AMERICAN RETAIL SERVICES, LLC.

EMPLOYEE HANDBOOK

REVISED April 30, 2005

A MESSAGE FROM THE MANAGING PARTNERS

The Employee Handbook you are reviewing represents the policies, procedures, and expected conduct of each employee of companies operated by, managed by, or affiliated with American Retail Services LLC. ("ARS"). The ARS family of companies include ARS-Fresno LLC, ARS West LLC, MYOBZ, LLC, MYOB, LLC and LM Retail LP, and this Employee Handbook covers the employees of each of these affiliated entities. This brief message is offered to provide you with a clear vision of the mission we pursue, so that you may be guided in bringing your value to our team.

We welcome you and encourage you to always communicate to us your concerns, ideas, and observations. We recognize that you are the key to our success – you will interact daily with our customers. How you perform, and how we help you to perform, will dictate your success and ours.

ARS began a highly successful relationship with Shell Oil Company in the fall of 2000, serving as a Manager of 5 of it's retail outlets in the greater Fresno, California market. Since that beginning, the Company has been offered additional Management and Lease opportunities in the Central Valley and San Diego areas of California; Tucson and Yuma, Arizona; and Seattle, Washington. Affiliated entities own some of the properties operated by ARS.

Now with more than 50 locations under management, ARS is able to use it's scale to negotiate more favorable vendor contracts, implement greater efficiencies in accounting and management systems and achieve a broader access to capital markets. We believe this will reinforce our rapid growth and open advancement opportunities to dedicated employees.

The mission statement of ARS is to deliver compelling value to customers, partners and employees by continually seeking out creative, innovative and efficient operating policies and programs for the management of convenience retail profit centers.

Fuel sales are an important component in building traffic in all profit centers. We expect you to leverage the traffic and maximize the value of this customer traffic by offering products and services our customers seek. To grow our business, we must stay continually focused on improving and enhancing customer satisfaction. That satisfaction is created by:

- Convenience the ease, speed and efficiency of the customer's shopping experience
- Assortment a sufficiently broad array of the products we offer
- Service how we assist customers and solve their problems

- Price how we compete especially on high-turnover basics
- Reassurance and cleanliness restrooms, floors, inventory, counters
- Freshness shelf age of products, appearance of perishables
- Ambience friendliness, courtesy, warmth, customer relationship-building

Our success in delivering these basic customer expectations will determine the success or failure of our business and your earning potential.

Senior Management consists of individuals with diverse backgrounds and experience. Collectively, the senior management team possesses expertise in the disciplines of gas station and convenience store operations, team building and employee training, marketing, asset management and corporate finance and accounting. The following is a brief overview of the Managing Members and their responsibilities and backgrounds:

Howard Bode – Operations Manager

Howard Bode has fourteen years of diverse experience in the oil products and convenience store industry. Within these industries, Mr. Bode held positions in retail marketing, convenience store operations and financial and strategic planning. Mr. Bode is responsible for managing all aspects of the retail gas station convenience store facilities for ARS. His responsibilities include the direct supervision of all ARS operating employees and the management of multiple profit centers at each location. Reporting directly to Mr. Bode is an Operations Supervisor, Area Managers, Store Managers and store personnel. He directs all station level operations including staffing, control procedures, all marketing elements and product pricing. In addition, Mr. Bode's responsibilities include financial analysis of operations for the guidance of store level and regional management to ensure that store budget guideline requirements are achieved.

Ronald Myhro – Administrative Manager

Ronald Myhro has an extensive background in real estate and corporate finance. He is responsible for the corporate operations, including accounting, finance, legal, cash management and human resource functions. Mr. Myhro also supervises the development and implementation of employee training programs. He directs new investment activities and develops capitalization strategies to ensure continuing access to debt and equity capital for the acquisition of new facilities, retrofitting and repositioning of existing facilities and construction of new products. Mr. Myhro manages compliance with covenants and funding obligations under credit facilities and interacts with investment bankers and lenders as necessary. In addition, he directs regulatory compliance with state and federal agencies, and co-ordinates legal and

contract functions. Mr. Myhro's daily activities include managing the corporate office and it's staff. He is responsible for the designated manager of tax issues and co-ordinates preparation of annual tax returns, profit and loss statements and other financial reporting. Mr. Myhro directs the preparation of budgets, financial forecasts and arranges for audits of Company accounts.

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A. INTRODUCTION

This handbook is being provided to you so that you may become more familiar with the benefits which American Retail Services, LLC. ("ARS") makes available to you, as well as the policies and practices, which affect your employment at the Company.

This Handbook is informational only and should be used by you as a reference to our policies, procedures, programs and benefits. The policies described in this Handbook take effect immediately and supersede all other policies, handbooks, summaries and bulletins previously distributed to you and any verbal representations, which may have previously been made to you by persons employed by the Company.

The provisions of this Handbook are not conditions of employment and with the exception of the at-will employment policy described on page 7 they may, in the discretion of the Company, be modified, revoked or changed at any time. This Handbook is not intended to create, and is not to be construed to constitute, a contract between the Company and any of its employees conferring continuous employment rights, nor is it intended to be an exhaustive or complete presentation of the Company's employment policies.

If you have any questions regarding anything contained in this Handbook, please contact your manager or the Human Resources Department.

