 Cup
Select the item with price included by pressing on that item, ‘Special Mods’, ‘Discounts’ then continue with your transaction.

Re-Open Checks
Press ‘Paid Check Review’, select check, ‘Re-Open’, ‘Pay Check’, enter notes as to why check was opened, select Cash to close.

Split Checks

Gift Cards Sales
Press ‘Gift Card Sold’, enter amount, slide gift card with magnetic stripe facing you, pay the transaction then swipe card again to check balance has been loaded correctly.
Void Check

Payout

POS Closing:
Close left register first (usually pre-close)
1) Check for open tickets (“Checks” Button). If open, close. If none are open, press Back to continue.
2) Open drawer. (“No Sale” button). Check for large bills under the cash drawer.
3) Press “Other Options”, then “Manager”, then “Daily Deposits”. Use this screen to count your drawer up to $200.
   a. Press 1, enter the $ amount of pennies
   b. Press 2, enter the $ amount of nickels
   c. Press 3, enter the $ amount of dimes, etc
   d. Can be within $1 variance up or down.
5) Press “Other Option” twice. Press “Read Register or Close”. Press green “Cashier” button. Press “close” then “Ok”.
6) Two receipts should print out. One for tips and another for drawer totals. Pull the amount of tips as noted on the tip receipt and throw it in the tip jar.
7) Count tip money and change it all out for bigger bills. Not necessary to count pennies. Just throw them straight into one of the drawers.

Right register (after close)
1) Repeat steps 1-6.
2) Press “Other Options”, “Manager”, “Reports” then “Close Day”. The amount on the bottom right is the amount in CASH you are supposed to have (excluding tips). Deposit should always be rounded up to the nearest dollar.
3) Press 1 at the top left corner and enter the amount.
4) Once your cash is counted and correct according to the register, press final for close day, press yes.
5) When prompt for clocking employees out comes up, clock out cashier 1 and 2. DO NOT CLOCK OUT EMPLOYEES. Press continue for any employee that is supposed to be on the clock. When done register will ask “ready to close day?” press yes
6) The final receipt will take a minute to print out. When its printed out bind deposit, tips, and all the receipts into a neat bundle. Throw in safe.
Rpower Web Reports
The RPower POS system provides Web Reports for you to access at any time either directly through the POS or via the internet at:
HTTPS://SECUREPOWER.COM/REPORTD/LOGON.ASPX
CHAPTER 10: Reports, Audits, Inspections

Restaurant Evaluation and Audit
Smart Cow Franchising, LLC may conduct regular inspections of your operations, at times we determine, and provide you with periodic written and/or verbal evaluations. In our inspections, we may observe and interview your employees and others, and review your books and records (including data stored on your computers) to verify compliance with the Franchise Agreement and the Operations Manual.

Frequency
We determine the frequency of site visits. As of the date of this manual, we try to make a site visit at least once every quarter, but this is subject to change as determined by the Smart Cow Franchising, LLC.

Consultation and Advice
Smart Cow Franchising, LLC will provide consultation and advice to you as we deem necessary to address administrative and operating issues and other matters or problems we believe affect your Smart Cow franchise. This advice and consultation will be communicated to you by telephone and/or in writing.

Effects of Inspections
Inspections are for Smart Cow internal purposes and to assist us in monitoring and securing your compliance with the Franchise Agreement. Inspections and satisfactory evaluation are not any assurance to you regarding the results or other aspect of your operations. We cannot and do not assure that our inspections, consultation and/or advice will achieve any particular results.

Inspections: City, State and Federal
Check the identification of anyone who tells you he or she is visiting your store for an inspection. If you are unsure of or have doubts about the person who is there to inspect, contact the agency from which the individual claims to be visiting, and verify their identity. Use the Internet or directory service (411) to obtain the phone number of the agency, rather than simply calling a phone number that the individual provides you. If you are still unsure, contact your local police and politely ask their assistance in confirming identity and authorization of the inspector.
CHAPTER 11: Cleaning & Sanitation

Restaurant Cleanliness
Maintaining a clean and sanitary store plays an essential role in preventing food from becoming contaminated and also helps prevent pest infestation. To maintain appropriate store cleanliness, it is important to understand the difference between cleaning and sanitizing:

- **Cleaning**: The process of removing food and other types of soil from a surface, such as a countertop or plate.
- **Sanitizing**: The process of reducing the number of microorganisms on a clean surface to safe levels.

To effectively sanitize a surface, it must first be cleaned and rinsed. Everything in the store must be clean. Food-contact surfaces, however, must be cleaned and sanitized.

Every manager should check the store for cleanliness throughout the day. Even though store cleanliness is of the utmost importance, never inconvenience customers when performing routine cleaning activities.

Below is a list of the approved cleaning and sanitizing products used in Smart Cow stores:

- All-Purpose Cleaner
- Antimicrobial Hand Soap
- Glass Cleaner (non-ammoniated)
- Liquid Detergent
- Sanitizer
- Stainless Steel Cleaner
- Bleach

All Purpose Cleaner
Use All-Purpose Cleaner for cleaning all plastic laminate, general surface cleaning and daily cleaning of all flooring. Clean highchairs first with All-Purpose Cleaner and then sanitize them using sanitizer in the spray bottle and a dry, clean towel. Do not clean tabletops in the dining room with All-Purpose Cleaner; use the Sanitizer Cleaner.

Antimicrobial Hand Soap
Use antimicrobial hand soap to fill all soap dispensers at hand sinks.
Dish Soap
Use liquid detergent for washing non-food contact surfaces and washing dishes in the first compartment of the three-compartment sink.

