



FITNESS FORMULA CLUBS

EMPLOYEE HANDBOOK

**This handbook has been revised as of January 1, 2009 and
supersedes all previous handbook copies in print or on line.
It is your responsibility as an FFC employee to read the handbook.**

RECEIPT OF EMPLOYEE HANDBOOK TO BE PLACED IN EMPLOYEE'S FILE.

THIS EMPLOYEE HANDBOOK IS NOT INTENDED TO BE, NOR SHALL IT BE CONSTRUED TO BE AN EMPLOYMENT CONTRACT BETWEEN THE COMPANY AND THE EMPLOYEE OR A PROMISE OR GUARANTEE OF EMPLOYMENT OR OF ANY SPECIFIC TERMS OF EMPLOYMENT OR PROCEDURAL RIGHTS.

I UNDERSTAND THAT MY EMPLOYMENT IS AT WILL AND MAY BE TERMINATED BY EITHER PARTY AT ANY TIME AND FOR ANY REASON OR FOR NO REASON, WITH OR WITHOUT NOTICE. ANY EMPLOYMENT CONTRACT MUST BE IN WRITING AND EXECUTED BY THE CEO OF FITNESS FORMULA.

Name (please print) _____ Date of Hire _____

Address _____

City _____ Zip Code _____ E-mail address: _____

Home Phone _____ Alternate Work Phone _____

Social Security Number _____ Birthdate _____

Emergency Contact Name _____

Relationship _____

Emergency Phone Number _____

I understand that it is my responsibility to read the Handbook which is located at <http://ffc.com/start/under the Downloads link>. I will ask my Supervisor or the Club Manager if I have any questions about benefits, policies, rules or procedures.

I understand that the policies in the Handbook may be changed at any time by Fitness Formula without prior notice to employees. I acknowledge that it is my responsibility to keep abreast of new policy changes (which will be posted on-line and notification sent out).

I understand that a condition of my employment is to attend the new staff orientation within the first 90 days of my hire date.

I understand that a condition of employment is to complete the online staff survey within the first 90 days of my hire date.

Signature _____ Date _____

FOR OFFICE USE ONLY

Club Name _____

Department _____ Position _____ Rate of Pay _____

Employee Number _____ Starting Date _____

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WELCOME TO FITNESS FORMULA

We sincerely hope that your employment here will be successful and rewarding. We believe in keeping our employees fully informed. Toward this goal, we have prepared this Employee Handbook to provide you with a brief outline of our current policies, procedures and benefits.

However, we are a dynamic business. We operate in a competitive and changing business environment. Our personnel policies, practices and benefits are periodically reviewed and may be changed based on factors such as our business needs, the interests of our employees, or to comply with changes in the law.

This Handbook is, of course, not a contract of any kind or a guarantee of employment or continued employment; and it does not alter or amend your status as an “at-will” employee in any way. That means that either you or the Company are free to terminate your employment at any time, without cause. This Handbook modifies any and all pre-existing rules, benefits, and policies, whether written or otherwise.

It is critically important that you take the time to read your Handbook carefully.

Knowing and understanding the contents of this Handbook is a required part of everyone’s job at Fitness Formula Clubs. If you have any questions concerning any section of the Handbook, please ask your supervisor or the Human Resources Director. We hope you enjoy working at Fitness Formula Clubs and we wish you great success in your future here!

Philosophy

Our philosophy at all Fitness Formula Clubs is simple: The employees are the most valuable asset of our business. Hire the best available. Train them better than any other operator in the fitness business. Empower them to provide excellent service and we will retain our members and grow our business.

This simple philosophy is key to our success and our ability to derive an average of 70% of our operating revenues from renewals, compared with the industry average of less than 50%.

That emphasis on renewal business requires us to offer more to our members. Our facilities and fees clearly reflect our upscale, service-oriented, member first approach. As a result, our members expect more from us than they would at other clubs.

Purpose and Core Values

Our **Purpose** defines the fundamental reasons why we exist as an organization. Fitness Formula's Purpose is "To enhance peoples' lives by improving their overall health and well being."

Our **Values** determine how people conduct themselves when they are working toward the Purpose. To effectively service our staff, members and guests, and to accomplish the appropriate return on investment to our investors, we have developed the following Fitness Formula Core Values. These values are the foundation of our company decision making process:

Improvement

We are committed to finding new and innovative ways to serve our members in order to enhance the value of membership.

Safety

We are committed to providing safe equipment, well-maintained and supervised facilities and education through programming.

Friendliness

We are committed to creating a fun, friendly and motivating environment where members can make positive lifestyle changes.

Superior Service

We are committed to listening, understanding and responding to the interests and needs of our members.

Integrity

We will conduct our business with honesty and treat all staff, members and guests with respect.

The **Core Values** are woven into every aspect of your employment, and your interaction with each other and the members. You are responsible for the success of our company, your department and your job!

Gale Landers
Founder and CEO

History

Fitness Formula, Ltd. was founded in 1984 with the mission to “build, own and operate great clubs and delivering outstanding results”.

