

**ZALES/LOCAL 428
COLLECTIVE BARGAINING AGREEMENT
Effective September 1, 2005 to August 31, 2008**

THIS AGREEMENT made and entered into on **September 1, 2005**, by and between **UNITED FOOD AND COMMERCIAL WORKERS UNION LOCAL 428, AFL-CIO**, in Santa Clara County, hereinafter referred to as the Union, and **ZALE DELAWARE, INC., d/b/a ZALES JEWELERS**, hereinafter referred to as the Employer.

SECTION 1. RECOGNITION & BARGAINING UNIT INCLUDING LEASED DEPARTMENTS

1.1 Bargaining Unit:

The Employer recognizes the Union as the sole Collective Bargaining Agency for an appropriate unit including all Selling, Stock Clerks, and other non-selling employees in the Employer's retail establishment located at Sunnyvale, Eastridge, and Valley Fair, whether such employees work in departments operated directly by the Employer, or by lessees, licensees, or concessionaires, excluding Jewelry or Watch Repair persons, Managers as defined in the Agreement, one (1) manager trainee from the bargaining unit, and Supervisors within the meaning of the National Labor Relations Act as amended.

SECTION 2. UNION SECURITY

2.1 Union Membership:

Continuous membership in good standing in the Union shall be a condition of employment under this Agreement. Upon written seven (7) days' prior notice by the Union, the Employer agrees to discontinue the employment of any employee, who at any time after thirty (30) days from the effective date of this Agreement or thirty (30) days from the date of hiring, whichever is later, fails to become or remain a member of the Union in good standing.

2.2 Hiring:

The Employer may hire from any source without restriction; provided, however, that:

2.2.1 **New Employees:**

The Employer shall request a newly hired employee to report to the Union within seven (7) days from the time of employment to be advised of the terms and provisions of this Agreement and of his/her obligations hereunder.

2.2.2 **Notice:**

The Employer shall notify the Union in writing once a month as to the name, social security number, classification, rate of pay, and date of hire of all employees hired, resigned or laid off during the preceding month. This provision shall not apply to Christmas Extras.

2.3 **Dues Checkoff:**

Effective October 2002 the Employer agrees to deduct uniform monthly dues and initiation fees and assessments as determined by the Local Union on a regular basis, from the wages of employees in the bargaining unit who provide the Employer with a voluntary written authorization for such deductions. Such deductions, when authorized, will be transmitted to the office of the Local Union no later than the 15th day of the month following the month in which deductions are made. No deduction will be made from the wages of any employee until the Employer has received a signed copy of voluntary written authorization for such deductions.

Authorizations for deductions are to be entirely voluntary upon the part of each such individual employee. Authorizations shall be irrevocable for a period of one (1) year or until the termination of this Agreement, whichever comes sooner. The authorization shall be automatically renewed or be irrevocable for successive periods of one (1) year each or for the period of each succeeding applicable bargaining agreement, whichever shall be shorter, unless written notice is given by the employee to the Employer and the Local Union not more than twenty (20) days and not less than ten (10) days prior to the expiration of each period of one (1) year or of each applicable Collective Bargaining Agreement.

The Union shall indemnify, defend and hold the Employer harmless from any and all actions resulting from the implementation of this provision. However, mistakes by the Employer shall be corrected within a reasonable amount of time by the Employer upon notification from the Union.

2.4 **Employment Agencies:**

If the Employer obtains a new employee through a private employment agency, he/she shall pay the employment agency fee.

SECTION 3. DISCHARGE

3.1 Probationary Period:

The Employer shall have the right to discharge any employee during the first ninety (90) days of employment at the Employer's discretion and thereafter for just cause.

3.2 Past Probationary Employees:

The Employer shall have the right to discipline or discharge its past probationary employees for just cause. The employee shall have the right to grieve such employer action pursuant to the terms of the Grievance Procedure (Section 18).

3.3 Written Warnings:

Employees who are discharged for failure to perform work as required shall first have had a prior warning, in writing, of a related or similar offense with a copy sent to the Union. The employee so notified shall be required to initial such notice; but such initialing shall in no way constitute agreement with the contents of such notice. Any employee who is discharged shall be informed at the time of discharge of the immediate cause of discharge. Warning notices shall become null and void after six (6) months from date of issue. Warning notices for sexual harassment, violence in the workplace, or similar misconduct that may subject the Employer to legal liability, shall become null and void three (3) years from date of issue. The Adjustment Board or arbitrator under the grievance procedure (Section 18) may give these warnings and evaluations due consideration along with other factors such as the employee's length of service.

3.4 Union Notice:

Upon the discharge of any employee, the Employer shall, within ninety-six (96) hours thereafter notify the Union of such discharge. The Employer agrees to submit the reasons thereof to the Union upon request.

SECTION 4. NON-DISCRIMINATION

4.1 The Employer shall not discharge or discriminate against an employee because of race, color, creed, national origin, age, sex, sexual orientation, disability, or for Union activity.

SECTION 5. LAYOFF NOTICE

- 5.1** The Employer agrees to give one-half (½) week's notice or one-half (½) week's pay in lieu thereof for each year of service, up to a maximum of four (4) weeks' notice or pay in lieu thereof, to employees who are to be permanently laid off; provided, that such notice or pay shall not be required in case of discharge for cause.

SECTION 6. UNION ACTIVITY

6.1 Visitation Rights:

Authorized representatives of the Union, not on the payroll of the Employer, shall be permitted to visit the store during business hours provided such activities are conducted at reasonable times so as not to interfere unreasonably with the conduct of the Employer's business or not to interrupt or interfere with the performance of work.

6.2 Bulletin Board:

The Employer shall provide a bulletin board conveniently located for the posting of notices of official business of the Union.