B. GENERAL EMPLOYMENT POLICIES

1. AT-WILL EMPLOYMENT

Employment with ARS is not for a specified period and can be terminated by either the employee or the Company at any time with or without cause or advance notice. No one other than the Managing Partners may make any agreement contrary to the foregoing and any such agreement must be in writing signed by the Managing Partners. Nothing in this Handbook is intended to or should be read to alter or modify the at-will employment relationship, which ARS maintains with its employees.

2. EMPLOYMENT OF FRIENDS AND FAMILY MEMBERS

In order to avoid problems that may occur resulting from employment of friends and family members (friends – more than a passing acquaintance, siblings, spouses, parents, children, aunts, uncles and cousins), ARS has implemented policies governing the employment of friends and family members. No friend or family member will be hired if it will result in any of the following circumstances:

- If such employment will result in friends or family members working at the same location
- If such employment will result in one friend or family member supervising another friend or family member
- When it is deemed by ARS management that the situations may result in a conflict of interest on the part of either employee

ARS recognizes that personal relationships between mutually consenting adults may develop in the workplace. In the event that such a relationship develops, ARS will determine if it is necessary to transfer an employee to another location to avoid a potential conflict of interest. All supervisory and management personnel involved in hiring decisions are required to immediately disclose to the Company any potential conflict arising from the above policies.

3. EQUAL OPPORTUNITY EMPLOYER

The Company is committed to the principles and practices of equal employment opportunity and affirmative action. It is the policy of the Company to provide equal opportunity for all employees and applicants for employment without regard to race, color, religion, sex, sexual orientation, age, marital or domestic partner status, national origin, veteran status, disabled status, or any other basis prohibited by state or federal law. This policy extends to, but is not limited to,

recruitment and employment, promotion, demotion, transfer, layoff, termination, rate of pay, benefits and other forms of compensation, education and training.

The Company will base decisions of employment so as to further the principle of equal employment opportunity, and we will insure that promotion decisions are in accord with principles of equal employment opportunity by imposing only valid requirements for promotional opportunities.

The Company will insure that all personnel actions such as employment, upgrading, rates of pay or other forms of compensation, benefits, layoffs, return from layoff, selection for companysponsored training, education, and social and recreational programs will be administered without regard to race, color, religion, sex, sexual orientation, age, national origin, veteran status, physical or mental disability, marital or domestic partner status or any other basis prohibited by state or federal law.

4. SEXUAL HARASSMENT / HARASSMENT POLICY

Sexual harassment is an unlawful employment practice under Title VII of the Civil Rights Act of 1964 and the California Fair Employment and Housing act. The regulations of the Equal Opportunity Commission define "sexual harassment" as follows:

"Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when (1) submission to such conduct is made either explicitly or implicitly as a term or condition of an individual's 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 unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment."

5. HARASSMENT DISCIPLINE AND COMPLAINT PROCEDURE

Both as a matter of law and common decency, each employee of the Company is entitled to pursue his and her employment free of harassment on any of the points enumerated above. Accordingly, the unlawful harassment or discrimination of any employee will not be tolerated. Violation of this policy could result in disciplinary action, not excluding termination.

Any employee who believes that he or she is the object of harassment or discrimination on any of the above mentioned grounds should promptly report the facts to their manager and/or to the Human Resources Department, which will take action as appears to be warranted under the circumstances. All supervisory and management personnel are required to immediately report to the Human Resources Manager any report, indication of, or suspicion of any type of harassment.

6. DRUG AND ALCOHOL POLICY

It is the policy of the company to maintain a drug and alcohol free workplace. The illegal manufacture, distribution, possession, purchase, sale, transfer or use of any controlled or illegal substances including drug-related paraphernalia, is prohibited in and around the workplace and facilities while on duty or at meals or rest breaks. The company expressly prohibits the planning or organization of any party or company-sponsored event in which alcoholic beverages or illegal drugs will be provided or consumed.

The Company will not knowingly hire substance abusers and will terminate employees proved to be associated with the illegal manufacture, distribution, possession, purchase, sale, transfer or use of any controlled or illegal substances including drug-related paraphernalia, in and around the workplace and facilities while on duty or at meals or rest breaks.

Any employee suspected of violating this policy while on the job is required to leave the premises and take a drug test. If a subsequent investigation determines that the policy has been violated the employee will be terminated (subject to company discretion).

Drug and alcohol screening will be conducted anytime any employee who, while on duty (including meal and rest breaks) has an accident on or off company premises and/or sustains a lost time injury or an injury for which they must see a physician will be screened unless otherwise exempted by an Officer of the Company. All post-incident testing will be conducted within 24 hours after the incident.

The substances listed below will normally be screened. Any found in excess of quantities listed in current, pertinent regulations, will be considered positive. All applicants and employees will be required to sign a consent form authorizing the company to search personal belongings and to collect urine, blood, breath or hair samples for substance screening as a condition of employment.

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- (a) Amphetamines
- (b) Opiate Derivatives
- (c) Cannabidoid Metabolites
- (d) Cocaine Metabolites
- (e) Phencyclidine
- (f) Alcohol

Any employees who display erratic behavior, unusual drowsiness, slurred or incoherent speech, or any other unusual behavior or for suspected cause such as reports from other employees may be required to test. The Human Resources Manager ("HRM") or a Manager of the Company must concur before a screening is ordered.

Any employee found to have a positive result for any substance screened while taking a company physical or following an accident, will be terminated.