The company's leadership has brought success and:

- Offers the MultiClub™ member reciprocity program through its network of regional locations.
- Is Chicagoland's largest privately owned reciprocal usage provider of health, fitness and wellness facilities.
- Employs more than 500 experienced and dedicated staff.
- Established partnership and medical sub-tenant affiliate relationships with Chicago's leading hospitals and physical therapy providers including:
 - Rush-Presbyterian St. Luke's Medical Center
 - Northwestern Memorial Hospital
 - Rehabilitation Institute of Chicago
 - HealthSouth Physical Therapy
- Company Founder is an active leader in the industry. Gale Landers, CEO of Fitness Formula is a past President of the Board of Directors of the International Health, Racquet and Sportsclub Association (IHRSA).

Several innovative firsts are part of our history:

- Popularized the current fitness trend of medical subtenants.
- First company to have an NBA team (Chicago Bulls) as a commercial fitness club tenant.
- First company to install "Fine-Tuned" running tracks in a commercial fitness club.
- Designed, built and pre-opened Chicagoland's first major hospital based facility.
- First company to provide health and fitness management services via contract with the City of Chicago (Department on Aging).
- First place Association Tower Advertising Award for Direct Mail.
- Winner of the Silver Echo Award for Direct Mail.
- Developer of fully integrated wellness and fitness programs, known as WellFit™.
- Winner of the 1998 IHRSA Fitness Director of the Year Award (Fred Kronk).
- Winner of the 2000 Outstanding Illinois Senior Center Program by the Association of Illinois Senior Centers.
- Third place in the 2000 IHRSA/KEISER 50+ Award for the Chicago Department on Aging Program.
- Winner of the 2001 IHRSA Fitness Director of the Year Award (Scott Lewandowski).
- Club Business International Magazine states “Fitness Formula is one of the most dynamic and creative club development and management companies in the country”.

INTRODUCTION

Introductory Period

All newly hired employees are required to complete an introductory period of 90 days. The purpose of this introductory period is to allow time for evaluation of your performance and capabilities prior to placing you on regular status. During this time you will also have the opportunity to determine if our Company is suited to your needs. Please note that you will not be entitled to benefits during the Introductory Period.

Your employment, both during and after this introductory period, is considered to be “at will” for both employer and employee and the successful completion of this period should not be construed as guaranteeing employment for any specific duration. The hiring process includes completing the employment application in its entirety with your signature, completion of all state and federal tax withholding forms, I-9 form with a copy of proof of U.S. citizenship and employment eligibility, the consent and authorization form for verification of education, previous employment/work history, credit history, motor vehicle records and any criminal or civil history record information. It is the current Fitness Formula hiring policy to deny or terminate employment when there has been a felony conviction.

Upon completion of the introductory period, your performance will be evaluated. You will be eligible for a regular job classification as well as benefits in accordance with that classification. Your original date of employment will be considered your anniversary date for purposes of benefits eligibility and accrual.

Job Description

Your job description is the foundation for defining the core competencies, responsibilities and duties expected in your position. These responsibilities may be modified or changed by your Supervisor or the Club Manager at any time. You will be required to sign a copy of your job description which will be kept in your employee file.

Employee I.D. Membership Cards

Employee identification membership cards will be issued to each new employee. It is a safety requirement that you present your employee membership card each time you come in to your home club for your shift or visit any other FFC location. There will be a \$10 fee to replace your employee membership identification card.

Employee Relations

We know our clubs are only as good as the people who work there. Therefore, we hire only qualified and intelligent people, and encourage them to reach their full professional potential. Our success goes hand-in-hand with yours. When you are knowledgeable in your job, our business will prosper. Some of the ways we help to develop our employees include:

- **Promoting from within.** We encourage employee development and work to identify individuals ready for new opportunities.
- **Continuing education and professional development.** We encourage local and national involvement in related professional organizations, as well as certification or accreditation in your area of expertise. The Fitness Formula Training Academy is offered for management development and continued education of staff.
- **Equal Opportunity.** It is our policy to provide equal employment opportunity to all qualified persons without regard to race, color, sex, age, religion, national origin, sexual orientation, disability (if unrelated to the performance of essential functions of the job after reasonable accommodation is provided), marital status, status as a veteran (except as provided by law) or any other legally protected classification.

Employee Classification

Employees of Fitness Formula are divided into the following groups or classifications:

1. **Regular Part-time staff**
Part-time staff members work fewer than 36 hours per week. They are eligible for some but not all benefits.
2. **Regular Full-time staff**
Full-time staff members work at least 36 hours per week on a regular basis. They are eligible for all employee benefits.
3. **Temporary/Seasonal Staff**
Staff members who work for a specific season (e.g. the summer) or on a sporadic basis are considered temporary/seasonal. This classification is not eligible for benefits other than limited club membership and discounts.
4. **Massage Staff**
Full time status is defined as the consistent average of 25 session hours performed each week during a payroll period. They are eligible for some but not all benefits.

