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INDEX

UNITED FOOD AND COMMERCIAL WORKERS UNION, LOCAL 881 CONTRACT

WITH OSCO DRUG

Term: August 13, 2001 through August 8, 2004

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UNITED FOOD AND COMMERCIAL WORKERS UNION
Local 881

Term: August 13, 2001 through August 8, 2004

ARTICLES OF AGREEMENT

THIS AGREEMENT is entered into by and between AMERICAN DRUG STORES, INC. (formerly known as OSCO DRUG, INC. dba OSCO DRUG), hereinafter called the "Employer", and the UNITED FOOD AND COMMERCIAL WORKERS UNION LOCAL 881, a voluntary association, hereinafter referred to as the "Union".

ARTICLE 1

RECOGNITION OF THE UNION

Section 1.1 Recognition

The Employer recognizes the Union as the sole collective bargaining agent in all matters concerning wages, hours, and conditions of employment for all employees employed in the retail drug stores and distribution centers operated by the Employer's Division B, located in the following counties in and around Chicago, Illinois:

In Indiana -- Lake County, north of Route 231; and

In Illinois -- Will County, north of the southernmost boundary of DuPage County and west to Route 59; DuPage County, east of Route 59; Cook County, east of Route 59 and northeast of Route 62/Algonquin Road; McHenry County, northeast of Algonquin Road and east of Route 47; and Lake County. All Employer stores in said geographical areas shall be designated Division B stores.

Excluding, however, all registered pharmacists and pharmacy students performing work in the pharmacy, store managers and assistant managers, management trainees, employees not on the store or distribution center payrolls, seasonal employees, supervisors and others exempt under the National Labor Relations Act.

Pharmacy students prior to the third (3rd) year of pharmacy school shall be classified as pharmacy technicians and included in the bargaining unit. Pharmacy students after their second (2nd) year of pharmacy school are excluded from the bargaining unit.

Section 1.2 Prism/Outside Vendors

Osco has employed a company named Prism to perform new store or major remodel sets, new product introductions and resets. Such work, exclusive of new store or major remodel work, approximated an average of nearly 800 work hours per Chicagoland store during 1996. Since it is Osco's intent to continue its relationship with Prism, the parties agree to the following:

1. Osco agrees that Prism shall only perform new store or major remodel sets, new product introductions, resets and related work associated with such work.

2. The parties agree that work historically performed by vendors may continue, through vendors, Prism or whomever. The parties agree to meet and bargain over the expansion of any vendor work.
3. Osco Drug and UFCW Local 881 reserve all rights pursuant to the collective bargaining agreement and further agree that this issue is subject to the Grievance and Arbitration procedure of the Collective Bargaining Agreement.

ARTICLE 2

GENERAL

Section 2.1 Requirements for Certain Positions

A. Supervisors:

Supervisors, previously titled Head Clerks, include any employee who assists the store manager and/or assistant managers in supervising the operation of the store, including being in charge of the store whenever the manager and/or assistant managers are off and who is designated by the Employer as a Supervisor, shall be compensated in accordance with the wage rate applicable to said classification as set forth in Appendix A.

B. Cosmeticians:

Each store in the collective bargaining unit shall have a Cosmetician who shall be responsible for the buying, merchandising, display, and sale of those items customarily carried in the cosmetics department, as well as other duties as may be assigned by the Employer. The Employer shall have thirty (30) days from the date a cosmetician vacancy occurs because of transfer, promotion, separation from service, etc., in which to fill the same position.

C. Specialist/Pharmacy Technicians:

A Specialist is any employee who is designated as a Specialist by the Employer and principally responsible for the ordering, merchandising, pricing, selling, and required administrative reporting of product in the areas of the liquor, camera, and receiving departments or a combination thereof, or if the employee is primarily responsible for scanning, and shall be compensated in accordance with the Specialist's hourly wage rate as set forth in Appendix A.

Licensed and trained Pharmacy Technicians who are designated as a Pharmacy Technician by the Employer shall be compensated in accordance with the Pharmacy Technician hourly wage rate as set forth in Appendix A.

Certified Pharmacy Technicians are those employees who have successfully completed the Employer's examination and the PTCB national exam. Once certified, the technician certification obtained from the PTCB must be maintained in an active status. Employees who become a Certified Pharmacy Technician pursuant to Section 2.1(C) shall be reimbursed for the cost of the National exam and in addition, shall receive a minimum increase of \$.75 per hour, or off scale, to the next highest schedule rate after the \$.75 increase effective the Sunday following the Company's receipt of written proof of the successful National test results. Thereafter, all costs associate with keeping the certified technician license current shall be borne by the employee.

Pharmacy Technician Specialists are those certified technicians who (1) meet the Employer's qualifications; (2) are selected as a Pharmacy Technician Specialist candidate; (3) successfully complete training; (4) successfully pass the employer's Pharmacy Technician Specialist testing; (5) successfully bid on an available Pharmacy Technician Specialist position; (6) are assigned to a pharmacy where the Pharmacy Technician Specialist position is available. When the Certified Pharmacy Technician fulfills all of the requirements, that person shall receive a \$1.00 increase the first Sunday following fulfillment of those requirements. The Employer reserves the right to modify its Pharmacy Technician Specialist program and determine qualifications, selection criteria, training, test requirements and Pharmacy Technician Specialist staffing needs.

It is expressly understood that only employees who are designated by the Employer and who perform such duties as herein stated shall be considered Specialists or Pharmacy Technicians and that such employees may be assigned other duties in other areas at the Employer's discretion.

D. Clerks:

A Clerk is any employee who is primarily assigned such duties as ticketing, stocking, checking, bagging, cash handling, customer service, sanitation, or other duties as may be assigned by the Employer.

E. Seasonal Employees:

A store seasonal employee is an employee who is hired or rehired to work at any time during the following periods: the two (2) payroll weeks prior to Easter and the week of Easter; between May 1 and September 30; between November 1 and January 15; remodels; or major remerchandising efforts. A seasonal employee who is retained beyond these periods shall be reclassified as a regular employee and shall be deemed to have served his probationary period as of the 91st calendar day. The Employer shall report such persons, upon employment, to the Union with other new or rehired employees.

Section 2.2 Notices

All notices required under this Agreement shall be deemed to be properly served if delivered in writing personally or sent by certified or registered mail to the general offices of the Union at 122 W. 22nd Street, Oak Brook, Illinois 60523-1575, or to the Employer at Osco Drug, 1955 North Avenue, Melrose Park, Illinois 60160, or to an employee at his residence address, or to any subsequent address which the Union, the Employer, or the employee may designate in writing for such purpose. Date of service of a notice served by mail shall be the date on which such notice is postmarked by a post office of the United States Post Office Department.

Section 2.3 Partial Invalidity

Nothing contained in this Agreement is intended to violate any State or Federal Law, Rule or Regulation made pursuant thereto. If any part of this Agreement is construed by a court or board of competent jurisdiction to be in such violation, then that part shall be null and void, but the remainder of the Agreement shall be continued in full force. The Parties will immediately begin negotiations to replace the void part with a valid provision.

Section 2.4 Marginal Headings and Gender References

The captions of the several Articles and Sections of this Agreement are for convenience only and in no way limit, enlarge, define, or otherwise affect the scope or intent of the Agreement or any provision thereof. Gender references are also for convenience only.

Section 2.5 Effective Date

Unless the context of the Agreement indicates otherwise, all newly revised provisions of the Agreement become effective on the fourth Sunday after ratification, i.e. January 13, 2002.

Section 2.6 Amendments

This Agreement is subject to amendment, alteration, or addition only by a subsequent written agreement between, and executed by, the Employer and the Union. The waiver of any breach, term, or condition of this Agreement by either party shall not constitute a precedent in the future enforcement of all its terms and conditions.

Section 2.7 Equal Rights

The Employer and the Union reaffirm their mutual intent and current practice of opposing and refraining from discrimination against any employee for reasons of sex, race, religion, color, national origin, age, physical/mental handicap unrelated to performance ability, or union activity in accordance with the requirements of Title VII of the Civil Rights Act of 1964, as amended, the Labor Management Relations Act of 1947, as amended, the Age Discrimination in Employment Act of 1967, as amended, and applicable state laws.

Section 2.8 Uniforms

Any uniform deemed necessary by the Employer shall be furnished by the Employer. If the furnished uniform or clothing is a drip-dry or wash-and-wear variety, they shall be laundered by the employee.

ARTICLE 3

WORKING HOURS AND OTHER CONDITIONS OF EMPLOYMENT

Section 3.1 Workday and Workweek

- A. During weeks other than holiday weeks, the standard workweek for full-time employees as of December 31, 1988 shall be forty (40) hours to be worked in five (5) days of not less than eight (8) hours each, scheduled Monday through Saturday; or four (4) days of not less than ten (10) hours each, scheduled Sunday through Saturday. Any four (4) ten (10) hour day schedules will be mutually agreed upon between the employee and the Employer. All full-time Supervisors or full-time employees hired or promoted to a full-time position on or after January 1, 1989, shall have a standard workweek of Sunday through Saturday. The standard workday for full-time employees may be scheduled at any time between the hours of 6:30 a.m. and midnight (12:00 a.m.). Nothing herein should be construed as a guaranteed number of work hours or a guaranteed workweek.

- B. During holiday weeks, the workweek for full-time employees shall be thirty-two (32) hours to be worked in four (4) days of not less than eight (8) hours each or three (3) days of not less than ten (10) hours each for those employees who normally work ten (10) hour days, scheduled in their respective regular workweeks; it is understood that those who normally work four (4) ten (10) hour days shall be entitled to up to ten (10) hours of holiday pay.
- C. Full-time employees may voluntarily work a thirty-five (35) hour workweek within five (5), seven (7) hour days or a thirty-two (32) hour workweek within four (4), eight (8) hour days, with the consent of the Employer and the Union. Full-time employees exercising this option shall retain full-time status. Full-time employees working in accordance with this paragraph shall be scheduled to work a prorated holiday workweek in either three (3) or four (4) days as applicable. Such agreements may be revoked at any time by any party thereto by giving seven (7) calendar days written notice to the other parties.
- D. A part-time employee is one who regularly works less than thirty-two (32) hours per week. A part-time employee shall be classified as a full-time employee if they work thirty-two (32) hours or more in each of sixteen (16) consecutive weeks and are available on an on-going basis for at least forty (40) hours each week. Time spent classified as a seasonal employee shall not count toward these sixteen (16) consecutive weeks. Vacation time taken during this period shall not count for or against the employee as time worked. The sixteen (16) week period will be extended by the length of the vacation time.
- E. At least two (2) weeks prior to the holidays set forth in Section 5.6 - Holidays Recognized of this Agreement, the Employer shall post a notice for full-time employees near the weekly work schedule requesting that they volunteer to work the holiday. Providing that the full-time volunteers are sufficient in number and have the skill and experience to perform the jobs to be assigned, the Employer shall grant preference for holiday work to them based upon seniority. If an insufficient number of qualified full-time employees volunteer, the Employer shall schedule qualified part-time employees and the least senior of the qualified full-time employees who did not volunteer to the remaining jobs. Nothing in this section shall prevent the Employer from determining the ratio of full-time to part-time employees to be scheduled on these days, or to require the Employer to work all full-time volunteers before part-time employees may be scheduled.

Section 3.2 Work Schedules -- No Split Shifts

The Employer shall not schedule a "split" shift; i.e., any workday in which the continuity of work is broken by a period longer than a meal period, or a "spread" workweek; i.e., a standard workweek over six (6) days. Variations from the standard workday and workweek may be worked with the prior written consent of the individual employee and the Union, provided that no less than the minimum rates of pay provided herein are paid, and the agreement is in writing signed by the employee, the Union, and the Employer. Such agreements may be revoked at any time by any party thereto by giving seven (7) calendar days written notice to the other parties. The Employer shall post in ink or typed print, in each store, the weekly work schedule for all bargaining unit employees working in the store. Store management will provide a list of seasonal employees upon request from a Union business representative. The work schedule shall be posted with Sunday as the first day of the workweek and the following Sunday as the last day of the workweek. Schedules must be posted in an area that is accessible to all employees.

A work schedule showing days and hours for each employee shall be posted not later than 4:00 p.m. Thursday of the week preceding and covering the following Sunday through Sunday workdays. Posted

schedules may be changed when operating conditions or emergencies make changes necessary, provided that indiscriminate changes shall not be made and that the employees affected shall be given reasonable notice. There shall be no trading of time off for time worked.

Work schedules shall be maintained in the store for a three (3) month period of time and shall be available to an authorized representative of the Union for examination upon request for the purpose of investigating a filed grievance.

Section 3.3 Meal and Rest Periods

- A. Rest Periods -- Each employee shall be given one (1) uninterrupted ten (10) minute rest period each three and one-half (3-1/2) hours scheduled, with a maximum of two (2) per workday. Breaks shall be taken as near as practicable to the middle of each half day as scheduled by the Employer. This provision is to be administered so as to assure each employee ten (10) minutes in the lunch room provided by the Employer. Upon completion of a full ten and one-half (10-1/2) hours of work in a continuous workday, an additional ten (10) minute rest period will be granted to an employee at the end of said time, provided additional work is thereafter required by the Employer.
- B. Meal Periods -- No employee shall be required to work more than five (5) continuous hours without an unpaid lunch or dinner period, which shall be not less than one-half (1/2) hour nor more than one (1) hour, uninterrupted as agreed with the employee. Lunch and dinner periods shall be taken as scheduled by the Store Manager who shall schedule the meal period as near as practicable to the middle of the workday.