Sanitizer Rinse
Use Sanitizer Rinse for sanitizing washed and rinsed dishes, small wares and equipment and all food-contact surfaces including tabletops in the dining room.

Stainless Steel Cleaner
- Use stainless steel for cleaning all stainless steel surfaces.
- Follow the usage instructions on the product container.
- To prevent chemical contamination, cover all food products before spraying.

Tools and Equipment Used to Clean and Sanitize
All tools and equipment used in cleaning must be approved by Smart Cow and provided by a designated supplier.

This section contains a list of the approved tools and equipment used to clean and sanitize:
- Three-Compartment Sink
- Brooms
- Dustpans
- White Cleaning Bucket
- Mop Bucket
- Mops
- Red Sanitation Buckets
- Spray Bottles
- Towels

Cleaning Product Containers
Each cleaning product comes with specific instructions regarding what container to use for the cleaner when cleaning. Always use the appropriate container for each product.
Buckets
- Red buckets = Sanitizer solution
- White bucket = Hot, soapy water
- Spray Bottles

Use dedicated refillable spray bottles for sanitizer solution, all-purpose cleaner and glass cleaner.

Three-Compartment Sink
Set up the three-compartment sink before any food handling. Dishwashing must follow local health department guidelines pertaining to the solution in each sink compartment and the time allotted for each item to sit in the rinse and sanitation compartments.

Before cleaning and sanitizing items in the three-compartment sink, each sink and all work surfaces must be cleaned and sanitized. Set up the three-compartment sink first thing in the morning and have it ready throughout the operating day. Monitor the sink’s sanitizing solution three times a day and change the solution when the sanitizing concentration drops below 200 ppm.

NOTE: Never discard food waste into this or any other sink. Discard all waste into a trash receptacle.

Sanitizer Check
Fresh sanitizing solution must be prepared for the sanitizer sink if the sanitizer concentration test result is less than 200ppm quaternary ammonia. This ensures that the solution is strong enough to destroy bacteria, parasites and viruses. Change the sanitizer in the sanitizing buckets whenever the water is changed in the sink.

Brooms
- Use the 18-inch push brooms for cleaning and collecting debris from the floor in the dining room, bathroom and outside on the sidewalks and parking lots
- Use the 12-inch angled brooms for cleaning and collecting debris from the floor in the back of house, walk-in cooler and walk-in freezer

Broom Cleaning and Maintenance
- Clean both the 18-inch push brooms and the 12-inch angled brooms in the mop sink with soap and water
- Rinse well
- Keep brooms in good repair and replace them when they become worn
Dustpans
- Use the lobby dustpan for picking up debris from the floor exclusively in the dining room, the bathroom area and outside on the sidewalks and in the parking lots
- Use the hand-held dustpan for picking up debris from the floor in the back of house, walk-in cooler and walk-in freezer

Dustpan Cleaning and Maintenance
Daily:
Clean both the lobby dustpan and the hand-held dustpan in the mop sink with Floor and All-Purpose Cleaner.

Mop Buckets
Use the mop buckets exclusively for holding the cleaning solutions used to clean floors. Add approximately four gallons of water to the mop bucket.

Mop Bucket Daily Cleaning/Maintenance
When finished using, wash the mop buckets with All Purpose Cleaner in the mop sink.

Mops
Use separate color-coded mops to clean walk-in cooler, dining room and restrooms.

Mop Cleaning and Maintenance
Daily:
After the final mopping of the day, rinse the mop head in the mop sink, stand upright and dry overnight.

Weekly:
On a weekly basis or as needed, soak the mop head overnight in a bucket of sanitizer to remove sour odor.

As Needed:
Replace mop heads on a regular basis.

Red Sanitizer Buckets
Set up the red sanitation buckets before any food handling. Use them to sanitize all food-contact surfaces.

- Never use these buckets to hold any product other than sanitizing solution
- Before beginning any food handling:
  - Fill two red buckets with sanitizing solution that has tested at 200 ppm from the third compartment of the three-compartment sink.
  - Place a clean towel into each red bucket and put one red bucket in the front of house under the sink and one red bucket in the back of house underneath your prep table.
• Change the sanitizer solution in the red bucket when the results of the sanitizer check show the sanitizing solution in the sanitizing sink to be below 200 ppm.

Red Sanitizer Bucket Daily Cleaning/Maintenance
At closing, wash the buckets in the three-compartment sink and place them on the lowest shelf away from food or paper products.

Spray Bottles
• Use spray bottles exclusively for dispensing cleaning agents
• Use each bottle type for one type of cleaning agent only
• Correctly label each spray bottle
• Store the spray bottles in a proper place in accordance with local Department of Health regulations
• Never place the spray bottles on any food service areas
• Return the spray bottles to the designated chemical storage location after use

Spray Bottle Cleaning and Maintenance
Wipe the outside of the spray bottles with a sanitized towel as needed throughout the day.

Towels
• Between uses, store all wiping cloths in the red sanitation buckets.

• NOTE: It is a health-code violation to leave wiping cloths on counters and tables between uses.

• When towels become soiled, place them in a designated basket or container for laundering.

• Do not leave towels or other cleaning supplies or equipment in view of guests.