Compensation

You will be provided your compensation structure when you are hired and you will be paid in one of the following four ways:

1. **Hourly.** Hourly employees are compensated for the number of hours actually worked based on a pre-determined hourly rate of pay. Hours worked in excess of forty hours per week are compensated for at time and one half.
2. **Hourly Instructor.** Group exercise instructors are compensated based on a pre-determined rate of pay for each class or lesson they teach.
3. **Salaried.** Salaried exempt employees/managers are paid for the completion of their job responsibilities without regard to the numbers of work hours required. Salaried exempt employees are not compensated for working in excess of 40 hours per week.
4. **Commissioned.** Sales staff receives commission payments based on generated sales. Personal training staff receives a flat rate commission payment based on the number of lessons, classes or one-on-one sessions they teach. Spa and Massage staff receives a flat rate commission payment for appointments/sessions. Commission only staff may not be eligible for some benefits.

Direct Deposit and Payroll Information

The Fitness Formula Clubs' work week is Monday through Sunday. Payroll is semi-monthly and the pay periods end on the 15th and the last day of each month. Your payroll will be available within 7-10 days after the end of the pay period. Payroll is not distributed on holidays, Saturdays or Sundays. Please check with your department manager for the payroll schedule. A non-negotiable copy of your payroll, taxes and deductions will be made available at your club on pay day. It is your responsibility to obtain this from your manager. The Direct Deposit forms must be accompanied by a voided bank check to ensure accuracy of your bank account and routing numbers. It is your responsibility to provide correct information.

Below is the list of federal and/or state mandated withholding taxes:

OASDI, or Social Security/Medicare: As your employer, Fitness Formula matches your contribution to OASDI, which is based on your earnings.

Federal Income Tax: Often called withholding tax, this is the mandatory withholding by Fitness Formula of your estimated taxes. Fitness Formula forwards these taxes to the federal government.

State Income Tax: A state withholding tax. Fitness Formula forwards these taxes to the state government.

Fitness Formula will abide by federal and state laws regarding wage garnishment for child support, past due taxes and student loans. Insurance premiums and 401(k) contributions will be deducted from each paycheck. Other deductions may include payment for uniform deposit, or any other company endorsed and fee-based certifications.

BENEFITS GENERAL INFORMATION

Eligibility for Benefits

Fitness Formula provides a variety of benefits to all regular full-time and part-time employees. The specific benefits provided are listed on pages 4-7 for full time employees and on pages 8-10 for part time employees.

To be covered under any of the Company's insurance plans, you may be required to complete certain forms which can be obtained from the Human Resources Department. It is **your responsibility** to elect or waive participation in the Fitness Formula benefits **prior** to completing your 90-day introductory period. Additionally, please note that the eligibility requirements for all benefits and the extent of coverage are governed solely by the terms of the current plans in effect at the time you become eligible. Should you have any questions regarding your benefits or need further information, please contact the Human Resources Department.

The plans are maintained pursuant to legal plan documents. In the case of a conflict between any summary and the plan document, the plan document is controlling. When you terminate employment, your health plan coverage will be cancelled as of the last day of the current month. All premiums will be due through the end of the month and deducted from payroll accordingly.

Fitness Formula reserves the right to terminate or amend any benefit plan at any time or to require or increase employee premium contributions toward the insurance plans. Please contact the Human Resources Department with any questions or to obtain complete information on any of our programs. Employees are responsible for filling out forms and submitting them to the Human Resources Department in a timely manner to ensure proper processing.

FULL TIME BENEFITS

Health Insurance Coverage

The first of the month following 90 days of employment, a full-time regular exempt or non-exempt employee is eligible to be covered by our group health plan. The Human Resources Department will supply you with the enrollment forms and a list of the plan benefits. You may also include your immediate family members to the group policy for an additional monthly charge.

Pursuant to the eligibility requirements for the group health insurance policy, salaried and hourly employees must work 36 hours per week to maintain benefits. Personal trainers must maintain an average of 25 sessions per week to maintain benefits. **If your weekly work schedule falls below 36 hours or 25 sessions for more than two pay periods, a COBRA notice will be sent. You may elect COBRA which allows for 18 months (in most cases) of continuing insurance coverage while you are employed with Fitness Formula. If your work schedule adjusts to full time status, you will be eligible for the health insurance coverage as of the month of your status change, as long as you have completed the 90 day waiting period.**

If employment is terminated or separated voluntarily, regardless of COBRA election, all insurance coverage is provided through end of month and premium deductions will be calculated accordingly on a final paycheck.

We currently offer three plan options: HMO, PPO and a High Deductible Plan with a voluntary Health Savings Account . The HSA allows an employee to set aside pre-tax dollars for non-reimbursed medical expenses.

Dental Insurance Coverage

Fitness Formula offers a voluntary group dental policy for the employees and their family. Fitness Formula reviews the coverage each year to secure the best possible coverage and lowest premium rates for the employees. We currently offer DHMO and PPO plan options.