Section 3.4 Overtime and Other Premium Pay

- A. All employees may be required and scheduled to work overtime.
- B. Overtime and other premium pay shall be paid as follows:
1. Time and one-half (1 1/2) the employee's regular hourly rate of pay shall be paid for all hours worked:
 - a) after eight (8) hours in any one (1) day
 - b) After forty (40) hours in a week other than a week containing one of the national holidays set forth in Section 5.6 (not including personal holidays);
 - c) After thirty-two (32) hours in any week containing one of the national holidays set forth in Section 5.6 (not including personal holidays);
 - d) On holidays for all full-time, or part-time employees hired on or before December 31, 1988 plus any holiday pay due under Section 5.6; part-time employees hired on or after January 1, 1989 shall receive a \$1.00 per hour premium for work on a recognized holiday plus any holiday pay due under Section 5.6;
 - e) On Sundays for all full-time people employed on or before December 31, 1988; full-time employees hired or promoted to a full-time position on or after January 1, 1989 shall receive a \$1.00 per hour premium for work on a Sunday; and

- f) After ten (10) hours in one day for employees regularly scheduled to work four (4) ten (10) hour days per regular workweek.
2. All employees shall be paid fifty (.50) cents per hour in addition to their regular hourly rate for all work performed in stores between midnight and 6:00 a.m. For those employees who regularly work an overnight shift, commencing after 10:00 p.m., the premium pay shall be applicable for the entire overnight shift until 6:00 a.m. There shall be no duplication of premium pay.

Section 3.5 Pyramiding of Overtime Prohibited

Overtime shall not be paid twice for the same hours worked. Thus, in calculating the overtime due on a weekly basis, any hours for which overtime is payable on a daily, Sunday, holiday, or other basis shall be excluded in determining the overtime due, if any, on a weekly basis.

Section 3.6 Minimum Scheduling, Call-In and Reporting Pay

No employee who is scheduled to work on any day may be scheduled for less than four (4) hours.

Each store will post a "sign-up" sheet next to the schedule. Employees not scheduled to work and who desire to work more hours can sign up, if they want to be called in for extra hours due to an increase in business, or call-off, etc. Employees must place their names on the sign-up sheet by the end of business on Saturday. When the Store Director or Operating Manager is present, they will attempt to call in employees listed on the sign-up sheet before utilizing other employees who are not working on that day

Whenever any employee is called into work and reports on an unscheduled basis, he shall be paid the greater of the hours actually worked, or four (4) hours provided that he is available to work.

Any employee who reports to work as regularly scheduled but for whom work is not available throughout his scheduled shift shall be paid as follows: if the cause is an act of God, the employee shall be compensated for the greater of four (4) hours or his actual hours worked; otherwise, he shall be paid for his scheduled hours.

The Employer reserves the right to establish a procedure to enable employees to determine before they leave home for work, whether they should report as scheduled. When such advance notice is available, but the employee reports anyway, he shall not be entitled to reporting pay.

No employee's scheduled hours may be reduced because he performed unscheduled work in response to a call-in unless at the request of the employee and convenient to the Employer.

The provisions of this entire section shall not apply to employee meetings, security/loss prevention investigation meetings, or when discipline is administered.

Section 3.7 Out-of-Classification Work

In the event an employee is required to work temporarily in a lesser paying job, he shall not suffer a reduction in pay while on such temporary assignment.

Section 3.8 Scheduling of Part-Time Employees

Part-time employees hired after November 20, 1994 (or whose status changes after November 20, 1994) shall be scheduled a minimum of twelve (12) hours per week. Part-time employees hired before that date shall be scheduled for a minimum of fourteen (14) hours per week. However, this section shall not apply to an employee called in to replace another employee, or to an employee whose available hours are beyond the Employer's control, or to an employee who requests time off during the week, or to an employee called in to work when fewer than fourteen (14) or in the case of those hired after November 20, 1994, twelve (12) hours remain in the work week.

Relatively equally qualified part-time employees, based upon training and/or performance, and equally available employees shall be granted preference for additional available hours based on length of service, if such employees are in a position to take all of the available hours individually. Employees may open their availability during the seasonal periods as defined in Section 2.1 (E). At the end of the seasonal period, the regular employee's availability shall revert back to their previous availability. The Employer will consider written requests, for additional seasonal hours, from regular part-time employees prior to the hiring of seasonal employees. Such requests for additional seasonal hours shall not be considered when an employee limits his availability. Preference for additional available hours shall be limited to the store in which the employee works and to the type of work the employee regularly performs; provided further that the Employer may employ such part-time employees as are necessary for the efficient operation of the business.

Alleged part-time scheduling violations shall be grieved within five (5) calendar days of the posting of the work schedule or shall be forever waived. Violations which are remedied through a schedule change within the involved workweek shall not give rise to any back pay.

ARTICLE 4

WAGES

Section 4.1 Wage Rates

Appendix A sets out the minimum hiring rates and minimum rates for time in classification for store employees.

For an employee at the top rate or above the top rate of the wage scale for his or her job classification on the date the new wage structure becomes effective, the following shall apply:

a) Employees at or above the top rate of their job classification who have thirty six (36) months or more of service shall receive the over thirty six (36) months overscale increases or shall be placed in the wage progression on the contract dates, whichever is greater.

b) Employees at or above the top rate of their job classification with less than thirty-six months, upon reaching thirty six (36) months of service, shall become eligible for the over thirty-six (36) months overscale increases or shall be placed in the wage progression on the contract dates, whichever is greater. Under no circumstances shall an overscale employee be paid less than the top printed rate in the contract for their classification.

c) Employees hired after December 21, 2001 who are hired above the top contract rate for their job classification shall receive the less than thirty-six (36) months overscale increases or move to the next highest wage bracket, whichever is greater.

When an employee is transferred to a job classification having a higher wage rate, the transfer shall be deemed as a promotion. The employee shall be paid the next higher rate in the new job classification and progress every six (6) months thereafter. Employees who are hired above the starting rate but not above the top rate, shall progress to the next highest rate on each of their six (6) months anniversaries through the wage progression.

Section 4.2 Recording Time Worked

Each employee shall accurately record the daily time worked by him on forms or equipment to be provided by the Employer and kept in the stores for that purpose.

Section 4.3 Previous Experience

The Employer may recognize, for purposes of establishing an initial hourly rate of pay, previous comparable experience in the retail drug industry, within the last four (4) years prior to the date of hire, which is listed on the employee's employment application and proven by the employee. The Employer will recognize, for purposes of establishing an initial hourly rate of pay, previous comparable experience with Osco Drug within the last four (4) years prior to the date of rehire, which is shown on the employee's employment application and proven by the employee. One (1) month of credit for each four (4) full months of service will be credited, up to a maximum service credit of twelve (12) months. In either case, the maximum credit shall be no more than twelve (12) months.

Section 4.4 Employee Meetings -- Required Attendance

An employee who is required to attend a meeting called by the Employer shall be paid for all time in attendance at such meeting. In the event that the meeting neither occurs during the employee's scheduled working hours, nor immediately precedes or follows such hours, the pay for the meeting shall be the greater of the time in attendance while the meeting is being conducted or one (1) hour. In any event, the provisions of Section 3.6 shall not apply to Employer called meetings.

ARTICLE 5

VACATIONS, HOLIDAYS, PAID ABSENCES, AND LEAVES OF ABSENCE

Section 5.1 Length of Vacations

Each employee covered by this Agreement who meets the qualifications shall be entitled to a vacation with pay in accordance with the following schedule:

<u>Number of Completed Years of Continuous Service</u>	<u>Number of Weeks of Vacation with Pay</u>
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Full-Time Employees

1 year	1 week
2 - 4 years, inclusive	2 weeks
5 - 13 years, inclusive	3 weeks
14 - 19 years, inclusive	4 weeks
20 or more years	5 weeks

Part-Time Employees

1 year	1 week
2 - 4 years, inclusive	2 weeks
5 - 14 years, inclusive	3 weeks
15 - 24 years, inclusive	4 weeks
25 or more years	5 weeks

As used above, continuous service means completed years of service since the last employment date, except that for a person who was transferred from part-time employment to full-time employment, it shall mean complete years of service including credit granted for previous service as a part-time employee.

Section 5.2 Vacation Qualifications

- A. 1. Full-Time Employees hired in the preceding year may take their first vacation in the current year ahead of their service anniversary date subject to their refunding all vacation payments in the event they do not complete a full anniversary year of employment. Once an employee has qualified for his first vacation, he shall thereafter qualify for all succeeding vacations as of January 1 of the current year for a vacation based on his length of service to be completed during the current year subject to the adjustment set out in Section 5.5 in the event the employee does not complete his anniversary year of service.
- 2. Refunding as referred to throughout Article 5 shall be accomplished in the manner expressly agreed to by the Employer and the Union as set forth in Section 5.5(C) of this Agreement.
- B. Part-Time Employees shall qualify for all vacations after completion of an anniversary year.

Section 5.3 Vacation Pay

A. Full-Time Employees

A week's vacation pay for full-time employees shall be calculated by multiplying the number of hours in the employee's standard scheduled workweek times the employee's regular straight-time hourly rate plus overtime for the classification to which he is assigned at the time of taking his vacation. Full-time employees who are absent for any reason for ninety (90) or more calendar days during any calendar year shall receive pro-rata vacation pay equal to the ratio of hours worked (including paid vacation and holiday hours) divided by 2,080 hours. Full-time employees will receive their vacation pay on the payday immediately preceding the vacation period, provided the employee provides at least fourteen (14) calendar days written notice prior to the vacation period to the Store Manager or the manager-in-charge.

B. Part-Time Employees

A week's vacation pay for part-time employees hired in the preceding year shall be calculated by multiplying 1/52 times the employee's hours worked during the preceding anniversary year times the current wage rate. Days or hours paid pursuant to the holiday and vacation provisions

of this Agreement shall be counted as days or hours worked for the purpose of this Section. Employees hired in the preceding year shall be paid after the employee's employment anniversary date on the payday immediately preceding their vacation period, provided that the employee provides at least fourteen (14) days notice to the Store manager or manager in charge. Vacation pay not paid during the employee's anniversary year shall be paid after the anniversary year in which the employee could use it in all subsequent years. In each subsequent year, the employee shall qualify for vacations each anniversary year thereafter. For the year in which an employee is transferred from part-time to full-time, he shall be paid for his vacation as a part-time employee.

Section 5.4 Vacation Administration

A. Vacation Schedules

All vacations shall be subject to the necessary scheduling of replacements by the Employer which may limit the number of employees who may be on vacation at any one time. With the exception of the period between Thanksgiving week and Christmas week, when each General Manager has the discretion to do as he or she deems necessary, it is not the Parties' intent that whole weeks be blocked out on posted work schedules as across-the-board periods when no employees may take vacation. Therefore, with respect to weeks other than those described above, limitations should be determined year-by-year and, when necessary, should generally apply to employees in specific departments or job classifications in response to seasonal, promotional or other special events. Preference in the choice of earned vacation dates shall be given on the basis of seniority in each store and job status (that is, full-time and part-time employees separately). Those employees requesting vacation between January 1st and March 31st must submit their vacation requests by December 1st of the prior year. Those employees requesting vacation to be taken April 1st through December 31st of a year must submit their vacation requests by March 1st of that year. Failure to do so will result in loss of seniority rights with respect to vacation claiming. In either situation, vacation requests must be submitted at least one (1) month in advance. All vacations shall be for calendar weeks.

B. Holidays Within Vacations

Whenever a holiday recognized under this Agreement falls within an employee's vacation period, the employee shall receive an extra day's pay or subsequent day off at a time mutually agreed upon by the employee and Employer.

Section 5.5 Adjustment of Vacation Pay in the Event of Layoff or Separation from Service

A. Full-Time Employees

Any full-time employee who is laid off or who leaves service prior to his first service anniversary shall refund any vacation pay received by him with respect to such year.

Any full-time employee who is laid off or leaves service after his service anniversary shall, unless he was discharged for gross misconduct in connection with his work, (namely, stealing, malicious vandalism, or other serious misconduct), be entitled to vacation pay at the rate of one-twelfth (1/12th) of the vacation pay to which he was entitled at his last anniversary date for each full month of service completed since his last anniversary date plus any earned vacation not taken.

If a full-time employee is laid off or is separated from service and is entitled to vacation pay as set out above, he shall be paid such vacation pay within two (2) weeks following the layoff or separation from service.

If a full-time employee has received his vacation with pay and is laid off or separated from service prior to his anniversary date, he shall refund the difference, if any, between the vacation pay received and the vacation pay to which he was entitled under the above schedule.

B. Part-Time Employees

Any part-time employee who is laid off or who leaves service after having completed at least one (1) year of service and who has completed at least six (6) months of service towards his next service anniversary date shall, unless he was discharged for gross misconduct in connection with his work (namely, stealing, malicious vandalism, or other serious misconduct), be entitled to vacation pay at the rate of one-twelfth (1/12th) of the vacation pay to which he was entitled at his last anniversary date plus any earned vacation not taken.

C. Refunding shall be accomplished by deducting the total amount due from all final payroll monies at the time of layoff or separation, which is expressly authorized by this Agreement. If final payroll monies are insufficient, the employee shall pay the balance due within ten (10) days of layoff or separation.

Section 5.6 Holidays Recognized

A. The following shall be paid holidays. There shall be no work on Christmas Day by bargaining unit employees except as set forth in Section 5.7, and work on all other recognized holidays in addition to Easter Sunday shall be on a voluntary basis for all employees, except that if an insufficient number of employees volunteer the Employer may require employees to work in accordance with job classification in inverse seniority order to maintain a qualified staff for operations.