SECTION 7. SENIORITY

7.1 Application of Seniority:

In layoffs and rehiring, seniority shall govern on a bargaining unit basis when ability and performance are substantially equal. In reduction of hours, seniority shall govern by classification on a store by store basis when ability and performance are substantially equal. Notwithstanding the foregoing, the Employer shall have the right, in cases of layoff, to require a more senior part-time employee to work additional hours up to and including forty (40) hours per week. The Employer may retain a less senior full-time employee in the event a more senior part-time employee declines to work the additional hours.

7.2 Request For Additional Hours:

Part-time employees may request additional hours within their classification on a store-by-store basis and shall be granted the first available full-time opening on a jurisdictional basis; provided they have the previously mentioned qualifications, are available for the hours, and have notified their Store Manager in writing of their desire for more hours, they shall be afforded such hours by seniority.

7.3 Computation and Loss of Seniority:

Seniority shall be computed from the employee's date of hire and shall be broken only by the following:

7.3.1 Quit.

7.3.2 Discharge for just cause.

7.3.3 Lay off in excess of six (6) months.

7.3.4 Leave of absence in excess of six (6) months.

7.3.5 Industrial leave of absence in excess of State requirements.

7.3.6 Failure to return to work in accordance with the terms of a Leave of Absence or when recalled after a layoff.

7.4 Transfers:

No employee may be transferred outside of the jurisdiction of the Local Union except by agreement between the parties, in which case, the employee shall not suffer any loss of seniority rights.

7.5 Transfer Of Employees:

Seniority shall be based upon the length of service with the Employer in the area covered by this Agreement; provided, when an employee is transferred to another Local Union's jurisdictional area, the transferred employee shall retain all seniority rights with the Employer but shall not be entitled to exercise such rights until the expiration of six (6) months after the date of transfer, at which time his/her seniority shall be based upon the first day of employment by the Employer, regardless of area. However, during such period of six (6) months, the transferred employee shall accrue seniority rights in the new area from the date of transfer and shall retain all seniority rights in the area from which he/she was transferred.

When a bargaining unit employee is promoted or transfers outside of the bargaining unit, and then is demoted or returned to the bargaining unit, he or she will have whatever seniority he or she had before transferring.

7.6 Temporary Transfer of Manager Trainees:

Employees who are acting in the position of Manager Trainee, but who are members of this bargaining unit, may be transferred on a temporary basis, not to exceed thirty (30) days, into stores outside the bargaining unit for purposes of receiving training in the Employer's other stores.

SECTION 8. WAGES

8.1 The job classifications, minimum rates of pay and effective dates are set forth in Appendix "A" attached hereto.

SECTION 9. SCHEDULING AND HOURS

9.1 Hours:

Employees shall be put on a straight-time schedule of between four (4) to six (6) hours per day, or eight (8) hours per day.

9.1.1 Full-Time Employees:

- 9.1.1.1 For all full-time employees, forty (40) hours consisting of five (5) days of eight (8) consecutive hours each, exclusive of meal period, in a week, Friday to Thursday inclusive, shall constitute the straight-time workweek.
- 9.1.1.2 Any full-time employee who is ordered to report for work shall be guaranteed not less than eight (8) hours work.
- 9.1.1.3 On Sundays and holidays, where the store is open for business for less than nine (9) hours, the eight (8) hours of work guarantee shall not apply; provided, however, that full-time employees shall be scheduled to work the full number of hours the store is open for business up to a maximum of eight (8) hours excluding meal periods.
- 9.1.1.4 When an employee who normally works on an eight (8) hour schedule is scheduled to work four (4) weekdays and a Sunday or holiday, the employee shall be guaranteed total pay for such week in an amount not less than his/her straight-time hourly rate times forty (40).

9.1.2 Part-time Employees:

9.1.2.1 Part-time employees shall work between four (4) to six (6) hours consecutively.

9.1.2.2 Any part-time employee who is ordered to report for work shall be guaranteed not less than four (4) hours work and shall be scheduled to work between four (4) and six (6) hours in one-half (1/2) hour increments.

9.2 Students:

Notwithstanding 9.1 above, enrolled students who are unable to work a four (4) hour schedule may be placed on a shorter daily schedule of hours, but in no event less than two (2) hours.

9.3 Layoffs:

It is not intended by any provision of this Agreement that the Employer should be precluded from laying off an employee for one (1) or more days of the employee's weekly work schedule. Any layoff, however, must be consistent with the Seniority section of this Agreement.

9.4 Schedules:

9.4.1 Posting Notice:

The Employer shall post in ink the weekly work schedule, which shall include the employee's full name, days off, starting and finishing time, no later than 3:00 p.m. Tuesday, of the preceding calendar week, and the said schedule shall not be changed, except in the case of a bona fide emergency or by mutual agreement.

9.4.2 Days Off:

The Employer shall have the right to schedule the employees' days off. No employee will be disciplined for refusing to work on his/her scheduled day off. Upon request employees shall be given at least one (1) day off in each calendar week.

9.4.3 Thanksgiving, Christmas and New Year:

It is agreed that no employee shall be required to work later than 7:00 p.m. on Christmas Eve and New Year's Eve, or work on Thanksgiving Day, Christmas Day,

and/or New Year's Day. Where the Employer's lease requires him to open, this subsection shall not apply.

9.4.4 Pay for Time Worked:

Time off shall not be given to equalize time worked.

9.5 Sunday and Holiday Schedules:

9.5.1 Preference to work on Sundays or holidays shall be on a seniority basis by job classification.

9.5.2 Any employee normally scheduled to work five (5) or six (6) days who is scheduled to work on a holiday shall not suffer a reduction in normally scheduled workdays by virtue of such holiday work.