Any screening found to be positive as a result of the company testing procedure may be challenged by the employee. This challenge can only be made in the form of a request to have the original sample subjected to a GC/MS screen. The cost of this confirming test will be borne by the employee. In the event the GC/MS test proves the company test to be incorrect, the company will reimburse the applicant/employee and they will be treated as a negative screen. This test must be requested in writing within 60 days of the final report.

Any employee has the right to refuse to sign the authorization to conduct a screen or submit a sample for screening. However, this refusal will result in employee termination.

7. SEARCH POLICY

The Company reserves the right to search all company property including desks, lockers and company vehicles, and to request permission to inspect personal property on company premises including lunch boxes, purses, parcels and personal vehicles for the purposes of investigating violations of the drug and alcohol policy or investigating thefts of company, customer or employee property. Employees who interfere with or refuse to cooperate in an investigation are subject to discipline including immediate termination. An employee's personal effects may not be searched unless two additional employees are present and one shall hold the minimum position of Store Manager.

The Company will cooperate with law enforcement agencies in their efforts to investigate violations of state and federal laws regarding illegal drugs and alcohol. If the Company suspects an employee of violating any such law, the Company may ask a law enforcement agency to investigate the matter.

8. IMMIGRATION REFORM AND CONTROL ACT

Under the provisions of the Immigration Reform and Control Act of 1986, all employees hired after November 6, 1986 must provide at the time of employment proof both of their identity and their authorization to work in the United States. I-9 Attestation forms are to be completed and signed by the new hire verifying identity and work authorization.

All applicants will be considered for open positions regardless of national origin and citizenship status in accordance with the provisions of the Immigration Act of 1986 and all regulations promulgated thereunder. The Company will strictly enforce this policy, and all employees are expected to cooperate in ensuring that violations of the policy do not occur.

9. DRESS STANDARDS

First impressions are lasting. In order to enhance our professional appearance we issue work attire to our store personnel. This will help to present an image that is consistent with our professional service philosophy. It is equally as important that the office staff represent themselves in a manner that reflects the quality of our environment and our service philosophy. The following guidelines should assist you in your selection of appropriate business attire.

Acceptable:

Coats, ties, shirts, slacks, dresses, pant suits, hosiery, footwear, etc., that is widely recognized and marketed as appropriate for business casual environments. Clothing should be well maintained and of a fit that is appropriate to the individual.

Unacceptable:

"Casual" clothing or footwear, radical departures from business attire, very loose or very tight clothing, slogans or messages, and any other attire that is generally recognized as non-professional.

General Hygiene Requirements:

• Clean teeth, fresh breath, use of effective deodorant and a daily bath or shower are required.

- Body spray, perfume and after-shave may only be worn in moderation. Due to the service nature of our business, we must be respectful of others who may have an allergy to certain scents and textures.
- Fingernails should be clean, trimmed and polish (if applicable) should be neutral colors.
- Jewelry is permissible in moderation as long as it does not become a potential safety hazard.
- Any form of body piercing (except ear lobe with a maximum of one piercing per lobe) or tattoos visible to customers is not allowed while on duty.
- For men: hair must be above the collar. Sideburns may not extend below the side of the ear. A clean-shaven appearance is preferred; however, well-groomed facial hair is permitted if approved by your manager.
- For women: hair must be neatly styled and maintained. Make-up should be used in moderation.

10. UNIFORMS

On-site personnel (Cashiers, Asst. Store Managers, Store Managers) are required to wear the following while on duty:

- Black or khaki pants (no jeans)
- Black or khaki shorts (must order from Store Manager only)
- Shell shirt
- Shell hat (optional)
- Black, skid resistant shoes (no open toe or open heel)
- Name badge

While on duty, your uniform must be clean, pressed, un-stained and free of pins or personal buttons. Shirts must be tucked in at all times while on duty. Failure to adhere to the dress standards and uniform policy will result in disciplinary action up to termination.

C. BENEFIT PROGRAMS

It is the policy of the Company to provide regular employees ("Eligible employees") with the following paid benefits. Part-time employees are not eligible for paid time off benefits. Part-time employees are those employees that regularly work less than 32 hours per pay week or less than 64 hours per pay period.

1. VACATION

Eligible employees begin earning vacation time upon their hire date with their first pay period. However, vacation time cannot be used during the first ninety (90) days of employment. Eligible employees earn paid vacation leave for each pay period actually worked according to the following schedule:

Hourly Non-Exempt Employees

Months of Service	Accrual Per Pay Period	Total Annual	Maximum Accrual
0 – 36 (0-3 years)	1.54	5 Days (40 Hours)	120 hours
36 – Over (3+ years)	3.08	10 Days (80 Hours)	160 hours

Salary Exempt and Salary Non-Exempt Employees

Months of Service	Accrual Per Pay Period	Total Annual	Maximum Accrual
0 – 12 (0-1 yr)	1.54	5 Days (40 Hours)	120 hours
12 – 36 (1-3 yrs)	3.08	10 Days (80 Hours)	160 hours
36 – Over (3+ yrs)	4.62	15 Days (120 Hours)	200 hours

Vacations are intended to provide employees an annual period of rest and relaxation away from the job, and the Company encourages employees to take the time they earn in vacation each year. Employees may accumulate vacation and carry it over into the next year up to a maximum. Once an employee reaches his or her maximum accumulation, no more vacation will be earned until some of the accumulated time is used, and at no time may an employee accumulate more than the maximum number of hours of vacation.