New Year's Day
Memorial Day
Independence Day

Labor Day
Thanksgiving Day
Christmas Day

B. Holiday Qualifications

To qualify for holiday pay all employees must work both their scheduled workdays before and after the holiday, except that this requirement shall be deemed to be met if the employee's failure to work said workdays is due to his personal illness, injury, or other excused cause provided that he works at least one (1) day in the workweek in which the holiday falls. If a store employee fails to work his or her scheduled workday before or after a holiday due to an illness or injury for a second time during a calendar year, the employee must provide required medical documentation of the employee's personal illness or injury before receiving any holiday pay for this holiday. Part-time employees hired on or after December 21, 2001 shall be eligible for the paid six (6) national holidays after three (3) full months of continuous service.

C. Holiday Pay

Full-time Employees who qualify shall receive holiday pay in an amount equal to their regularly scheduled standard straight-time workday.

Part-time Employees who work an average of fourteen (14) or more hours per week, or twelve (12) hours if employed after November 20, 1994, shall receive holiday pay equal to the product of 20% of the number of average weekly straight-time hours worked during the accounting period preceding the period in which the holiday falls (including paid vacation hours), times their straight-time hourly rate in effect in the workweek in which the holiday falls. The minimum part-time holiday pay shall be four (4) hours.

Section 5.7 Christmas Eve/New Year's Eve/Christmas Day Work

- A. No bargaining unit personnel shall be required to work past 6:00 p.m. on Christmas Eve or 9:00 p.m. on New Year's Eve, provided that employees will continue working until the customers leave the store if the store closes at 6:00 p.m. or 9:00 p.m. respectively, or on Christmas Day in the event the Employer deems it necessary to keep the store open in order to meet competitive needs.
- B. Notwithstanding the provisions of Section 5.6 - Holidays Recognized, the Employer may attempt to staff stores on Christmas Day, provided that:
- (1) it schedules only those bargaining unit employees who volunteer to work upon being asked, but not required, to do so; in the event that a sufficient number of bargaining unit employees do not volunteer, the Employer may use other employees (outside the bargaining unit), temporary employees, or other persons the Employer deems qualified and available for Christmas Day work;
 - (2) it complies with the provisions of Section 3.4 (B)(1)(d);
 - (3) it shows that it is remaining open on Christmas Day to meet competitive needs.

This section shall apply only to freestanding stores of the Employer (i.e., those not operated in a "combo" format with Jewel Food Stores), or to combo stores if the Jewel store is open.

Section 5.8 Personal Day Off -- Employee's Birthday

All full-time or part-time employees with thirty (30) or more calendar days of service shall be given an additional day off with pay in celebration of their birthday. All part time employees hired on or after December 21, 2001, shall be eligible after one (1) year of continuous service. The day off shall be during the workweek in which the birthday occurs as mutually agreed upon by the Employer and the employee, provided the employee gives at least fourteen (14) days notice of the desired day off. Full-time employees shall receive eight (8) hours of straight-time pay and eligible part-time employees shall receive four (4) hours of straight-time pay for the day off observed as their birthday. The personal day off in celebration of the employee's birthday shall not be treated as a holiday for purposes of the holiday pay provisions covering national holidays.

Section 5.9 Personal Day Off -- Employee's Employment Anniversary

All full-time employees shall receive each year an additional day off in celebration of their employment anniversary. Such employees will receive eight (8) hours straight-time pay for this day, which shall be taken during the workweek in which the anniversary occurs, as mutually agreed between the Employer and the employee, provided the employee gives at least fourteen (14) days notice of the desired day off. Such personal day off shall not be treated as a holiday for purposes of the holiday pay provisions covering national holidays.

Section 5.10 Personal Day Off -- Floating Holiday

All employees with one (1) or more years of service shall receive each year an additional day off (maximum one (1) day per calendar year) as a floating holiday as mutually agreed upon by the Employer and the employee, provided the employee gives at least fourteen (14) days notice of the desired day off. Full-time employees shall receive eight (8) hours straight-time pay and part-time employees shall receive four (4) hours straight-time pay. Such personal day off shall not be treated as a holiday for purposes of the holiday pay provisions covering national holidays.

Section 5.11 Personal Holiday for Perfect Attendance

Any full-time or part-time store employee who works an entire calendar year without an absence (defined below), shall be eligible to take one (1) regularly scheduled day off with straight-time pay starting on February 1st in the following calendar year.

This personal holiday may be taken when mutually agreed upon by the Employer and the employee, provided that at least fourteen (14) days advance notice shall have been given by the employee.

For purposes of this section only, paid vacation, holiday, funeral leave, or jury duty days shall not be treated as disqualifying absences. Any other absence, including but not limited to a tardiness or a leave early (not requested by the Employer), shall count against perfect attendance.

Section 5.12 Leaves of Absence

A. Medical:

Any employee who has a minimum of six (6) months of continuous service with the Employer and who is not covered by the Employer's Disability Pay Plan or who is a qualified individual with a disability as defined and provided by the Americans with Disabilities Act shall receive a medical leave of absence without pay due to a disabling injury or illness, including those related to a pregnancy. A medical leave may be for a period of up to six (6) months in duration and renewable, upon request, to a maximum of one (1) year, provided that once each month after the first six (6) months the employee notifies the Union and the Employer of his whereabouts and status.

B. Family and Personal:

Any employee who has a minimum of six (6) months of continuous service with the Employer may, upon written request to their immediate supervisor, be provided an unpaid leave of absence not to exceed ninety (90) days, to provide care in connection with the birth or adoption of a child or to provide care for a family member requiring full-time care.

The employee shall make such request as soon as possible, but at least fourteen (14) days before the proposed leave, except in the case of an emergency. A "family member" is limited to an employee's legal spouse, mother, father, son, daughter, (including step-father, step-mother, or step-children when they have lived with the employee in an immediate family relationship). Such leave shall not be unreasonably denied. The Employer agrees that no employee will be required to use accrued but not yet used vacation, holidays, or personal days as part of the leave counted toward an employee's entitlement under this section or the Federal Family Medical Leave Act.

The employee shall provide documentation satisfactory to the Employer as to the birth or adoption, the relationship of a "family member", the nature and extent of the illness, and the physician's determination that full-time care is needed.

The Employer may grant personal leaves of similar duration for other reasons acceptable to the Employer, provided that such other personal leaves are given in a non-discriminatory manner.

C. Military:

Employees who enter into military service shall be accorded a military leave in accordance with applicable law, without regard to service with the Employer.

D. Leave Provisions:

Time off under the Family Medical Leave Act will run with time off under Sections' 5.12(A) or (B) and paid time-off. Sections 12 (A) and (B) shall be administered separately; however, the maximum continuous time off from work for any combination of leaves of absence and/or paid time off shall not exceed twelve (12) continuous months, unless otherwise required by law. All leaves must be requested in writing by the associate on available Company forms and approved by the Benefits Administration Department prior to the beginning of the leave period except in emergency situations when the leave is not foreseeable in advance. When there is an emergency situation, the associate must make the written request as soon as possible. A leave is not authorized until written notification is received from the Benefits Administration Department. The Benefits Administration Department shall promptly provide such notification after receipt and analysis/review of all requested information.

E. Any employee who is granted a leave of absence and, while on such leave accepts employment with another employer or who goes into business for himself, is subject to discharge. Any employee on leave of absence shall not be entitled to holiday or vacation pay or to any other employee benefit not accrued at the time of beginning of the leave of absence. Leaves of absence which total less than thirty (30) calendar days in a year of service shall be considered as time served for the purpose of progression in the wage schedules, while leaves of absence which equal or exceed thirty (30) calendar days in a year of service shall operate to defer the effective dates of each ensuing wage progression by the length of such absence.

Section 5.13 Jury Pay

When any full-time employee or part-time employee with twelve (12) or more months of continuous service is summoned for jury service, he shall be excused from work for the days in which he reports for jury service and/or serves. He shall receive, for each such day on which he so reports and/or serves and on which he otherwise would have worked, his regular straight-time hourly pay for that day, provided he endorses payment to the Employer received, if any, from the Court or as otherwise paid by the Company; and provided, however, that no payment shall be made under the provisions of this Section to any employee summoned for jury service unless he shall have advised the Employer of the receipt by

him of such jury summons not later than the next regularly scheduled workday after receipt of said summons.”

The jury pay differential for eligible part-time employees shall equal the product of 5% of the number of straight-time hours worked during the Employer accounting period preceding the jury service for each scheduled workday served on a jury. Before any payment shall be made to any employee hereunder, he shall present to the Employer proof of his summons for his service, and of the time served and the amount of pay received. The provisions of this Section shall apply only when an employee is summoned for jury duty and shall not apply if an employee volunteers to serve as a juror. When an employee is released for a day or part of a day during any period of jury service, he shall report to his unit for work.

Section 5.14 Funeral Leave Pay

The Employer agrees to pay full-time employees, beginning with the date of death, up to five (5) scheduled workdays for the necessary absence related to the attendance of the funeral of a spouse, parent, step-parent, child, step-child, or in the case of a brother or sister, when the employee attends the funeral and it is 200 miles or more one way from the employee's regular work place.

Full-time employees shall be paid, beginning with the date of death, up to three (3) scheduled workdays for the necessary absence related to the attendance of the funeral of a brother or sister (except as provided above), brother-in-law, sister-in-law, father-in-law, mother-in-law, grandparent, grandchild, or any relative residing with the employee or with whom the employee is residing.

Part-time employees shall receive up to three (3) days off with pay to attend the funeral of the employee's spouse, parent, step-parent, father-in-law, mother-in-law, child, step-child, brother or sister. The part-time employee shall receive one (1) day off with pay to attend the funeral of the employee's brother-in-law, sister-in-law, grandparent, grandchild, or any relative residing with the employee or with whom the employee is residing.

In the case of the overseas burial of a spouse, child, or parent, full-time and part-time employees shall be excused from work, and paid their regularly scheduled hours for the day on which the funeral occurs when time and cost considerations of overseas travel prevent the employee from attending the funeral.

Funeral pay shall be based on straight-time hours for work scheduled on the involved day.

Proof of death, relationship, and/or attendance of the funeral may be required by the Employer.

Section 5.15 On the Job Injury

An employee injured on the job who receives medical treatment and who is medically certified, in writing, to be unable to work on the day of injury by a treating physician shall be paid for his or her normally scheduled work hours on the day of injury at his or her normal rate of pay.

ARTICLE 6

OTHER BENEFITS

Section 6.1 Retirement Benefits

During the term of this Agreement, but without commitment thereafter, the Employer agrees to provide, and administer to eligible employees, the Employer's normal profit sharing or pension plan

as said plan may be changed, altered, discontinued, amended or substituted by the Employer. In said event, the Employer shall notify the Union of any such changes, alterations, or amendments for informational purposes, prior to implementation. If the Employer discontinues the profit sharing/pension plan, the Employer shall immediately begin effects bargaining with the Union. If the parties are unable to reach agreement in effects bargaining and an impasse arises, then Section 9.1 shall not apply after the impasse.

Section 6.2 Health Care Benefits

For the term of this Agreement, the Employer agrees to provide and administer to eligible employees, the Employer's normal Point of Service or HMO Health Care Plan options as said plan may be changed, altered, amended or substituted by the Employer. In said event, the Employer shall notify the Union for informational purposes, prior to implementation. Effective June 1, 1998, and for the term of this contract, but without commitment thereafter, the Employer agrees that the employee contribution shall equal eighteen (18%) per cent of the total cost of providing and administering a Point of Service (managed care) health care plan. If an employee elects an HMO option, the Employer agrees to contribute the same dollar amount toward the HMO option as it contributes toward the managed care plan, and any amount above that sum will be the responsibility of the employee.

Section 6.3 Employee Purchase Discount Plan

For the duration of this Agreement, but without commitment thereafter, the Employer agrees to provide, maintain, and administer an Employee Purchase Discount Plan covering all employees. The Employer may change, alter, discontinue or amend said Plan and agrees to notify the Union of any such changes, alterations, or amendments for informational purposes, prior to implementation. If the Employer discontinues the Employee Purchase Discount Plan, the Employer shall immediately begin effects bargaining with the Union. If the parties are unable to reach agreement in effects bargaining and an impasse arises, then Section 9.1 shall not apply after the impasse

Section 6.4 Employee Stock Purchase Plan

For the term of this Agreement, the Employer agrees to provide and administer to eligible employees the Employer's normal Employee Stock Purchase Plan as said plan may be changed, altered, amended, substituted or discontinued by the Employer.

ARTICLE 7

SENIORITY

Section 7.1 Seniority and Other Definitions

Seniority means the rights secured by an employee by length of continuous employment service as provided herein. Seniority starts from the last date when the employee is hired by the Employer, except that new employees shall not acquire any seniority rights until they have completed a probationary period of sixty (60) days, after which their seniority shall date back to the date of last hiring.

An employee's seniority shall be broken if he: (1) quits; (2) retires; (3) is discharged; (4) fails to report after a layoff within seven (7) calendar days after the Employer sends to the last address known to the Employer a written notification to return to work; (5) has been out of employment with the Employer

for a period of twelve (12) months; or (6) fails to return from an approved leave of absence at the end of such leave of absence.

When two (2) or more employees are hired on the same day, their seniority shall be determined by the day and month of birth. The employee whose day and month of birth is closest to January 1st of the calendar year shall have the greatest seniority.

Section 7.2 Seniority Area

For purposes of layoff and recalls after layoff, the seniority area shall be the operating district in which the facility is located. The Employer shall advise the Union of operating district facility designations upon request of the Union.