9.6 Tolerance Periods:

9.6.1 The integrity of the eight (8) hour day shall be preserved and all time worked shall be paid for, including appearances in legal proceedings at the request and on behalf of the Employer. Time records may show a tolerance not to exceed five (5) minutes prior to the beginning of the working day and not to exceed ten (10) minutes immediately following the end of the working day.

9.6.2 No work may be performed during the tolerance periods under any circumstances without the payment of overtime.

9.6.3 No employee may work any hours not approved by the manager. Doing so will result in a Disciplinary Action up to and including termination.

SECTION 10. OVERTIME

10.1 Overtime:

The overtime rate of pay shall be one and one-half (1-1/2) times the straight-time rate of pay and shall be paid for the following work:

10.1.1 Work in excess of forty (40) hours per week.

10.1.2 Work in excess of eight (8) hours per day.

- 10.1.3 Work on the sixth (6th) day of the workweek by full-time employees. (Part-time employees will not receive overtime for working on the sixth (6th) day so long as scheduling for the sixth (6th) day was by mutual agreement)
- 10.1.4 Work over four (4) days, excluding the holiday in a week in which there is a paid holiday named in Section 11 of this Agreement in addition to the holiday pay.
- 10.1.5 Work on the holidays listed in Section 11, except for the employee's Personal Holidays.

10.2 Pyramiding:

There shall be no pyramiding of overtime.

SECTION 11. HOLIDAYS

11.1 Paid Holidays:

The following ten (10) days shall be recognized as paid holidays:

- 11.1.1 New Year's Day (January 1st)
- 11.1.2 Memorial Day (Last Monday in May)
- 11.1.3 Independence Day (July 4th)
- 11.1.4 Labor Day (1st Monday in September)
- 11.1.5 Thanksgiving Day (4th Thursday in November)
- 11.1.6 Christmas Day (December 25th)
- 11.1.7 Four Personal Holidays
- 11.1.8 First Personal Holiday is earned after six (6) months of continuous employment.
- 11.1.9 The Second, Third and Fourth Personal Holiday are earned after twelve (12) months of continuous employment.

11.2 Sunday Holiday:

New Year's Day and Christmas Day shall be observed on the day on which they fall. If any other holiday falls on a Sunday, such holiday shall be observed on the following Monday.

11.3 Eligibility:

Any employee who has reported for work on his/her scheduled working day immediately preceding, and his/her scheduled working day immediately following a recognized holiday, except when permission to be absent has been granted by the Employer or when the absence is due to a bona fide illness of the employee, said employee shall receive holiday pay at his/her regular rate of pay. It is understood that in order to qualify for holiday pay an employee must work at least one (1) workday during the week in which the holiday falls.

11.4 New Employee:

A new employee who is hired in a holiday week to work more than sixteen (16) hours that week, whose employment commences on the day before or the day following the holiday, or who works four (4) days in a holiday week, shall be eligible to receive holiday pay but not otherwise.

11.5 Layoff:

Any employee who after three (3) consecutive months of employment is laid off the day before a holiday will receive pay for that holiday.

11.6 Part-Time Employees:

Holiday pay for employees who work less than forty (40) hours shall be based on twenty percent (20%) of the employee's average hours worked per week in the six (6) weeks immediately preceding the holiday or the number of weeks worked if less than six (6) except that in computing pay for the New Year's holiday the same period of time used in computing the Christmas holiday shall be used.

11.7 Other Holiday Observances:

Where the Employer closes his store to the public on any other religious or legal holiday, including Easter, voluntarily or by law, the Employer agrees that the employees shall not suffer a reduction in hours of work due to such closing.

11.8 Employee's Personal Holidays:

11.8.1 The Employees four (4) personal holidays shall be individual holidays. The employee shall receive pay for said holiday as if worked. Each employee shall give his/her Employer notice of when they would like to schedule a personal holiday, at least two (2) weeks prior to the week in which they want to enjoy the holiday.

11.8.2 Such personal holiday(s) shall be enjoyed by the employee on the actual day(s) they are scheduled or on another day or days mutually agreeable to the employee and the Employer during the twelve (12) months following the date of eligibility for said holidays.

11.9 Commissioned Employees:

Holiday pay for commissioned employees shall be paid at four tenths of one percent (.004) of the employee's prior calendar year's W-2 earnings or the employee's current straight time daily pay whichever is greater.

SECTION 12. VACATIONS

12.1 Eligibility:

Vacation is accrued from August 1 through July 31 (the Company's fiscal year) and is used during the following fiscal year as follows:

At End of Vacation Earned:

First partial year prorated based on number of weeks worked.

Full years 1-6 Two weeks

Full years 7-14 Three weeks

Full years 15 & up Four weeks

12.2 Holidays:

If one or more of the paid holidays named in Section 11 falls within the employee's vacation time, the employee shall be granted an extra day's vacation for each such holiday or pay in lieu thereof.

12.3 Termination Vacation Pay:

Any employee who resigns or who is released, regardless of reason, shall be paid any vacation pay earned but not taken at the time of his/her removal from the payroll.