Scheduling of vacation leave must be submitted in writing and approved by your manager in advance. A two-week advance notice is expected when scheduling vacation time. When using vacation time, it cannot exceed one week (40 hours) for each request unless management gives special authorization. No vacation hours are earned during unpaid leaves of absence.

When notice of resignation is submitted you are not eligible for vacation time off prior to your termination date. Upon termination, in the absence of gross misconduct, you will be paid for any accrued but unused vacation time.

2. HOLIDAYS

American Retail Services will observe the following six (6) paid holidays each year:

New Year's Day Memorial Day Independence Day Labor Day Thanksgiving Day Christmas Day

Holiday pay will be paid to all Salary Exempt and Salary Non-Exempt employees at a rate of regular pay for eight (8) hours . All Hourly Non-Exempt employees will be compensated for the Holiday by being paid overtime pay (1.5 times the regular hourly pay rate) for all hours worked on the day of the actual Holiday. If an Hourly Non-Exempt employee is not scheduled to work on the Holiday, no compensation for Holiday pay will be provided.

Upon termination of employment, you will not be paid for any unused holidays. Your manager and Human Resources must approve any exceptions to this policy.

3. SICK PAY

Sick pay is only offered to Salary Exempt and Salary Non-Exempt employees and is paid for time away from work due to personal illness or to care for a family member with an illness. Sick pay will begin accumulation after the completion of 36 months (3 years) of employment. Eligible employees will accrue .923 hours of sick pay per pay period not to exceed 24 hours per year. Employees may accumulate unused sick time up to a maximum accumulation of sixty (60) hours and may carry unused sick time over into the next calendar year up to this maximum. Once an employee reaches his or her maximum accumulation, no more sick time will be earned until some of the accumulated time is used. When notice of resignation is submitted you are not eligible for sick pay prior to your termination date. Upon termination of employment, you will not be paid for any unused sick time that you may have accumulated.

4. UNPAID LEAVES

It is the policy of the company to grant employees extended leaves of absence in compliance with state and federal leave legislation.

The following leaves of absence may be granted to Eligible employees who have submitted a <u>Request for Leave</u> form. The duration of each leave of absence shall be at the discretion of management within the parameters of existing federal and state legislation.

A <u>Disability Leave of Absence</u> will be available for all eligible employees not to exceed a total of 12 weeks during a 12-month period when leave is taken for one or more of the following circumstances:

- the birth of a son or daughter of an employee and to care for the child;
- the placement of a son or daughter with an employee for adoption or foster care;
- to care for the spouse, domestic partner, son, daughter, or parent of an employee if the family member has a serious health condition;
- an employee is unable to perform the functions of the position because of the employee's own health condition (may be related to work-related injury).

An eligible employee's right to take leave is not limited by the availability of another family member unless both parties work for the company in which case their total leave for a 12 month period may be limited to 12 weeks (excluding maternity leave) if the leave is taken for either the birth or adoption of a child or to care for a sick parent. The length of disability leave will be contingent on the employee providing certification of a medical reason justifying the requested leave.

A <u>Personal Leave of Absence</u> generally not to exceed 12 weeks in any 12 month period (in 2 week increments) may be granted to employees who have completed the 90 day introductory period in cases where an extended period of time away from the job will be in the best interest of the employee and the company. A Personal Leave must be approved by Human Resources prior to the commencement of the leave.

An <u>Administrative Leave of Absence</u> generally not to exceed 17 days in any 12 month period may be granted to employees in cases where the employee is called for Military Reserve or National Guard regular training duties. Additional leave may be granted for periods of active duty, subject to regulations as established by federal or state law. Leave for jury duty may be granted subject to existing state or local regulations.

A <u>Maternity Leave of Absence</u> not to exceed 12 weeks will be granted to employees able to provide medical certification of their condition. The length of the leave will be contingent on certification of a pregnancy-related disability.

Total leave time taken will be factored on a rolling period measured backward from the date the employee uses any leave. Federal leave allowances may apply in certain cases. Contact Human Resources Department for clarification. Intermittent leave may be available provided the total duration of the leave does not exceed the limits stated above. The Company reserves the right to transfer the employee requesting intermittent leave if the alternate position is less disruptive to the company's operation and similar pay and benefits are available.

All leaves are unpaid, however, the employee may substitute their accrued vacation for any leave and their accrued sick leave for any disability leave. The total unpaid and paid leave may not exceed the leave limitations stated above. The employee is required to give as much notice prior to a leave as is practical, typically 30 days. Certification may be required to support an employee's request and must be provided in a timely manner. Recertification may also be required dependent on the circumstances of the leave.

Subject to the exemption for highly compensated employees, eligible employees returning from <u>disability or administrative leave</u> will be returned to the job position that they held when they went on leave, or they may be placed in an equivalent position with equivalent benefits, pay, and other terms and conditions of employment.

Employees returning from <u>personal leave</u> will be placed in their same or equivalent position provided the company is able to accommodate this reinstatement. In all cases, employees will retain all accrued benefits upon their return; however, benefits will not accrue during the leave period.

Eligible salaried or commissioned employees who are among the highest 10 percent compensated within 75 miles of a designated worksite or geographic region may be denied a leave or reinstatement following a leave if the leave would cause substantial and grievous

economic injury to the company. In this case, the company will notify the affected employee of intent to limit or deny requested leave time.