401 (K) Retirement Savings Program

The retirement program is available to all employees who are at least 21 years of age. Enrollment in the program is held on a quarterly basis. Currently Fitness Formula matches 20% on each dollar up to the first five percent (5%) of your contribution. Employee matching begins after one year of employment. Your contribution and the Fitness Formula match are made with "pre-tax" dollars for additional savings. Not only does the Company provide you a "bonus" on the above described contributions, all your contributions are made prior to payroll tax deductions. Furthermore, these monies are invested at your direction via several investment vehicles of your choice for additional potential earnings. The example below illustrates how your money grows faster in a 401(k) than in after-tax investments:

	<u>With a 401(k) Account</u>	<u>Without a 401(k) Account</u>
Monthly paycheck	\$2,000	\$2,000
401(k) contribution	-100	0
Taxable amount	1,900	2,000
Tax Withholding*	-532	-560
Paycheck after withholding	1,368	1,440
After-tax investment	0	100
Net Pay	\$1,368	\$1,340
	\$28 more	

*Assumes combined state and federal income of tax of 28%.

Vesting

If you leave Fitness Formula, you can take the money you contributed in the 401(k) with you and the vested percentage of the employer match for which you qualify. You may take a distribution* or roll over the assets to your new employer's plan or into a qualified IRA. Vesting in the 401(k) is based upon your length of employment from your anniversary date, not the date you enter the plan. The vesting schedule for the Fitness Formula match is as follows:

At the end of Year	Vested Interest
1	0%
2	20%
3	40%
4	60%
5	80%
6	100%

*There are certain other fees that may be imposed by the 401(k) provider upon withdrawal and/or distribution.

Limited Club Membership

Regular/hourly full and part-time employees are entitled and encouraged to use their home club at no charge during the employee's non-working hours and to follow all club policies on restricted hours use of the facilities. All commissioned employees must maintain at least 15 hours work per week to be eligible for use of club facilities. Hourly group exercise instructors must be scheduled for and maintain a minimum of eight classes per month (or 2 per week, combined if teaching at one or more FFC location) to be eligible for use of club facilities. All other instructors teaching less than 2 classes per week combined will not have club privileges anytime other than the day of their scheduled classes. Substitute instructors are not eligible for this benefit. Use of other Fitness Formula clubs is encouraged, and employees will be subject to certain restrictions. Usage of club facilities is limited to employee restricted hours at all locations and any other seasonal restrictions which may be imposed throughout the year. There may be certain holidays employees will not be able to use the club. Please call ahead to avoid disappointment and provide your employee identification card each time you visit another club location within our network.

Upon termination of employment, there is a 60-day waiting period with no club privileges allowed. With the approval of management, the employee may join the club at the current rates for monthly dues with a discounted initiation fee, provided they enroll within sixty to ninety days of employment separation. After this time, they are subject to the prevailing initiation fee. If the employee is terminated for cause, membership or admittance to the club may not be allowed.

Employee Family Membership

General Managers will receive one complimentary membership which may be offered to a spouse or significant partner sharing a common household and who jointly shares financial responsibility. Upon separation of employment or the separation of sharing a common household, the complimentary membership will begin EFT payments at the prevailing full dues.

All other salaried managers and full-time employees may enroll a spouse/significant partner sharing a common household and who jointly shares financial responsibility with a \$50 initiation fee and the prevailing full individual monthly dues.

Enrolling current dues paying or former members are excluded from this benefit for all employees.

Remember, members always have priority on equipment, courts, pools and other facilities. After all, their satisfaction is the key to our success. Appropriate attire is expected while using the facilities of the club when you're not working. All FFC locations have restricted staff work out hours.

Holidays

The following holidays are recognized by Fitness Formula and employees may become eligible for this benefit after completing the 90 day introductory period:

New Years Day	Easter	July 4th
Thanksgiving Day	Christmas Day	

Full time hourly employees are paid their regular hourly rate for a full day, based on a pro rated weekly schedule whether they work the holiday or not. Hours worked on the recognized Fitness Formula holiday will also be paid at regular hourly rate. Part-time, hourly instructors, temporary or seasonal employees do not receive holiday pay. Salary or hourly plus commission employees do not receive holiday pay. Holiday hours are not compensable when calculating eligibility for overtime.

However, part-time, temporary or seasonal employees who work the holiday will be compensated at double time for only the hours worked. Commissions are paid only if earned.

Holiday hours are not compensable when calculating eligibility for overtime.

Salaried managers who work a holiday may request an alternate day off within 60 days. This day off must be requested in writing, approved at least 7 days in advance by the General Manager, and may not be added to vacation time.

Purchases and Club Discounts

All employees are expected to pay for all purchases made in the Club at the time of purchase. No house charges will be allowed. There is a 20% discount for merchandise, and spa services. Please check with each club's Fitness Director for the employee pricing on fitness training sessions. There is a reduced guest fee for your non-employee guests.