12.4 Computation And Pro-Ration:

For the purpose of computing or prorating vacation earnings for employees hired prior to the date of ratification of March 5, 1997 the following sections 12.4.1, 12.4.2, 12.4.3, 12.4.4, 12.4.5 and 12.4.6 shall apply:

- 12.4.1 One (1) week's vacation pay equals two percent (2%) of the employee's earnings for the previous year.
- 12.4.2 Two (2) weeks' vacation pay equals four percent (4%) of the employee's earnings for the previous year.
- 12.4.3 Three (3) weeks' vacation pay equals six percent (6%) of the employee's earnings for the previous year.
- 12.4.4 Four weeks' vacation pay equals eight percent (8%) of the employee's earnings for the previous year.
- 12.4.5 In computing vacation termination pay after one (1) year of service it is understood that it will be prorated at four percent (4%) or more.
- 12.4.6 Vacation pay shall be computed on the employee's W-2 form earnings for the prior calendar year.
- 12.4.7 Effective August 1, 2006 if an employee's accrued but unused vacation is equal to one and one-half times the amount of vacation the employee is eligible to earn in one year (e.g. three weeks of accrued vacation if an employee is eligible to earn two weeks of vacation), the employee is not eligible to earn any additional vacation. To resume earning vacation, the employee must use sufficient vacation to reduce his or her accrued vacation below the one and one-half times cap. If an employee's accrued vacation on July 31, 2006 exceeds the cap, the employee will be paid for all accrued vacation above the cap at the employee's hourly rate of pay (not W-2 earnings). The Employer may encourage employees to schedule vacation time so that they will be able to take their vacation time exceeding the cap prior to August 1, 2006.

For all employees hired after March 5, 1997 vacation will be calculated on their hourly rate of pay:

In calculating vacation pay, the weeks worked divided by 52 x 10 (days) x hours per day (total hours divided by weeks worked divided by 5) = hours of vacation earned and to be taken next fiscal year.

12.5 Seniority Preference:

The Employer shall compile a departmental list of those employees entitled to a vacation, such list to be in the order of the employees' seniority, and it shall be circulated among the employees in order, for the purpose of choosing vacations.

12.6 Absence:

Absence from work due to illness, accident, leave of absence or sick leave shall not be considered part of vacation time.

12.7 Payment:

All employees entitled to vacation may request their vacation pay allowance in advance immediately preceding the employees' vacations.

12.8 Vacation Period:

Vacations shall be granted between the first Sunday of the first full week of January and October 15th, or at any other time mutually agreeable, except that vacations shall not be granted during the last full week of January through Valentine's Day or during the week prior to Mother's Day.

12.9 Consecutive Time:

The vacation periods shall be consecutive unless the Employer and the employee agree otherwise. Employees shall be allowed to schedule up to one week (forty hours) of vacation time in single day increments subject to other terms of this Agreement and consistent with the Employer's scheduling policies.

12.10 Transfers:

The vacation of an employee shall not be changed if it was scheduled prior to his/her transfer from one store to another.

SECTION 13. MEAL PERIODS AND REST PERIODS

13.1 Meal Periods:

The scheduled meal period for an employee shall be thirty (30) minutes, forty-five (45) minutes or one (1) hour and shall not be considered working time. Every employee shall be allowed such a meal period between three (3) to five (5) hours from the time of reporting to work except when an employee is scheduled to work a six (6) consecutive hour shift.

13.2 Rest Periods:

All employees shall receive a rest period of fifteen (15) minutes during every four (4) hours of work. The rest period shall be specified by the management and allowed to each employee and shall be arranged so as to be divided as equally as possible within the four (4) hour shift.

SECTION 14. LEAVES OF ABSENCE

14.1 Military Leave:

The Employer agrees to comply with the terms of the Universal Military Training and Service Act with reference to all provisions providing for the re-employment of persons entering Military Service. These provisions shall be deemed a contractual obligation under the terms of this Agreement.

14.2 Union Business:

Employees shall be allowed time off without pay for the purpose of attending agreement negotiations, Adjustment or Arbitration Board hearings, or for other bona fide Union business. In all such instances, the Employer shall be notified not less than one (1) week in advance of such absence, and the number of employees requesting such absences shall be so limited by the Union that it will not interfere unreasonably with the operation of the Employer's business.

14.3 Other Leaves:

Leaves of absence without loss of seniority shall be granted only with written approval of the Employer. Leaves of absence shall be granted for just cause including, but not limited to, parental leave and family care during critical illness, and approval shall not be arbitrarily withheld by the Employer. This provision, requiring written approval of leaves of absence shall not apply to absences of less than ten (10) days' duration. Except where required by

law, the Employer need not grant leaves of absence in excess of six (6) months in any twelve (12) month period.

14.4 Pregnancy Leave:

The Employer agrees to abide by all Federal and/or State laws establishing pregnancy leave.

14.5 Industrial Accident Leave:

The Employer agrees to abide by all Federal and/or State laws establishing Industrial Accident Leave.

14.6 Funeral Leave:

If a death occurs in the immediate family of an employee, the employee shall be entitled to three (3) days in-state and five (5) days out-of-state Funeral Leave with pay. Immediate family is defined as the employee's spouse, domestic partner, child, mother, father, sister, brother, step-children, step-parents, mother-in-law, father-in-law, sister-in-law, brother-in-law, grandparents, and grandchildren. The Employer may require proof of attendance at any funeral or memorial service attended by the employee outside of the State.

14.7 Family Leave:

The Employer agrees to abide by all Federal and/or State laws on family and medical leaves.

SECTION 15. MISCELLANEOUS PROVISIONS

15.1 Bonds:

The Employer will pay all fidelity bond premiums where employees are required to be bonded.

15.2 Contributions:

All contributions to charity shall be voluntary. It is understood and agreed that no compulsion shall be placed on the employees to force contributions.

15.3 Job Injury:

When an employee is injured on the job and reports for medical care and it is certified that he/she is unable to continue work, he/she shall be paid the basic straight-time rate of pay for the hours not worked on the day of injury.

15.4 Jury Duty:

Employees required to report to Jury Duty or to appear in court or the Police Department on behalf of their Employer, shall receive their regular straight-time pay during such Jury Duty or such appearances, less Jury Duty pay or witness fees received. A combination of Jury Duty appearance and employment with the Employer shall not exceed eight (8) hours in one (1) day without the payment of overtime. If an employee appears in court or the Police Department on behalf of the Employer on his/her days off, he/she shall receive his/her basic straight-time rate of pay for the time spent in making such appearance. Jury Duty shall not be counted as time worked except as spelled out above.