Failure to return from leave may disqualify the employee's restoration rights under this policy. The Company reserves the right to recover any premiums paid for maintaining the employee's insurance coverage if the employee fails to return from leave except for reasons related to circumstances beyond the employee's control. Employees must notify their Manager of their current leave status at least once every 30 days during the leave period. Employees on a leave of absence of any kind are expected to return to work on the date indicated on the leave of absence form. If an employee does not return to work on the return date and they do not provide updated medical certification to extend the leave period, the employee may be disciplined for violating the attendance policy and the Company will assume the employee has voluntarily resigned if no contact is made upon the specified return date.

The Company will continue health, dental, life, and other non-contributory benefits for the employee subject to the extent provided at the time of the leave (up to a 12 week maximum in a 12-month period) in the case of <u>disability leave and maternity leave</u>, provided the employee has completed at least 1250 hours of employment. The employee is responsible for contributory or voluntary costs to the extent contributed at the time of the leave and must make arrangements with the company for this contribution prior to the commencement of the leave. Failure to do so may result in termination of any contributory coverage from the associated plan.

The Company will limit the company-paid continuance of health, dental, life and other noncontributory benefits to a maximum of four weeks for employees under <u>personal or</u> <u>administrative leave</u>. This limitation will also apply to employees requesting <u>disability leave and</u> <u>maternity leave</u> who have not completed 1250 hours of employment. In the event <u>disability</u> <u>leave</u> is requested in conjunction with <u>maternity leave</u>, the limitation on company paid benefits is 12 weeks in a 12-month period.

It is the responsibility of the employee to make arrangements for the payment of premiums beyond this four-week limit prior to the commencement of the leave. Failure to do so may result in termination of any coverage from the associated plan. The continuation of any other type of benefit under any leave is the responsibility of the employee. In all cases, a Leave Request form must be completed and turned in to the Human Resources Department prior to the commencement of the leave. No Leave Request is approved until HR reviews, approves, and provides written authorization.

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5. JURY DUTY

We encourage all of our employees to fulfill their obligations as citizens of the community. An employee receiving a jury duty notice or subpoena should inform their manager immediately since it may be necessary to rearrange the work schedule during the employee's absence from work. We will allow you unpaid time off for the duration of your duty. The Company shall have the discretion to allow salaried employees to make up time by working on the weekend or evenings without reduction in pay. However, this will be considered only where a substitute employee is not required during normal working hours and the work productivity is not impaired by working when most businesses are closed.

6. HEALTH AND WELFARE BENEFITS

Please see your benefits summary or individual plan summary description for a detailed explanation of Company benefits including eligibility information. The Company reserves the right to alter or delete these benefits at any time.

After the completion the first ninety (90) days of employment, all Salary Exempt and Salary Non-Exempt employees (except part-time employees) are eligible for health and welfare benefits. Medical insurance is available through a Company-selected insurance carrier, and the employee is responsible for paying for 25% of the employee premium and 100% of dependent premiums. Additional voluntary insurance coverage is available at employee's expense through an independent insurance agency. Contact HR if you have any questions regarding insurance beneifits.

7. SEVERANCE PAY

The Company does not have a formal plan to allow severance pay to terminated employees.

8. RECREATIONAL, SOCIAL OR ATHLETIC ACTIVITIES

The Company and its insurance carrier will not be liable for the payment of workers' compensation benefits for any injury which arises out of an employee's voluntary participation in any off-duty recreational, social or athletic activity which is not a part of the employee's work-related duties. Mere use of Company facilities for recreational, social or athletic activity is not considered a basis for claiming a work-related injury. Employees who use Company facilities for such purposes do so at their own risk.

9. FREE BANKING SERVICES

All employees are eligible for certain free banking services with Wells Fargo if you are participating in the Company direct deposit program. Contact Human Resources or your local Wells Fargo branch for a description of these services.

D. EMPLOYMENT CLASSIFICATIONS AND HOURS OF WORK

1. ELIGIBILITY FOR BENEFITS

The employee's classification and/or department or job assignment determines eligibility for participation in any benefit program. Employees are classified as follows:

- <u>Regular Employees</u>: Employees who are regularly scheduled to work thirty-two or more hours per week. Regular employees are entitled to all Company-sponsored benefits if they are Salary Exempt or Salary Non-Exempt. Regular Hourly Non-Exempt employees are eligible for some Company-sponsored benefits (see benefits sections page 14).
- <u>Part-Time Employees</u>: Employees working less than 32 hours per pay week or less than 64 hours per pay period. Part-time employees are not entitled to the paid time off or health and welfare benefits as described in this Handbook.
- <u>Temporary Employees</u>: Employees working on special projects of a short duration or on an on-call basis as needed. With the exception of Workers' Compensation, unemployment insurance, social security and leaves for pregnancy and work-related disabilities, temporary employees are not entitled to the benefits and privileges described in this Handbook.

See the Summary Plan description in effect for each specific benefit offered for a complete description of eligibility requirements.

2. CLASSIFICATION FOR OVERTIME

Exempt employees are those employees in the executive, managerial, administrative or temporary positions who are exempt from the overtime provisions of federal and state law. The salary paid to an exempt employee is intended to cover all hours worked and no overtime will be paid.

Non-exempt employees will receive overtime in accordance with federal and state law. The department manager must approve overtime in advance. Overtime may be required at any time to accommodate store schedules with or without notice. Alternative work schedules may be evaluated in accordance with federal and state laws. Employees must obtain approval from their Manager to work overtime.

