

STEPHERSON, INC.
EMPLOYEE HANDBOOK

Stepherson's



EMPLOYEE OWNED



www.superlofoods.com

Important Information

My store number is _____

My store address is _____

My store phone number is _____

My immediate supervisor's name is _____

The _____ is the most important person in the store.

If my address or phone number changes, I should notify _____ immediately.

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COMPANY'S WELCOME

It is a pleasure to welcome you to Stepherson's Food Stores. We have joined forces and you are now part of Stepherson's Team, which is a group of dedicated skilled people who are committed to serving the communities where we are located. Only through **SERVICE** can we achieve our objectives of sales and profit, which provides our jobs and makes our jobs secure and prosperous.

We are proud of our employees and we hope you will be proud of your company and will work for our joint welfare. We expect superior performance from ourselves and for you to do your best. You must expect this of yourself. If you will decide for yourself to excel in each job you do, then, your own self- esteem will grow and you will grow in stature and in ability and new and greater opportunities will be open to you.

Through the years of operating our food stores we have employed a large number of people who have worked while in high school and college and we have seen, with great pride, these people move on to their successes becoming business and community leaders, doctors, lawyers, military officers, store managers and owners, experts in various specialized fields and, we are proud to say, some have stayed on to become managers or accept other full time duties with the company. We want to play an important part in the training and experience of these people, for their benefit, as well as for our community and our company.

We sincerely wish you "Good Luck" and success in your new job and we hope that our relationship will be a long and pleasant one.

Sincerely,

Randy Stepherson, President
Bob Reed, Vice President of Operations
Jack Stepherson, Secretary
Beth Stepherson Berry, Office Manager
Ashley Reed Harris
JR Stepherson

1.0 INTRODUCTORY LANGUAGE AND POLICIES

1.1 ABOUT THE COMPANY

The Company came into existence in 1944 when Jack Stepherson purchased a very small neighborhood store at Cooper and Young. The first week's sales were \$800. The store was one of four at the intersection. Wesley and Kenneth Stepherson joined their brother in 1946 after spending their years of wartime service in the Air Force. The brothers remained in business together for over 30 years. They operated a number of stores at various locations throughout the city.

In 1978 Wesley and Jack retired from the business. Kenneth, son Randy, and son-in-law Bob Reed became partners in the business at this time. They remained partners until Kenneth retired at the end of 1999. In October of 2000, Jack Stepherson, Randy's brother became a partner in the business.

For over 40 years, the Company operated stores under the Big Star format. In 1990 we withdrew from that group becoming true independents. The Superlo concept was developed and in 1993 the concept was installed in the Spottswood store making it the only one of its kind in the city. It has proved to be a winning concept there and in April of 2000 the Covington Pike Mega Market was purchased and converted to Superlo #2. Then in late November 2002, the Company purchased a former Piggy Wiggly on North Watkins and converted it to Superlo #3. In August 2009, we opened Superlo #4 which is located at Kirby and Winchester. Superlo #5 opened after that on Goodman Road in Southaven in the space Schnuck's used to occupy. Then in the fall of 2014 we opened Superlo #6 on Quince Road in the space that used to be occupied by Cooper's. In addition to the Superlo stores, the company operates a neighborhood store on Macon Road. This store has served its neighborhood for over 60 years and is today one of the most successful neighborhood stores operating in Memphis.

The Company believes in the future and expects growth in the years ahead as opportunities unfold in this great, ever changing, evolving and exciting industry. The Company will be alert to new ways to serve its customers and to contribute our own innovations to the advancement of the industry. You have an opportunity to participate in maintaining the reputation we have established and sharing in the growth.

1.2 MISSION STATEMENT

Everyone who is a part of this Company should understand what we believe in and what kind of stores we strive to be.

We operate modern food stores known for quality, freshness, variety, and clean store conditions and for our friendly and efficient staff who are interested in helping each customer with his or her needs. We have proven that we - - our personnel - - can excel in personality and service, while at the same time merchandise our large variety of consumer products in a pleasant atmosphere that makes the customer feel comfortable and glad to be here. This starts with friendly people who are sensitive to the customer's needs and who are proud of the job they are doing. It is the little things that count: helping customers find the things they need, smiling and saying "Hello", making a suggestion, thanking them at the checkout. To us, these "little things" make the customer feel appreciated and make a shopping trip pleasant. We believe these little things make the customer feel that this is "their store".

We serve the public and our staff must take pride in their personal appearance and look presentable to the public. How you look creates your first impression to the customer, and it must be a good one. Of course we must get along well with each other. If we don't have good employee relations we are not likely to develop good customer relations either. Morale, productivity, attitude, and sales and profit will suffer. Life is too short to not enjoy our work. You have the power to create your own attitude so why not choose an attitude that is good for you? It is really fun when you are achieving and growing and seeing the results of your work.

Our objective is for everyone to strive for excellence. We must not compromise or let things slide that we can do something about. There is just no other way. We expect a lot from you. We will be compromising if we do not. You must expect a lot from yourself and from us. You will be compromising if you do not. Together we can both achieve our personal and business goals.

1.3 HOW TO BE AN EXCELLENT EMPLOYEE

- Understand that building powerful relationships requires trust, a shared direction, open communication and deep commitment.
- Keep yourself focused and alert at all times.

- Admit mistakes. It is better to admit you made a mistake, learn why you made the mistake, and then make sure you don't do it again.
- You can say: "I don't know." It is better to confess confusion and learn the right way of doing things than to pass on or rely on false information that may be damaging to you and the company.
- Talking behind someone's back does you a disservice.. We expect your loyalty and best efforts. You should expect ours in return. If there is something you dislike, let us know what is bothering you and we will try to work it out.
- Don't just punch the clock. If you run out of things to do during the workday, find out if there is anything else you can do to help bring value to our customers, your advancement, and the company we own together.
- Embrace the diversity of our employees and customers.
- Dress correctly. Wear clothes that will make other people feel comfortable and that reflects your professionalism.
- Don't harass, discriminate, use profanity, or tell off-color jokes.
- Be honest and trustworthy. Follow the Code of Ethics provided in the Employee Handbook.
- Think! Be creative and innovative. We are willing to listen to any suggestions or ideas you have which will increase the quality and value of our products or services.
- Follow the Golden Rule! Act with respect and responsibility towards those around you.

1.4 REVISIONS TO MANUAL

This employee handbook is our attempt to keep you informed of the terms and conditions of your employment, including Company policies and procedures. When changes are made to the policies and guidelines contained herein, we will endeavor to communicate them in a timely

fashion, typically in a written supplement to the handbook or in a posting on employee bulletin boards.

2.0 HIRING AND ORIENTATION POLICIES

2.1 EEOC STATEMENT AND NON-HARASSMENT POLICY

EQUAL OPPORTUNITY STATEMENT

Our Company is committed to the principles of Equal Employment. We comply with all Federal, State, and local laws providing Equal Employment Opportunities, and all other employment laws and regulations. It is our intent to maintain a work environment which is free of harassment or discrimination because of sex, race, religion, color, national origin, physical or mental disability, marital status, age, sexual orientation or any other status protected by Federal, State or local laws. The Company is dedicated to the fulfillment of this policy in regard to all aspects of the employment relationship, including but not limited to recruiting, hiring, placement, transfer, training, promotion, rates of pay and other compensation, and all other terms conditions and privileges of employment. [Accommodation is covered later.] The Company will conduct a prompt, thorough investigation of all allegations of discrimination or any violation of the Company's Equal Employment Opportunity Policy in as confidential a manner as possible to take appropriate corrective action, if and where warranted. The Company prohibits retaliation against any employee who provides information about complaints, or assists in the investigation of any complaint of discrimination or violation of the Company's Equal Employment Opportunity Policy.

We are all responsible for upholding the Company's Equal Employment Opportunity policy and any claimed violations of that policy should be brought to the attention of your managers and/or human resource personnel.

Policy Against Workplace Harassment

Stepherson's has a strict policy against all types of workplace harassment, including sexual harassment and other forms of workplace harassment based upon an individual's sex, race, religion, color, national origin, physical or mental disability, marital status, age, sexual orientation or any other status protected by federal, state or local laws. All forms of harassment of, or by, employees, vendors, visitors, customers and clients are strictly prohibited and will not be tolerated.

Harassment may include, but is not limited to:

- Offensive or derogatory jokes, comments, slurs, or like written, photographic materials;
- Threatening, intimidating, or unwelcome touching of another person.

Sexual Harassment includes:

Sexual harassment is defined as unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitutes sexual harassment when (1) submission to such conduct is made either explicitly or implicitly 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 work environment.

While it is not possible to identify each and every act that constitutes or may constitute sexual harassment, the following are some examples of sexual harassment are provided below: (a) unwelcome requests for sexual favors; (b) lewd or derogatory comments or jokes; (c) comments regarding sexual behavior or the body of another employee; (d) sexual innuendo and other vocal activity such as catcalls or whistles; (e) obscene letters, notes, invitations, photographs, cartoons, articles, or other written or pictorial materials of a sexual natures; (f) continuing to express sexual interest after being informed that interest is unwelcome; (g) retaliating against an employee for refusing a sexual advance or reporting an incident of possible sexual harassment to Stepherson's or any government agency; (h) offering or providing favors or employment benefits such as promotions, favorable evaluations, favorable assigned duties or shifts, etc., in exchange for sexual favors; and (i) any unwanted physical touching or assaults, or blocking or impeding movements.

Other Workplace Harassment

Other workplace harassment is verbal or physical conduct that insults or shows hostility or aversion towards an individual because of the individual's sex, race, religion, color, national origin, physical or mental disability, marital status, age, sexual orientation or any other status protected by federal, state or local laws, and that: (1) contributes to or has

the effect of creating an intimidating, hostile, or offensive working environment; (2) unreasonably interferes with an individual's work performance; or (3) otherwise adversely affects an individual's employment opportunities.