15.5 Meetings:

15.5.1 Store or Departmental Meetings:

Time spent in store or department meetings or in meetings called by the Employer before the commencement of the day's work or after the day's work, shall be considered as time worked and shall be paid for in accordance with the provisions of this Agreement. It is understood that employees are not required to attend a morning store meeting if their work schedule for that day begins on or after 1:00 p.m.

15.5.2 Voluntary Meetings:

Employees may be invited to attend meetings off the premises of the Employer for educational, promotional, recreational or social purposes. Attendance at such meetings shall be strictly voluntary and no employee shall be disciplined or otherwise discriminated against for failing to attend. Attendance at such meetings shall not be considered as hours worked.

15.5.3 Day Off Meetings:

An employee may attend an employee meeting on his/her day off on a voluntary basis. However, an employee who is scheduled to work on the day of an employee meeting may be required to attend the meeting scheduled on such day, subject to the following: if attendance at the meeting will result in a split shift, the employee will be paid a minimum of two (2) hours pay at straight time for attending the meeting. If an employee is required to work a split-shift in order to attend a meeting more than once during a month, the employee will be paid a minimum of two (2) hours pay at time-and-one-half for attending the additional meetings.

15.5.4 It is understood that employees are not required to attend a morning store meeting if their work schedule for that day begins after 1:00 p.m.

15.5.5 Notwithstanding Section 15.5.3, the company may schedule meetings on Saturdays twice a month. Employees shall be required to attend these meetings if they are scheduled to work prior to 1:00 PM, unless excused. Since these meetings will create a split shift for certain employees, the company will attempt to schedule employees such that they will not have a split shift on a meeting day more than once each month

15.6 Mileage:

15.6.1 An employee using his/her automobile on the Employer's business shall be reimbursed at the rate provided for by IRS guidelines.

15.6.2 An employee who, after reporting for work in one store, is sent by the Employer to work in another store, shall receive mileage allowance for travel between said stores.

15.7 Physical Examination:

Physical examinations of employees, when required by the Employer, will be at the Employer's expense.

15.8 Polygraphs:

The Employer shall not demand or require any applicant for employment, or prospective employment, or any employee to submit to or take a polygraph, lie detector, or similar test or examination as a condition of employment or continued employment.

15.9 Pre-Employment Testing:

The Employer shall have the right to use pre-employment screening, such as, but not limited to, honesty and/or drug testing.

15.10 Wages Due:

15.10.1 Each employee shall receive his/her pay before the conclusion of the employee's usual shift on all pay days.

15.10.2 The Employer shall furnish each employee with a wage statement showing his/her name, hours of work, overtime if any, total wages paid and list of deductions.

15.10.3 If the Employer discharges an employee, or if an employee quits, the total wages earned and unpaid at the time of such termination of employment are due and payable in conformity with the California Labor Code.

15.10.4 Employees shall be paid no later than seven (7) consecutive days from the close of the pay period.

15.11 Union Store Card:

The Union agrees to issue a Union Store Card and/or Window Decals to the Employer under the rules governing Union Store Cards set forth in the Constitution of the United Food and Commercial Workers International Union. Such Union Store Card and Decals are, and shall remain, the property of said International Union, and the Employer agrees to surrender said Union Store Card and/or Decals to an authorized representative of the Union on demand in the event of failure by the Employer to observe the terms of this Agreement or the conditions under which said Union Store Card and/or Decals are issued. The Employer agrees that the Union Store Card and/or Window Decals will be displayed in a prominent place.

SECTION 16. HEALTH AND WELFARE

16.1 Health and Welfare benefits shall be in accordance with Appendix “B” of this Agreement.

SECTION 17. PENSION

17.1 Pension benefits and contributions shall be in accordance with Appendix “C” of this Agreement.

SECTION 18. GRIEVANCES

18.1 Proper Grievances:

Only disputes between the Employer and an employee, or the Union, regarding the interpretation, application or alleged violations of any of the terms of this Agreement shall constitute grievances. Grievances shall be taken up in the manner set forth below.

18.2 Time Limits:

Grievances involving discharge must be presented, in writing, to the Employer within ten (10) calendar days after the employee is discharged. All other grievances must be presented, in writing, to the party to be charged within twenty (20) days of the date the asserting party has or should reasonably have had knowledge of same, except wage claims, which must be presented within six (6) months of their occurrence. Back pay, if any, is limited to six (6) months retroactively from the date a grievance is filed. Failure to present the grievance or wage claim within the time and manner described shall constitute a waiver of the same.

18.3 Adjustment Board:

When a grievance arises, the Union shall notify the Store Manager, and, if the grievance cannot be resolved within forty-eight (48) hours after presentation, an Adjustment Board made up of two (2) representatives of the Employer and two (2) representatives of the Union shall be convened. The Board shall meet within seven (7) days from the date of submission of any grievance referred to it. A majority decision at either step of this grievance procedure shall be final and binding upon the parties.

18.4 Arbitration:

If the Adjustment Board cannot agree upon any question submitted to it within forty-eight (48) hours after going into conference pertaining to the case, the Board shall then choose an Arbitrator who shall have no connection with either party, and the decision of the Arbitrator shall be final and binding upon the parties. In the event the members of the Adjustment Board are unable to agree upon who is to be the Arbitrator, they shall request the California Department of Industrial Relations to submit a list from which the parties shall select the Arbitrator. The Adjustment Board or Arbitrator shall have no authority to add to, delete, or alter any provision of this Agreement.