3. TIMEKEEPING

It is your responsibility to ensure that your time is properly recorded. Each store manager is responsible for tracking and reporting the employee hours for each store. If an employee is found to be falsifying their time, they will be disciplined up to termination of employment. An employee must not allow a co-worker to clock them in. If hours worked are recorded by anyone other than the employee or Manager, the report will be treated as falsified.

4. SHIFT DIFFERENTIAL

The Company provides additional compensation to hourly non-exempt employees that work a graveyard shift. The premium window for eligibility of shift differential is hours worked between 11:00 p.m. and 5:00 a.m.. Hourly non-exempt employees that work within the premium window are paid a shift differential of \$.50 for each hour of work (maximum \$3.00 per shift, per day).

5. PAY WEEK AND PAY DAY

Each pay week is defined with the pay week beginning on Saturday and ending on Friday. Each pay period consists of two combined pay weeks. Payday is bi-weekly every other Friday. Your manager at each site distributes paychecks every other Friday.

E. OTHER EMPLOYMENT POLICIES

1. ATTENDANCE POLICY

Good attendance is a requirement for continued employment; therefore, the Company will keep track of employee absences. Excessive absenteeism and tardiness, regardless of the reasons, creates a hardship on the Company and your fellow employees. Excessive absenteeism or tardiness can result in discipline or termination.

For purposes of this policy, one absence is defined as one or more regularly scheduled workdays when an employee is not present at work or on Company business. Some absences are not counted when an employee's attendance record is reviewed. These include approved absences for jury duty or witness service, recovery from an accident at work, disability relating to pregnancy, military leave and authorized vacation. Whenever possible, employees should schedule absences in advance with their managers. Your store manager must approve scheduling of vacation leave at least two (2) weeks in advance of the vacation time off.

If the employee is ill or must be away for an emergency, he or she must notify his or her supervisor within one-half hour prior to his or her scheduled starting time or as far in advance as possible. The employee must speak with his or her manager. In the absence of a manager, the employee must speak to a team leader or designate. Failure to call may result in forfeiture of sick leave pay for the day. Moreover, if the employee is absent from work without notice for two (2) or more days, he or she will be considered to have voluntarily resigned from employment.

Lunch Hours and Breaks

Non-exempt employees who work a full eight (8) hour shift receive two ten (10) minute paid breaks, one to be taken during each (4) hour period. Non-exempt employees who work more than three and one-half (3 1/2) hours in any one day are entitled to receive one ten (10) minute break during those hours.

Non-exempt employees who work in excess of five (5) hours in one day shall take an unpaid lunch break. Due to the nature of our business, most Hourly Non-Exempt employees are unable to take a regular meal period. When an employee cannot take a regular meal period, they must sign an agreement to an on-duty meal period. An on-duty meal period is a paid meal period provided when the employee cannot be completely relieved of their job duties. Hourly Nonexempt employees take one-half hour (30 minutes) for lunch and Salary Exempt and Salary Non-Exempt employees receive one hour (60 minutes). The scheduling of breaks is at the discretion of each department or store manager.

Punctuality

Employees are expected to be punctual in their attendance. The Company feels strongly regarding punctuality; excessive tardiness/absences can result in discipline, up to and including termination. Punctuality guidelines apply to scheduled shift start times, work breaks, and meal breaks. The following guideline represents the Company's punctuality standard:

- 3 lates or 2 absences will result in a verbal warning
- 6 lates or 4 absences will result in a written warning
- 9 lates or 6 absences will result in a 3 day unpaid suspension
- Subsequent lates/absences may result in termination of employment.

Note: Timeframes relating to the punctuality standard are generally within a 6-month period of time. However, alternative timeframes are at the discretion of the manager and will be clearly communicated to their subordinates if applicable. In addition, the manager may exercise discretion when determining the nature of the reason for lates/absences and may choose to exempt the occurrence from the employee's attendance record. Each department or store manager determines scheduled shifts, work breaks, and lunch breaks.

2. SAFETY

The safety and health of each employee is of great importance and concern. For this reason, we encourage and maintain safe work attitudes and conditions in a number of ways. Among other things, safety at work is the result of proper job instruction, suitable and well-maintained equipment, good housekeeping, regular safety inspections and special training when needed. ARS has promulgated various safety rules and procedures, which must be observed at all times.

Even though every reasonable precaution is taken to provide safe and healthful working conditions, it takes constant effort by all employees to make the workplace accident-free. When you are trained for any job assignment, you will be shown the correct, safe way to perform the job. You will always be expected to follow all safety instructions after you are trained and working on your own. Following all job instructions is vital, not only for your safety and well being, but also for that of your fellow employees and the general public.

Moreover, all persons who operate Company vehicles must abide by all operating rules for such vehicles. Your manager or the Human Resources Department can answer any questions you may have regarding these or any other safety rules.

Please remember that you should never operate any equipment or perform any job function until you have been properly trained to do so. Never try a "shortcut" in your work, which violates a safety instruction or rule.

<u>All</u> unsafe work conditions must be reported immediately to your manager. Moreover if you have a safety suggestion, promptly inform your manager. Your manager will investigate the situation and take appropriate action.

As a company we are committed to safety! The goals of our safety program are to increase effectiveness in the areas of training, accident prevention and investigation, loss analysis and record keeping. Loss control is at the heart of our program. It starts right at the top and works its way throughout our entire organization.