Again, while it is not possible to list all the circumstances that constitute other forms of workplace harassment, the following are some examples of conduct that may constitute workplace harassment: (a) the use of disparaging or abusive words or phrases, slurs, negative stereotyping, or threatening, intimidating or hostile acts that relate to the above protracted categories; (b) written or graphic material that insults, stereotypes or shows aversion or hostility towards an individual or group because of one of the above protected categories and that is placed on walls, bulletin boards, email, voicemail or elsewhere on the Company's premises, or circulated in the workplace; and (c) a display of symbols, slogans or items that are associated with hate or intolerance towards any select group.

WE WILL NOT TOLERATE ANY FORM OF DISCRIMINATION OR HARASSMENT! Any employee who feels that he or she has witnessed, or been subject to, any form of discrimination or harassment **should immediately** notify their supervisor, Human Resource Manager or other manager at the Company.

Stepherson's prohibits retaliation against any employee who provides information about, complains, or assists in the investigation of any complaint of harassment or discrimination.

We will promptly and thoroughly investigate any claim and take appropriate action where we find a claim has merit. Discipline for violation of this policy will proceed consistent with 4.8 infra. If the Company determines that harassment or discrimination occurred, corrective action will be taken to effectively end the harassment. As necessary, the Company may monitor any incident of harassment or discrimination to assure the inappropriate behavior has stopped. In all cases, the Company will follow up as necessary to ensure no retaliation for making a complaint or cooperating with an investigation.

2.2 JOB DESCRIPTIONS

Stepherson's attempts to maintain a job description for each position. If you do not have a copy of a current job description you should request one from your supervisor. Job descriptions prepared by Stepherson's serve as an outline only. Due to the needs of business, you may be required to perform job duties not within your written job description. Furthermore, the Company may have to revise, add to, or delete from, your job duties according to company needs. While we will try to avoid it, there may be times the Company has to revise job descriptions with or without advance notice to the employee. Lastly, please remember that attendance, punctuality, proper conduct and productivity are part of everybody's job description.

If you have any questions regarding your job description, or the scope of your duties, please speak with your supervisor or [Human Resources].

2.3 NEW EMPLOYEES AND PROBATIONARY PERIODS

The first 60 days of your employment is considered a probationary period. During this period you will become familiar with Stepherson's, your job responsibilities, and the like. At the same time we will have the opportunity to monitor the quality and value of your performance and make any necessary adjustments in your job description or responsibilities. An employee may be released from employment at any time during this period if it is determined they are not meeting the requirements of the job. Nothing that occurs during or after this period should be construed to change the nature of the "at-will" employment relationship.

2.4 PROOF OF RIGHT TO WORK

All new hires and current employees are required by Federal law to verify their identity and eligibility to work in the United States. You will be required to complete Federal form I-9, Employment Eligibility Verification Form, upon application for employment. If you are currently employed and have not complied with this requirement, please inform your supervisor.

3 WAGE AND HOUR POLICIES

3.1 INTRODUCTION

What an employee is paid depends on a wide range of factors, including pay scale surveys, individual effort, Company profits and market forces. If you have any questions about your compensation, including matters such as paid time off (for vacation, wellness or sick time use), overtime, benefits or paycheck deductions, please ask us.

3.2 PAY PERIOD

The standard pay period is weekly for all employees. The pay dates are every Thursday and covers the previous week of work Sunday through Saturday.

3.3 PAYCHECK DEDUCTIONS

The Company is required by Federal and State law to make certain deductions from your paycheck. This includes Federal income tax, State income and unemployment tax, FICA contributions (Social Security and Medicare), and State Disability Insurance (SDI). [Deductions are also taken for your health/life insurance co-pays, as well as pension contributions, where applicable.] The amount of your tax deductions will depend on your earnings and the number of exemptions you list on your W-4 Form. If at any time you do not believe that your paycheck is accurate, please immediately contact your manager.

3.4 DIRECT DEPOSIT

Direct Deposit of payroll checks may be available to you. If you would like to take advantage of Direct Deposit, ask the store manager for an application form. You will need to provide a voided check for your bank account and complete the application to set up the deposit. If you have selected the Direct Deposit payroll service, a pay stub will be given to you on paydays described in the preceding sections in lieu of a check.

3.5 POSTING OF WORK SCHEDULES

All work schedules will be posted on the Company bulletin board every Friday for the following week. If, by Friday afternoon, you are uncertain

of your work schedule for the following week, please contact your supervisor.

3.6 SWITCHING HOURS

If an emergency develops and it becomes necessary to switch hours with someone be sure to get the manager's approval beforehand.

3.7 RECORDING TIME

Federal and State laws require us to keep accurate records of hours worked by non-exempt employees.

Falsification of time records or recording time for another employee may result in discipline according to 4.8, infra.

3.8 OVERTIME AUTHORIZATION FOR NON-EXEMPT EMPLOYEES

If you are a non-exempt employee, you may qualify for overtime pay.

At certain times the Company may require you to work overtime. We will attempt to give as much notice as possible in this instance. However, advance notice may not always be possible. Failure to work overtime when requested or working unauthorized overtime may result in discipline in accord with 4.8 infra.

Overtime pay of time and one-half an employee's regular rate of pay is paid for any hours in excess of forty hours in a workweek. Holidays, vacation days, and sick leave days do not count as time worked for computing overtime.

3.9 JOB ABANDONMENT

If an employee finds that they will be late or absent, it is their responsibility to phone the store manager or department manager and explain why. If an employee fails to show up for work or call in with an acceptable reason for their absence, they will be considered to have abandoned their job and voluntarily terminated their employment. Texting is not an acceptable form of communication.

3.10 GARNISHMENT POLICY

Complying with wage garnishment orders costs unnecessary time and money. Any garnishment order will reduce your take-home pay.

3.11 REST AND MEAL PERIODS

The department manager schedules lunch periods. Be prompt in returning from your break on time. Do not overstay your time. Your break should be taken when it will not disrupt customer service. Any pressing duty should not be neglected for a break. Customer service is the priority, not a break. Your failure to take a break does not entitle you to extend your lunch period or to leave early. Do not visit with working employees during your breaks or off time.

For anyone working 6 hours or more, there will be 1 paid 30 minute break as close to the middle of the shift as possible. If the work shift is over 4 hours but less than 6 hours, the paid break is 15 minutes. If the shift is less than 4 hours, there is no break. All breaks need to be coordinated by your supervisor to ensure that we are able to handle the needs of our customers.

4.0 PERFORMANCE, DISCIPLINE, LAYOFF, AND TERMINATION

4.1 PROMOTIONS

It is the Company's policy to promote from within whenever current personnel are the most qualified candidates. Promotions are made on an equal opportunity basis according to the results of performance assessment, as well as an analysis of the education, experience, knowledge, personality and skills required for the available position. You may be required to undergo testing (including drug testing) and a character assessment as a condition for a promotion to a new job position. All employees promoted into new job positions will undergo a 90-day introductory period as described above. Unlike new hires, however, such employees will continue to receive Company benefits for which they are eligible. If an employee is promoted, they may receive a pay raise. However, if the employee does not meet the job requirements and is demoted, their pay rate will be reverted back to their previous rate of pay.

4.2 PAY RAISES

All employees receive pay raises every six months until they are at the top of the Company's pay scale. Depending on the Company's financial health, as well as numerous other factors, efforts will be made to adjust the pay scale once a year. Stepherson's may also make individual pay raises based on merit or due to a change of job position.

4.3 TRANSFER

Stepherson's may transfer your employment from one position to another or to another location with or without notice, as required by production or service needs, or upon special request by an employee. Transfers in excess of 90 days may be considered permanent and your paycheck may be increased or decreased consistent with the pay scale for your new position.

4.4 STANDARDS OF CONDUCT

Stepherson's wishes to create a work environment that promotes job satisfaction, respect, responsibility, integrity and value for all of our employees, clients, customers and other stakeholders. Every employee has a shared responsibility toward improving the quality of our work environment. By deciding to work at this Company, you agree to follow the Company's rules and to refrain from any conduct that is detrimental to our goals.

The prohibited conduct listed below is not an all-inclusive list. This policy is not intended to limit the Company's right to discipline or discharge employees for any reason it determines appropriate.

Examples of inappropriate conduct, which may lead to disciplinary action, up to and including discharge, are:

- Violation of the policies and procedures set forth in this handbook.
- Possessing, using, distributing, selling, negotiating the sale of, drugs or other controlled substances or being under the influence of alcohol, during working hours, on Company property (including Company vehicles), in Company uniform, or on Company business.
- Inaccurate reporting of the hours worked by you or any other employee.
- Providing inaccurate, incomplete or misleading information in interviews or the preparation of any employment related document including, but not limited to, job applications, personnel files, employment review documents, intra-Company communication, communications with those outside the Company, or expense records.
- Taking or destroying of Company property or that of customers or fellow employees.
- Possession or custody of potentially hazardous or dangerous property, such as firearms, weapons, chemicals, etc., without prior authorization.

- Fighting with, or inappropriate harassment of, any fellow employee, vendor or customer.
- Unauthorized and/or excessive use or possession of Company property, or the property of any customer or fellow employee. This includes, but is not limited to, vehicles, supplies, telephones, mail and computers.
- Disclosure of Company trade secrets or proprietary information of the Company, its customers or fellow employees.
- Refusal or failure to follow directions or to perform a requested or required job task.
- Refusal or failure to follow safety rules and procedures.
- Excessive tardiness or absences.
- Smoking in non-designated areas.
- Working unauthorized overtime.
- Solicitation of fellow employees on the Company premises during the time an employee is scheduled to be working or in a manner which interferes with the work of other employees.
- Reporting to work dressed inappropriately.
- Use of obscene or otherwise inappropriate language or conduct in the work place.
- Failure to provide timely medical authorizations for medical absences.
- Inappropriate horseplay that is distracting to fellow employees or creates a danger to others.
- Criminal activity at or outside of the work place.
- Outside employment which interferes with your ability to perform your job at this Company.