18.5 Arbitration Expense:

The members of the Adjustment Board representing the Union and the Employer, if compensated, shall be paid by the respective principals represented by them. The fees and expenses of the Arbitrator, hearing room and court reporter incurred as the result of arbitration shall be borne one-half (½) by the Union and one-half (½) by the Employer. Any other expense shall be paid by the party incurring the same.

18.6 No Strike Or Lock Out:

There shall be no slow-down, work stoppage, strike, picketing, boycott, or lockout during the term of this Agreement. It shall not be a violation of this Agreement, and it shall not be cause for discharge or disciplinary action, in the event an employee refuses to go through or work behind a lawful primary picket line of another Union that has been sanctioned by the Labor Council of proper jurisdiction at the Employer's place of business.

18.7 Exception:

Nothing contained in this section will preclude the Union from submitting a claim for unpaid monies for hourly compensation, vacation pay, holiday pay or contributions to employee benefit funds to the Labor Commissioner of the State of California where such claim does not involve the interpretation of this Agreement.

SECTION 19. SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon the respective parties, their successors and assigns.

SECTION 20. AMENDMENTS, ADDITIONS AND WAIVERS

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 any such term or conditions.

SECTION 21. NOTICES

Wherever written notices are required herein, they shall be given to the addresses noted following the signatures on this Agreement, or to such other address as either party may hereafter designate by written notice.

SECTION 22. MANAGEMENT RIGHTS

22.1 The Union and the Employer agree that the Employer has the right to direct the work force, establish and abolish jobs and departments, establish fair and equitable sales standards, and that the Employer shall not be required to bargain with respect to the exercise of any of the rights listed herein during the term of this Agreement.

22.2 Commissions, P.M.s or other incentive methods are at the option of the Employer.

SECTION 23. SEPARABILITY

The provisions of this Agreement are deemed to be separable to the extent that if and when a court or administrative tribunal adjudges any provision of this Agreement in its application between the Union and the undersigned Employer to be in conflict with any law, such decision shall not affect the validity of the remaining provisions of this Agreement, but such remaining provisions shall continue in full force and effect, provided, however, that in the event any provision or provisions are so declared to be in conflict with the law, both parties shall meet immediately for the purpose of renegotiating an agreement on the provision or provisions so invalidated, provided further, that if the parties fail to reach such an agreement, this contract and the remaining provisions thereof shall be and remain in full force and effect. If the judicial or administrative adjudication that any provision of this Agreement is in conflict with any law is thereafter reversed, such provision shall be reinstated with full force and effect from the effective date of such reversal.

SECTION 24. ENTIRE AGREEMENT

This Agreement constitutes the sole and entire existing Agreement between the parties and supersedes all prior agreements, commitments and practices, whether oral or written, between the Employer and the Union, or the Employer and any of the covered employees, except as incorporated herein, in writing, and expresses all contractual obligations of and restrictions imposed on the Employer and the Union. In this regard, the parties specifically agree that no side letter, unwritten agreements or other oral or written agreements modifying the provisions of this collective bargaining agreement shall remain in effect, except the following: (a) side letter dated October 18, 1990 on the subject of management trainees, a copy of which is attached; and (b) side letter dated January 4, 1995 pertaining to Sections 3.2, 3.3, and 15.5.3, a copy of which is attached. It is specifically agreed that any prior understandings or practices that may have existed, to the effect that less than 100% compliance with the Employer’s productivity standards shall be deemed acceptable, are void and of no force or effect.

SECTION 25. TERM OF AGREEMENT

This Agreement shall be in full force and effect from September 1, 2005 to and including August 31, 2008 and from year to year thereafter, subject to written notice by either party to the other at least sixty (60) days prior to August 31, 2008, or any subsequent August 31st, of a desire to amend or terminate this Agreement. In the event no notice to terminate or amend is given as above provided, this Agreement shall be deemed to be renewed from year to year thereafter.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first herein above written.

**FOR THE UNION:
UFCW LOCAL 428**

**FOR THE EMPLOYER:
ZALE DELAWARE, INC.
D/B/A Zales Jewelers**

By: _____

By: _____

Date: _____

Date: _____

APPENDIX A

A.1 Progression Schedules And Past Experience:

A.1.1 Progression Schedule: Progression rates shall be established as follows:

Step 1 - First 700 hours employment.

Step 2 - 2nd 700 hours employment.

Step 3 - Thereafter- Experienced rate.

A.2 New Hires:

Prior experience in the type of work to be performed in like type retail establishments shall be credited for new hires as follows:

A.2.1 Experience of less than 2100 hours in the last ten (10) years will not be credited.

A.2.2 Experienced (over 3100 hours) new hires may be employed in the progression as follows:

A.2.2.1 If the experience was obtained in whole or in part within five (5) years prior to hire: In step 3.

A.2.2.2 If the experience was obtained in whole or in part more than five (5) years and less than ten (10) years prior to hire; In Step 2 and thereafter in all subsequent steps in accordance with the progression schedule.

A.2.2.3 If the experience was obtained in its entirety ten (10) years or more prior to hire: As if such experience had not been obtained.

A.2.2.4 Any new experienced employee who may be hired at the Step 2 rate shall be paid the Step 3 rate at the conclusion of 700 hours of employment and thereafter the experienced rate. Any such employee hired at the Step 3 rate shall be paid the experienced rate at the conclusion of 700 hours of employment.

A.3 Christmas Extras:

- A.3.1 The Employer may hire additional employees as Christmas Extras from October 15th to the following January 15th, provided that none of the usual scheduled employees are laid off who are able to perform the work being done by such Christmas Extras.
- A.3.2 Christmas Extras shall be paid in accordance with the Federal minimum wage.
- A.3.3 Christmas Extras shall not be subject to the following provisions of this Collective Bargaining Agreement: Section 2, 5, 7, 11, 12, 14, 15.4, 16, and 17.
- A.3.4 Any Christmas Extra who remains on the payroll on or after the following January 15th shall as of January 16th become covered by all the provisions of this Agreement and Sections 16 and 17 shall apply retroactively to his/her date of hire.