All injuries at work or work-related illnesses, regardless of their nature or extent, must be reported <u>immediately</u> to your manager or the Human Resources Department. It is absolutely essential that the affected employee meet with their manager or the Human Resources Department <u>before</u> going to the doctor (excluding medical emergencies). Where a doctor's care is needed, your manager or the Human Resources Department will refer you to an appropriate physician or practitioner. If you fail to report a work-related incident immediately, it may affect your worker's compensation benefits.

3. SMOKING POLICY

For the health, comfort and safety of all employees, smoking is prohibited inside all ARS facilities and buildings. Smoking is permitted only in a designated area outside our facilities.

4. **PROPOSITION 65 NOTIFICATION**

In accordance with California Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65), individuals must be warned of exposure to certain chemicals known to the State to cause cancer or reproductive toxicity (Section 25249.6 of the California Health and Safety Code).

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Some products stored in this facility may contain chemicals known to the State to cause cancer or reproductive toxicity. Some processes performed in this facility may involve chemicals known to the State to cause cancer or reproductive toxicity.

California law requires the following warnings:

WARNING: This area contains chemicals known to the State of California to cause cancer, birth defects or reproductive harm.

The following warning applies to the designated smoking areas outside of this facility:

WARNING: This facility permits smoking, and tobacco smoke is known to the State of California to cause cancer.

If you have any questions regarding this information, please contact your manager.

5. SPEAKING ON THE JOB

ARS is an equal opportunity employer. Co-workers, when speaking among themselves, shall not be prohibited from speaking in any language or dialect in the workplace. However, when communicating with English-speaking employees, customers or other members of the public, employees will be required to speak English.

In the best interests of all employees and the Company, loud, excessive and/or disruptive talking will be prohibited without respect to language or dialect. It is the opinion of the Company that all employees should be sensitive to their co-workers in this area. This in turn will facilitate the harmonious working environment we all desire without unnecessary restrictions on speech.

6. TELEPHONE USAGE

Employees are required to limit personal calls, both incoming and outgoing, to emergencies or essential personal business and keep them as brief as possible. Long distance calls of a personal nature are not permitted. Cell phone usage by store personnel in the stores or working areas is prohibited during work hours. The Company shall have the authority to request reimbursement from an employee for personal long distance telephone charges.

7. SOLICITATION AND DISTRIBUTION POLICY

To avoid possible harassment of employees and to allow employees to perform their work tasks in an atmosphere free of unauthorized solicitation and to maintain a clean workplace, the following solicitation and distribution is prohibited without the express consent of an Officer of the Company. Violation of this policy will result in disciplinary action up to, and including termination. The following definitions apply in this policy:

- <u>Solicitation</u> includes, but is not limited to, requests for signatures, contributions for charities, support of political or organizing activities, and merchandise purchases.
- (2) <u>Distribution</u> includes, but is not limited to, distribution of literature, pamphlets, leaflets, or notices of any kind.
- (3) <u>Work time</u> means all hours an employee is or should be working other than lunch or break times.
- (4) <u>Work area</u> is defined as any area in which Company work is regularly performed.
- (5) <u>Company property</u> consists of all Company buildings and surrounding parking, patio, and driveway areas.

The following solicitations and distributions are not permitted:

- (1) Solicitation by an employee during his or her work time.
- (2) Solicitation by an employee not on work time of another employee who is on work time, or in such a manner as to interfere with others who are supposed to be working.
- (3) Distribution of advertising materials, handbills, and literature of any kind in work areas at any time.
- (4) Solicitation and distribution by non-employees is prohibited on Company property.
- (5) Any requests from outside persons or organizations to sell merchandise, solicit contributions, distribute literature, arrange displays or use Company facilities are to be referred to the Human Resources Department.

Posting any written material on Company bulletin boards is prohibited without the express consent of the Human Resources Department.

8. **REFERENCES**

The Human Resources Department will handle all references. Without advance written approval by the Human Resources Department, no employee, supervisor or manager is authorized to give any references regarding employees or former employees of the Company. If you receive a request for a reference, you are not authorized to respond and must refer the request to the Human Resources Department.

9. DRIVING RECORDS

Each employee who drives a Company vehicle or drives personal vehicle on company business must maintain an acceptable driving record and be insurable under the Company's insurance policies in effect. All such employees must notify their manager if their license is suspended or revoked. The Company or its insurance carrier will periodically obtain and review DMV records regarding the employee's driving history and require evidence from employee that vehicle insurance is in effect.

10. VOTING

It is the policy of the Company to provide employees time off for voting in general or statewide elections when employees do not have sufficient time to vote outside their regular work hours. Employees must give their managers a minimum of three days notice of a request for time off for voting. It is a manager's responsibility to evaluate requests for time off based upon considerations such as an employee's scheduled work shift, location of polling place, etc.

11. COMPUTER USAGE AND SECURITY

It is the policy of the Company that computer systems, including hardware, software and data files not be misused. In no event shall any computer program, data, documentation, listing, etc. be sold, released or loaned to individuals or entities outside the Company without prior written authorization of a Manager of the Company. Any disclosure of proprietary information to anyone who does not have a need to know is prohibited. Employees must report any known misuse of hardware, software, documentation, or data to their manager or Human Resources.