- Gambling on Company premises.
- Sleeping on the job or neglect of job duty.
- Taking unauthorized gratuities in connection with Company business.
- Lending keys to Company property to unauthorized persons or allowing duplicate keys to be made without prior authorization.
- Being absent from the work area without prior authorization.
- Harassment of, or discrimination against, an employee, customer or visitor because of that person's race, religion, color, sex, age, sexual preference, disability or national origin.
- Spreading false rumors about others.

4.5 CRIMINAL ACTIVITY; ARRESTS

Criminal activity, whether on or off Company property, may result in disciplinary action including suspension or termination. Disciplinary action depends upon a review of all factors involved, including whether or not the employee's action was work-related, the nature of the act, or circumstances which adversely affect attendance, performance or the reputation of Superlo Foods. Any disciplinary action is not dependent upon the disposition of any case in court.

Employees are expected to be on the job, ready to work, when scheduled. Inability to report to work as scheduled as a result of an arrest may lead to disciplinary action, in accord with 4.8 infra.

Any disciplinary action taken will be based on information reasonably available. This information may come from witnesses, police, or any other source as long as management has reason to view the source as credible.

4.6 DRUG AND ALCOHOL POLICY

Stepherson's recognizes that drug and alcohol abuse poses a serious threat to the safety and general well-being of all our employees. It also plays a

big part in the overall efficiency and productivity upon which all our jobs depend.

This policy replaces and supersedes Stepherson's former Drug and Alcohol Policy contained in the Handbook at Section 4.6. The purpose of our "new" drug and alcohol testing program is to ensure a safe working environment for all our employees.

Policy Statement

- (A) The manufacture, distribution, dispensation, possession, or use of a controlled substance on Company premises, including vehicles, parking lots, while on Company business, during working or non-working hours, is prohibited and will subject the employee to immediate discharge.
- (B) Any employee who uses, possesses, or is under the influence of alcohol or controlled substance, whether legal or illegal, while on Company premises, including parking lots and vehicles, or while on Company business, during working or non-working hours, is subject to discharge.
- (C) It is the responsibility of each employee to promptly notify his or her supervisor of the use of any prescribed medication which may affect judgment, performance, behavior, or safety. When an employee does not comply with this requirement, a physician's prescription will not be an acceptable excuse for the use or possession of a controlled substance and the employee will be subject to immediate discharge.
- (D) Any employee convicted of violating any criminal drug statute which violation occurred on Company premises, including parking lots and vehicles, or while on Company business, during working hours or under circumstances that adversely affect job

performance, or our Company's reputation, will be subject to immediate discharge.

Definitions

Controlled Substance: A controlled substance means any item listed in Schedule I through V of the Federal Controlled Substance Act. Such substances include, but are not limited to:

- Marijuana
- Opiates
- Amphetamines
- Cocaine
- Crack Phencyclidine
- Narcotics
- Barbiturates
- Stimulants
- Depressants
- Alcohol above the legal limit in the State of Tennessee

Testing

This Company has adopted testing practices to identify employees who illegally use drugs on or off the job or who abuse alcohol on the job. It shall be a condition of employment for all employees to submit to substance abuse testing under the following circumstances.

- (A) In the event that an employee is injured or otherwise caused or contributed to an accident while on Company premises, including parking lots and vehicles, or while on Company business, during working or non-working hours, the employee is required to submit

to post-injury or accident drug and alcohol testing immediately or as soon as a testing facility opens and is available.

(B) When there is reasonable suspicion to believe that an employee is illegally using drugs or abusing alcohol, the Company may require that the employee submit to drug and alcohol testing as soon as a testing facility opens and is available. HR, the store manager or corporate management operations should be consulted before sending an employee for testing. “Reasonable suspicion” is based on a belief that an employee is using or has used drugs or alcohol in violation of the employer’s policy drawn from specific objective and articulable facts and reasonable inferences drawn from those facts in light of experience. Among other things, such as facts and inferences may be based upon, but not limited to, the following:

- (1) Observable phenomena while at work such as direct observation of substance abuse or of the physical systems or manifestations of being impaired due to substance abuse;
- (2) Abnormal conduct or erratic behavior while at work or a significant deterioration in work performance;
- (3) A report of substance abuse provided by a reliable and credible source;
- (4) Evidence that an individual has tampered with any substance abuse test during his or her employment with the current employer;
- (5) Information that an employee has caused or contributed to an accident while at work; or
- (6) Evidence that an employee has used, possessed, sold, solicited, or transferred drugs while working or while on the employer’s premises or while operating the employer’s vehicle, machinery, or equipment.

- (C) A designated employee will transport the employee to the testing facility, and the supervisor/manager will arrange for the employee to be transported home.
- (D) The Company will pay for any drug test it requires and the test will be conducted by our Company's designated medical review officer.
- (E) The employee will be required to sign a consent form for the testing and release of the test results to our Company.
- (F) Any employee refusing or failing to cooperate will be subject to immediate discharge.
- (G) Any employee testing positive for alcohol or controlled substances as a result of this policy will be discharged.
- (H) Any employee refusing or failing to cooperate with the post-accident testing or who tests positive for alcohol or controlled substances may also be denied workers' compensation benefits or may be required to incur the medical costs related to the accident, injury or illness.

Our Company we will cooperate fully with all legal law enforcement authorities.

Our company encourages ALL EMPLOYEES with Drug and Alcohol problems to seek professional assistance before they come to our attention and any of the above actions become necessary. The company offers resource information on various means of employee assistance in our community, including but not limited to drug and alcohol abuse programs. Employees are encouraged to use this resource file; which is located in the corporate office. In addition, we will distribute this information to employees for their confidential use.

Opportunity to Contest or Explain Test Results

When an employee submits to a drug and/or alcohol test, he or she will be given a form by the specimen collector that contains a list of common medications and substances which may alter or affect the outcome of the drug or alcohol test. This form will also have a space for the donor to provide any information that he/she considers relevant to the test, including the identification of currently or recently used prescription or non-prescription medication or other relevant information. The information form should be kept by the employee for their personal use. If the employee has a positive confirmed test result a medical review officer will attempt to contact the individual in order to privately discuss the findings with the person. The employee should keep the form as a “reminder” to discuss this information at that time. The medical review officer will take this information into account when interpreting any positive confirmed test results. The information provided shall be treated as confidential and will not be given to the employer. Employees have the right to consult with a medical review officer for technical information regarding prescription and non-prescription medicine.

Employees who have a positive confirmed drug or alcohol test result may explain or contest the result to the medical review officer within five working days after receiving written notification of the test result from the medical review office. If an employee’s explanation or challenge is unsatisfactory to the medical review officer, the medical review officer shall report a positive test result back to the Company.

Confidentiality

The confidentiality of any information received by the employer through a substance abuse testing program shall be maintained, except as otherwise provided by law.

The provisions of this policy are subject to any applicable collective bargaining agreement or contract and include the right of appeal to the applicable court.

4.7 Community Card Policy

It is against company policy for an associate to scan any Superlo Foods Community Card, at any time, other than when the card belongs to the customer being waited on.

If a guest asks an associate to use the associate's personal Community Card for any purpose, the associate should attempt to enroll the guest into the Community Card program or call a Front-End Manger.

Any associate who wrongfully generates eScrip group earnings using a Superlo Foods Community Card other than their own, will be subject to discipline in accord with 4.8 infra..

4.8 DISCIPLINARY PROCESS

Violation of Company policies or procedures may result in disciplinary action including demotion, transfer, leave without pay, or termination. The Company encourages a system of progressive discipline depending on the type of prohibited conduct. However, the Company is not required to engage in progressive discipline and may discipline or terminate an employee where he or she violates the rules of conduct, or where the quality or value of their work fails to meet expectations.

Management may provide the employee first with a verbal warning, then with one or more written warnings, and if the conduct is not sufficiently altered, eventual demotion, transfer, forced leave or termination. Your supervisor will make every effort possible to allow you to respond to any disciplinary action taken. Understand that the Company is not obligated to follow any disciplinary or grievance procedure and that depending on the severity circumstances, employees may be disciplined or terminated without any prior warning or procedure.

SERIOUS OFFENSES

These events are considered to be quite serious and due to their severity, the employee may be subject to disciplinary action up to and including termination for a first offense:

Falsifying records or information.

Punching another employee's time card or allowing another employee to punch your time card.

Theft, dishonesty or embezzlement.

Unauthorized possession of Company property or property of customers or other employees.

Destruction or damaging of Company property.

Leaving the job without permission.

Insubordination.

Fighting, immoral conduct, threats or intimidation.

Gambling while on duty.

Use or possession of drugs, or alcoholic beverages on company premises, including the parking areas, or reporting to work with alcohol, or controlled substances in one's system.

Working while under the influence of drugs or alcohol.

Conviction for a serious criminal offense which impacts upon the person's employability.

Unlawful harassment of employees or customers.

Disclosing confidential company information which was received in confidence.

Padding inventories by department managers.

Sleeping on the job.

Failure to ring up a sale immediately, or in proper sequence.

Grazing.

Unauthorized use of telephones.

Selling beer or tobacco to persons not of legal age.

Not following Federal or State laws on SNAP procedures

These events may result in less major corrective action, (such as reprimands and suspensions without pay) or counseling, depending upon the circumstances, affording the employee time to cease and to correct

their conduct or attitude. A record will be made and will become a part of the employee's file.

Cash shortages/overages.

Irregular attendance.

Excessive tardiness.

Excessive time on breaks.

Failure to follow instructions.

Below standard quantity or quality of work

Unauthorized eating or smoking.

Improper appearance

Improper auto parking.

Failure to treat customers with courtesy.