Outdoor Tables and Chairs
• Clean all chairs as needed throughout the day with All-Purpose Cleaner and a clean cloth or paper towels
• Clean all tables as needed throughout the day with sanitizer in a spray bottle and paper towels only
• Clean and rinse tables as needed with hot, soapy water from the green bucket
• If the chairs and tables are extremely dirty, use soapy water from the white cleaning bucket and a dry cloth before the sanitizer
• Completely clean tables and chairs at the end of each day; use All-Purpose Cleaner on the chairs and use sanitizer in a spray bottle and paper towels only on the tables
Glass and Windows

- Clean all glass and windows after every rush and as needed throughout the day with glass cleaner and paper towels
- On a monthly basis, or more frequently if needed, clean all main glass windows and glass doors using a professional style cleaning system

Dining Area

- Clean dining room tables with sanitizer in the spray bottle and rags; do not use sanitizer from the red buckets and/or a wet towel.
- Clean all chairs as needed throughout the day with All-Purpose Cleaner and a clean cloth or paper towels
- Clean highchairs at opening, post-rush, closing and after each use with All-Purpose Cleaner, and then sanitize with sanitizer in the spray bottle and a dry, clean towel
- Completely clean tables and chairs at the end of each day; use All-Purpose Cleaner on the chairs and use sanitizer in a spray bottle and paper towels only on the tables
- Clean walls and baseboards

Restrooms

- Check restrooms every 20 minutes throughout the day, taking remedial action as necessary
- Clean the restrooms several times throughout the day
- Wear disposable gloves; put them on only after entering the restroom
- Use only paper towels for all restroom cleaning
- Use the correct cleaner for each surface:
  - All-Purpose Cleaner for walls, floors, toilets and urinals
  - Glass Cleaner for mirrors
- When finished cleaning but before leaving the restroom, discard the used disposable gloves and wash hands, following proper hand-washing procedures
Toilets and Urinals

- Clean the urinals throughout the day as needed with All-Purpose Cleaner and a toilet brush
- Clean the toilets throughout the day as needed by spraying All-Purpose Cleaner into the toilet bowl and scrubbing with a toilet brush
- Clean the toilet and urinal surfaces as needed throughout the day with All-purpose Cleaner and paper towels

Bathroom Sinks, Counters and Dispensers

- Clean sinks, counters and dispensers as needed throughout the day with All-Purpose Cleaner and paper towels.

Flooring

- Keep the floor and baseboards clean as needed throughout the day with a 12-inch angle broom
- Sweep the dining room floor and restroom floor with a broom and dustpan as needed throughout the day and before mopping
- Mop the floor and baseboards as needed throughout the day, and dry with a dry mop to prevent guests from slipping
- Mop the dining-room floor in small sections as needed throughout the day, following the proper procedures for the floor type
- At the end of each day, clean all floor areas and baseboards, including areas under all rack units and worktables, following the proper procedures for the floor type
- Use a “Caution: Wet Floor” sign whenever mopping

Walls and Baseboards

- Clean the walls as needed throughout the day with All-Purpose Cleaner or soap and water
- Finish cleaning with a separate dry, clean towel so that no streaking occurs on the walls

Shelving

Remove all items from shelving and clean as needed with a towel and All-Purpose Cleaner or hot, soapy water from the white bucket.

Floor Drains

Routine Cleaning

- Spray with All-Purpose Cleaner
- Wipe out with towel
- Use a green scrub pad if necessary
Weekly Cleaning
Use drain cleaner to clean and maintain drains. Follow manufacturer’s usage instructions.

Vents
Remove and clean vents at least once a month with All-Purpose Cleaner and paper towels.

Ceiling and Ceiling Tiles
Clean ceiling and ceiling tiles as needed or on a yearly basis using a professional cleaning company.
CHAPTER 12: Safety & Security

Customer and employee safety is a responsibility that you undertake as a franchisee. You are ultimately responsible for providing a safe and secure environment for your employees and your customers; use the guidelines and policies in this chapter to promote a safe and secure environment.

These policies should include, but are not limited to the following topics:

- Maintaining a safe workplace
- Preventing accidents and injuries
- Providing safety training programs
- Emergency preparedness

Federal state and local governments may each have a variety of requirements that must be followed, check with an attorney to discuss legalities in your locale.

Employee Safety and Security Training

Maintaining a safe workplace includes training employees to prevent accidents and injuries, and understanding how to handle a crisis. Employee safety training creates a secure work environment, reducing injuries and keeping insurance premiums at a minimum. Safety training is ongoing and requires reinforcement and supervision. It is important that all employees know how to handle situations that may arise.

- Train all employees on safety and security measures
- Report all suspicious activity
- Know how to handle a crisis

Emergency Preparedness

At a minimum, Smart Cow recommends that you keep the following equipment and supplies on hand at all times:

- Flashlight(s) and extra batteries
- Digital Camera or Smart Phone with camera capabilities
- Floor plans and utility plans: HVAC, electrical and mechanical
- Tools such as wrenches and screwdrivers to shut off utilities
- Keys to location
- Location address posted near phone
- Caution: Slippery When Wet signs
• Salt/ice-melt for ice during winter weather
• OSHA-compliant First Aid Kit including a minimum of:
  Antiseptic,
  Antibiotic spray/ointment
  Eyewash
  Burn treatment
  2”x3” large patch adhesive bandage
  1”x3” strip adhesive bandage
  Finger cots
  Fingertip adhesive bandage
  2”x2” or larger sterile gauze pads
  2-inch-wide roll bandage
  Tweezers
  Small scissors

• Emergency Telephone Numbers sheet with:
  911
  Fire
  Police
  Hospital
  Franchisee Emergency Contact (home and/or cell)
  Smart Cow Corporate Office number
  Any other appropriate emergency phone number