A.4 Jobs and Classifications:

- A.4.1 In the event the Employer creates a new job classification or department, the Union and the Employer shall meet to determine the minimum wage rate to apply in such new job classification or department. In the event they cannot agree upon a minimum rate it shall be determined by arbitration pursuant to Section 18 of this Collective Bargaining Agreement.
- A.4.2 Prior to the time such minimum wage is established by agreement of the parties, or by arbitration, employees shall be paid wages as determined by the Employer but any minimum wage rates agreed to by the parties or determined by arbitration shall be retroactive to the time the new job classification or department commenced operations.
- A.4.3 The Employer may require an employee to do work within the duties of any classification. If work of a higher paid classification is required of an employee he/she shall receive the minimum wage of the higher classification to which he/she has been reassigned during the day or days he/she performs such higher classified work. This shall not apply to the occasional or incidental performance of the duties of a higher classification or to the relief of another employee during a meal period or rest period.

A.5 Minimum Wages and Commissions:

- A.5.1 No salary rate herein provided for shall be considered or interpreted as being other than a minimum wage. No salary rate being paid to any employee on, or prior to, the date of the signing of this Agreement, which is higher than a minimum wage rate

herein established for the classification in which the employee works, shall be reduced by reason of the signing and execution of this Agreement.

- A.5.2 New employees shall be paid the minimum wage rates as provided herein from the date of their initial employment. Initial training of any employee is considered as time worked and shall be paid for as such.
- A.5.3 A record of sales volume of each individual employee selling on commission shall be computed and furnished to him/her upon his/her request, but not more frequently than one (1) time each month.
- A.5.4 Returned or repossessed merchandise shall only be charged against the employee who sold the same, and shall only be charged back if the merchandise is returned or repossessed within ninety (90) days from the date of delivery. If returned or repossessed merchandise is charged against an employee as provided above, the Employer shall provide the following information in writing to the employee, if the employee specifically requests: The name of the person that the sale was made to, the date and amount of the sale, the sales tag number and the date that the merchandise was returned or repossessed.
- A.5.5 The Employer will permit employees covered by this Agreement to participate in Zale's Elite Program on the same basis as other Zale employees employed in California. It is understood that the Elite Program may be changed in any respect, or terminated at any time and for any reason at Zale's sole discretion.
- A.5.6 Notwithstanding anything in Appendix A to the contrary, employees who are on a final warning on the effective date of a wage increase, or a step increase, will not be eligible to receive such an increase.

A.6 Premium Rates:

- A.6.1 Employees on the payroll September 1, 1990, who are paid in excess of the thereafter rate shall continue to receive such premium rate during the term of this Agreement.
- A.6.2 Employees on the payroll September 1, 1990, who are paid at overtime or double-time for Sunday and/or holiday work shall continue to receive such overtime or double-time for Sunday and/or holiday work during the term of this Agreement.

A.7 Night Premium:

All employees, except janitors, who work while the store is open for business between the hours of 10:00 p.m. and 8:00 a.m. shall receive premium pay of one dollar (\$1.00) an hour over and above their straight-time or over-time rate.

A.8 Discounts:

Employees shall be entitled to the Employer's standard employee discount benefit for store purchases and will be subject to the standard terms and conditions set by the Employer for utilization of employee discount privileges.

A.9 Wage Tables:

The following wage increases will be paid to all employees at the experienced rate or higher effective as follows:

| <u>9/1/05</u> | <u>9/1/06</u> | <u>9/1/07</u> |
|---------------|---------------|---------------|
| \$.45 | \$.40 | \$.40 |

A.9.1 Selling Employees:

Per Straight Time Hours Effective:

| | <u>9/1/05</u> | <u>9/1/06</u> | <u>9/1/07</u> |
|---|---------------|---------------|---------------|
| Step 1 (First 700 hours of employment) | \$ 9.25 | \$ 9.25 | \$ 9.25 |
| Step 2 (Second 700 hours employment) | \$ 10.10 | \$ 10.10 | \$ 10.10 |
| Thereafter | \$ 12.45 | \$ 12.95 | \$ 13.35 |

A.9.1 Non-Selling Employees:

Per Straight Time Hours Effective:

| | <u>9/1/05</u> | <u>9/1/06</u> | <u>9/1/07</u> |
|---|---------------|---------------|---------------|
| Step 1 (First 700 hours of employment) | \$ 8.50 | \$ 8.50 | \$ 8.50 |
| Step 2 (Second 700 hours employment) | \$ 9.00 | \$ 9.00 | \$ 9.00 |
| Thereafter | \$ 10.55 | \$ 10.95 | \$ 11.35 |

**APPENDIX “B”
HEALTH AND WELFARE, DENTAL, & LIFE INSURANCE**

B.1 The Plan:

B.1.1 Eligible employees shall be entitled to coverage under Zales nationwide medical plan applicable to Zale employees employed in California, as such plan currently exists or may be amended by Zale from time to time, provided that any amendments as to benefits, employee contribution, eligibility or any other aspects of the plan apply generally to Zales employees employed in California. Zale’s plan currently provides benefits for medical, dental and basic life insurance.

B.2 The Cost:

B.2.1 Employees covered under the Zale medical plan shall pay the same percent of the monthly premium costs for the employee and their eligible dependents as is set by Zale generally for Zale’s employees employed in California.