Failure to report absence or tardiness in advance

Horseplay and violation of safety rules.

Misuse or unauthorized use of company property.

Improper language which is a violation of law or disruptive to customer relations.

Failure to report accident or injury immediately.

Loafing or goofing off.

WIC Checks

Employees will be held financially responsible for any WIC check that is returned, if the WIC check is not properly filled out or is for the wrong month.

4.9 PROBLEM SOLVING PROCEDURE

We strive to provide a comfortable, productive, legal and ethical work environment. To this end, the Company wants you to bring any problems, concerns or grievances you have about the work place to the attention of your supervisor and, if necessary, to upper level management. To help manage conflict resolution we have instituted the following problem solving procedure:

If you believe there is inappropriate conduct or activity on the part of the Company, management, its employees, vendors, customers, or any other persons or entities related to the Company, you are encouraged immediately to bring this fact to the attention of your supervisor. Please try to approach your supervisor at a time and place that will allow the supervisor to properly listen to your concern. Most problems can be resolved informally through dialogue between you and your immediate supervisor. If you have discussed this matter with your supervisor before and do not believe you have received a sufficient response, or if you believe your supervisor is the source of the problem, we request you present your concerns to Human Resources. Please indicate what the problem is, those persons involved in the problem, efforts you have made to resolve the problem, and any suggested solution you may have.

It is the purpose of this problem solving procedure to help maintain a work environment with respect and responsibility towards each other.

5 GENERAL POLICIES

5.1 POLICY STATEMENT ON UNIONS

The overwhelming majority of the American work force does not belong to a union-in fact, fewer than 1 in 16 workers in the private sector. No Stepherson's employee has to belong to a union or pay money to a union to work in any of our stores. The grocery employees decided this union free status in 1987 when they threw the union out by an 87% vote and by the meat department people in 1992. Because there is no union at Stepherson's, it means that we can speak directly and deal directly with you, and you with us, without any third party intervention and without any dues assessment on you. By remaining union free, the employees have expressed faith in the company and that they feel no need to be represented by a third party. Your faith in us places a great responsibility to earn your trust every day. To work at Stepherson's, it is not necessary to belong to a union and pay union dues and we hope that it will always be that way.

We feel that unions can offer no advantage to you because of our policy of providing fair treatment, competitive pay and good benefits and pleasant and safe working conditions. We believe that a union free operation is best for you. We believe that you can express your problems better than an outsider can do it for you and that we can understand each other more clearly, without a union between us.

We are committed to providing good working conditions and personal growth opportunities through favorable wage and benefit improvements. Please remember, the presence of a union will not guarantee that you and your fellow employees will receive any benefits that could otherwise be enjoyed without a union. Just ask our more senior people their experience with unions which resulted in union decertification.

Experience has shown that where there are unions, there is often trouble, distrust and strife. We firmly believe that unions do not work to your benefit or ours. It is possible that, from time to time, you or some of your fellow employees may be approached by a union organizer, who will try to sell you on the idea of unionism. Union organizers frequently use

campaign-organizing tactics that include false promises, distortions, untrue or half true statements regarding our business, our profits and other matters concerning our working relationships. FROM OUR EXPERIENCE WITH UNIONS WE BELIEVE THAT UNIONS ONLY USE THE MEMBERS TO ACHIEVE THEIR OWN GOALS AND THIS IS THEIR PRIMARY AIM RATHER THAN ANY GOOD FOR THE MEMBERS.

Any union organizer's goal is to get you to sign an authorization card. Many organizers will use tricks and false statements to obtain signatures on the cards. Remember, you have a legally protected right to not join a union if you do not want to. If any person tries to illegally coerce, trick or force you to sign a card, you can immediately report it to your supervisor. If you are interested in further information about duties, obligations and liabilities of union membership, please feel free to contact us.

Please remember, you, our employees, are our greatest assets! We place the highest value on you and we appreciate the trust you have shown in us. We will always strive to live up to our commitments to you and honor your faith and trust.

5.2 REPORTING UNETHICAL, FRAUDULENT OR ILLEGAL ACTIVITY

Stepherson's wishes to operate according to the highest ethical and legal standards possible. Therefore, we not only request, but require, that you bring to the attention of management any conduct on the part of fellow employees, supervisors, or others, that you believe violates the policies, agreements, ethical standards or obligations of the Company, or which are unethical, fraudulent or illegal in nature. Failure to report any such activity not only constitutes a violation of Company Rules of Conduct but may also needlessly expose the Company - - an employee owned business - - to litigation or governmental sanction, including possible criminal prosecution.

If you believe you have encountered unethical, fraudulent or illegal conduct, report it to your supervisor or someone else in management. If

you believe your supervisor is engaged in inappropriate conduct, or has not sufficiently addressed your concerns, you should bring the matter to the attention of the next level of supervision or Human Resources.

Examples of unethical, fraudulent or illegal acts include:

- Falsification of loan, credit, accounting records or management information.
- Theft or misuse of employee, Company or customer property.
- Violation of any federal, state or local laws.
- Offer or acceptance of money or gifts from a customer or vendor in violation of Company guidelines.
- Violation of the Company Code of Ethics, policies or procedures.

5.3 PERSONNEL AND MEDICAL RECORDS

The Company maintains a personnel and medical file for every employee. Medical records will be kept in a separate folder. Every effort will be made to keep your personnel and medical records confidential. Access is on a "need-to-know" basis only. This includes, but is not limited to supervisors and others in management reviewing the file for possible promotion, transfer or layoff.

If an employee wishes to review their personnel or medical file they may do so after giving the Company reasonable notice. Inspection must occur in the presence of a Company representative. All requests by an outside party for information contained in your personnel file will be directed to the Human Resources department which is the only department authorized to give out such information.

5.4 EMPLOYEE PRIVACY AND RIGHT TO INSPECT

Company property, including but not limited to, lockers, desks, work place areas, vehicles, machinery, remains under the ownership and control of the Company at all times and is subject to inspection at any time, without notice to the employee, and without the employee's permission or presence. Employees should have no expectation of privacy in any of these areas, and your use of such Company property is consent for the Company to inspect and search such property at any time. We assume no

responsibility for the loss of, or damage to, any employee property maintained on Company premises including that kept in lockers and desks.

5.5 VOICEMAIL, EMAIL AND INTERNET POLICY

This Voicemail/E-mail/Internet policy is intended to provide each employee of the Company with the guidelines associated with the use of the Company's Voicemail/E-mail/Internet system ("the system"). It applies to all employees, contractors, vendors, partners, or associates, and any others accessing and/or using the Company's system through on-site or remote terminals.

GENERAL PROVISIONS

- The Voicemail/E-mail/Internet system, and all data transmitted or received through the system, are the exclusive property of the Company. No individual should have any expectation of privacy in any communication over this system. The system is for the use of Company-related business, and is not to be used for personal business or pleasure.
- Any individual permitted to have access to the Company's system will be given a Voicemail, E-mail and/or Internet address and/or access code, and will have use of the system, consistent with this policy. Access to the Internet will be on an individual, case-by-case basis.
- The Company reserves the right to monitor, intercept and/or review all data transmitted, received or downloaded over the system. Any individual who is given access to the system is hereby given notice that the Company will exercise this right periodically, without prior notice and without the prior consent of the employee for the protection of all. The Company's interests in monitoring and intercepting data include, but are not limited to: protection of Company proprietary and classified data; managing the use of the Company's computer system; preventing the transmission or receipt of inappropriate materials by employees; and/or assisting the employee in the management of electronic data

during periods of absence. No individual should interpret the use of password protection as creating a right or expectation of privacy. In order to protect everyone involved, no one can have a right or expectation of privacy with regards to the receipt, transmission or storage of data on the Company Voicemail/E-mail/Internet system.

Any employee who abuses the privilege of access to the Company's Voicemail, E-mail or the Internet system will be subject to corrective action, consistent with 4.8, supra.. If necessary, the Company also will also advise law enforcement officials of any illegal conduct.

Our company strives for a balanced online dialogue. When we moderate postings to the company blog, or run across any postings put on public access social media which purport to be official expressions from the Company, we expect our employees to act in a professional manner.

If you participate in social media, such as MySpace, FaceBook, LinkedIn, Twitter, YouTube, a blog, etc. on business or personal time we expect you to follow the following guidelines. If you have any questions about this policy, please contact the human resources department or IT department, for further information or clarification.

1. **Prohibited Conduct** - The Company absolutely prohibits revealing its name on social media or other websites, which include sexual, violent, or illegal content. It also prohibits postings on any social media discussing competitors or their products or services, without express permission to do so. The same goes for customers and potential customers. The company also prohibits language that is defamatory, unlawful or violates obscenity laws.
2. **Transparency** - It is best if you always identify yourself; especially if you're saying anything related to our business, including our company, the competition, or any products on the marketplace. Indicate you are a company employee where appropriate.
3. **Have Integrity and Be Honest** - Stick to your area of expertise. Don't pretend to be a know-it-all. Half-truths and outright lies will

be quickly ferreted out by today's social media watchdogs, competitors, regulators and others. Whether it's a comment you make on a MySpace page or in an update to a Wiki page, chances are, somebody may be monitoring your activities; if not the company, the government, the corporate media, or some other watchdog is likely to be paying close attention.

4. **Your Opinion vs. Company Opinion** - Unless you have specific permission in writing to speak on behalf of the company, clearly indicate that all postings represent your opinion. When posting to any site outside of the company, please use the following disclaimer: "The postings on this site are my own and I do not have the authority to represent the company's positions, strategies, or opinions."
5. **Protect the Brand** - Be careful when using the company brand, logos, copyrights, trademarks, etc. If you intend to use them on social media at all, you must obtain written permission prior to doing so. Same with the property of any client, customer, or competitor.
6. **Company Policies and Procedures Apply** - Your social media activities are subject to the same policies and procedures as your other workplace activities. So, for example, if it is inappropriate to engage in sexual harassment while at work, then it is equally inappropriate to do so through the context of social media.
7. **Confidentiality** - Maintain the confidentiality of company and customer information which you have obtained under circumstances that suggest confidentiality. Just like you can destroy the value of a company trade secret by sharing too much information at a trade show, you can do likewise while posting it online. If you're not sure what is/isn't appropriate to share in these areas, please do not hesitate to seek out advice first. If you do not feel comfortable speaking about this with your supervisor, please contact human resources or the head of IT.