Section 7.3 Layoffs and Recalls After Layoffs -- All Employees

Seniority shall control the order of layoffs and recalls after layoffs of employees within the following job classifications:

- Full-Time Clerks
- Full-Time Cosmeticians
- Full-Time Specialists
- Full-Time Pharmacy Technicians
- Full-Time Certified Pharmacy Technicians
- Full-Time Pharmacy Technician Specialists
- Full-Time Supervisors
- Part-Time Clerks
- Part-Time Cosmeticians
- Part-Time Specialists
- Part-Time Pharmacy Technicians
- Part-Time Certified Pharmacy Technicians
- Part-Time Pharmacy Technician Specialists
- Part-Time Supervisors

This seniority principle requires that:

- A. The employee with the lowest seniority in the applicable job classification in the store shall be the first laid off.
- B. The employee being laid off may as an alternative bump that employee in the same job classification with the lowest seniority in the seniority area or, if qualified, may as an alternative bump the least senior employee in the next lower job classification (as determined by wage rate) in the employee's store.
- C. No new employee shall be hired in a job classification until all laid-off employees in that classification and seniority recall area who are qualified to fill the open job have been given an opportunity to return to work.
- D. Qualified laid-off employees shall be recalled in the order of their seniority in the recall area in which their store is located.

E. Any employee on layoff shall not be entitled to holiday or vacation pay or to any other employee benefit not accrued at the beginning of the layoff. Layoffs which total less than thirty (30) calendar days in a year of service shall be considered as time served for the purpose of progression in wage schedules, while layoffs which equal or exceed thirty (30) calendar days in a year of service shall operate to defer the effective dates of each ensuing wage progression by the length of such absence.

Section 7.4 Selection of Employees for Full-Time Employment

The Employer will consider applications for full-time employment from part-time employees with six (6) months or more continuous service. When a full-time employee is needed, the Employer will endeavor to fill said position by selecting from all applicants, the applicant whose qualifications, ability, and availability for work is the greatest; provided, however, that where qualifications are equal, preference shall be given to part-time applicants within the collective bargaining unit on the basis of their length of service. The determination of the relative qualifications of all applicants is expressly reserved to the Employer.

Section 7.5 Job Posting

When the Employer determines there is a full-time opening available in its stores, such position can be temporarily filled with any employee of the Employer's choice. However, such vacancy shall be posted for a four (4) day period, commencing on Tuesday or Friday of the week that the determination is made.

The posting will occur in markets within the district area designated by the Employer, and employees for whom the opening would be a promotion (either because of job classification or status) shall be eligible to bid on the posted job. The employee who has received written discipline within six (6) months of his job bid is not eligible to bid under this policy. The Employer will consider all employees who bid, based on qualifications (including quantity and quality of prior experience). If two (2) or more employees are determined to be equally qualified, the Employer shall select the more senior of them.

The Employer reserves the right to fill such an opening with an outside applicant after utilizing the job posting procedure, but agrees that before selecting an applicant over an employee who bids, the Employer shall consider the employee's length of service as part of their qualifications, and shall focus primarily upon actual training and prior experience in the case of the applicant.

Section 7.6 Promotion to Supervision

If an employee is promoted from a job within the bargaining unit to a supervisory position with the Employer, he shall continue to accumulate seniority while working the supervisory position for a period of one (1) year and if demoted to the collective bargaining unit within said one (1) year period, he shall commence work with the seniority rank he had at the time of his promotion plus the seniority accumulated while he was working in the supervisory position.

Section 7.7 Seniority of Employees on Leaves of Absence

The seniority rights of an employee who, either by voluntary action or draft, entered the Armed Forces of the United States shall continue as though he had not been absent, and he shall have the right to be reinstated to his employment as provided by law and regulation thereunder.

An employee who requests and is granted a family/personal or medical leave of absence by the Employer shall have his seniority rights and provisions maintained for the duration of such leave of absence, provided the employee does not hold any other employment while on such leave of absence.

Section 7.8 Transfer

When the Employer exercises its right to transfer employees between stores because of staffing considerations, it shall meet the following conditions:

- (1) transfers shall be limited to the market in which the home store is located;
- (2) in lieu of a transfer to another store, an employee may:
 - (a) bump the least senior employee in his job classification and status within the store;
 - (b) be laid off, with recall rights pursuant to Section 7.1.

It is understood and agreed that this section applies only to transfers for staffing needs. It does not apply to layoffs governed by Section 7.3 and transfers for disciplinary reasons.

ARTICLE 8

UNION-MANAGEMENT RELATIONS

Section 8.1 Union Shop

It shall be a condition of employment that all employees of the Employer covered by this Agreement who are members of the Union in good standing on the execution date of this Agreement shall remain members in good standing and those who are not members on the execution date of this Agreement shall on the thirty-first (31st) day following the execution date of this Agreement become and remain members in good standing in the Union. It shall also be a condition of employment that all employees covered by this Agreement and hired on or after its execution date shall, on the thirty-first (31st) day following the beginning of such employment become and remain members in good standing in the Union. The Employer may secure new employees from any source whatsoever. During the first sixty (60) days of employment, a new employee shall be on a trial basis and may be discharged at the discretion of the Employer.

The Employer agrees to notify the Union weekly, in writing of the name and residence address of new employees, the store in which employed, and the date of first employment.

The Union agrees to admit to and retain in membership all employees who have served a trial period of sixty (60) days and proved satisfactory to the Employer as prospective permanent employees without discrimination so long as such employees tender the initiation fees and periodic dues uniformly required for membership and maintain their membership in good standing with the Union. In the event that an employee fails to tender the initiation fee, reinstatement fee, or periodic dues uniformly required as a condition of acquiring or retaining membership or if such employee fails to maintain membership in good standing, the Union shall notify the Employer in writing and the Union member will be given not less than two (2) weeks time in which to re-establish his membership in good standing before the Employer shall be called upon to release him.

Section 8.2

Union Dues and Other Checkoffs

The Employer agrees to deduct the uniform dues and initiation fees or reinstatement fees from the paychecks of those covered employees whose individual written, unrevoked authorizations are on file with the Employer and to transmit the amounts so deducted to the Union. Said deduction authorizations shall be in such form as to conform with Section 302(c) of the Labor-Management Relations Act of 1947.

Upon reasonable notice from the Union, the Employer will deduct monies from employee's paychecks, in addition to the present deductions for standard dues and initiation fees, or reinstatement fees, for a credit union program of the Union pursuant to individual written authorizations and subject to such deductions being permitted by law.

Section 8.3

ABC Check-Off

The following provision shall become effective for the United Food and Commercial Workers Union, Local No. 881, if and when such Local Union desires to institute such check-off procedure. Upon sixty (60) days notice to the Employer, the following shall become applicable:

“The Employer agrees to honor and to transmit to the Union, contribution deductions to the United Food and Commercial Workers International Union Active Ballot Club from employees who are Union members and who sign deduction authorization cards, provided such deductions can be handled by the Company's payroll department on an automated basis. The deductions shall be in the amounts and with the frequency specified on the political contribution deduction authorization cards.”

Section 8.4

Indemnification

The Union agrees to defend, protect, indemnify, and save the Employer harmless against any claim, demand, suit, or liability that shall arise out or by reason of any action taken by the Employer in reliance upon a request made by the Union to discharge an employee for failure to maintain his membership in good standing pursuant to Section 8.1, or upon employee payroll deduction authorization cards submitted by the Union to the Employer under Section 8.2.

Section 8.5

Union

The Union for and on behalf of itself and its members agrees that its members shall perform the work assigned to them from time to time by the Employer, and shall work for the best interests of the Employer in every just and lawful way, giving honest and diligent service to the patrons of the Employer and to each other.

Section 8.6

Union Stewards and Business Representatives

The Union shall have the right to designate a steward for each store. The Union shall keep the Employer informed as to the names of the stewards authorized to represent the Union and shall provide the Employer with a list of stewards at least once every ninety (90) days.

The Union Business Representatives shall be admitted to the Employer's store premises during the hours employees are working for the purpose of ascertaining whether or not this Agreement is being observed. Such activity shall be conducted in such a manner as not to interfere with the orderly

operation of the Employer's business, it being further agreed that lengthy discussions between employees and representatives of the Union, including the shop steward, or among themselves, concerning disputes shall not take place during working hours.

In cases of disputes as to wages, the Employer agrees to show an authorized representative of the Union bona fide copies of the employee's wage records.

Section 8.7 Union Absences

One (1) steward in each store will be granted the day off, with pay (defined below), to attend the Local 881's one (1) day Annual Steward's Conference. Warehouse stewards, subject to a maximum of five (5), shall be included.

The Union shall provide the Employer with the names and work locations of these employees at least fourteen (14) days prior to the conference.

Pay, for this purpose, shall be the number of hours the employee is regularly scheduled to work on the day the annual conference is held. If the amount cannot be determined because the employee's schedule varies on that day of the week from week to week, then a full-time employee shall be paid eight (8) hours and a part-time employee shall be paid four (4) hours.

Pay for attendance at this annual one (1) day conference shall not constitute time worked for other contractual purposes including, but not limited to, overtime premium.

Union officers, upon request made through Union headquarters to the Employer's headquarters, shall receive time off without pay for the conduct of Union business, provided that the request be made not less than fourteen (14) calendar days in advance of the expected absence, unless an emergency precludes such advance notice.

Section 8.8 Display of Agreement, Union Shop Cards and Bulletin Boards

The Employer agrees to keep a copy of this Agreement, which shall be furnished by the Union, posted in each facility at a place where every employee may have equal and easy access to same. The Employer also agrees to display one Union shop card of a reasonable size in all facilities, and agrees that employees may wear up to one (1) Union button (not to exceed 1-1/4 inches in diameter) per member during working hours. The Union may display a bulletin board of reasonable size in all facilities covered by this Agreement.

Section 8.9 Employee Lists

In January and July of each year, the Employer shall furnish to the Union, a seniority list for each store/warehouse covered by this Agreement as follows: the list shall include the employee's name, address, rate of pay, date of hire, classification and date of promotion, where applicable.

Section 8.10 Management Rights

The management of the business, including the right to plan, determine, direct and control operations and hours; the right to study and introduce new operational methods, facilities and products; the right to direct and control the work force, including the determination of its size and composition, the

scheduling and assignment of work and also including the right to hire, assign, demote, promote and transfer, to layoff or reduce the hours of work because of lack of work, to discipline, suspend or discharge for proper cause; and to establish and maintain reasonable rules and regulations covering the operation, a violation of which shall be among the causes for discharge, is vested in the Employer; provided, however, that these rights shall be exercised with due regard for the rights of the employees and provided further that they will not be used for the purpose of discrimination against any employees. The listing of specific rights in this Agreement is not intended to be, nor shall it be considered restrictive of or a waiver of any rights of management not listed and not specifically surrendered herein, whether or not such rights have been exercised by the Employer in the past.

Section 8.11 Discipline

During an employee's probationary period, that is, during his first sixty (60) days of employment or extension thereof, an employee may be discharged for any reason at the sole discretion of the Employer. New employees hired in a new store shall serve a probationary period of sixty (60) days after the store's opening to the public. New employees hired in an existing facility for a new store shall serve the normal sixty (60) days probationary period. The probationary period for a newly hired pharmacy technician shall be ninety (90) calendar days. A newly promoted pharmacy technician shall have up to a ninety (90) day trial period and will be subject to a return to his prior position if the employee fails to satisfactorily perform as a pharmacy technician

After an employee has completed the probationary period, such employee shall not be suspended, discharged, or otherwise disciplined, without just cause, to include but not be limited to the following: continuing poor performance on the job, whether due to inefficiency, loafing, carelessness or incompetency; dishonesty or other misconduct in connection with work; incivility; insubordination; serious or persistent infraction of reasonable rules promulgated by management relating to the operation or the health or safety of employees; or engaging in a strike, work stoppage, slowdown or picketing in violation of this Agreement; provided, however, that in the event of a dispute as to whether a suspension, discharge, or other disciplinary penalty was for just cause, the matter shall be adjusted in accordance with the grievance and arbitration provision of this Agreement.

Disciplinary suspensions shall begin the day after the employee is notified of the suspension and, notwithstanding any other provisions of the Agreement, another employee may be called-in or otherwise scheduled to replace the suspended employee so that the suspension can begin promptly. However, the Employer may impose immediate suspensions for offenses including, but not limited to, threats or fighting, destruction of property, or insubordination.

Suspension for investigatory purposes shall be limited to ten (10) of the employee's work days, unless the Regional Human Resource Manager or the Director-Distribution notifies the Union in writing that he is exercising the Employer's discretion to extend the investigatory suspension for up to ten (10) additional such days. After that time, the employee shall be scheduled to work pending the final disposition, or his employment shall be terminated. The Employer agrees to make a good faith effort to conclude investigations within a reasonable period of time under the facts and circumstances in each case.

Upon the request of the employee or steward, the steward may be present at an investigatory interview which may reasonably be expected to lead to discipline, provided that the steward is readily available at the time the interview is to take place.

Section 8.12

Picket Lines

Employees may refuse to cross an authorized, lawful primary picket line involving a dispute between Osco Drug, Inc. and United Food and Commercial Workers Union, Local 881.

ARTICLE 9

NO STRIKES; NO LOCKOUTS; GRIEVANCES & ARBITRATION

Section 9.1

No Strikes; No Lockouts

The Union and the Employer agree on the need for the continuance of their service to the public without interruption. Both recognize this objective as necessary to the security of the Employer and its people. Both, therefore, specifically pledge themselves to help assure that security by using the procedures agreed upon between them for the adjustment of disputes and grievances in all cases where there is any difference of opinion concerning the rights of either under this Agreement or the interpretation or application of any provision to it. Therefore, during the term of this Agreement or written extension thereof, there shall be no strikes, including sympathy strikes (except as provided in Section 8.12 of this Agreement), slowdown, boycott, diminution, picketing, handbilling (except in regard to a dispute between Osco Drug and United Food and Commercial Workers Union, Local 881), or suspension of work of any kind on the part of the Union or its membership; nor shall there be any lockout on the part of the Employer. Violations of this Article shall not be subject to the grievance procedure as the parties may immediately exercise their right to resort to a court of law and/or equity.

