

LELAND ENTERPRISES, INC

Title:	PERFORMANCE EVALUATIONS AND SALARY ADJUSTMENTS	Section:	2.03
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Policy: It is the company's policy to conduct performance reviews with employees on a regularly scheduled basis as a means of fostering employee development and motivating employees to reach their full potential.

The objectives of the performance review plan include:

- To motivate and guide employees toward greater self-development and improved performance by discussing significant strengths and areas needing improvement in a positive, constructive manner.
- To identify training resource needs.
- To provide a record of employee progress.
- To provide a uniform means for supervisors to make salary determinations based on their assessment of employee performance in relation to performance requirements.

Purpose: To provide the format, frequency and objectives of employee performance appraisals and any corresponding salary adjustment.

Procedures:

PERFORMANCE EVALUATION GUIDELINES

Frequency: The performance of an employee is reviewed annually following the employee=s employment anniversary date, unless reviewed earlier due to a change in job description and pay increase. A supervisor may give an interim review at any time without waiting for the scheduled time.

Responsibility: The individual responsible for direct supervision of the employee will conduct the performance review. If an employee reports to more than one person, then both supervisors should be involved in the review process.

Performance Requirements (Expectations): Performance requirements represent the level of performance that is expected of employees in fulfilling the duties and responsibilities of a position. Performance requirements are communicated to employees upon hire by providing them the applicable Employee Job Description (Exhibits 8.22 through 8.27) which provides a comprehensive description of the position and employee responsibilities and duties.

Objectivity: Evaluations should be supported by specific examples whenever possible. Supervisors should keep the following points in mind when performing reviews to keep the appraisals as objective as possible:

- Supervisors should be careful to evaluate employees objectively on each "area" of the appraisal. There often can be a tendency to evaluate an employee with an overall good rating as good in every phase of their performance. Likewise, the same can happen with employees with overall poor performances.
- Supervisors should not allow bias or personal likes or dislikes for individuals to affect their objectivity in the appraisal process. Supervisors can tend, instinctively but unconsciously, to rate those who resemble themselves in any way, such as personality, appearance or work habits as superior to others. Supervisors should be careful to rate the employee on performance and not on being a carbon copy of themselves.
- Evaluations must reflect an accurate appraisal of an employee's performance. Some supervisors give high ratings or praise so that they won't hurt an employee's feelings. Such an approach makes the appraisal process meaningless and can actually hurt the employee in the long run by denying them constructive feedback. However, supervisors should also avoid being unduly hard on employees with negative reviews.

EVALUATION PROCESS

Supervisors are responsible for conducting thorough, impartial and timely performance reviews with employees who report directly to them. Performance reviews are a function of evaluating employees on the basis of their performance, while considering their length of time in the position in relation to the performance requirements for the position.

Performance evaluation forms are intended to assist supervisors and employees in communicating and recording assessments of their performance, and establishing goals/areas for improvement.

The supervisor will complete the applicable employee evaluation form (Exhibits 9.52 through 9.56) to review with the employee, and forward to the Regional Manager or Chief Financial Officer for review. Supervisors should evaluate all applicable performance areas with the employee and discuss areas that the employee could improve.

The most important part of the evaluation process is the discussion of the evaluation with the employee. If the meeting with the employee is effective, it leads to a better understanding and relationship between the employee and the supervisor; clarifies the mutual objectives of the employee, the supervisor and the company; and gives the employee a feeling of satisfaction regarding the areas of work in which they have done well.

The supervisor should use the meeting to discuss the employee's "performance" and not the individual as a person. This means that if the supervisor must be critical of the employee's performance, the supervisor should emphasize that it is the performance and not the employee who has slipped. People usually can look more objectively at the results of their work than at themselves.

An objective supervisor is humble and is willing to point out that some of the employee's problems may stem from the supervisor's failure to provide proper guidance, instruction and encouragement. Thoughts for the supervisor to keep in mind when discussing a performance appraisal can include:

- Plan the meeting carefully and properly prepare to fit the individual employee's appraisal and needs.

- Make the employee feel comfortable. Explain the reasons for the evaluation and point out how they benefit the employee.
- Begin on a positive note. Mention some of the employee's good points first and then proceed through each point in some detail. Achieve good interaction with the employee to ensure understanding.
- Summarize strong and weak points. Develop plans for improvement. Conclude the interview on a friendly, reassuring note.

Upon completion of the review process, the employee should write any comments he/she may have about the evaluation received, sign the form and route to the Chief Financial Officer.

SALARY ADJUSTMENTS

The company's intent is to provide competitive wages to attract the most qualified people available. Raises will be given based on merit, generally as determined during performance appraisals. Raises may also be given with a promotion of an employee to a position with increased responsibilities.

Occasionally, employees may have their wages reduced. Reasons for a pay decrease can be reduction or reassignment of job duties or obsolescence of an employee's skills as compared to the performance requirement.

All salary adjustments should be determined by the supervisor and reviewed with the President and CFO. Following approval, the supervisor should notify the employee of the adjustment and effective date and complete a Payroll Change Notice (Exhibit 8.06).

Submit the approved Payroll Change Notice to the Home Office.