8. **“Friending”** - If you are in management, think twice about friending an employee.
9. **Be Professional** - Watch for typos and misspellings. All the protocols surrounding proper e-mailing also apply to the use of social media (i.e., no “shouting,” defamatory language, or incendiary words).
10. **Don’t Waste Company Time** - Personal social media use is restricted to personal time only. This is no different than it is for phone calls or e-mails. Make sure that you have permission to access Social Media sites on company equipment. Otherwise, you should not use the company’s time and equipment to participate in personal use of social media.
11. **Be a Watchdog** - If you find a negative, disparaging, or otherwise concerning posts about the company , please contact your manager, HR or the IT department ASAP. Please do not respond to it without first receiving instruction unless you have specific permission to do so.

Stepherson’s and Superlo Foods comply with all laws, including all employment laws. As such, neither the above rules nor any other rules or action by Superlo foods are designed or intended to limit or infringe in any way on any employee rights protected by either federal or state law, and no rule or policy will be enforced in a manner which interferes with or restrains or tends to interfere with or restrain any employee right or right to engage in protected activities.

5.6 EMPLOYEE SUGGESTIONS

We welcome suggestions for continued improvement! If you know of a better way to do your job, produce or sell the products or services of our Company, or meet customer and client needs, we encourage you to discuss this with your supervisor or to use an employee suggestion form. If you have a suggestion we agree will benefit the Company, we will give you

recognition and possibly a gift or financial bonus. Any gift or financial bonus provided is at the sole discretion of management and as recognition of any benefit or added value your suggestion provides the Company.

You are encouraged to remain educated about the Company's internal operating procedures, products and services, customers and clients, and our industry and markets in general. Please bring to our attention any suggestions derived from seminars, magazines or other outside sources of information you believe would add value to this Company.

Understand that any suggestions, innovations, inventions, or other matter created by you on work time or with Company tools or property are considered to be "works for hire" and are, therefore, the property of the Company.

5.7 COMPANY BULLETIN BOARDS

Stepherson's maintains an official bulletin board located for the purpose of providing employees with its official notices, including wage and hour laws, changes in policies, and the like. At times the Company may also post information of general interest to the employees on the bulletin board. Please keep informed about this material by periodically reviewing the Company bulletin board.

5.8 PERSONAL APPEARANCE

Your personal appearance reflects on the reputation and integrity of The Company. All employees are required to report to work neatly groomed and dressed. You are expected to maintain personal hygiene habits that are generally accepted in the community i.e. clean clothing, good grooming and personal hygiene, and appropriate social behavior.

1. A Superlo or Stepherson's Shirt must be worn at all times.
2. Superlo/Stepherson's shirt must be tucked in at all times.
3. Must be properly groomed.
4. Name badges are to be worn with your name showing.

5. No flashy jewelry or makeup.
6. All shoes must be closed toe and sturdy.
7. You may wear slacks, jeans, or skirts. No sweat pants, jogging pants or overalls.
8. Only baggers that are scheduled to go outside on the lot may wear shorts from May 1 thru Sept 30. Shorts and skirts are to be no shorter than a couple of inches above the knee.
9. All slacks or shorts are to be worn above the hips.
10. Hats may **ONLY** be worn by store personnel involved in food preparation and by baggers who may go outside as part of their job. Hats are limited to Superlo/ Stepherson's baseball caps (worn with the bill to the front) or appropriate cold weather hats during cold weather.
11. Jackets/sweatshirts may not be worn while working except for those employees that go outside. Warmer clothes may be worn under Superlo/Stepherson's shirt.

Management may make further decisions based on individual situations.

If you come to work inappropriately dressed, you will be asked to go home and return to work dressed appropriately. Recurring problems will result in discipline up to and including termination.

5.9 VOLUNTEER ACTIVITIES

From time to time, Stepherson's asks for volunteers to support various charitable activities sponsored by the Company. While the Company invites you to participate as a volunteer in these activities, please be advised that your participation is strictly voluntary and is not part of your work-related duties.

If you do serve as a volunteer at one of these activities, you agree that you are gratuitously rendering your services without any expectation of payment. Any exceptions to this policy must be placed in writing and signed by a supervisor. Additionally, you should understand the Company

considers any volunteer activities in which you engage to be non-work activities, and if you are injured during your voluntary participation in any outside activity, that injury will not be covered by worker's compensation, and you will be responsible for the injury as is the case with any non-work related injury.

5.10 EMPLOYEE PURCHASES

We value you as a customer. We hope you like the service and treatment we give you. We want you to shop with us and we don't think you would want to shop anywhere else. There are just a few rules regarding employee purchases that you must know and understand.

No one may check out their own purchases and checkers must send their families through someone else's lane. All purchases must be checked out and go straight out the front door. They should never go back into the store after payment. No merchandise is to go out the back door. Items to be consumed in the store should have the paid ticket attached to it and showing while you consume it. No merchandise is to be consumed until paid for.

5.11 EATING AND DRINKING

The only drink allowed at the check stands is bottled water. Absolutely no drinks are allowed in the cutting room of the meat department. Only drinks with a lid are allowed in the deli area as long as they are not placed on the prep counters. Employees may only eat on their breaks and in designated areas.

5.12 SPECIAL MEAT ORDERS

All employees' orders are to be wrapped in transparent film and priced by the meat scale and checked out in the usual manner.

5.13 PARKING

Employees must not park in spaces normally used by customers. Park as far away from the front door as is reasonably possible. If the employee works at night, they may bring their vehicle closer to the door after 8 PM.

5.14 TELEPHONE USE

Our phones are principally for work related communications. Unless there is an emergency, employees are required to limit long distance telephone calls to business purposes only. Employees should limit personal use of the telephone to brief communications during rest periods where possible. Casual conversation with friends and relatives during working hours is strongly discouraged. Telephone use is subject to the Voicemail/E-Mail/Internet Usage Policy.

5.15 CELL PHONE POLICY

Mobile phone usage while working is prohibited, this includes text messaging. Save it for your breaks. If there is an emergency, you may receive a call through customer service. Managers and Department Heads use mobile phones as a part of their job. Everyone else should turn off their mobile phone while working. Because one of the most-frequently heard customer complaint is an employee's use of cell phones on the sales floor, the first time an employee is caught using a mobile phone while an employee should be working, the employee will get a written warning. The second time, the employee will be terminated.

5.16 SECURITY

Store security is everyone's responsibility whether it is shoplifting, vendor theft, employee pilferage, short change artists, and bad check artists, or just seeing that the back door is locked. Shoplifting goes on every day. Each employee must be alert to this and do what they can to prevent it and report anything that does not seem right to you. If you are ever aware of employee pilferage or stealing, you must not be confused as to where your loyalty lies. You always owe your loyalty to the truth and to the company - - again, an employee-owned business - - who is paying you. Your responsibility is NEVER, NEVER to some dishonest person who is, in fact, stealing from you. In fact, having knowledge of dishonesty and failing to report it makes you a party to the dishonesty.

We will not tolerate unauthorized use, the misappropriation, or the destruction or damaging of Company property. Such conduct will result

in disciplinary action in accordance with 4.8 supra. We reserve the right to inspect all packages entering or leaving Company premises.

5.17 PREMIUMS, SPOILS, SAMPLES

Employees are not to accept premiums or samples from salesmen. These are the property of the store and are to be handled by the manager. The same applies to unsaleable food items.

5.18 HOUSEKEEPING

We want a clean store that we all can be proud of. This requires cooperation of every one, it only takes a moment to reach down and pick up a piece of paper or a coffee cup left by a customer. You must keep your own work area clean. If a spill occurs, clean it up, notify a manager, or isolate it so that a customer or other employee will not slip and fall on it. Never ignore a slick or dangerous situation at any time on the stores premises.

5.19 SOLICITATION/DISTRIBUTION

Work time is for work. There will be no solicitations of any kind and distribution of literature of any kind by an employee while the employee is scheduled to be working or in a manner which interferes with the work of other employees. We should strive to accomplish our work and not interfere with other employees trying to accomplish their work.

Employees are not permitted to engage in the distribution of advertising material, literature, or other non-work materials at any time in work areas.

Persons not in the employ of the Company will not be permitted to make solicitations or distributions of any kind on Company property at any time.

5.20 CUSTOMER DISSATISFACTION

If a customer complains about something, please bring it to the manager immediately. They might be able to rectify it right then. If not, they should at least know about it and may be able to prevent it from happening again.

5.21 THIRD PARTY DISCLOSURES

From time to time, our Company may become involved in news stories or potential or actual legal proceedings of various kinds. When that happens, lawyers, former employees, newspapers, law enforcement agencies, and other outside persons may contact our supervisors to obtain information about the incident or the actual or potential lawsuit.

If a supervisor receives such a contact, you should not discuss the matter with the caller but refer the call to Human Resources, and then immediately advise Human Resources that the contact was made. Non-supervisory employees may also be contacted, you should know that the call or contact to you may be recorded and you may find yourself in a position of having to testify. Be cautious about what you say. If you have any questions about this policy or are not certain what to do when such a contact is made, please contact Human Resources.

5.22 PERSONAL DATA CHANGES

It is the obligation of every employee to provide the Company with their current mailing address and telephone number. Employees must also inform the Company of any changes to their marital or tax withholding status.