**Preparedness**
Inspect the store frequently to ensure that:

• Security and fire alarm systems operate properly (inspect every four months)
• Fire extinguishers are charged and dated
• Escape routes, such as doorways and stairways, are always clear
• Emergency lighting is functioning
• Fire exits are clearly marked with illuminated signs
• All doors open and close properly and are unobstructed
• Electrical panels are unobstructed and clearly marked, and covers are closed at all times
• Sprinkler heads are unobstructed at all times
• Storage/stacking is kept at least 18 inches below sprinkler heads
• Broken or missing floor tiles are replaced
• All lighting is working both inside and outside of the restaurant
• The storage, refrigerator and freezer areas are neat and orderly and are set up in compliance with all legal requirements
• Trash cans are emptied regularly and any debris on the property is removed
• Emergency telephone numbers sheet is displayed in the register area and in the office
• Employees are trained quarterly on proper use of the fire extinguishers
• Emergency drills are conducted monthly

Evacuation Plans
You should develop written evacuation procedures as part of the emergency preparedness program. Some basic considerations for an effective evacuation plan include:

• Guidelines for the decision to evacuate
• Evacuation routes
• Role of employees in the evacuation procedures
• Need for outside assistance
• Language barriers, if any, of people involved
• Quick removal of vital records, cash and other important information
• Procedures for securing the building following evacuation
• Internal evacuation (an event that requires moving people to a safe area within the building)

Crisis Situations
Safety of employees and customers must be a priority for everyone working in the store. You and your manager are responsible for responding to emergencies, crisis management, and damage control. Develop and clearly communicate your emergency plans. Being well-organized and thoughtful about crisis management allows your employees to focus on solutions and reduce confusion during the incident.

Talk with your insurance agent to understand the data and details that need to be collected in case of an incident. Familiarize yourself and your employees with all insurance reporting requirements. Preparing for a crisis situation means that if such a situation occurs, it will have minimal impact upon your business.
Crisis Definitions
A crisis is an event that may:

- Endanger the well-being of customers or staff.
- Cause substantial damage or loss of business.
- Cause damage to the Smart Cow brand and/or reputation.

Some examples of a crisis include:

- Death or injury to an employee or customer while on the premises.
- Reports of food-borne illness or a discovery of a foreign object in food.
- Fire resulting in major damage to the store.
- Natural disasters including floods, earthquakes, tornadoes, or blizzards.
- Bomb or terrorist threats.
- Civil disturbances.
- Employee grievances that place other staff members or customers at risk.

A crisis may appear in forms such as:

- Similar customer complaints.
- Disturbing phone calls or mail.
- A reporter’s request for unusual information.

Handling a Crisis
- Train your employees to contact you immediately in case of a crisis-level complaint, and escalate to the corporate office if necessary.
- Call a local emergency number if necessary.
- Be calm and assess the facts.
- Alert the corporate office as soon as possible
- Put the store emergency plan into action
- Remove employees and customers from harm’s way
- Gather detailed information
- Please refer to the section on Media Relations for handling media inquiries

Gathering Crisis Information
Check with your insurance company regarding their requirements for incident reporting. You may also wish to follow these procedures:

- Record the date and time of the crisis.
• Describe what happened.
• Write down the names of employees and guests involved.
• Describe how management was alerted to the event.
• If alerted by individuals, write down who they are and what they said.
• If there are witnesses, write down who they are and what they saw.
• Describe whether the crisis is over or ongoing.
• If ongoing, write down what is known and/or what the next stage of the crisis is expected to be.
• Explain what was done operationally that is specifically related to the crisis.
• If food was involved, get a sample, and place the entire batch of product on the side with a clear note reading “HOLD PRODUCT.”

Dealing with Victims
• Note whether anyone from the store attempted lifesaving or first-aid procedures on anyone.
  If lifesaving or first-aid procedures were performed, write down who performed the procedures and on whom.
• Note whether any of the store personnel attempted in any other way to treat anyone.
• If family members call, write down who called, when they called, what they asked and what was said.
• Write down any assistance that was offered to victims or families.

Notifying the Authorities
• Write down who was called (agency, names, etc.) and at what time.
• Write down the time that they arrived.
• Note whether the authorities interviewed anyone.
• If the authorities have interviewed individuals, write down who was interviewed and by whom.
• Write down whether you or a manager was involved in the authorities’ interviews of employees or customers.
• Write down any questions that were asked.
• Write down any feedback received from the authorities.
• Ask the authorities when you will hear from them next, and record their response.

Working with Authorities/Outside Agencies
• Demonstrate a willingness to solve the problem as quickly as possible.
• Cooperate with the authorities by providing information relating to the crisis as soon as reasonably possible.

• If information is unknown or unavailable, say so.

• Supply authorities with accurate facts and explanations; do not speculate.

• Do not volunteer information that has no relation to the crisis

• Keep copies and notes of all information and documents provided to each agency

• Carefully store any information or documents provided by the agency

Sample Taking
If any agency representative from the USDA, local Health Department, FDA or EPA takes a sample of any food product in the store, obtain a duplicate sample of the product as soon as possible after and hold. Label, isolate and store the sample in the freezer apart from other product. Make sure the product is from the same batch. Take the rest of the product from that batch, and set it aside with a clear note saying “HOLD PRODUCT.”

The agency representative must provide a receipt when a sample is taken. Make sure a receipt is obtained before the representative leaves the store. Also get a business card or contact information and check the representative’s identification.