Personal/Sick Days

Full-time employees only are eligible for four paid personal/sick days per year after 90 days of employment, based on employment anniversary date. This paid time off may be used for doctor's visits, religious observance, moving, etc. Salaried employees and managers continue to receive their salaried pay and no additional pay for personal or sick days used. Full-time hourly employees are paid for the number of hours they normally work up to 40 hours; full-time commissioned staff receive paychecks equal to their average daily pay for the preceding quarter (three months).

If unrelated to illness or injury, personal days are to be used with the employee's supervisor/manager's advance approval and if work schedule has been covered. Personal days unused when an employee separates employment will not be reimbursed. Personal days may not be carried over to the next anniversary year and may not be added to the beginning or end of vacation time.

Vacation Qualifications

We recognize the importance of vacation time in providing the opportunity for rest, recreation, and personal activities. The following vacation benefit for full-time employees is for each year of employment based on original date of hire:

Length of Service based on Date of Hire

Vacation Benefit

Employees are not eligible for paid vacation during the first six months of employment, however, vacation time will accrue and must be used before each anniversary date.

The following schedule of accrued vacation days apply:

<i>Months 1-12</i>	<i>.42 days per month accrued</i>	<i>5 days</i>
<i>Months 13-24</i>	<i>.83 days per month accrued</i>	<i>10 days</i>
<i>Months 25-36</i>	<i>.83 days per month accrued</i>	<i>10 days</i>
<i>Months 37-48</i>	<i>.83 days per month accrued</i>	<i>10 days</i>
<i>Months 49-60</i>	<i>.83 days per month accrued</i>	<i>10 days</i>
<i>Month 61 +</i>	<i>1.25 days per month accrued</i>	<i>15 days</i>

- Vacation approval is based on employment tenure.
- Unused vacation time does not accrue beyond your anniversary date of hire each year.
- Employees may not take more than 5 days vacation at one time.
- If department goals or job requirements have not been met, vacation time may not be approved.

All vacation time must be requested at least 30 days in advance and approved by your Department or Club Manager. The amount of advance notice time may affect the approval of your vacation by your supervisor.

Eligible employees who terminate or separate employment for any reason will be paid for accrued and unused vacation time only calculated on a pro-rated basis.

Employees terminated or separated within six months of date of hire are not eligible for vacation pay. If you are re-hired, you will be considered a new employee.

Salaried employees and managers receive their regular pay; full-time hourly employees are paid for the number of hours they normally work up to 40 hours; full-time commissioned staff and managers receive paychecks equal to their average monthly pay for the preceding quarter (three months). Full time hourly staff will receive their hourly pay based on the average number of hours worked per day during a pay period. We want our employees to take vacations to relax and revitalize themselves. All Department Managers and revenue generating staff positions (personal trainer, Pilates instructor, sales associate) may not have vacation time approved during close out periods.

Vacations are important to maintaining a good, clear outlook and performing better on the job. Therefore, we do not offer pay in lieu of taking a vacation.

Family Deaths

In the unfortunate event of a death in your family, the Club understands the need for you to spend time with your family and to attend funeral arrangements and other matters. We will pay up to three days average wages for work days missed due to a family death for regular full-time and commission employees. The "family" in this case includes spouse, children, parents, grandparents and siblings.

Professional Development Credit/Fitness Certification Program

Improved skills and professional development of our employees are crucial to our success. The Professional Development Credit (PDC) is meant to encourage our employees to pursue their career potential. Any full time employee (with the exception of temporary and seasonal) who has completed their introductory period of 90 days has the option of utilizing the PDC.

All requests for PDC **reimbursement** are subject to the approval of the General Manager or the Fitness Formula President. The employee should submit the PDC "Request Form" to their supervisor for approval prior to committing to any events. **PDC's are to be used for activities relevant to the employee's work skills on their present job or in pursuing a career path with Fitness Formula.** These may include:

- College, continuing education, or technical training courses.
- Books and other literature.
- Local conferences and seminars.

Fitness Formula will match 50% of the cost for an activity up to a **maximum reimbursement amount of \$200 allowed during your anniversary year**. We encourage our staff to diversify their educational development.

If the employee voluntarily resigns or employment is terminated within three months after reimbursement has been made through the PDC, the employee will reimburse the company via payroll deduction. PDC's are not to be carried over from year to year (PDC's are based on your anniversary date of hire). Reimbursement requests for PDC expenses should be submitted after the activity is completed and should be accompanied with your paid receipts. *The Fitness Certification Match program reimbursements are made one year after completion of fitness related certification, and are applied toward the current annual PDC amount.*

All fitness related certifications must be paid for by the employee. One year after completion date of your certification, you may submit your request for reimbursement accompanied by a copy of your current certification. Reimbursement of 50% (up to a maximum of \$200) will be made toward certification fees. All reimbursements made under the fitness certification matching program will be applied toward the employee's PDC for that annual period.

Certifications must be pre-approved and include, but are not limited to: NASM, NSCA, ACE, ACSM, Pilates Mat and Reformer, M.A.T. Other educational courses, local fitness conferences and seminars may be paid by the employee and submitted for Professional Development Credit.