Section 9.2

Grievances

- A. Grievances Defined -- A grievance is hereby defined as any dispute involving the interpretation or application of the provisions of the Agreement.
- B. Procedure -- A grievance may be initiated by any individual employee, by the Union or by the Employer. Once initiated, the following steps shall be taken to settle such grievance:

Step 1: By conference between the aggrieved employee, the shop steward, or both and the Store Manager or Distribution Production Manager within:

- * 14 calendar days after an alleged improper disciplinary action or discharge occurs;
- * 28 calendar days after an alleged improper action unrelated to an employee's wage rate or pay occurs;
- * 90 calendar days after a pay dispute becomes evident;
- * 180 days after a wage rate dispute becomes evident; or
- * as otherwise provided within this Labor Agreement.

After the initial grievance is filed, the parties shall have thirty (30) calendar days to discuss and resolve the grievance at Step 1

Step 2: By written appeal by a Union representative to the Regional Human Resource Manager (stores) or Director-Distribution (distribution centers) or such other official as the Employer may designate, explaining the facts involved in the alleged contract violation within thirty (30) days of the conference in Step 1 above, to Step 2. If the Step 1 grievance is appealed to Step 2, the parties shall have thirty (30) calendar days to discuss and resolve the grievance at Step 2

Step 3: By written appeal by a Union representative to an operations or labor relations official designated by the Employer, explaining the facts involved in the alleged contract violation within fourteen (14) days of the Employer's response to the written appeal in Step 2 above, to Step 3.

C. Time Limits on Grievances

Only grievances appealed to the next step within fourteen (14) calendar days after the applicable conference or written appeal shall be appealable to the next step. Pay grievances shall be collectible up to ninety (90) calendar days prior to the filing of such a grievance and wage rate grievances shall be collectible up to one hundred and eighty (180) days prior to the filing of such a grievance provided such grievances arise as stated in Section 9.2(B) of this Agreement. Failure to comply with any of the above stated time limitations shall result in the termination of the grievances against the defaulting party unless the parties mutually agree, in writing, to waive the time default since it is the express intent of the parties to expeditiously settle any dispute concerning the interpretations or application of this Agreement.

Section 9.3 Arbitration

- A. Either the Union or the Employer may, within twenty-eight (28) calendar days after failure to adjust the grievance in accordance with the grievance procedure, serve upon the other party a written demand for arbitration stating the issue to be arbitrated. The parties shall endeavor to select an impartial arbitrator. However, if the parties fail to agree upon an arbitrator who is willing and able to serve within fourteen (14) calendar days after service of the demand for arbitration, either party may, within seven (7) calendar days thereafter, request the Federal Mediation and Conciliation Service to submit a list of not less than five (5) disinterested persons who are qualified and willing to act as impartial arbitrators. Upon receipt of this list, an authorized representative of the Union shall strike a name from the panel. Thereafter, the parties shall alternately strike one name each until only one name remains. The person whose name remains shall be the selected arbitrator.
- B. The arbitrator shall commence hearings as quickly as possible after his selection and shall render his award in writing together with his written findings and conclusions as quickly as possible after the hearing. The arbitrator will issue his decision within sixty (60) calendar days after the close of the proceedings or his receipt of both parties' post hearing briefs, whichever is later. The award shall be final and binding upon the parties to this Agreement and upon the complaining employee or employees, if any.

The arbitrator shall have no power to determine arbitrability nor to add to, subtract from, modify, or amend any provision of this Agreement, nor to substitute his discretion for the discretion of the Union or the Employer, change existing wage rates or arbitrate proposals for the amendment or renewal of this Agreement.

The arbitrator's fees and expenses, the cost of any hearing room, and the cost of a shorthand reporter and of the original transcript shall be borne equally by the parties. All other costs and expense shall be borne by the party incurring them.

- C. For the purpose of entertaining a written request from either of the parties for rehearing to correct any material error of omission or commission, ambiguity, or question of application allegedly evident in the opinion or award the arbitrator shall, for a period of seven (7) calendar days next following the date of his award, retain jurisdiction of the matter submitted to arbitration by the parties hereto, and until the expiration of the period of time stated in this provision for rehearing the award shall not be deemed to have been issued. If, however, no request for rehearing is duly filed within this seven (7) day period, this award shall be deemed to be issued effective as of its date. A written request for rehearing shall detail the specific grounds relied upon for alleging a material error, or ambiguity, and a copy thereof shall be mailed by certified mail to the other party or parties. If the written request is postmarked no later than the seventh (7th) day next following the date of this award, it shall extend the jurisdiction of the arbitrator for a period of seven (7) days next following the date of the written request.

Within those seven (7) days the arbitrator, having re-examined the matter, shall in writing either reject the request for a rehearing or set a date for the requested rehearing. If the request for rehearing be denied, this award shall thereupon be deemed to be issued effective that date and the jurisdiction of the arbitrator shall accordingly cease. If the request for rehearing is granted, the jurisdiction of the arbitrator shall continue until issuance of a final amended award incorporated or rejecting the substance of the allegations contained in the request.

The participation by the parties in an arbitration proceeding under this Agreement shall not be deemed a waiver of or prejudicial to the right of either party to contest the arbitrability of the grievance or the jurisdiction and authority of the arbitrator in proceedings to set aside the award or in other appropriate proceedings in any State or Federal court of competent jurisdiction, provided that such judicial proceedings are instituted within thirty (30) days of the date of the arbitrator's award.

Section 9.4 Grievance Settlements/Awards

Monetary awards, either by settlement or arbitration shall be paid within thirty (30) calendar days after an amount is agreed upon, provided it is understood that an arbitration decision is not final if appealed.

ARTICLE 10

MISCELLANEOUS PROVISIONS

Section 10.1 Travel Hardships

A full-time employee who is incurring substantial hardship due to a store location may request a transfer to a store closer to his or her home. The Employer will endeavor to comply with such requests where such compliance would not be inconsistent with the efficient operation of the business.

ARTICLE 11

New Store Opening and Store Closing

Section 11.1

This article applies only to new store openings and store closings, as defined below. Store relocations and transfers, also defined below, are specifically exempted from coverage of this article.

A. Definitions - For purposes of this article, the following definitions shall apply:

- 1) New Store - a retail drug store within the jurisdictional scope of Article 1.1, and which does not fall under the definition of a store relocation below;
- 2) Store Closing - a retail location covered under this contract which ceases doing business;
- 3) Store Relocation - a retail location which ceases doing business in one physical location, but will resume doing business in a new physical location;
- 4) Transfer - assignment of employees from one physical location to another, as defined in Section 7.8.

B. New Store Openings

The Employer agrees to staff new stores as follows:

- 1) The Employer will post notice of the new store opening date and location in the market where the new store will be located at least four (4) weeks prior to the expected opening date.
- 2) The Employer agrees to fill at least fifty-five percent (55%) of the positions available in the new store location with current employees, if that number of qualified employees bid.
- 3) The Employer shall select these employees based upon their qualifications and seniority, as set forth in Section 7.5.

C. Store Closing

- 1) If an employee is offered an equivalent position with a new employer (equivalent is deemed as one paying eighty percent (80%) or more of the employee's salary with the Employer), or if an employee is offered a transfer to an alternate location within the same market as the store being closed, the employee shall not be eligible for severance pay.
- 2) If the Employer closes a store and the conditions in (1) above are not met, a full-time employee with over three (3) years of continuous service and part-time employees with over five (5) years of continuous service will be eligible for severance pay as follows:
 - a) one (1) week of pay for each year of continuous service, to a maximum of eight (8) weeks pay;
 - b) COBRA rights will also be available;
 - c) all vacation and personal days accrued but not taken will be paid;
 - d) letters of recommendation shall be furnished upon request, provided the employee's performance has been evaluated as satisfactory or better and no written warnings have been issued in the prior six (6) months;
 - e) the Employer agrees to give the Union notice as provided pursuant to the provisions of the WARN Act.

ARTICLE 12

TERM

Section 12.1 Initial Term

This Agreement shall become effective August 13, 2001, and shall expire at 12:01 a.m., August 8, 2004.

Section 12.2 Renewal Term

If either party wishes to modify this Agreement at its expiration, it shall serve notice in writing of such request upon the other party not less than sixty (60) days prior to the expiration date. In the absence of the service of such notice, this Agreement shall automatically renew itself for a period of one year from year to year thereafter, it being further agreed that the expiration date shall be 12:01 a.m. on the second Sunday in August of each succeeding year.

IN WITNESS THEREOF, the Parties affix their signatures to this Agreement.

UNITED FOOD AND COMMERCIAL WORKERS
UNION LOCAL 881

By *Arnold H. Powell*
President - Local 881

By _____

Date 4/22/02

AMERICAN DRUG STORES, INC.
dba OSCO DRUG

By *Thomas J. Walter*
Thomas J. Walter
Vice President, Labor Relations

By *SJZ*
Sandra J. Zubik
Director, Labor Relations

Date 3/4/2002

APPENDIX A
DRUG STORE EMPLOYEES

<u>RX Tech Specialist</u>	<u>8/12/01</u>	<u>3/10/02</u>	<u>8/11/02</u>	<u>2/9/03</u>	<u>8/10/03</u>	<u>2/8/04</u>
0-6 months	10.20	10.30	10.45	10.60	10.75	10.90
7-12 months	10.60	10.60	10.80	10.95	11.10	11.25
13-18 months	11.00	11.00	11.15	11.30	11.45	11.60
19-24 months	11.40	11.40	11.50	11.65	11.80	11.95
25-30 months	11.80	11.80	11.90	12.00	12.10	12.20
over 30 months*	12.20	12.20	12.30	12.40	12.50	12.60
overscale 36 or more continuous months with the Company*	.40		.40		.40	
overscale less than 36 continuous months with the Company*	.15	.10	.15	.10	.15	.10
<u>RX Certified Technician</u>						
0-6 months	8.95	8.95	9.00	9.15	9.30	9.45
7-12 months	9.20	9.20	9.25	9.40	9.55	9.70
13-18 months	9.45	9.45	9.50	9.65	9.80	9.95
19-24 months	9.70	9.70	9.75	9.90	10.05	10.20
25-30 months	9.95	9.95	10.00	10.15	10.30	10.45
over 30 months*	10.20	10.20	10.25	10.40	10.55	10.70
overscale 36 or more continuous months with the Company*	.40		.40		.40	
overscale less than 36 continuous months with the Company*	.15	.10	.15	.10	.15	.10
<u>Supervisor/Pharmacy Technician</u>						
0-6 months	7.95	8.10	8.25	8.40	8.55	8.70
7-12 months	8.20	8.35	8.50	8.65	8.80	8.95
13-18 months	8.45	8.60	8.75	8.90	9.05	9.20
19-24 months	8.70	8.85	9.00	9.15	9.30	9.45
25-30 months	8.95	9.10	9.25	9.40	9.55	9.70
over 30 months*	9.20	9.35	9.50	9.65	9.80	9.95
overscale 36 or more continuous months with the Company*	.40		.40		.40	
overscale less than 36 continuous months with the Company*	.15	.10	.15	.10	.15	.10
<u>Specialist/Cosmetician</u>						
0-6 months	6.70	6.80	7.00	7.15	7.30	7.50
7-12 months	6.95	7.05	7.25	7.40	7.55	7.75
13-18 months	7.20	7.30	7.50	7.65	7.80	8.00
19-24 months	7.45	7.55	7.75	7.90	8.05	8.25
25-30 months	7.75	7.85	8.00	8.15	8.30	8.50
over 30 months*	8.05	8.15	8.25	8.40	8.55	8.75
overscale 36 or more continuous months with the Company*	.40		.35		.35	
overscale less than 36 continuous months with the Company*	.15	.10	.15	.10	.15	.10

<u>Full-time Clerk</u>	<u>8/12/01</u>	<u>3/10/02</u>	<u>8/11/02</u>	<u>2/9/03</u>	<u>8/10/03</u>	<u>2/8/04</u>
0-6 months	6.45	6.55	6.75	6.90	7.05	7.25
7-12 months	6.70	6.80	7.00	7.15	7.30	7.50
13-18 months	6.95	7.05	7.25	7.40	7.55	7.75
19-24 months	7.20	7.30	7.50	7.65	7.80	8.00
25-30 months	7.45	7.55	7.75	7.90	8.05	8.25
over 30 months*	7.75	7.85	8.00	8.15	8.30	8.50
overscale 36 or more continuous months with the Company*	.40		.35		.35	
overscale less than 36 continuous months with the Company*	.15	.10	.15	.10	.15	.10
 <u>Part-time Clerk</u>						
0-6 months	6.20	6.30	6.50	6.65	6.80	7.00
7-12 months	6.40	6.55	6.75	6.90	7.05	7.25
13-18 months	6.60	6.80	7.00	7.15	7.30	7.50
19-24 months	6.80	7.05	7.25	7.40	7.55	7.75
25-30 months	7.05	7.30	7.50	7.65	7.80	8.00
over 30 months*	7.30	7.55	7.75	7.90	8.05	8.25
overscale 36 or more continuous months with the Company*	.30		.30		.30	
overscale less than 36 continuous months with the Company*	.15	.10	.15	.10	.15	.10

When an employee is transferred to a job classification having a higher wage rate, the transfer shall be deemed as a promotion. The employee shall be paid the next higher rate in the new job classification and progress every six (6) months thereafter.

If an associate is reclassified to a lower paid job classification, his or her rate will be reduced by the amount of the pay increase received for or attributable to the higher paid position.