Dealing with the Media
Dealing with aggressive TV crews and reporters who arrive at your restaurant without warning or permission can be challenging. Smart Cow encourages you to be polite, professional and firm in your dealings with the media.

The most important thing to remember is that you are under no obligation to talk to a reporter. In addition, you should assume that everything you say or do is being recorded or filmed as soon as the reporter or TV crew arrives on the scene. If you see a camera, it is probably recording you – even if the reporter is merely asking permission to talk to you. Please conduct yourself accordingly.

How to handle a general request for an interview:
If a reporter or TV crew wants to talk to you or one of your employees, we recommend that you politely decline the interview.

To help you feel comfortable declining the request, use one or more of these basic talking points:

• “I’m not authorized to speak on behalf of Smart Cow Corporate. If you’d like to speak with someone from the company, I can give you the telephone number of a person authorized to speak.”

• “I don’t have the information you’re seeking and I’m uncomfortable speculating about what may have happened.”
“I don't have all the facts surrounding what happened and I don't want to spread false or incomplete information.”

“I'm not the best source of information. You should go talk to [the police, the fire department, etc.]”

Be polite, but firm in your refusal.

Food-Borne Illness/Infectious Disease
A food-borne illness is a disease carried or transmitted to people by food. A food-borne-illness outbreak is defined as an incident in which two or more people experience the same illness after eating the same food. A food-borne illness is confirmed when laboratory analysis shows that a specific food is the source of the illness.

Any situation involving food-borne illness or infectious diseases could have a tremendous impact on the Smart Cow brand. Upon learning of a possible or definite food-borne illness or infectious disease situation, contact the Smart Cow corporate office immediately.

Food-Borne Illness
In the event of a food-borne illness complaint, do all of the following:

- Immediately contact the Smart Cow corporate office.
- Follow the instructions under Handling a Crisis and Gathering Crisis Information.
- Follow the instructions below.

Gathering Information
- Use a Customer Incident Form to record information.
- Express concern without admitting guilt or disparaging the brand.
- Listen to the customer calmly and attentively.
- Determine the scope of the problem: is this an isolated case complaint or a multiple case complaint?
- Determine whether the customer has remains of the product.
- Acquire the remaining product for analysis.
- If the customers will not relinquish the implicated product, determine where and what the customer is doing with the product and why.
- Accurately determine the time sequence of events.
- Determine whether the product was removed from the store before eating or whether it was eaten on the premises.
• Offer no information or opinions regarding the complaint as they may relate to liability, medicine, insurance or situation.
• Convey the clear goal of customer satisfaction.

Retrieving/Saving Food Samples
• If possible, retrieve and save the implicated food.
• Isolate, wrap, label and store the food sample in the freezer apart from other product.

Infectious Disease
You, your employees and your manager constitute the first line of defense in the prevention of food-borne illness. Your work habits, food safety knowledge and personal medical conditions are critical in ensuring that Smart Cow product served to customers is always safe. You must take into account local, state and federal public health codes and regulations as well as local, state and federal employment laws.

Health-Related Work Restrictions and Exclusions
• You should have a manager appointed per shift.
• The manager must be on duty and present during all hours of operation.
• The manager must have food safety knowledge and is responsible for handling employee health.
• Employees must disclose, before starting work, whether they are ill or have been diagnosed with and/or are being tested for an infectious disease.
• Employees must disclose, before starting work, whether they have been exposed to an infectious disease that could be spread through food contact (food-borne transmission) or through the air (airborne transmission).
• You or your manager must attempt to gather pertinent medical facts in relation to any ill employees.
• Send home ill employees, they may not work.
• Ill employees are not allowed within the establishment.
• Ill employees are required to provide a written medical clearance from a certified treating physician before returning to work.

Employee Responsibilities
Employees must report to you or your manager if they are experiencing any of the following symptoms as a result of illness:
• Fever
• Diarrhea
• Vomiting
• Abdominal pain or cramps
• Sore throat/pharyngitis (inflammation of the pharynx that frequently results in a sore throat)
• Jaundice
• Persistent cough
• Skin lesions such as wounds or boils that may begin or are draining

Every employee must report diagnosis/testing/exposure to the following infectious diseases/communicable diseases:

• Hepatitis A
• Shigella/shigelloides
• Salmonella/salmonellosis (especially S. typhi/typhoid fever)
• Escherichia coli 0157:H7
• Staphylococcus aureus boils or skin lesions
• Mycobacterium tuberculosis (TB)
• Any other infectious disease(s) that may be transmitted via food or airborne routes (e.g., SARS, bacterial or aseptic/viral meningitis, chickenpox, shingles, etc.)

Employees reporting diagnosis/testing/exposure to any of the above infectious/communicable diseases are not allowed within the establishment until medically stable and cleared. Any employees who have traveled outside of the United States within the past 50 days must notify you or your manager of their health status and potential exposures to infectious diseases.

**Removal of Health-related Work Restrictions**

The removal of work exclusions and the reinstatement of work privileges may come only from a licensed physician in a written format and/or by the public health authorities. You must acknowledge this information before reinstating the work privileges of the employee.

**Medical Emergencies**

Medical emergencies, such as heart attacks, severe allergic reactions, seizures, choking, or blood or bodily fluid exposure (including needle-stick exposures), do occur. Medical emergencies can include biosecurity events. Food biosecurity is the protection from the deliberate introduction of a dangerous substance into food (food tampering). It may be perpetrated at any level in the food chain and the agent may be biological or chemical and may cause severe public health consequences.