Wherever possible, Fitness Formula will sponsor in-house training and certification courses with an employee discount. These seminars will be coordinated on a registration basis. Each participant must pay in advance for the course and follow the same procedures above.

PART TIME BENEFITS

Limited Health Coverage Plan for Part Time Employees

Fitness Formula offers the opportunity to enroll in a limited benefit health care plan and pay premiums through a pre-tax deduction after the 90 day introductory period has been completed. Employees must be Part Time and work consistently between 10 and 35 hours per week. Part time status for group fitness instructors requires at least 4 hours classes or sessions per week. If status changes to full time or hours worked drops below 10 hours per week for 2 consecutive pay periods, COBRA will be initiated.

Employee Family Membership

Part-time employees may enroll a spouse/significant partner who share a common household and who jointly shares financial responsibility with a \$50 initiation fee and the prevailing full individual monthly dues.

Enrolling current dues paying or former members are excluded from this benefit for all employees.

Remember, members always have priority on equipment, courts, pools and other facilities. After all, their satisfaction is the key to our success. Appropriate attire is expected while using the facilities of the club when you're not working. All FFC locations have staff restricted work out hours.

Limited Club Membership

Regular/hourly full and part-time employees are entitled and encouraged to use their home club at no charge during the employee's non-working hours and to follow all club policies on restricted hours use of the facilities. All commissioned employees must maintain at least 15 hours work per week to be eligible for use of club facilities. Hourly group exercise instructors must be scheduled for and maintain a minimum of eight classes per month (or 2 per week, combined if teaching at one or more FFC location) to be eligible for use of club facilities. All other instructors teaching less than 2 classes per week combined will not have club privileges anytime other than the day of their scheduled classes. Substitute instructors are not eligible for this benefit. Use of other Fitness Formula clubs is encouraged, and employees will be subject to certain restrictions. Usage of club facilities is limited to employee restricted hours at all locations and any other seasonal restrictions which may be imposed throughout the year. There may be certain holidays employees will not be able to use the club. Please call ahead to avoid disappointment and provide your employee identification card each time you visit another club location within our network.

Upon termination of employment, there is a 60-day waiting period with no club privileges allowed. With the approval of management, the employee may join the club at the current rates for monthly dues with a discounted initiation fee, provided they enroll within sixty to ninety days of employment separation. After this time, they are subject to the prevailing initiation fee. If the employee is terminated for cause, membership or admittance to the club may not be allowed.

Purchases and Club Discounts

All employees are expected to pay for all purchases made in the Club at the time of purchase. No house charges will be allowed. There is a 20% discount for merchandise, and spa services. Please check with each club's Fitness Director for the employee pricing on fitness training sessions. There is a reduced guest fee for your non-employee guests.

401 (K) Retirement Savings Program

The retirement program is available to all employees who are at least 21 years of age and working at least 25 hours per week. Enrollment in the program is held on a quarterly basis. Currently Fitness Formula matches 20% on each dollar up to the first five percent (5%) of your contribution. Employer matching begins after one year of employment. Your contribution and the Fitness Formula match are made with “pre-tax” dollars for additional savings. Not only does the Company provide you a “bonus” on the above described contributions, all your contributions are made prior to payroll tax deductions. Furthermore, these monies are invested at your direction via several investment vehicles of your choice for additional potential earnings. The example below illustrates how your money grows faster in a 401(k) than in after-tax investments:

	<u>With a 401(k) Account</u>	<u>Without a 401(k) Account</u>
Monthly paycheck	\$2,000	\$2,000
401(k) contribution	-100	0
Taxable amount	1,900	2,000
Tax Withholding*	-532	-560
Paycheck after withholding	1,368	1,440
After-tax investment	0	100
Net Pay	\$1,368	\$1,340
	\$28 more	

*Assumes combined state and federal income of tax of 28%.

Vesting

If you leave Fitness Formula, you can take the money you contributed in the 401(k) with you. You may take a distribution* or roll over the assets to your new employer’s qualified plan or into an IRA. If you were employed with Fitness Formula six or more years, 100% of the monies contributed by Fitness Formula also belong to you. If you were employed five years, you may take 80% of the Fitness Formula contributions. Vesting in the 401(k) takes into account your length of employment from your anniversary date, not the date you enter the plan. The vesting schedule for the Fitness Formula match is as follows:

At the end of Year	Vested Interest
1	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Employee Referral Reward Program

If you know someone who has the commitment, enthusiasm and integrity that you do, simply refer them to your Manager or the Fitness Formula Human Resources Recruiting department. If they become a member of our team, you will receive a referral reward. The Referral Reward Program is open to all non-exempt employees who do not hold a supervisory or higher status. Please see your Manager for more details.

EMPLOYMENT POLICIES

Equal Employment Opportunity/Harassment

We are proud to be an equal opportunity employer. It is our policy to grant equal employment opportunities to all qualified applicants and employees without regard to their color, creed, religion, gender, age, national origin, citizenship status, disability, sexual orientation or any other basis protected by law. Our policy of equal employment applies to all aspects of the employment relationship.