Wages shall be retroactive to August 12, 2001 for employees employed on December 23, 2001.

* As per Article 4, Section 4.1.

APPENDIX B

SUPPLEMENT TO ARTICLES OF AGREEMENT
BETWEEN
AMERICAN DRUG STORES, INC. dba OSCO DRUG
AND
THE UNITED FOOD AND COMMERCIAL WORKERS UNION, LOCAL 881

WHEREAS, the parties hereto have negotiated a Collective Bargaining Agreement for the term August 13, 2001 through August 8, 2004 covering the retail drug stores and distribution centers operated by the Employer's Division B; and

WHEREAS, said Collective Bargaining Agreement is the result of negotiations to replace the agreement which was scheduled to expire August 12, 2001 which Agreement also covered the retail drug stores and distribution centers operated by the Employer's Division B; and

WHEREAS, the parties mutually agree that certain additions, deletions, and modifications in said Agreement (hereinafter called the "Master Contract") should appropriately be made for specific application to said distribution centers;

NOW THEREFORE, the parties agree as follows:

ARTICLE 1

GENERAL

- A. This document is a supplement to the Master Contract and is hereby made a part thereof.
- B. Except as otherwise modified hereby, all terms and conditions of said Master Contract shall apply to employees employed at the distribution centers operated by the Employer's Division B.

ARTICLE 2

WORKDAY AND WORKWEEK

- A. Standard Workweek
 - 1. During weeks other than holiday weeks, the standard workweek for day shift, full-time employees hired prior to January 6, 1998 shall be forty (40) hours to be worked in five (5) days of not less than eight (8) hours each, Monday through Friday. The standard workweek for night shift, full-time employees hired prior to January 6, 1998 may be Sunday p.m. through Friday p.m. or Monday p.m. through Saturday p.m. During weeks other than holiday weeks, the standard workweek for day-shift, full-time employees hired on or after January 6, 1998 shall be forty (40) hours to be worked in five (5) days of not less than eight (8) hours each, Sunday through Saturday.
 - 2. Effective 11/1/91 newly hired full-time Audit Department employees may be scheduled as above on the basis of a Sunday through Saturday workweek. Current full-time Audit Department employees shall remain on a Monday through Friday workweek as provided

for in (1) above. However, current employees shall have the right to bid into the new workweek schedule. Once the employee bids into the new work schedule the employee must work the Sunday through Saturday schedule for a period of six (6) months before being allowed to bid back into the Monday through Friday workweek schedule. Current employees will only be able to exercise this bidding right one (1) time.

3. During holiday weeks, the workweek for day shift full-time employees shall be thirty-two (32) hours to be worked in four (4) days of not less than eight (8) hours each, Monday through Friday, or Sunday through Saturday for employees with that standard workweek pursuant to the provisions of (2) above. The workweek for night shift employees shall be thirty-two (32) hours to be worked in four (4) days within the standard night shift workweek. Night shift Thanksgiving Day holiday will be observed with the shift starting on Thanksgiving. Other recognized holidays shall be observed with the start of the shift preceding the normal holiday, unless otherwise agreed upon with the Union. Work on Christmas Day or New Year's Day may not be required, however, night shifts may be rescheduled to commence at 12:00 a.m. on the day following said holidays. The Sunday in January normally designated as "Super Bowl Sunday" will have night shift hours from 6:00 a.m. to 2:30 p.m.
4. The Employer agrees to employ no more than twenty percent (20%) of its Distribution Centers' workforce in part-time positions. The Employer shall schedule part-time employees as provided in Section 3.2 of the Master Agreement. The minimum weekly hours for part-time employees shall be twelve (12) hours except for those exceptions referenced in Section 3.8 of the Master Agreement or in case of layoff.
5. Upon notification in writing to the Union, the Employer may implement a four (4) ten (10) hour a day workweek, which shall be offered to the employees on a volunteer basis to full-time employees, Monday through Friday, hired prior to January 6, 1998, and on a required basis to full-time employees, Sunday through Saturday, hired on or after January 6, 1998. Full-time employees who desire to work four (4) ten (10) hour days, Sunday through Saturday, shall indicate their preference in writing to the supervisor of the department in which the four (4) ten (10) hour day schedule occurs, and they will be offered the available schedule by their seniority, within the job classification.

Overtime will be paid at the rate of time and one-half (1 1/2) for all hours worked in excess of ten (10) hours per day or thirty (30) hours per week in a holiday week for full-time employees with a four (4) day, forty (40) hour standard workweek.

During holiday weeks, the workweek for full-time employees shall be thirty (30) hours to be worked in three (3) days of not less than ten (10) hours each day at straight time for full-time employees with a four (4) day, forty (40) hour standard workweek.

B. Work by Supervisors

Supervisors may only perform supervisory or advisory functions at the covered distribution centers. Nothing herein is intended to restrict normal supervisory functions or to restrict management's right to re-assign product distribution to other distribution centers not covered by the Labor Agreement or inventory work.

C. Seasonal Employees

A seasonal distribution center employee is an employee who is hired or rehired to work up to ninety (90) calendar days during peak seasons or remodels. Such rehire will not occur within 90 days of a termination of employment. A seasonal person who is retained beyond 90 days shall be reclassified as a regular employee and shall be deemed to have served his probationary period as of the 91st calendar day. The Employer shall report such persons, upon employment, to the Union with other new or rehired employees.

ARTICLE 3

WORK SHIFTS: PREMIUM PAY

- A. Day Shift -- A day shift is any shift scheduled to commence at or after 6:00 a.m. through 4:30 p.m., provided, however, that no full-time day shift employee shall start later than 1:00 p.m.
- B. Night Shift -- A night shift is any shift scheduled to commence at or after 4:30 p.m. until 6:00 a.m.
- C. Night Premium -- Designated night shift employees only shall be paid eighty cents (\$.80) per hour in addition to their regular hourly rate for all hours worked from 4:30 p.m. to 6:30 a.m. or for any shift starting after 4:30 p.m. Effective January 4, 2004, the eighty cents (\$.80) per hour premium will be increased to eighty-five cents (\$.85) per hour. Said night shift premium shall apply to paid holiday and vacation hours of designated night shift employees.
- D. Controlled Drug Cage Premium -- Employees whose primary duties involve the stocking, picking, auditing or detailing of controlled drugs within the Controlled Drug Cage (excluding the Rx Return area) will receive a \$.25 per hour premium when performing such duties for the majority of their workweek. Effective January 6, 2002, the twenty-five cents (\$.25) per hour premium will increase to thirty cents (\$.30) per hour.
- E. Saturday Work - Full-Time Employees -- For full-time employees hired prior to January 6, 1998, time and one half (1 1/2) the employee's regular hourly rate of pay for full-time employees will be paid for all hours worked on Saturday, except that this provision shall not apply to Saturday work hours associated with the fifth day of work by designated night shift full-time employees. Designated night shift full-time employees shall receive the premium on the sixth workday in a workweek.
- F. Sunday Work - Full-Time Employees -- For full-time employees hired prior to January 6, 1998, two (2) times the employee's regular hourly rate of pay will be paid for all hours worked on Sunday, except that this provision shall not apply to Sunday work hours associated with the first day of work by designated night shift full-time employees. Designated night shift full-time employees shall receive the premium on the seventh workday in a workweek.
- G. Sixth and Seventh Day Premium - Full-time employees hired on or after January 6, 1998 -- Full-time employees hired on or after January 6, 1998 or employees hired prior to January 6, 1998 successfully bidding on to a standard Sunday through Saturday workweek thereafter in lieu of Saturday and Sunday premium as provided for in (E) and (F) above, premium pay shall be paid as follows:

(1) Sixth day of work by full-time employees in the standard workweek: time and one-half (1 1/2) the employee's regular hourly rate of pay for full-time employees will be paid for all hours worked on the sixth day within the standard workweek; i.e., after the completion of five (5) other days worked of at least eight (8) hours each in the same workweek.

(2) Seventh day of work by full time employees in the standard workweek: two (2) times the employee's regular hourly rate of pay will be paid for full-time employees for all hours worked within a standard workweek; i.e., after five (5) days of at least eight (8) hours each have been worked, followed by a sixth day worked in the same standard workweek.

H. Audit Department Employees - Hired after 11/1/91 -- Full-time Audit Department employees hired after 11/1/91 or current employees successfully bidding on to a standard Sunday through Saturday workweek thereafter in lieu of Saturday and Sunday premium as provided for in (E) and (F) above, premium pay shall be paid as follows:

(1) Sixth Day of Work by Full-Time Employees in the Standard Workweek - Time and one-half (1 1/2) the employee's regular hourly rate of pay for full-time audit department employees will be paid for all hours worked on the sixth day within the standard workweek; i.e. after the completion of five (5) other days worked of at least eight (8) hours each in the same workweek.

(2) Seventh Day of Work by Full-Time Employees in the Standard Workweek - Two (2) times the employee's regular hourly rate of pay will be paid for full-time audit department employees for all hours worked within a standard workweek; i.e. after five (5) days of at least eight (8) hours each have been worked, followed by a sixth day worked in the same standard workweek.

ARTICLE 4

SENIORITY

A. Seniority Area

For purposes of layoff and recall after layoff, the seniority area for all employees shall first be the distribution centers and thereafter the operating district in which each distribution center is located.

B. Layoffs and Recalls After Layoffs

Seniority shall control the order of layoffs and recalls after layoffs of employees within the following job classifications as provided herein this section:

Working Foreman
Full-Time Material Handlers
Full-Time Repack and Processing Employees
Part-Time Material Handlers
Part-Time Repack and Processing Employees

This seniority principle requires that:

1. The employee with the lowest seniority in the applicable job classification in the affected distribution center shall be the first laid off.
2. The employee being laid off may:
 - a. as an alternative bump the least senior employee in the same job classification in any other covered distribution center;
 - b. bump the least senior employee (if less senior) in the next lower job classification (as determined by wage rate) in any other covered distribution center; or
 - c. be placed in an available store position in the seniority area, provided the employee is qualified to perform the work based upon actual acceptable experience with the Employer.
3. No new employee shall be hired in a job classification until all laid-off employees in that classification and seniority recall area who are qualified to fill the open job have been given an opportunity to return to work.
4. Qualified employees laid off from the distribution centers shall be recalled in the order of their seniority in the operating district in which the distribution centers are located.

C. Allocation of Overtime

When overtime is necessary, it shall be offered in accordance with seniority, provided, in all cases, the employee has the proven skills and ability to perform the work.

Overtime shall be filled as follows for the facilities at Lunt and Pratt in Elk Grove Village, and Wood Dale, Illinois:

- 1) for the Repack Processor job classification in the Repack and Processing Department:
 - a) first, on a volunteer basis, to those at work in the department on the shift at the facility where the overtime occurs;
 - b) second, on a volunteer basis, to those at work in the department on the shift in the next closest facility;
 - c) third, on a volunteer basis to those in other job classifications at the facility in which the need for overtime originally occurred, provided that they are deemed qualified; "qualified" for purposes of this provision is defined as someone who has satisfactorily completed an approved training program and whose name is on a "qualified" list for that calendar year; Employees will have the opportunity to apply and be trained on a quarterly basis;
 - d) fourth, if an insufficient number of volunteers are present, the Employer shall have the right to require overtime; such right shall be exercised by requiring overtime in order of inverse seniority among those at work on the shift in the department at the facility where the need for overtime originally arose;

- e) fifth, if the need to require overtime still exists, the Employer shall require overtime by department in order of inverse seniority among those at work on the shift in the next closest facility.
- 2) for the Material Handlers job classification:
- a) first, on a volunteer basis, to those at work in the department on the shift at the facility where the overtime occurs;
 - b) second, on a volunteer basis to those at work in the same job classification on the shift at the facility;
 - c) third, if an insufficient number of volunteers are present, the Employer shall have the right to require overtime; such right shall be exercised by requiring overtime in order of inverse seniority among those at work on the shift in the department at the facility where the need for overtime originally arose;
 - d) fourth, if the need to require overtime still exists, the Employer shall require overtime in order of inverse seniority among those at work in the job classification at the facility.
3. It is further understood that for purposes of claiming of overtime at all facilities, the most senior working foreman of the department in which the need for overtime occurs will be able to claim overtime in their department by virtue of their Company seniority date in that department, provided that three (3) or more employees are needed in the department. It is further understood and agreed that for purposes of allocations of overtime among Material Handlers outside of their department or facility, the seniority of Working Foreman shall be dovetailed with that of Material Handlers so that Working Foreman will be able to claim overtime offerings for all other material handling departments.
4. The Employer reserves the right to designate an emergency situation, which provides that the Employer has the option to fill overtime on the same basis as above at the next nearest facility, or the Employer may use other employees (outside the bargaining unit), temporary employees, or other persons the Employer deems qualified and available to work. However, the emergency situation determination is subject to the grievance procedure.
5. Daily Overtime: The Employer may obtain volunteers via a sign-up sheet and/or the in-house paging system, at least four (4) hours from the end of the scheduled shift. Notice for required overtime will be posted within three (3) hours from the end of the scheduled shift. The Employer retains the right to request volunteers on shorter notice to finish the day's work.
6. Peak Volume Seasons: The Employer has the right to schedule any or all employees for required overtime during peak volume seasons without first resorting to volunteers. The Employer agrees that it may not schedule overtime by isolated days; instead it must always declare a week at a time. This peak volume overtime shall not exceed twelve (12) weeks per year. This required overtime shall be posted at least four (4) hours prior to the scheduled end of the shift. Weekend overtime shall be posted prior to the end of the previous day's work schedule. For purposes of this paragraph, a week at Wood Dale shall be measured from Thursday through Wednesday; for the Elk Grove Village facilities, it will be measured from Sunday through Saturday.