If a medical emergency occurs at a Smart Cow store, you or your manager must immediately:
• Call 911, except for minor or nontargeting blood/body fluid exposures or needle-stick exposures.
• Call the corporate office.
• Follow the instructions under “Gathering Crisis Information” in addition to the instructions below.

Only individuals trained in handling medical emergencies should initiate first aid. You or your manager should be the designated leader of the situation until support arrives on the scene. You or your manager should:

• Identify a second Smart Cow employee to be responsible for writing a detailed account of all events.
• Clear the premises as feasible to allow adequate care/resolution of the situation.
• Make sure the scene of the event is not tampered with or disturbed until given permission by Smart Cow Corporate and/or by municipal regulatory agencies.
• Make sure no one divulges information/details regarding any medical emergency.
• Smart Cow Corporate will control and assist you with regulatory intervention.

Power Outage/Blackouts
Electricity may go out for many reasons. If the outage is limited to the store, contact the utility authorities. If not, observe the following guidelines in order to assure the customer’s safety:

• Close and lock the restaurant
• Finish serving the customers as best as possible

Fire
• Stay calm
• Evacuate the store
• Immediately call the fire department and state the nature of the emergency
• Give them the store address, name of caller and other vital facts
• If the media appear, refer all questions to the fire department
• After the crisis, contact your insurance company for details regarding the type of information required to file a claim.

Natural Disasters
• Stay calm
• Close the store and evacuate the building if possible
• Pull all cash from the register and lock the safe
Advise the alarm/security company

Safety Tips

Utilities
- Do not block access to electrical panels or other utility shut-offs.

Storage
- Keep ladders and step stools in good condition and equipped with nonskid pads.
- Never store heavy, bulky, breakable or unstable items on top shelves; store at waist height or below.
- Use ladders or step stools to reach items on top shelves.
- Instruct each employee on the proper use of ladders and stepstools.

Floors and Traffic Areas
- Do not block emergency exits.
- Do not wet mop large floor sections all at once during business hours; wet-mop smaller areas and immediately dry mop them before moving on to the next area.
- Ensure that all employees wear closed-toe, closed-heel, rubber-soled shoes.
- Keep traffic areas free of merchandise, debris and equipment.
- Post Caution: Wet Floor signs in the areas being mopped.
- Wipe up spills immediately to prevent slip-and-fall accidents.

Chemicals
- Always use rubber gloves when working with chemicals.
- Be sure to have sufficient ventilation available when using chemicals that produce toxic fumes.
- Do not apply or store pesticides in the store; contact a licensed pest controller for control or eradication of pests.
- Keep all flammable chemicals stored in a proper metal cabinet away from flames and heat.
- Keep detergents, sanitizers and other nonfood chemicals stored away from food and paper products.
- Never mix chemicals.
- Never store chemicals above or near food or drink.

Employee Behavior
- Do not allow horseplay.
• Do not allow improper use of food or equipment.
• Do not allow employees to run or rush while performing their duties.

Emergency Procedures
• Ensure that all employees clearly understand their responsibilities during an emergency situation such as fire, robbery or a medical or other emergency.
• Have a well-stocked first aid kit available.
• Employees must report injuries to you or a manager.

Safe Equipment Operations and Maintenance
• For all equipment, follow the manufacturers’ safety, use and maintenance instructions as outlined in the owner’s manuals.
• Properly train employees on all equipment before they use it.
• Train employees to notify the manager when a piece of equipment is in need of repair.
• Before cleaning equipment, ensure that the unit is off and unplugged.

Using Knives Safely
• Immediately after using knives: Wash them in the three-compartment sink and return them to their proper storage place
• Never leave them in the sink
• When using knives: Always make sure fingertips are curled under and the thumb is tucked in on the hand holding the product being cut. Always cut away from hands and body. Always cut on a secure cutting board; never cut on metal surfaces. Create a stable cutting position by always cutting round or awkwardly shaped items in half and laying the flat surface on the cutting board before completing the cut
• Always wipe the knife with the blade away from the body
• Always carry a knife by holding it close to the body with the point down to the floor and the blade facing to the rear
• When passing a knife to someone, hold the knife by the handle with the blade facing down and acknowledge that the person receiving it has securely grasped it
• Never try to catch a falling knife, and always move out of the way of the knife if it falls
• Do not use knives for any purpose other than food preparation
• Never leave knives on a worktable when not in use
Always sanitize the knife and cutting board between products to avoid cross contamination

**Proper Lifting Techniques**

Because your Smart Cow store receives a wide variety of shipments, it is important that you and all of your employees know how to properly lift heavy items to avoid injury. Before attempting to lift an item, first determine if it can be done safely. If it cannot, then get help.

- Before attempting to lift an item, employees must first determine whether it can be done safely. If the item is too heavy, they need to ask for help.
- Teach employees to plan work for efficiency; do not move an item twice if once will do.
- Train employees to ask for help with loads too large to see over or around.
- Push, do not pull.

When lifting, pay attention to body position and movement:

- Bend at the knees, keeping a straight back.
- Lift gradually, slowly and smoothly without jerking.
- Minimize arm movement and keep objects close to the body.
- Keep feet spread for good balance.
- Lift without twisting; turn feet, not hips or shoulders.
- Grip the load with the whole hand, not just the fingertips.

When using a ladder:

- Do not use the top two steps.
- Avoid overreaching.
- Move the ladder as close to the object as possible.
- Do not use chairs, desks, tables or racks in place of the ladder.