It is also our policy that any form of harassment on the basis of any of the above-mentioned protected categories will not be tolerated.

If you feel that you have been discriminated against in any respect or harassed, you should immediately bring the matter to the attention of your supervisor or any other member of management with whom you would feel comfortable raising the issue, or you can follow the procedure set forth in Section 2 below. All such complaints will be treated with confidentiality to the maximum extent possible and will be thoroughly investigated and reviewed. Appropriate corrective action (up to and including discharge) will be taken to remedy the complaint, if warranted.

Our Policy against Sexual Harassment

As we have emphasized, we believe that all of our employees should be able to work in an atmosphere free of all forms of employment discrimination, including sexual harassment. Our policy is to forbid sexual harassment of any kind, which extends to each and every level of our operation. Sexual harassment, whether by a fellow employee, manager, supervisor, or visitor will not be tolerated. Activities of this nature are against the law, serve no legitimate purpose and have a disruptive effect on the ability of our employees to perform their jobs properly.

The Company takes allegations of sexual harassment very seriously and will actively investigate all sexual harassment complaints. If it is determined that sexual harassment has occurred, management will take appropriate disciplinary action against the offending person, up to and including discharge.

To ensure that the Company provides each of you with a work environment free from sexual harassment, the Company requires that all employees avoid any action or conduct which could be viewed as sexual harassment.

Acts considered to constitute sexual harassment include, but are not limited to, unwelcome sexual advances, requests for sexual favors and other verbal or physical conduct of a sexual nature where: (a) submission to such conduct is either an express or implied term or condition of employment; (b) submission or rejection of such conduct is used as a basis for an employment decision affecting the harassed person; or (c) the purpose or effect of such conduct is to substantially interfere with the affected individual's job performance or to create an intimidating, hostile, or offensive work environment.

Sexual harassment also may include such actions as: sex-oriented verbal "kidding", "teasing," or jokes; subtle pressure for sexual activity; physical contact such as patting, pinching, or brushing against another's body, demands for sexual favors, sexually explicit conversation, e-mail, cell phone text messages, voice mail, or sexually explicit or suggestive objects or pictures.

Any employee who has a complaint of sexual harassment at work by anyone, including supervisors, co-workers, customers or visitors, should immediately bring the matter to the attention of his or her supervisor, the Human Resources Director, or follow the procedure set forth in Section 2 below.

Discrimination/Harassment Procedure

Each member of management is responsible for creating an atmosphere free of discrimination and harassment, sexual or otherwise. Further, employees are responsible for respecting the rights of their co-workers.

If a member of management believes or hears rumor that another employee possibly experienced job-related harassment based on sex, race or another factor, or has been treated in an unlawful, discriminatory manner, or is faced with allegations of the same, he or she must promptly report the incident to the Human Resources Director.

If you are an employee who experiences any job related harassment based on your sex, your race, or another factor, or believe you have been treated in an unlawful, discriminatory manner, promptly report the incident to your supervisor or any other member of management with whom you would feel comfortable raising the issue. If for any reason you believe it would be inappropriate to discuss the matter with your supervisor, or if you have not received a satisfactory response after reporting an incident, we urge you to report it directly to the Human Resources Director who will undertake an investigation. Your complaint will be kept confidential to the extent possible, will be promptly investigated, and appropriate corrective action will be taken, where warranted. Said action may include, without limitation, discipline, reassignment, and possible termination of the offending party.

We prohibit any form of retaliation against any employee who either reports a complaint under this policy or assists in a complaint investigation.

Guidelines for Conduct

General Rules

Your primary responsibility is to do a good job, and this carries with it a number of obligations, such as obeying Company rules, adhering to safe working practices, cooperating with management and fellow employees, and remaining loyal to the Company. As an employee of the Company, you are expected to meet reasonable standards of work performance and personal conduct.

While we hope and expect the need for disciplinary action will be rare, when your job performance, attitude or conduct fall short of our standards, we will not hesitate to take appropriate action. Such action will range from written warnings to termination. This means that as a general rule, you will be given an increasingly severe penalty each time an offense is committed. Some types of misconduct, however, are so intolerable that termination may be imposed for the first offense.

The rules set forth below are not designed for the purpose of interfering with or restricting your rights. Instead, our goal is to protect the mutual rights and interests of the Company and all of our employees. As you review the following lists, please keep in mind that it is not intended to be exhaustive. It is merely intended to provide you with examples of the types of conduct which may result in disciplinary action. Misconduct not specifically described in these guidelines will be handled as warranted by the circumstances of the case involved. Penalties imposed as a result of infractions of the rules may be modified by the Company when extenuating circumstances are found. Likewise, flagrant infractions of the Rules may result in action of greater severity than shown below.

The following are examples of the types of offenses that will **result in immediate discharge**:

- Stealing property, money and money for services belonging to the Company, another employee, or a tenant.
- Falsifying or altering Company records.
- Punching another employee's time card.
- Misrepresenting or omitting material facts or giving false information to anyone with a duty to prepare Company records, including giving false information on your employment application (no matter when discovered) or other dishonest or unethical behavior.