7. Job Classifications

Working Foremen

Departments

Receiving
Stocking
Auditing
Picking
Repack and Processing
Packing Line
Loading
Sanitation
Maintenance

Material Handlers

Departments

Receiving
Stocking
Auditing
Picking
Repack and Processing*
Packing Line
Loading
Sanitation
Maintenance

Repack and Processing

Repack and Processing

- * Repack Processors will not have the ability to claim Material Handlers work.

D. Bidding for Job Vacancies

Prior to the employment of new employees or in the case of permanent transfers (30 calendar days or more), the Employer agrees to post, for bid permanent job vacancies, showing the working department, distribution facility (except for working foreman positions), and the major job classification, (i.e., material handler, repack and processing, and working foreman). Such bids shall be posted for a period of forty-eight (48) hours. Bids may be submitted by any qualified employee subject to review and acceptance by the Employer. All employees that have successfully bid, and are transferred, will enter into a sixty (60) calendar day trial period where attendance, reliability, and job performance will be evaluated. If the employee does not fulfill this criteria, he or she will be subject to a return to his or her previous area. Where, in the opinion of the Employer, all qualifications are equal, the Employer shall recognize the seniority of the bidders. Decisions on the award of job bids will be communicated to employees within seven (7) days after the job posting is closed provided the facility manager is present in the facility for such period. Any employee whose bid was accepted may not have priority over future job bids for a period of six (6) months. Upon request, an employee will be advised of the status of their job bid.

E. Vacation Schedules

All vacations shall be subject to the efficient maintenance of operations by the Employer, which may limit the number of employees who may be on vacation at any one time. No week of the

year shall be excluded from vacation scheduling, but vacation requests shall be submitted as noted below within each job classification, department, and facility. Preference in the choice of earned vacation dates shall be given on the basis of seniority within each job classification, department and facility. All vacations shall be for calendar weeks except for employees with two (2) or more continuous years of service. Employees with two (2) or more years of continuous service may be allowed to take up to one (1) week of vacation in whole workdays provided such vacation days are approved in advance by the Employer in its sole discretion. Full vacation requests shall take precedence over vacation day requests.

A vacation, once scheduled, shall not be changed except by mutual agreement of Employer and employee. Those employees requesting vacation between January 1st and March 31st must submit their vacation requests by November 1st of the prior year. Those employees requesting vacation to be taken April 1st through December 31st of a year must submit their vacation requests by February 1st of that year. Failure to do so will result in loss of seniority rights with respect to vacation claiming. The Employer will request employees' vacation requests two (2) weeks prior to the November 1st and February 1st employee response dates. The Employer shall respond back no later than December 1st to employees who submit written vacation requests by November 1st, and respond back no later than March 1st to employees who submit written vacation requests by February 1st. In any event, vacation requests must be submitted at least one (1) month in advance. The Employer reserves the right to restrict the number of working foremen on vacation at a time.

F. Vacation Pay

A week's vacation pay for full-time employees shall be calculated by multiplying the number of hours in the employee's standard scheduled workweek times the employee's regular straight-time hourly rate.

For employees with three (3) or more years of service at the start of the calendar year who averaged one (1) or more hours of overtime per week in the prior calendar year, will receive additional vacation pay equal to the amount of overtime hours worked in the prior payroll calendar year, divided by fifty-two (52).

Full-time employees who are absent for any reason for ninety (90) or more calendar days during any calendar year, shall receive pro-rata vacation pay equal to the ratio of hours worked (including paid vacation and holiday hours), divided by 2,080 hours. Full-time employees will receive their vacation pay on the payday immediately preceding the vacation period, provided the employee provides at least fourteen (14) calendar days written notice prior to the vacation period to the manager in charge.

ARTICLE 5

UNION-MANAGEMENT RELATIONS

A. Union Stewards and Business Representatives

The Union shall have the right to designate stewards for each shift in each distribution center. The Union shall keep the Employer informed as to the names of the stewards currently authorized to represent the Union and shall provide the Employer with a list of stewards at least once every ninety (90) days.

The Union Business Representative shall be admitted to the Employer's distribution centers' premises during the hours employees are working for the purpose of ascertaining whether or not this agreement is being observed. Such activity shall be conducted in such a manner as not to interfere with the orderly operation of the Employer's business. It being further agreed that lengthy discussions between employees and representatives of the Union, including the shop steward, or among themselves concerning disputes, shall not take place during working hours.

In case of disputes as to wages, the Employer agrees to show an authorized representative of the Union bona fide copies of the employee's wage records.

B. Health and Safety Committee

There shall be established a Health and Safety Committee which will meet monthly to discuss and resolve any questions regarding health and safety problems, which questions shall be reduced to writing. The Union Steward will be a member of this Committee.

C. Labor Management Committee

The parties to this contract appreciate that it is in their joint best interest to maintain good industrial relations. Therefore, there is hereby established a joint labor management committee, consisting of Union and Management Representatives. The purpose of such committee shall be to discuss all problems, except grievances, as shall arise in the operation of the warehouse.

Such committee shall meet once each calendar quarter.

The attendees at said meeting for the Union and the Employer shall be limited to five (5) representatives.

D. Employee Discount Plan Store Hours

The Employer agrees to post a list of store hours or changes thereof in the distribution centers for stores which distribution centers' employees are registered for purposes of the Employee Discount Plan.

ARTICLE 6

A. Additional Personal Holiday -- Floating Holiday

In addition to the personal holidays provided by Sections 5.8, 5.9, and 5.10 of the Master Contract, all full-time employees with one (1) or more years of service shall receive each year an additional day off (maximum one (1) day per calendar year) as a floating holiday as mutually agreed upon by the Employer and the employee provided the employee gives at least fourteen (14) days notice of the desired day off. This floating holiday will be administered by departments within each job classification, provided that the number of employees, at any one time, who are allowed to take the floating holiday may be restricted without limitation by the Employer due to the needs of the business. Full-time employees shall receive eight (8) hours straight-time pay. Such personal day off shall not be treated as a holiday for purposes of the holiday pay provisions covering national holidays.

B. Perfect Attendance Program

When a full-time employee, with one (1) or more years of continuous service as of January 1st has worked the prior consecutive twelve (12) months with perfect attendance, he or she may have one (1) scheduled day's straight-time pay.

Vacation days, holidays, jury duty days, and funeral leave days shall not detract from perfect attendance. Any other absence, including but not limited to a tardiness or a leave early (not requested by the Employer) shall count against perfect attendance.

C. Holiday Pay Qualifications

In lieu of the provisions of Section 5.6 (B) of the "Master Agreement", holiday pay qualifications for distribution center employees shall be as provided herein. To qualify for holiday pay, all employees must work both their scheduled workdays before and after the holiday, except that this requirement shall be deemed to be met if the employee's failure to work either workday is due to the employee's injury or illness supported by a treating physician's document dated at the time of the injury or illness, or other cause excused in advance by management, provided that the employee works at least one (1) day in the workweek in which the holiday occurs. Any person who misses their scheduled workday immediately before or after a recognized holiday, two (2) or more times in a calendar year for any reason, shall not be eligible for holiday pay for such second or subsequent holiday in which their workday immediately before or after the holiday is missed.

D. Incentive Pay Plan

The Company shall provide to certain distribution employee groups an incentive pay plan as said plan (including eligibility requirements) may be changed, altered, amended or substituted by the Employer. The Company shall notify, in advance, the Union of any plan change. The Union reserves the right to meet and discuss the impact of such change on employees.

ARTICLE 7

FOREMAN RELIEF PAY

When designated by the Employer as a "relief foreman" for an entire workweek, the Employer shall compensate such employees in accordance with the pay rate for foreman as stated in Appendix C or sixty cents (\$.60) per hour, whichever is greater. Effective January 5, 2003, the sixty cents (\$.60) per hour shall increase to sixty-five cents (\$.65) per hour, and effective January 4, 2004, the sixty-five cents (\$.65) per hour shall increase to seventy cents (\$.70) per hour.

ARTICLE 8

WAGES

Appendix C sets out the minimum hiring rates and minimum rates for time in classification for covered Distribution Center employees.

For an employee at the top rate or above the top rate of the wage scale for his or her job classification on the date the new wage structure becomes effective, the following shall apply:

a) Employees at or above the top rate of their job classification shall receive the overscale increases or shall be placed in the wage progression on the contract dates, whichever is greater.

b) Employees hired after December 21, 2001 who are hired above the top contract rate for their job classification shall receive the overscale increases or move to the next highest wage bracket, whichever is greater.

ARTICLE 9

DISTRIBUTION CLOSING

If any of the distribution centers close during the term of the current collective bargaining agreement, the following severance provisions shall apply:

Employees eligible for severance are limited to those employees who are not offered an equivalent position with the new employer (equivalent is deemed as one paying 80% or more of the employee's salary with the Employer), or a transfer to an alternative location with the Employer.

a full-time employee must have three (3) or more years continuous service;

a part-time employee must have five (5) or more years continuous service.

Provided the above eligibility requirements are met, an employee shall be eligible for:

- a) one (1) week of pay for each year of continuous service, to a maximum of eight (8) weeks pay;
- b) COBRA rights will also be available;
- c) all vacation and personal days accrued but not taken will be paid;
- d) a letter of recommendation shall be furnished upon request, provided the employee's performance has been evaluated as satisfactory or better and no written warnings have been issued in the prior six (6) months.

IN WITNESS THEREOF, the parties affix their signature to this Agreement.

UNITED FOOD AND COMMERCIAL WORKERS
UNION LOCAL 881

By *Arnold Russell*
President - Local 881

By _____

Date 4/22/02

AMERICAN DRUG STORES, INC.
dba OSCO DRUG

By *Thomas J. Walter*
Thomas J. Walter
Vice President, Labor Relations

By *SJZ*
Sandra J. Zubik
Director, Labor Relations

Date 3/4/2002

APPENDIX C
DISTRIBUTION CENTERS' EMPLOYEES WAGE RATES

	<u>8/12/01</u>	<u>8/11/02</u>	<u>8/10/03</u>
Working Foreman			
0-6 months	13.40	13.90	14.40
7-12 months	13.80	14.30	14.80
over 12 months*	14.20	14.70	15.20
overscale	.55	.50	.55
Full-time Material Handler			
0-6 months	10.35	10.85	11.35
7-12 months	10.60	11.15	11.65
13-18 months	10.85	11.45	11.95
19-24 months	11.15	11.75	12.25
over 24 months*	11.75	12.05	12.55
overscale	.50	.45	.45
Full-time Repack and Processing			
0-6 months	9.80	10.10	10.40
7 - 12 months	10.10	10.40	10.70
13-18 months	10.40	10.70	11.00
19-24 months	10.70	11.00	11.30
over 24 months*	11.25	11.45	11.60
overscale	.40	.40	.40
Part-time Material Handler			
0-6 months	9.50	9.80	10.10
7-12 months	9.75	10.10	10.40
13-18 months	10.00	10.40	10.70
19-24 months	10.30	10.70	11.00
over 24 months*	10.60	11.00	11.30
overscale	.40	.35	.35
Part-time Repack and Processing			
0-6 months	9.00	9.30	9.60
7-12 months	9.25	9.55	9.90
13-18 months	9.50	9.85	10.20
19-24 months	9.80	10.15	10.50
over 24 months*	10.25	10.45	10.80
overscale	.40	.35	.35

*as per Article 8 - Wages, Section A

When an employee is transferred to a job classification having a higher wage rate, the transfer shall be deemed as a promotion. The employee shall be paid the next higher rate in the new job classification and progress every six (6) months thereafter. In Distribution Centers when a full-time Repack and Processing employee is promoted to a full-time Material Handler job classification, the increase shall be fifty (.50) cents per hour.

Wages shall be retroactive to August 12,2001 for employees employed on December 23, 2001.

All material handlers as of January 13, 2002 who are working in the WoodDale facilities straight case department shall be paid \$1.00 per hour premium pay for each hour worked in that department. This premium shall also apply to those employees who are assigned to work in other departments or facilities, but who are performing work in the Wood Dale Straight case department, as long as they work at least eight (8) hours in that department during the pay week.

Premium pay is only paid for hours worked in the department, and is not applicable to vacation, holiday, personal days, funeral or any other non-worked hours of pay.

If an associate is reclassified to a lower paid job classification, his or her rate will be reduced by the amount of the pay increase received for or attributable to the higher paid position.

APPENDIX D
DRUG AND ALCOHOL POLICY

I. Introduction

The Employer has a strong commitment to the health, safety and welfare of its employees, their families and customers. Widely available statistics and information establish that the incidence of drug and alcohol abuse is very high and that the effect is devastating to lives, business, and community at large. Involvement with drugs or alcohol, whether on or off the job, can affect the work environment, job performance and job safety. The parties' commitment to maintaining a safe and secure workplace requires a clear policy and supportive programs relating to the detection, treatment and prevention of substance abuse by employees.

II. Statement of Policy

It has been and continues to be the policy of the Employer to maintain a workforce free of the effects of drugs and alcohol. Therefore, the following behavior is strictly prohibited:

- A. Use, possession, manufacture, distribution, or sale of: (1) illegal drugs; or (2) unauthorized controlled substances on the Employer's premises or during work time.
- B. Storing in a locker, desk, automobile or other repository on Employer premises any illegal drug, controlled substances whose use is unauthorized, or any alcohol. [1]
- C. Possession, use, manufacture, distribution or sale of illegal drugs, or use of alcohol, off Employer property, that adversely affects the employee's work.
- D. Switching or altering any urine sample submitted for drug or alcohol testing.
- E. Refusing to consent to testing when requested.
- F. Refusing to submit to an inspection when requested.
- G. Failure to report to the Employer the use of a prescribed medication which may alter behavior, physical ability or mental functions of the employee, if the job requirements of the position may place the employee or his or her co-workers at risk. This paragraph does not require the employee to inform the Employer of the specific medication or medical condition, and any information revealed under this subparagraph will be strictly confidential.