**OSHA Safety Training Requirements**

The Occupational Safety and Health Act (OSHA) sets forth workplace safety standards. All managers and employees are required to comply with all OSHA laws. If any instruction in this Systems Manual conflicts with any OSHA provision, managers are required to comply with the OSHA provision and to notify Smart Cow of the conflict. For more information on OSHA, see the U.S. Department of Justice’s Occupational Safety and Health Administration website, specifically [www.osha.gov/dcsp/smallbusiness/index.html](http://www.osha.gov/dcsp/smallbusiness/index.html).

Contact your lawyer regarding OSHA requirements in the state in which your restaurant is located. The federal government requires that OSHA posters be conspicuously displayed in
an area in which all employees can read them. These posters explain employee rights and how to report employer violations or register complaints.

If the store has 10 or more full-time employees, you are required to record all injuries on Form 101, The Supplementary Record of Occupational Injuries and Illnesses, and Form 200, The Log and Summary of Occupational Injuries and Illnesses. Since most Smart Cow restaurants have fewer than 10 employees, the federal and state government may require different forms. Contact your legal advisor to learn how to stay within OSHA compliance.

Loss Prevention
As a Smart Cow franchisee, security and crime prevention efforts are your responsibility. You are responsible for the day-to-day management of the store, which includes taking reasonable and appropriate measures to ensure the safety of your employees and customers. Smart Cow encourages you to cooperate with your local police department and neighborhood crime watch groups to ensure that you are doing everything possible to ward off criminal activity against persons and property at you premises.

Reducing and preventing theft is critical to the operation of your Smart Cow franchise. Security includes cash handling, controlling the keys, and access to the safe to prevent theft or robbery.

Follow these security guidelines in order to reduce risks:

- Keep a current Emergency Telephone Numbers list by the phone for quick reference.
- Maintain control over keys and security codes for the store.
- Make sure all merchandise delivered is counted, and break down the shipping boxes.
- Only you and possibly your managers should have access to the safe.

General Loss Prevention Measures
A great way to prevent theft is to be aware of the potential security risks, and to be seen by customers and employees. Excellent customer service is the best deterrent to theft. At least one employee must be in the front of the restaurant 100% of the time.
When you are in the store, observe and respond to:

- Cashiers improperly ringing in sales
- Inattentive employees
- Inoperative security equipment
- Employees not following procedures
- Unauthorized checks, voids, cancelled transactions or refunds

Internal Theft
Actions that are regarded as employee theft include but are not limited to:
• Taking cash from a cash drawer, store change fund or bank deposit
• Failing to record revenue
• Knowingly giving bogus or unauthorized discounts
• Wrongfully redeeming coupons
• Removing any product from the store without purchasing it or properly transferring it

Spotting Employee Theft
Watch for these warning signs:

• Consistent shortages or overages in cash drawer counts by a particular employee
• Customers, friends or relatives of an employee who wait to be checked out only by that employee
• Employees who are constantly watching you or the manager, or looking toward the office
• Phone calls requesting a certain employee or inquiring whether a certain employee is working
• Abnormally high numbers of coupons or credits being made by a particular employee
• High void and cancel totals
• Employees who frequently offer to take out the trash
• Employees carrying backpacks or large bags
• Lulls in register tickets
• Cars loitering in the parking lot

Internal Theft Prevention
• Lock the safe
• Lock the back door
• Periodically count down cash drawers in the middle of a shift
• Take daily spot inventories
• Take thorough weekly inventories
• Check all incoming inventory carefully and document shortages
• Flatten all boxes immediately upon emptying and bring them to the dumpster
• Empty trash during daylight hours

External Theft
External theft includes short-change artists, counterfeit money, and robbery. It is critical that each employee be trained to identify and prevent these types of theft. Promote a theft-free
culture by screening potential employees and asking questions related to their integrity. The attitude and performance of each store employee is influenced by your leadership. Make sure that each employee understands the “chain of command” when dealing with potential threats. Be clear with written procedures detailing how to prevent and handle theft.

**Transporting Money to the Bank**

- It is important to take precautionary measures when transporting money to or from the bank. The safest method of transporting deposits is to utilize a third party armored car service such as Brinks. Some things you can do to reduce the risk of cash deposit robbery are:
  - Make sure that you randomly vary your route to the bank.
  - Make deposits irregularly and avoid routine; this makes it harder for a robber to plan a robbery.
  - Make deposits during the day.
  - Do not keep large amounts of cash overnight in your store.

**Short-Change Artists**

Short-change artists specialize in confusing money handlers. These people generally make small purchases and pay with larger bills. They wait until the cashier has begun to count back change, then interrupt them by asking that the change be made differently.

Some preventative measures are:

1. Complete only one transaction at a time.
2. Lay the bill(s) received from the customer face-up and facing you across the cash till until change has been counted back to the customer.
3. Make eye contact with the customer when handed a bill, and say, “Out of (bill denomination)… your change is (amount).”
4. Keep the till money face up and in the same direction.
5. Separate bills by denomination.
6. Count change back to the customer.
7. Do not become baffled or rushed; ignore interruptions.
8. If confused, stop and shut the cash drawer.
9. Never turn your back on or leave the drawer open.
10. Take special interest in customers who pay for small items with large bills.
11. Only make change for customers.
If you suspect that you are in presence of a short change artist proceed with the following actions:

1. Stop the transaction immediately and shut down the POS system.
2. Run a report to determine a loss.
3. Contact the police and file a report.