12. INTERNET USE

It is the policy of the Company that Internet use on behalf of the Company should be strictly limited to appropriate business purposes. The following are examples of activities that could result in revocation of Internet access privileges or other disciplinary action, not excluding termination:

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- Personal activities that incur additional costs to the company or interfere with employees work performance.
- Profit-making activities that accrue to the employee.
- Political or unlawful activities.
- Sending or receiving sexually explicit or offensive messages, cartoons or jokes, ethnic slurs, racial epithets or any other statement or image that might be construed as harassment, disparagement or libel.

Any disclosure of proprietary information to anyone who does not have a need to know is prohibited. Employees must report any known misuse of the Internet to their manager or Human Resources.

13. ELECTRONIC MAIL

It is the policy of the Company to control access to and use of its electronic mail systems. Only employees authorized by their manager may use electronic mail systems.

Electronic mail systems may not be used for political or unlawful activities, sending or receiving sexually explicit or offensive messages, cartoons or jokes, ethnic slurs, racial epithets or any other statement or image that might be construed as harassment, disparagement or libel.

Electronic mail users may not send or disclose Company confidential or proprietary information to anyone without a right to know. Employees who misuse electronic mail systems will be subject to disciplinary action, not excluding termination.

The Company may, at its discretion, access and disclose any electronic mail message. All electronic mail messages are the property of the Company.

14. GARNISHMENTS

It is the policy of the Company to comply with court orders, liens and wage assignments. If an employee is garnished wages, it is due to a court order, lien or wage assignment order. A copy of the garnishment will be provided to the affected employee as required. Employees may be subject to disciplinary action in the event of repeated garnishments.

15. PERSONNEL FILES AND RECORDS

It is the policy of the Company to maintain confidential records of employees' work histories and benefits eligibility. The Human Resources department maintains these files. Personnel file access is limited to (a) authorized staff of the Human Resources Department, (b) employee's current or prospective manager; and (c) an individual employee with respect to their own personnel file.

Employees may review their own personnel file by submitting a request, through their manager, to schedule an appointment with the Human Resources Department. Information from personnel files may be disclosed under legal compulsion (ex: a subpoena).

It is the employee's responsibility to inform the Human Resources Department (via their manager) of any changes in address, telephone number, emergency contact, change in dependents or beneficiaries.

16. ALCOHOL AND LOTTO SALES TO ARS EMPLOYEES

ARS employees, whether in uniform or not and whether on duty or not, are not allowed to purchase alcoholic beverages, purchase lottery tickets, or play lotto at any ARS-Managed location. It is a conflict of interest for an employee to purchase lotto tickets at any of the employer's stores. A violation of any of the above restrictions is a cause for immediate termination.

17. RULES OF CONDUCT

There are some rules and regulations that are necessary for safety, good working conditions, and the efficient operation of the Company. The following are illustrative of some types of conduct which are NOT in the interest of either the employees or the Company, and which, therefore, will not be permitted and will result in disciplinary action up to and including discharge:

1. Excessive time away from work, including absenteeism and tardiness.

- 2. Failure to call in or report for your scheduled shift. Absence of two (2) consecutive scheduled workdays without notifying your manager is job abandonment and is considered a voluntary resignation.
- 3. Leaving the work area or premises without informing your immediate manager.
- 4. Failure to meet the Company-established standards for work performance including productivity and quality of work.
- 5. Insubordinate behavior, including failure or refusal to do a job assignment.
- 6. Interfering with other employees, including fighting (both verbal and physical).
- 7. Willful misuse of equipment or property of the Company, its employees and customers.
- 8. Theft.
- 9. Violation of the Company's drug and alcohol policy.
- 10. Smoking in an area other than the authorized smoking areas provided by the Company.
- 11. Violating safety rules and regulations.
- 12. Loud, excessive or disruptive talking.
- 13. Horseplay, scuffling, running or throwing things.
- 14. Working for a competitor or releasing proprietary or confidential information to anyone without proper authorization.
- 15. Falsifying any Company records, books, documents or time-keeping records.
- 16. Possession of weapons on Company premises at any time, including possession of weapons in personal vehicles parked on Company premises.
- 17. Misconduct on the job, or conduct off the job that materially or adversely affects the Company.
- 18. Harassment of fellow employees, including sexual harassment or unlawful discrimination.

19. Working unauthorized overtime.

20. Failure to follow Company rules, procedures and policies.

21. Sleeping while on duty.

The above list is not meant to be exhaustive and, therefore, there may be other types of employee misconduct that would warrant disciplinary action. Moreover, nothing in this policy is intended to, or should be construed to, alter the Company's right to terminate its employees at any time, or for any reason.

18. DISCIPLINARY PROCEDURE

In most cases, if there is a problem with your conduct or performance, your manager will give you some form of corrective action warning so that you will have an opportunity to improve. A notation that the warning was given will typically be made in your personnel file. A manager's corrective action warnings may consist of any of the following: an informal verbal warning, a written warning, a probationary warning period and/or suspension. You should realize that all or none of these steps may take place prior to a termination and that you may be terminated without cause or advance notice at any time.

19. OPEN DOOR POLICY

If you feel you have a problem at work, or a problem that affects your work, you should always discuss it first with your manager. If this discussion fails to resolve the problem, or if the problem is such that it is inappropriate to discuss it with your manager, you should contact your Area Manager, the Human Resources Department, or a Manager of the Company. Through this process we hope to resolve any problem you have quickly and satisfactorily.

GOOD LUCK AND GOOD WORK DURING YOUR EMPLOYMENT WITH ARS!!!