6 BENEFITS

6.1 REGULAR FULL-TIME EMPLOYEES

A regular full-time employee is an employee who has completed his or her introductory period and is regularly scheduled to work 40 hours per week. Unless stated otherwise, all the benefits provided to employees are for regular full-time employees only. This includes vacation, holiday pay, health insurance and other benefits coverage.

6.2 REGULAR PART-TIME EMPLOYEES

Any employee who works less than a full-work week 40 hours per week is considered a part-time employee. Part-time employees are not eligible for any Company benefits unless specified otherwise in this handbook or in the benefit plan summaries. Part time employees whose hours equal 40 or more a week (excepting any hours of any student during summer vacation or any other school vacation period) for eight weeks will become full-time employees and entitled to all full-time wages and benefits. If these hours are temporary for any reason, then when the reason for the extra hours is over, the employee will revert to part time status.

6.3 HEALTH AND DENTAL INSURANCE

Stepherson's provides a well-rounded program of benefits. The Company pays over \$8,000 a year for health benefits alone for a full time employee and his/her dependents.

After 2 months, a full time employee becomes eligible for this plan at \$5 per week for individuals and may include dependents for a payroll deduction of \$20.00 a week. The Company will pay the rest. If your spouse has health insurance available through their employer, then their insurance must be the primary insurance. Stepherson's health insurance may be their secondary insurance.

Certain other employees may nevertheless become eligible for health insurance according to the rules explained in a separate rider to the Blue Cross medical booklet.

6.4 LIFE INSURANCE

All regular full-time employees who have completed 2 months of employment are provided with life insurance by the Company. Please refer to the policy language which controls the terms of the coverage. This benefit, as well as other benefits, may be canceled or changed at the discretion of the Company, unless otherwise required by law. For more information about your Life Insurance, please contact Human Resources.

6.5 401K Plan

All employees who are 21 years old, work a minimum of 1000 hours a year, and have been with the Company for a year is eligible for this program. An employee may contribute a percentage of income or dollar amount weekly to the plan. If the participant leaves then, they may withdraw their amount according to Federal Laws governing the plan.

6.6 (ESOP) Employee Stock Ownership Program

To be eligible for Stepherson's Stock Ownership Plan (ESOP), an employee must be 21 years old, work a minimum of 1000 hours a year, have worked for the Company for a year, and have worked on the first and last day of Stepherson's fiscal year. Stepherson's makes a contribution on the employee's behalf and the employee receives shares in the Company. Vesting in the ESOP takes place over a 6 year period, becoming fully vested after this time. If an employee leaves the company, there are different rules for distributions from the ESOP. For further information, please see the Corporate Office.

6.7 HOLIDAY PAY

Full time employees will be paid for eight hours on the following holidays: New Year's Day, Fourth of July, Labor Day, Thanksgiving Day and Christmas Day.

Any work performed on these holidays or on Easter will be paid at time and a half rate. In a week that a holiday falls, overtime will be paid after

40 hours of work as holiday pay is not considered time worked for overtime purposes. The holiday pay is always at straight time. The employee must work the full scheduled day before and the full scheduled day after, and the full holiday itself, if required, in order to qualify for holiday pay.

In addition to the above holidays, each full time employee may have two personal days off with pay after having been employed for a full year. These may be taken after the completion of 1 year of service. The personal days may not be taken in a week in which a holiday is scheduled and should be pre-arranged with your supervisor.

On July 4th, Thanksgiving and Christmas, part time employees will be paid holiday pay, in the following manner:

For average hours 10 to 18, 2 hours pay.

For average hours 18 to 23, 4 hours pay

For average hours over 23, 6 hours pay.

The averages will be based on the prior 2 months.

6.8 VACATION POLICY

The following vacation schedule applies to all full time employees:

| | |
|---------------------------|---------------------|
| After 1 year of service | 1 week of vacation |
| After 4 years of service | 2 weeks of vacation |
| After 10 years of service | 3 weeks of vacation |
| After 18 years of service | 4 weeks of vacation |

After 1 full years of service, all part time employees will receive vacations equal to the past year's hours divided by 52.

Vacations are earned on an employee's anniversary date. Vacations will not be automatically paid out at the end of the vacation year; however, an

employee may request to have their vacation paid out or carry forward up to two weeks of vacation into the next vacation year. If an employee has more than two weeks of vacation at the end of the vacation year, the employee will be paid out any vacation over two weeks. Additional vacation for the new year will not be earned until the employee's anniversary date.

Vacations must be scheduled with the approval of store/departmental manager.

If a holiday falls on the employee's vacation then that person's holiday will be added to the vacation time.

Vacation preferences will be considered on the basis of seniority.

6.9 SICK PAY

Sick pay is a benefit provided to all full time employees who have been employed by Stepherson's for at least one year. Sick pay is paid in an amount equal to 60% of an employee's base rate. An employee must be absent for one full week before the employee is eligible for sick pay. An employee may use any available vacation time to cover the first week.

Stepherson's will provide two weeks of sick pay for every year of employment, up to a maximum of 26 weeks a year. An employee must return to work full time for 12 months to be eligible for additional sick pay benefits.

To be eligible for sick pay, an employee must be under a doctor's care and present written documentation that they are unable to work for health reasons. On the job injuries will be covered by workers' compensation and do not qualify for sick pay benefits until workers' compensation benefits cease.

If an employee receiving sick pay is able to work part-time, the employee must do so, except for those situations covered by the Family and Medical Leave Act. The employee will be paid for his or her part-time work and sick pay benefits will be paid in an amount so that both the pay for work

and sick pay benefits will equal the employee's average number of hours worked per week, not to exceed forty hours.

Stepherson's will pay for the health insurance of qualifying employees for a period of up to 12 weeks or the duration of the employee's sick pay (not to exceed 26 weeks per year), whichever is longer. To be eligible, an employee must have worked for the company for at least one year and must be under a doctor's care. Because of the substantial cost of this benefit, the company can offer this benefit only once in a 12 month period. To be eligible for the health insurance payment benefit again, the employee must work for 12 months, after the last date that insurance was provided.

This policy is concurrent with insurance benefits provided under the Family and Medical Leave Act.

6.10 REQUESTING LEAVES OF ABSENCE

A leave of absence (LOA) is defined as an unpaid approved absence from work for a specified period of time for medical, parental, military or personal reasons. If an employee finds that he she must be out of work for more than three days, he or she should contact the Human Resources department to determine if a LOA may be necessary.

LOAs will start on the date of request or date of need; therefore, not after the exhaustion of paid time-off (PTO). While on LOA, an employee must contact the Human Resources department at least every 30 days. Failure to contact HR every 30 days may result in voluntary termination. Failure to return to work upon the expiration of LOA or refusing an offer of reinstatement for which the employee is qualified will also result in voluntary termination.

Required Documentation: All requests for a LOA must be made on a Leave of Absence Request form for the particular leave (FMLA, ADA, military, etc.) and submitted to the immediate supervisor. (This form can be obtained from store management). An employee must provide 30 days' advance notice when the need for the leave of absence is foreseeable; for instance, if medical treatments or other events are planned or known in advance. If the leave of absence is not foreseeable, the employee must

provide notice to his or her immediate supervisor as soon as possible. Physician certifications and other documentation supporting the need for a LOA may be required. A medical leave of absence is only available to employees when they are medically unable to report to work and perform all assigned job duties and functions.

Approval: Both the immediate supervisor and the Human Resources manager will review the request. The immediate supervisor will notify the employee as to whether the request was approved. A leave of absence will not be granted to allow an employee time off to seek employment elsewhere or to work for another employer. Employees who begin employment elsewhere while on LOA, except military reserve duty, are considered to have quit voluntarily.

6.11 UNPAID LEAVE OF ABSENCE

We understand that our employees may, for various reasons, need unpaid leaves of absence. These reasons include, but are not limited to, medical or family needs, pregnancy, bereavement leave, jury duty, continuing education, parent/teacher conferences, and the like. Unless the law or Company policy states otherwise, unpaid leaves of absence are allowed at the Company's discretion.

Every effort should be made by the employee to give as much advance written notice as possible as to the length of the unpaid leave as well as the expected return-to-work date. Requests for leave for medical reasons or pregnancy must include a doctor's certificate indicating the beginning date and expected length of such leave. Updated certificates may be requested during the leave. The Company does not guarantee, upon return from leave, that the employee's job position will be available, except where required by law.

During an unpaid leave of absence, employees do not earn or accrue Company benefits including vacation pay, sick pay, or any other benefit. The employee will not lose any seniority by taking an approved unpaid leave of absence. Unless leave is covered by the Family and Medical Leave Act, the employee will be responsible for paying premiums on his

or her insurance coverage and that of his or her dependents. If the employee does not continue these premium payments he or she risks loss of coverage by the insurance carrier.

The failure to return from unpaid leave of absence as scheduled may result in termination. Medical leave shall be for a reasonable time while the employee is disabled, not to exceed four (4) months.

6.12 ADA POLICY

In accordance with Americans with Disabilities Act and related state laws and regulations; it is the Company's policy to select, retain, and promote the best-qualified applicant for each available job. An applicant's or employee's disability will not remove the applicant from consideration or the current employee from his/her job if the applicant or employee is otherwise qualified and is able to perform the essential functions of the job with or without reasonable accommodation.

Qualified applicants or employees who inform the company that they have a physical or mental disability, which is protected by the Americans with Disabilities Act or state law, will be given reasonable accommodation unless such accommodation will result in undue hardship. A reasonable accommodation is defined as any modification or adjustment to a job, employment practice or the work environment, which will make it possible for an individual with a disability to enjoy an equal employment opportunity.

- Procedure for Reasonable Accommodation Requests:
- Employee advises supervisor or the company otherwise become aware of the need for accommodation. Employee completes a Request for Accommodation form and gives it to his/her supervisor.
- Supervisors must submit a request for an accommodation to Human Resources on behalf of job applicants or current employees who are otherwise qualified but require an accommodation.