B.3 Eligibility for Benefits

B.3.1 Newly hired full-time employees shall be eligible for benefits on the first of the month following sixty (60) days of employment.

B.3.2 After an employee first becomes eligible for benefits he/she maintains eligibility by working at least 96 hours in each calendar month. There is a one (1) month lag in coverage. This means that the 96 hours an employee works in May gives the employee coverage for benefits in June. Hours paid but not worked such as vacation, sick leave, Jury Duty, Bereavement Leave, and holiday hours also count for eligibility.

B.3.3 How You Lose Eligibility For Benefits:

B.3.3.1 If an employee fails to work at least 96 hours in a calendar month, eligibility ends on the last day of the month.

B.3.3.2 Continuation of benefits is available through COBRA in accordance with the plan documents and the law.

B.3.3.3 There is an exception to loss of eligibility when you are on a Leave of Absence under the Federal or State Family Leave Act or under the Zales disability leave of absence policy.

- B.3.3.4 If an employee enters full-time military service, eligibility will end on the date he/she enters such service.
- B.3.3.5 If for any reason except as stated in B.3.3.5 above an employee loses eligibility, benefits terminate at 11:59 p.m. on the last day of the month in which eligibility ceases.
- B.3.3.6 When an employee retires, active employee benefits terminate as of the end of the calendar month in which he/she retires.

B.4 COBRA Benefits:

COBRA benefits are spelled out in the Company Personnel Manual as amended and given to each employee at the time of termination of health & welfare coverage for the employee or any eligible dependent.

APPENDIX “C” PENSIONS

C.1 Complete Agreement:

This Section constitutes the complete agreement between the parties regarding pensions or retirement benefits for employees covered by the Collective Bargaining Agreement.

C.2 Acceptance:

The Union and the Employer agree to be fully bound by, and hereby assent to, all of the terms of the Trust Agreement, dated December 9, 1975, creating said Retail Clerks Specialty Stores Pension Fund, as it has been amended and may be amended in the future, all of the rules and regulations heretofore and hereafter adopted by the Trustees of said Trust Fund pursuant to said Trust Agreement, and all of the actions of the Trustees in administering such Trust Fund in accordance with the Trust Agreement and such rules and regulations.

C.3 Employer Trustees:

The Employer hereby accepts and irrevocably designates as Employer Trustees the present Employer Trustees appointed under said Trust Agreement and all such past or succeeding Employer Trustees as shall have been or will be appointed in accordance with the terms of the Trust Agreement.

C.4 Union Trustees:

The Union hereby accepts and irrevocably designates as Union Trustees the present Union Trustees appointed under said Trust Agreement and all such past or succeeding Union Trustees as shall have been or will be appointed in accordance with the terms of the Trust Agreement.

C.5 The Employer agrees to make contributions to the Trust Fund as follows:

C.5.1 The Employer shall make monthly contributions to the Trust Fund on behalf of each employee covered by the Collective Bargaining Agreement at the rate of five percent (5%) of the total taxable earnings of such employees.

C.5.2 Contributions shall be paid on behalf of each employee starting with the employee's first day of employment in a job classification covered by the Collective Bargaining Agreement.

C.5.3 Seasonal Christmas Extras employed from October 15th to the following January 15th shall be excluded. If such seasonal Christmas extra employees are employed beyond January 15th, the Employer agrees to make retroactive contributions from said employee(s) date of hire, on the same basis as in subparagraph C.5.1, above.

C.5.4 On or before the twentieth (20th) day of each month, the Employer shall pay to the Trust Fund or to such depository or agency as the Trustees may direct, the contributions due on account of the preceding calendar month in accordance with this Section.

C.5.5 Each monthly contribution to the Trust Fund shall be accompanied by a correct listing, in such form and in as many copies as the Trustees may require, of the employees for whom payments are being made.

C.6 Resolution of Differences:

Any differences or disputes between the Employer and the Union as to the interpretation or application of the provisions of the Trust Agreement, Fund rules or regulations, or the Pension Plan shall not be subject to the grievance and arbitration procedure established in the Collective Bargaining Agreement. All such differences shall be resolved in the manner specified in the Trust Agreement.

C.7 Copy of Trust and Amendments:

The Employer hereby acknowledges receipt of a complete copy of the Trust Agreement establishing the Retail Clerks Specialty Stores Pension Fund, and of the Pension Plan. Upon the Trustees' written acceptance of the Employer as a participating Employer, the Trust Fund shall promptly furnish the parties with copies of any subsequent amendments to the Trust Agreement or the Pension Plan promptly upon the adoption thereof.

**SIDE LETTER OF AGREEMENT
ZALE DELAWARE, INC./UFCW LOCALS 428, 870 and 1179**

It is understood that the following modifications or interpretation of the Collective Bargaining Agreement by and between Zale Delaware and UFCW Locals 428, 870 and 1179 dated 12/20/94 on the lower left hand corner, will be modified or interpreted as follows:

1. **Section 3.2, Just Cause:** Includes but is not limited to, failure to meet the Employer's productivity standards.
2. **Section 3.3:** It is agreed that written warnings on performance and productivity evaluations shall remain in the employee's personnel file and may be used after six (6) months to establish long term trends on performance or productivity.
3. Eligible employees with hire dates on or before September 1, 1996 shall not be required to contribute to the monthly premium costs for Kaiser and Zale dental and basic life, or the complete Zale medical, dental and basic life plan if the employee elects that plan instead of Kaiser (optional life is at employee's own expense).
4. The Employer will notify the Union if it changes health insurance plans before the change is announced to the employees.

**FOR THE UNION
UFCW LOCAL 428**

**FOR THE EMPLOYER
ZALE DELAWARE, INC.
d/b/a ZALES JEWELERS**

By: _____

By: _____

Dated: _____

Dated: _____