**Counterfeit Money**

The following guidelines may help you to identify counterfeit money:

- Do the words at the bottom of the portrait match the number in the corner? “Raised bills” are a simple kind of counterfeit in which numerals from a higher-denomination bill are glued onto a low denomination bill.

- Is the engraving clear? Look for blurry areas, especially in fine details such as around the borders and on the Federal Reserve and Treasury seals, where the sawtooth points should be sharp and well-defined.

- How does the paper feel? Just about everyone has handled enough money that they can detect many counterfeits just by feel. The traditional paper used to print money has intentionally been left unchanged over the decades because of its distinctive feel.

- Look for tiny red and blue fibers embedded in the paper. Counterfeiters sometimes try to replicate these fibers by printing these strands onto the paper, but close scrutiny makes it clear that they are printed on, not a part of the paper.

- There is a special “marker” available at most office supply restaurants that changes color when run across a counterfeit bill. Don’t rely entirely on these pens, as they are made to react to the presence of starch. They won’t detect all fakes, and can give a “false positive” reading to real money that’s been through the laundry.

According to the Secret Service, take the following steps if you receive a counterfeit bill:

- Observe the passer’s description, as well as that of any companions, and the license plate numbers of any vehicles used
- Contact your local police department or United States Secret Service field office—these numbers can be found on the inside front page of your local telephone directory
- Write your initials and the date in the white border areas of the suspect note
- Limit the handling of the note
- Carefully place it in a protective covering, such as an envelope
- Surrender the note or coin only to a properly identified police officer or a US Secret Service special agent
Robbery
If You Are Robbed:

Cooperate with the Robber

- Do exactly as you are told. If you don’t understand what you are being told to do, ask
- Only speak when directly addressed
- Give the robber whatever he or she wants
- Avoid sudden movement or actions
- Keep your hands in the open, where the robber can see them
- Keep it Short
- The longer the robbery takes, the more nervous the robber is
- The average robbery takes less than two minutes

Do Not Resist

- Do not fight
- Do not use weapons
- Do not chase the robber

Be Observant

- Try to form a mental picture of the robber for identification purposes, without staring
- Try to determine the type of escape vehicle, if any, and write down the license plate number without putting anyone in jeopardy

Call the Police after the Robbery

- Lock the door so the robber cannot re-enter the store
- Keep police numbers by the phone
- Stay on the phone until police tell you it is all right to hang up
- Write down a description of the suspect and exactly what happened
- Ask any witnesses to remain until the police arrive, or take their names, addresses and phone numbers
- Do not disturb any possible evidence until the police have arrived and taken a report

Protect the Scene of the Crime

- Close the store until the police arrive.
- Do not touch anything.
- Obtain a copy of the police report and immediately contact the insurance company
Preventing Robberies
• Check lighting and security equipment daily

• Do not clutter the front window of the store; if you can see out easily, passers-by and police can see in.

• Do not use the back door at all after dark; leave trash disposal until the morning

• □Keep all lights on until leaving

• At closing, all employees should leave the store together

• Keep cash register money to a minimum:

• Drop all large bills ($20 and over) as soon as you get them.

• Tell your customers why you are making large-bill drops, get exact change whenever you can (or small bill, if exact change is possible).

• Record the serial number of the bottom $1 bill in your register so you can identify it later.

• Count all cash out of view of employees or the public.

• Skim the cash drawer throughout the day as necessary

• □Keep alert

• Watch for loiterers, inside or outside your store

• Ask loiterers to leave

• Don’t be afraid to call the police to ask for a patrol check

• Teach your employees to greet everyone entering the store; look every customer right in the eye

Burglary
• If there are indications of forced entry, no one should enter the store until the police have arrived and have cleared and secured the store

• You or your manager must respond to an alarm call during nonoperational hours

• If a break-in has occurred, management must determine what, if anything, has been taken

• An inventory check may need to be conducted
Police must be told about the security tape, and the tape must be reviewed with them as applicable

Do not touch anything until the police finish their investigation

**Preventing Burglaries**

- Leave the cash register drawer open after closing the store and transferring any cash to the safe
- If there is an alarm, set it before leaving the store at closing
- Verify that all doors and windows are locked before leaving the store
- Check lighting and security equipment daily
- Do not clutter the front window of the store
- Check the restrooms and far corners of the store before locking doors

**Vandalism**

Controlling vandalism is often an attitude. Be aware of people who loiter around the store. If vandalism occurs, report it to the police. Check with your insurance company to understand their policy regarding vandalism. Work with neighboring businesses to create a “neighborhood watch” program.

Here are a few guidelines to help prevent vandalism:

**Action Steps:**
- Contact and report the incident to the police
- Take photographs and document the vandalism
- Contact your insurance company and advise them of the situation

**Preventing Interior Vandalism**

- If local law permits, lock restrooms that are frequently defaced or destroyed; allow use by key
- Check restrooms frequently for signs of loitering and/or vandalism
- Ask your employees to immediately alert you or the manager if several people enter a restroom together as this may indicate alcohol, drug use or other problems
- Do not attempt, under any circumstances, to physically evict a loiterer from the restaurant; contact the police instead

**Preventing Exterior Vandalism**

- Check any outside banners or signs to ensure that they are securely attached and in good condition
• Ensure that the parking lot is well-lit at night
• Ensure that the dumpster area is secure and well-lit at night

If you are a victim of vandalism, repair/clean the item vandalized as quickly as possible. This communicates to potential future vandals that you will not tolerate vandalism at your facility and may act as a future deterrent.