[1] This policy does not preclude an employee from having sealed alcohol container(s) in his/her personal private vehicle parked on Employer premises. This policy also does not preclude an off-duty employee from lawfully purchasing and possessing alcohol on Employer premises. However, off-duty, as well as on-duty employees are precluded from consuming alcohol at any time on Employer premises unless approved in advance by the Employer. This policy also does not preclude an on-duty employee from lawfully selling alcohol to a store customer.

III. Scope of Policy

This policy applies to all members of the bargaining unit while on the job and to situations where an employee's off-the-job or off-premises conduct impairs work performance.

IV. Definitions

- A. For purposes of this policy, an employee shall be considered on Employer premises whenever he/she is:
1. on Employer property, including parking lots;
 2. at a job site;
 3. driving or riding as a passenger in an Employer vehicle or a private conveyance for which the Employer has authorized travel reimbursement;
 4. on Employer time, even if off Employer premises;
- B. "Drug" -- any substance and/or medication that can modify one or more normal functions (i.e., coordination, reflexes, vision, mental capacity, speech, judgment, etc.).
- C. "Alcohol" -- an intoxicant from fermented or distilled substances.
- D. "Possesses" -- physically holding the drug and/or alcohol or the drug and/or alcohol being in an area over which the employee has access and control (i.e., inside briefcases, purses, lunch bags, lunch boxes, lockers, personal vehicle, etc.).

V. Testing

A. Reasonable Cause/Reasonable Suspicion Testing

Testing may be conducted upon reasonable suspicion that an employee is currently under the influence of, or impaired by, alcohol, a controlled substance or other drug. Reasonable suspicion exists when there is clear indication of impairment based on objective evidence and/or based on specific personal observation by Employer representatives and Union representatives who can attest to the appearance, behavior, speech or breath odor of the employee. The Employer representative will document his/her observations and reasons for requesting testing, and a second Employer representative will verify that assessment.

A confirmed positive test demonstrating impairment due to alcohol, a controlled substance, or other drug shall be grounds for compelling an employee to participate in an employee assistance program as described in Paragraph VII. The Employer has provided management training to make its representatives aware of the above conditions.

B. Testing Procedure

Prior to testing, employees will be given the option to report any medications which he/she has taken or is presently taking. Such information will be used for the purposes of discerning whether a positive test result is because of an authorized use of a medication. Any such information will be treated as a confidential medical record.

The Employer will instruct the collection site and laboratory to adhere to strict chain of custody procedures. The Employer also will instruct the collection site to take necessary precautions to ensure that the sample has not been adulterated, tampered with or substituted. However, the Employer also will instruct the collection site to take reasonable precautions to protect the donor's privacy.

VI. Conditions of Employment

The employee will be asked to consent in writing to drug and/or alcohol testing based upon reasonable suspicion. Employees who refuse to consent may be subject to disciplinary action up to and including discharge.

VII. Rehabilitation and Discipline

The Employer views alcohol and drug abuse as treatable health problems. Any employee who violates the terms of this policy or who voluntarily seeks help for an alcohol or drug abuse problem shall enroll in an employee assistance program. Thereafter, any violation of this Policy or failure to comply with the provisions of an employee assistance program shall constitute cause for discipline up to and including discharge. Employees who have a need are encouraged to seek assistance from either the Employer or medical benefit assistance programs before health, safety and work performance are affected. Seeking assistance will not, however, relieve an employee of the obligation to comply with the Employer policies.

Letter of Understanding / Bargaining Unit Work and Loss Prevention Personnel

It is understood by the parties that loss prevention personnel are employed to ensure a safe work/shopping environment and to protect the welfare of associates and Company assets. Loss prevention personnel shall not perform stocking or bargaining unit tasks on a regular or scheduled basis. However, loss prevention personnel may remedy or alleviate unsafe or hazardous conditions or provide assistance to store operations in cases that are beyond the control of the Company such as Acts of God, civil commotion, fire, work stoppage due to strikes or government intervention. Loss prevention personnel shall not operate cash registers to serve customers unless bargaining unit employees are unexpectedly absent and bargaining unit employees are not immediately available at a store to adequately staff cash registers. In such event, store management shall call in qualified available associate(s) provided a minimum of four (4) hours of work is available.

Arnold H. Powers
(Local 881)

SJZ
(American Drug Stores, Inc.)

Date 4/22/02

Date April 16, 2002

Letter of Understanding / Distribution Facilities

In order to provide for stability in labor relations, and to provide the opportunity for continued jobs with the Employer, the Employer agrees to transfer employees to available positions on the basis of seniority within job classifications from the distribution center to be closed to the new facility and the parties hereby agree to extend the terms and provisions of the 2001-2004 collective bargaining agreement to include a new distribution facility which is located in Cook County, DeKalb County, Kendall County, McHenry County, Will County, DuPage County, Lake County, or Kane County, in the State of Illinois, provided that the new distribution center is intended as a relocation of existing facilities in Elk Grove Village and WoodDale, Illinois. It is further understood that the existing facilities in Elk Grove Village and WoodDale, Illinois must be completely closed, with no intent to reopen to trigger the obligations of this Letter of Understanding. This Letter of Understanding is in effect only during the term of the 2001 to 2004 agreement and applies solely to the distribution centers; it is not intended, and does not apply to, any non-distribution facility or retail store operation.

Aracelis Rivas
(Local 881)

S. Z.
(American Drug Stores, Inc.)

Date *4/22/02*

Date *April 6, 2002*

Letter of Understanding / Distribution Overtime Compliance Discipline

Discipline will continue to be administered on a rotating 12 month basis. Compliance will continue to be counted on either a "yes" or "no" basis for a rolling ninety (90) day period. Senior Union and Company officials, upon request, agree to meet, discuss and attempt to resolve significant overtime compliance issues or concerns.

Steve E. Lawrence
(Local 881)

S/Z
(American Drug Stores, Inc.)

Date *4/22/02*

Date *April 16, 2002*

February 28, 2002

Mr. Steve Powell
Executive Vice President
UFCW Local 881
122 West 22nd Street
Oak Brook, IL 60521-1575

RE: Letter of Understanding/Distribution Incentive Pay Plan

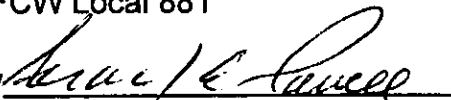
Dear Mr. Powell:

During contract negotiations for a new Collective Bargaining Agreement for the term August 31, 2001 through August 8, 2004, certain agreements and understandings relative to the Distribution Incentive Pay Plan were agreed upon, namely:

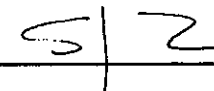
1. the attached Pay Plan document provided by the Company during contract negotiations shall apply, unless modified as provided by the labor agreement;
2. the parties have agreed upon improvements to such Pay Plan in connection with trainer training time being included as standard time for pay calculations and 1% incremental incentive pay steps.

Very truly yours,

UFCW Local 881

By 

American Drug Stores, Inc.

By 

/local881/loabonus



American Drug Stores Engineered Work Standards Bonus Incentive Program

The purpose of the new "Bonus Incentive" program is to compensate associates that are in **Standards Jobs** for additional output that is over and above what would normally be considered a fair days work.

Who is eligible?

To be eligible to participate in the "Bonus Incentive" program, an associate must currently be in a **Standards Job**. There are two exceptions:

1. An associate in a Non-Standards job that works in a **Standards Job** for more than 240 standard minutes (4 hours) in a workweek will receive the "Bonus Incentive" for the time spent in the **Standards Job**, providing all other qualifications are met.
2. The repack processors in the Lunt and Pratt warehouses, both day and night shifts, whose regular jobs are in the "off-standards" areas will also receive the "Bonus Incentive" for all **actual** minutes worked, providing all other qualifications are met.

Group Incentive/Individual Incentive

The new "Bonus Incentive" program is both a group incentive plan and an individual incentive plan. As stated before, an associate must be in a **Standards Job** to participate. For "Bonus Incentive" pay out purposes, each warehouse will be split into the following work groups:

1. Repack (both day and night shifts)
2. Straight Case Selection (both day and night shifts)
3. Putaway and Fork Replenishment (both day and night shifts)
4. Cherry Replenishment (Dropping)

The performance rate at which a work group performs for the week, will be used to determine the "Bonus Incentive" rate of pay for the group, for the week. **Group performance rate determines group "Bonus Incentive" pay rate for the week.**

The number of Standard minutes accumulated in a week, will be used to determine the number of hours that qualify to be paid out as "Bonus Incentive". **Associate's individual standard hours accumulated for the week determines the number of "Bonus Incentive" hours to be paid.** (Examples will be provided later.)

We would like to continue to promote the concept of teamwork and working together within each work group.

How does the "Bonus Incentive" Work?

1. In order to be eligible to participate in the incentive program, an associate must perform work as part of one of the four previously listed **Standards Job** work groups in a workweek. Associates must also perform at least 240 standard minutes of work within that **Standards Job**.
2. A new associate, while on the 60 day probationary period, will not be eligible to participate in the "Bonus Incentive" program. Nor will their individual performance count in determining the group performance level.
3. Associates on temporary assignment from other departments will not count in determining the groups performance level, **if the individual is below 105%**. If the individual is above 105% and works 240 minutes or more, the performance counts towards the group performance **and** the individual is eligible to participate in the "Bonus Incentive".
4. **Standards Job** work groups are: A. Repack (both day and nights) B. Straight Case (both day and nights) C. Putaway and Fork Replenishment (both day and nights) D. Cherry Replenishment (Dropping).
5. An associate will begin earning incentive under the "Bonus Incentive" program when **both**: A. The group performs at a rate of 105% or above, of the work standard. B. The associate performs at a rate of 105% or above, of the work standard.
6. For "Bonus Incentive" purposes group and individual performances will be capped at a level of 125%. The 125% cap encourages associates to perform at the same standards of excellence in all areas of accountability. It is necessary to maintain the same level of quality service to the stores, while maintaining the framework of cooperation and teamwork, in and among departments.
7. Associates will be paid a "Bonus Incentive" for all accumulated **standard minutes** when they perform above the rate of 105%. Performance in excess of 125% will be capped at a rate of 125%.

How is the "Bonus Incentive" paid out?

Incentive pay increments begin at 105% through 125% (in 1% increments). If the group average is below 105%, there is no incentive payout. There will be no payouts in **excess** of 125% of the work standard, as performance is capped at the 125% level. (Also all performances **above** 125% are paid **at the level of 125%**). There will be no rounding up of performances for incentive pay. The next plane of performance must be broken to qualify for the next level.

The Incentive Program will be based on work performed within each week of each reporting period. The "Bonus Incentive" will **only be paid for weeks in which the group performs above 105%**. (It is possible there could be no qualifying bonus weeks in a period, depending on the group performance.) The incentive will be paid per each four or five week period. (There are twelve periods within each fiscal year.) At the end of each period an associate's earned minutes or hours for each week will be totaled. In order to be eligible for incentive pay the group average must be at least 105% for a week. A separate "Bonus Incentive" check will be issued on the second Friday following the end of the period, and paid on the basis of each work group listed above.

Safety, Sanitation, Markouts and Accuracy

The "Bonus Incentive" program is not intended to compromise the quality of the job we do. We, as a warehouse group, have maintained standards of excellence in safety, sanitation, markouts, accuracy, and many other job functions to numerous to list. Management reserves the right to hold associates accountable to these established standards. If these quality levels are not maintained, the "Bonus Incentive" program is subject to termination.

Incentive pay is to be considered extra contractual benefits. Incentive pay will not be considered as hours worked, nor money earned under the labor agreement for any purpose including, but not limited to, computation of overtime, vacation or other benefits, etc. This program is not intended to abridge the rights of the company or the employees secured or negotiated under the labor agreement.

Performanc Inc ntive

Examples of Associate Pay Based on Group Performance

Group Perf %	118%					
Incentive Rate	0.90	@118%				
	Std Mins	Act Mins	Assoc. Perf %	Assoc. Performance Incentive @	Assoc. Performance Std Mins	Weekly Performance Incentive Pay
Associate	2198	2093	105%	105%	2198	\$32.97

Group Perf %	121%					
Incentive Rate	1.05	@ 121%				
	Std Mins	Act Mins	Assoc. Perf %	Assoc. Performance Incentive @	Assoc. Performance Std Mins	Weekly Performance Incentive Pay
Associate	2460	2288	108%	108%	2460	\$43.05

Group Perf %	127%					
Incentive Rate	1.25	@ 125%				
	Std Mins	Act Mins	Assoc. Perf %	Assoc. Performance Incentive @	Assoc. Performance Std Mins	Weekly Performance Incentive Pay
Associate	2657	2084	127%	125%	2605	\$54.27

Performance Incentive

Potential Payout Based on Period Data

\$ 0.25	105%	\$ 0.30	106%	\$ 0.35	107%	\$ 0.40	108%	\$ 0.45	109%
\$ 0.50	110%	\$ 0.55	111%	\$ 0.60	112%	\$ 0.65	113%	\$ 0.70	114%
\$ 0.75	115%	\$ 0.80	116%	\$ 0.85	117%	\$ 0.90	118%	\$ 0.95	119%
\$ 1.00	120%	\$ 1.05	121%	\$ 1.10	122%	\$ 1.15	123%	\$ 1.20	124%
\$ 1.25	125%								