- If an appropriate accommodation is reasonably available, the request will be approved and the accommodation implemented.
- If an accommodation is not reasonably available, the [Human Resources] may consult with disability specialists, agencies or support groups for further information until a reasonable accommodation is identified.

Human Resources and your supervisor will review the suggested accommodation for reasonableness. Remember, under disability law, employees are required to perform all essential job duties to company performance standards. If a requested accommodation is approved, Human Resources will authorize the supervisor to implement the accommodation.

6.13 FAMILY AND MEDICAL LEAVE OF ABSENCE POLICY

Basic Leave Entitlement: FMLA requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to eligible employees for the following reasons:

- For incapacity due to pregnancy, prenatal medical care or child birth;
- To care for the employee’s child after birth, or placement for adoption or foster care;
- To care for the employee’s spouse, son or daughter, or parent, who has a serious health condition; or
- For a serious health condition that makes the employee unable to perform the employee’s job.

Computing FMLA Leave Entitlement: In determining whether an eligible employee has taken his or her full entitlement to 12 weeks’ unpaid leave of absence during a 12-month period, we use a “rolling” 12-month period measured backward from the date of any FMLA usage.

Military Family Leave Entitlements: Eligible employees with a spouse, son, daughter, or parent on active duty or call to active duty status in the National Guard or Reserves in support of a contingency operation may use their 12-week leave entitlement to address certain qualifying exigencies. Qualifying exigencies may include attending certain military events, arranging for alternative childcare, addressing certain financial and legal

arrangements, attending certain counseling sessions, and attending post-deployment reintegration briefings.

FMLA also includes a special leave entitlement that permits eligible employees to take up to 26 weeks of leave to care for a covered service member during a single 12-month period. A covered service member is (1) a current member of the Armed Forces, including a member of the National Guard or Reserves, who has a serious injury or illness incurred in the line of duty on active duty that may render the service member medically unfit to perform his or her duties for which the service member is undergoing medical treatment, recuperation, or therapy; or is in outpatient status; or is on the temporary disability retired list; or (2) a veteran who was discharged or released under conditions other than dishonorable at any time during the five year period prior to the first date the eligible employee takes FMLA leave to care for the covered veteran, and who is undergoing medical treatment, recuperation, or therapy for a serious injury or illness.

If an eligible employee takes service member leave and regular family and medical leave during the 12-month period, he or she is entitled to a total of 26 weeks of leave. For example, if an eligible employee does not take any regular family and medical leave during a 12-month period, the employee may take up to 26 weeks of service member leave during those 12 months. However, if the eligible employee took 12 weeks of family and medical leave during the 12 months, he or she could take up to 14 weeks of service member leave during those 12 months, for a total of 26 weeks. In both cases, the employee would have exhausted all of his or her service member leave, which may be taken only one time.

Serious Health Condition: A serious health condition is an illness, injury, impairment, or physical or mental condition that involves either an overnight stay in a medical care facility, or continuing treatment by a health care provider for a condition that either prevents the employee from performing the functions of the employee's job, or prevents the qualified family member from participating in school or other daily activities.

Subject to certain conditions, the continuing treatment requirement may be met by a period of incapacity of more than 3 consecutive calendar days combined with at least two visits to a health care provider or one visit and a regimen of continuing treatment, or incapacity due to pregnancy, or

incapacity due to a chronic condition. Other conditions may meet the definition of continuing treatment.

If you request leave for a serious health condition, you are required to provide a medical certification of the condition, and, if the leave is requested to care for an immediate family member with a serious health condition, to certify the need for you to provide care. Failure to timely return a completed medical certification may result in leave not being considered protected leave under the Family Medical Leave Act and may result in your absence being considered an occurrence under our attendance policy, and subject you to discipline up to and including termination. Applicable forms are available from Human Resources.

If you request leave for your own serious health condition, please request your health care provider not to include any “genetic information.” To comply with *The Genetic Information Non-Discrimination Act* (“GINA”), the company asks that you not provide any genetic information when responding to a request for medical information relating to your own serious health condition. Genetic information, as defined by GINA, includes an individual’s family medical history, the results of an individual’s or family member’s genetic tests, the fact that an individual or an individual’s family member sought or received genetic services, and genetic information of a fetus carried by an individual or an individual’s family member or an embryo lawfully held by an individual or family member receiving assistive reproductive services.

Qualifying Exigency: If you request a leave for a qualifying exigency, you are required to provide a completed Certification of *Qualifying Exigency for Military Family Leave*, which is available from Human Resources.

Service Member Family Leave: If you request leave for Service Member Family Leave, you must submit a completed *Certification of Serious Injury or Illness of a Covered Service Member*, or if requesting leave to care for a veteran, a completed *Certification of Serious Injury or Illness of a Veteran*. Both forms are available from Human Resources.

Benefits and Protections: During FMLA leave, the employer must maintain the employee’s health coverage under any “group health plan” on the same terms as if the employee had continued to work. Upon return from FMLA

leave, most employees must be restored to their original or equivalent positions with equivalent pay, benefits, and other employment terms.

Use of FMLA leave cannot result in the loss of any employment benefit that accrued prior to the start of an employee's leave.

Eligibility Requirements: Employees are eligible if they have worked for a covered employer for at least one year, for 1,250 hours over the previous 12 months, and if at least 50 employees are employed by the employer within 75 miles.

Use of Leave: An employee does not need to use this leave entitlement in one block. Leave can be taken intermittently or on a reduced leave schedule when medically necessary. Employees must make reasonable efforts to schedule leave for planned medical treatment so as not to unduly disrupt the employer's operations. Leave due to qualifying exigencies may also be taken on an intermittent basis.

Use of Paid Leave: You must use any accumulated paid leave, including any paid vacation or paid sick leave (if the leave qualifies for paid sick leave under the Company's policy), at the beginning of your family and medical or service member leave. After you exhaust paid leave, the rest of the family and medical or service member leave, if any, will be unpaid.

Employee Responsibilities: Employees must provide 30 days advance notice of the need to take FMLA leave when the need is foreseeable. When 30 days notice is not possible, the employee must provide notice as soon as practicable and generally must comply with an employer's normal call-in procedures.

Employees must provide sufficient information for the employer to determine if the leave may qualify for FMLA protection and the anticipated timing and duration of the leave. Sufficient information may include that the employee is unable to perform job functions, the family member is unable to perform daily activities, the need for hospitalization or continuing treatment by a health care provider, or circumstances supporting the need for military family leave. Employees also must inform the employer if the requested leave is for a reason for which FMLA leave was previously taken or certified. Employees also may be required to provide a certification and periodic recertification

supporting the need for leave. Employees may additionally be required to provide a fitness for duty certification when returning from FMLA leave.

Employer Responsibilities: Covered employers must inform employees requesting leave whether they are eligible under FMLA. If they are, the notice must specify any additional information required as well as the employees' rights and responsibilities. If they are not eligible, the employer must provide a reason for the ineligibility.

Covered employers must inform employees if leave will be designated as FMLA-protected and the amount of leave counted against the employee's leave entitlement. If the employer determines that the leave is not FMLA-protected, the employer must notify the employee.

Failure to Return From Leave: You will be considered to have voluntarily quit your job if you do not return to work on or before the third scheduled work day after a family and medical or service member leave ends, or if you apply for or engage in other employment while you are on a family and medical or service member leave. You will be discharged if you give false reason for a requested family and medical or service member leave.

6.14 MILITARY LEAVE [USERRA]

Regular full-time employees who are inducted into the U.S. Armed Forces, the National Guard or the Reserves are eligible for up to five (5) years of unpaid leave and reinstatement to the same or similar job position where available, as long as they provide timely notice to their employer of the necessity of such leave, that they are honorably discharged from the service, and that they return to work within 30 days after active duty for training, or within 90 days after military discharge.

Leave of absence without pay for military or reserve duty is granted to full time regular and part-time regular employees. If you are called to act as military duty or to reserve or national guard training or if you volunteer for the same, you should notify the human resources department and submit copies of military orders to the human resources department as soon as practicable. You will be granted a military leave of absence without pay for the period of military service in accordance with applicable federal and state laws. If you are a reservist and a member of

the National Guard, you are granted time off without pay for required military training in accordance with applicable federal and state laws. Your eligibility for reinstatement and seniority benefits after your military duty or training is completed is determined in accordance with applicable federal and state law. Please provide your discharge papers prior to returning to work.

6.15 JURY DUTY LEAVE

Employees summoned for jury duty will be granted leave for the period required in accordance with applicable state law. Make arrangements with your supervisor as soon as you receive your summons or subpoena.

An employee who is called on jury duty will suffer no loss of pay provided he or she returns to work on the hours not actually serving on the jury.

6.16 FUNERAL ATTENDANCE LEAVE

In case of death of certain family members of a full-time employee, up to three full days, if needed, are allowed for the purpose of preparing for or attending the funeral. This time off is not allowed unless needed and never allowed after the funeral has taken place, except in the case of a memorial service for a military veteran whose remains were unrecovered, remained in the battle zone, or were repatriated subsequently. The family members are parents, spouse, child, grandparents, parents of spouse, or siblings. If time off required falls on the employee's day off or holidays or vacation, the employee will not be paid funeral pay for this time but only that time which was lost by missing work.

6.17 WORKERS' COMPENSATION INSURANCE AND DISABILITY LEAVE

Workers' Compensation is a no-fault system designed to provide benefits to all employees for work related injuries. Workers' Compensation insurance coverage is paid for by the employer and governed by State law. The Workers' Compensation system provides for coverage of medical treatment and expenses, occupational disability leave, rehabilitation services, as well as payment for lost wages due to work related injuries. If

you are injured on the job, no matter how slightly, you are to report the incident immediately to your supervisor. Consistent with applicable state law, failure to report an injury within a reasonable period of time could jeopardize your claim for benefits.

To receive Workers' Compensation benefits, immediately notify your supervisor of your claim. If your injury is the result of an on-the-job accident, you must fill out an accident report. The employee will be required to bring a medical release before he or she will be allowed to return to work.

If there is a workman's compensation claim, the employee will be given a drug and alcohol test. If the employee is found to be under the influence of drugs or alcohol, workmen's compensation will not pay for the claim, and Stepherson's health insurance does not cover workmen's compensation claims. In addition, Stepherson's will not pay for any sick time that the employee is out of work. In addition, the employee will be immediately terminated from employment from Stepherson's.

6.18 UNEMPLOYMENT COMPENSATION INSURANCE

Unemployment compensation insurance is paid for by the Company and provides temporary income for employees who have lost their job under certain circumstances. Your eligibility for unemployment compensation will, in part, be determined by the reasons for your separation from the Company.

6.19 SOCIAL SECURITY

Stepherson's makes a matching contribution to the Social Security fund on the employee's behalf. Stepherson's contributes a dollar to the Social Security Fund for every dollar deducted from the employee's paycheck for payment to the fund. You may contact the Social Security office to determine your current social security account status.

6.20 MATERNITY AND PATERNITY LEAVE

Maternity and Paternity Leave pay is a benefit provided to all full time employees who have been employed by Stepherson's for at least one year.

Maternity and Paternity Leave pay is paid in an amount equal to 60% of an employee's base rate. An employee must return to work full time for 12 months after the birth date of the child to be eligible for additional maternity and paternity leave benefits associated with the birth of a child and for 24 months after the date of adoption to be eligible for additional leave benefits associated with the adoption of a child.

Maternity leave pay, under this policy, commences when the mother takes leave for the birth of a child or for the adoption of a child up to and including the age of three, and continues for the duration of the leave up to six weeks.

Paternity leave pay, under this policy, commences upon the birth of the child or upon the adoption of a child up to and including the age of three and continues for the duration of the leave up to one week.

In the event of same sex parents, the birth parent will be entitled to maternity leave pay, and the non-birth parent to paternity leave pay. In the event of same sex parents, both of whom are employees, but neither is the birth parent, the parents will be entitled to divide the available maternity and paternity leave pay between themselves, and will inform Stepherson's as to the division. In the event of same sex parents, neither of whom is the birth parent, but one of whom is employed, the employed parent will be entitled to no more than the maternity leave pay.

Both maternity leave and paternity leave pay benefits may be taken concurrently, in conjunction with, or in addition to the employee's available sick pay and vacation time. Both maternity and paternity leave pay benefits run concurrently with the Family and Medical Leave Act leave.

Maternity leave and paternity leave pay benefits are not available in the event of a miscarriage prior to child birth.

To be eligible for maternity leave pay, an employee must be under a doctor's care and present written documentation regarding the needed duration of the leave or must present written documentation regarding the adoption and the adopted child's age.

To be eligible for paternity leave pay, an employee must present written documentation regarding the birth or the adoption and the adopted child's age.

All requests for maternity or paternity leave must be made to Human Resources.

6.21 SUPERLO SUPPORT FUND

Stepherson's Superlo Foods maintains a Support Fund designed to assist participating employees in times of unexpected financial hardship.

Eligibility: Any full or part-time employee who has contributed \$1 per pay period for at least six prior pay periods, excluding any employee with ownership interest in the company, is eligible for assistance should a qualifying event occur. The \$1 contribution is after-taxes and is paid via automatic deposit upon written election to make the payroll deduction.

Qualifying Event: A qualifying event is a temporary hardship of limited duration that has occurred due to an emergency which was beyond the employee's control. A qualifying event would include a natural disaster (i.e., house flood or fire, damage to a vehicle not caused in whole or in part by the employee's negligence, etc.), funeral expenses related to the death of a spouse, employee, or child, . A qualifying event does not include medical expenses which would be covered in part or in whole by medical insurance; payment on the life of a family member which could occasion a payment due to the passing of a family member; prescription medicine; utility, credit card, or phone bills; car maintenance; rent; or the like. Certain expenses such as medical expenses and life insurance cannot be covered under this Emergency Fund because payments of those expenses are subject to Federal Law. In the event of an eligible employee's death, the designated beneficiary will receive the Emergency Fund assistance.

Amount: An eligible employee may receive up to a maximum of \$1,000 each calendar year for a qualifying event upon application and after review and award by the Ownership Council Executive Committee. Proof of the expense(s) will be required and only the actual amount expended or documented to be expended will be paid from the Emergency

Fund. In the event that the Emergency Fund experiences limited reserves, then payments for qualifying events will be on a first come, first served basis.

Procedure: An eligible employee who has experienced a qualifying event may submit to the Ownership Council Executive Committee a written application (available from the corporate office) for a fund claim along with supporting documentation regarding the qualifying event and the financial hardship amount. The applying employee must certify the accuracy of the application and supporting documentation and authorize the Ownership Council Executive Committee to obtain information needed to verify the application. Any employee who knowingly provides false information in connection with his or her application for an Emergency Fund claim may be subject to corrective action, up to and including discharge.

The Ownership Council Executive Committee will review the application and make the determination, in its sole discretion, as to whether the hardship is a qualifying event and in what amount.

Ownership Council Executive Committee: The Ownership Council Executive Committee vested with authority to review applications and dispense monies from the Emergency Fund will consist of associates that have been elected to the Ownership Council by their respective store locations, and then elected to the council's executive committee.

Account: The Emergency Fund will be maintained in a separate account, and any interest earned will cover any account expenses or be added to the principal.

Tax status: Payroll deduction payments into the Fund are after-tax. Certain payments from the Fund may have a tax consequence and the employer is responsible for determining what those consequences may be upon receipt of a payment from the Fund.

7 SAFETY AND LOSS PREVENTION

7.1 GENERAL SAFETY POLICY

It is the responsibility of every employee of the Company to maintain a healthy and safe work environment. All employees are required to report any job related or on-the-job injury, no matter how minor, to his or her supervisor immediately and to fill out the appropriate accident report. Failure to report an injury immediately may result in the injury not being covered by workers' compensation and may result in disciplinary action consistent with 4.8, supra. Failure to follow the Company's health and safety rules and/or failure to work safely can result in disciplinary action under 4.8 supra.

7.2 ROBBERY

In the unlikely event that we should have a robbery then do exactly what the robber tells you. Do not take chances of causing bodily harm to yourself or others. Fix in your mind what the robber looks like, what they are wearing and anything that might help the police to identify them. If possible get a license number, note the direction they leave in, then immediately call 911, ask for the police dispatcher and give them the information.

7.3 FIRE

Know where the fire extinguishers are and if possible use one to confine the fire to a small area. Before doing this, however, get word to someone else to call the fire department. Do not take unnecessary chances while trying to extinguish a fire.

7.4 NON-SMOKING POLICY

Stepherson's is concerned about the effect that smoking and second hand smoke inhalation can have on its employees and clients. As a result, you are prohibited from smoking in the store and restrooms. Information on how to quit smoking can be obtained from the local cancer society.

7.5 REPORTING INJURIES

Federal and state OSHA regulations require all employees to immediately report illness or injury incurred while on the job regardless of severity. Please see your supervisor immediately to assist with any illness or injury and to obtain a Notice of Injury form to complete.

7.6 POLICY AGAINST VIOLENCE

The safety and security of our employees, tenants, vendors, contractors and the general public are of essential importance. Therefore, threats or acts of violence made by an employee against another person's life, health, well being, family or property will not be tolerated. Employees who violate this policy will be subject to discipline consistent with 4.8 supra.

The following are prohibited:

1. Any act or threat of violence made by an employee against another person's life, health, well being, family, or property.
2. Any act or threat of violence, which endangers the safety of employees, residents, tenants, vendors, contractors or the general public.
3. Any act or threat of violence made directly or indirectly by words, gestures, symbols or e-mail.
4. Use or possession of a weapon on the Company's premises managed by the Company.

It is a requirement that employees report to their supervisor or Human Resources, in accordance with this policy, any behavior that compromises the Company's ability to maintain a safe work environment. All reports will be investigated immediately and kept confidential, except where there is a legitimate need to know.

7.7 LOSS PREVENTION POLICY AND PROGRAM

The Company is committed to establishing and maintaining an environment free of theft. All employees, therefore, are required to be fully cooperative in any and all programs that help the Company with loss

prevention. The financial success of our business is to minimize its shrinkage, which is the unauthorized loss of its inventory, cash and other properties.

As part of this policy, management reserves the right to search employees' workstations or lockers.

Company personnel who provide credible information leading to the arrest and conviction of staff involved misappropriating property or information or other criminal acts against the Company are eligible to receive a cash reward, the payment and amount to be determined at the sole discretion of the president. Any information proffered will be held in the strictest of confidences. For more information about this program, contact your manager. Because loss prevention is everyone's responsibility, we encourage employees to participate in this program. Any time an employee observes suspicious behavior immediately notify you manager or Human Resources.

If an employee prefers to remain a "silent witness" to a criminal act, violation of Company policy, or diversion of Company business, the complete details of the situation being reported may be outlined in a letter mailed through the U.S. Postal Service, not through inter-office mail, to the following address:

Beth Berry
Office Manager
5150 American Way
Memphis, TN 38115
CONFIDENTIAL

The Company's policy with regard to criminal activity is to fully investigate, apprehend and prosecute to the fullest extent of the law.

8 CLOSING STATEMENT

8.1 CLOSING STATEMENT

Thank you for reading our employee handbook - - as an owner of the store through the employee stock ownership program THIS IS YOUR HANDBOOK. Hopefully, it has provided you with an understanding of the Company's mission, history and structure as well as our current policies and guidelines. We look forward to working with you to advance our common interest in a safe, productive and pleasant workplace.