- Violation of the Drug and Alcohol Policy, including: possessing, using, reporting to work or working under the influence of alcohol, controlled substances or illicit drugs; also, misuse or working under the influence of prescription drugs which could adversely affect job performance or result in injury.
- Fighting on Company or tenant property, or assaulting or attempting to assault any person, or threatening bodily harm to any person, or deliberately provoking or inciting another person to engage in an assault or fight.
- Possession, carrying, using or storing any firearm or other dangerous weapon or explosive on Company or tenant property.
- Giving anyone outside the Company any confidential or proprietary information of the Company.
- Failure to report for work as scheduled following a vacation, leave of absence, or other excused absence.
- The making or publishing of false statements concerning any tenant, employee, or the Company.
- Violations of the Company's discrimination and sexual harassment policies which are serious enough that, in the Company's belief, discharge is warranted.
- Insubordination, such as refusal to follow instructions or directions of management personnel, or not treating managers with appropriate respect.
- Being absent three consecutive working days without acceptable notice to the Company or without justification deemed acceptable by the Company.

Fitness Formula Clubs is committed to furthering each employee's professional success and providing constructive feedback when necessary. When performance issues arise, your manager will meet with you to discuss the issue and establish goals for improvement. The issues raised and outcomes reached will be documented to ensure clarity on the relevant issues and steps to be taken. The failure to meet established goals effectively within an agreed-upon timeframe may result in discharge.

The following are examples of offenses that will result in disciplinary action, generally commencing with a verbal/written warning. A written warning and 3-day suspension may be imposed for a continuing offense (but not necessarily for the same offense). In certain situations, depending on the severity of the offense, immediate discharge may occur.

- Working overtime without authorization from your Supervisor.
- Failing to follow prescribed safety or other work procedures or policies.
- Failing to maintain satisfactory work performance including failing to meet quality and/or quantity standards.
- Failure to wear proper department uniform, including name tag; and/or appropriate clothes for respective position according to the FFC Dress Code and appearance standards.
- Horseplay or disorderly conduct.
- Failure to attend mandatory meetings.
- Not working during working time or engaging in personal business during working time without permission of the supervisor.
- Any staff in a revenue generating department such as sales, fitness, Pilates and personal training) failing to work during closeout without obtaining prior approval to be excused from General Manager. Closeout period is the last three days of every month.
- Overstaying rest periods or lunch periods.
- Excessive absenteeism, tardiness and/or leaving early.

- Failing to notify your Supervisor by the start of your scheduled workday, on each and every day in which you are not reporting to work.
- Acting unprofessionally or inappropriately.
- Negligence resulting in injury to persons, or damage to property.
- Failure to notify the Company of changes in personal information, such as telephone number, address, etc.
- Failure to properly punch your time card or keep time records.
- Leaving the Company during working hours without permission.
- Sleeping on the job; reading books or other materials that do not pertain to your employment.
- Any other action or failure to act deemed detrimental by the Company.

Our Open Door Policy

Whenever people work closely together as we do at the Fitness Formula Clubs, complaints and misunderstandings are bound to arise from time to time. The Company is committed to making every effort to provide you with the opportunity to bring all such matters to management's attention and receive prompt consideration. As part of this effort, we have developed the procedure set forth below for handling complaints and problems.

We strongly encourage you to make use of this procedure because we believe that our continued success depends upon our ability to work together to solve problems. Working out problems often prevents the misunderstandings that occur when communication breaks down. When people stop talking to each other, they often focus their anger on what they imagine to be true instead of the facts. You and the Company stand the best chance of resolving problems by tackling them together through our **Open Door Policy** -- before they become a crisis. Our procedure is as follows:

STEP 1 Immediate Supervisor

Whenever possible, you should try to resolve any problems at work with your immediate supervisor. Because this person is close to your situation, he or she may already be aware of the problem or be in a position to offer a new perspective or some new facts that may be helpful to you.

STEP 2 Higher Level of Management

Unfortunately, sometimes your immediate supervisor may be part of the problem, or you are not comfortable discussing the situation with him or her. If that is the case, or if you are unsatisfied with your immediate supervisor's response, or for any reason you need to talk to someone other than your immediate supervisor, you may take your problem to the next level of supervision. At any time, you may also choose to contact the Human Resources Manager for advice or assistance. The Human Resources Manager may be present at your meeting with your immediate supervisor or any other member of management.

STEP 3 The Founder and CEO

If, for whatever reason, you are still not satisfied with the response at lower levels of management, your issue may be taken to the CEO. We suggest that, at this point, you put your complaint in writing. The CEO, along with a representative from Human Resources, will then meet with you at a mutually convenient time. The CEO's decision in the matter will be final.

The Company forbids any retaliation for using this Open Door Policy.

GOOD REASONS TO USE THE OPEN DOOR POLICY

- Management is committed to it.
- It makes early on-site problem solving more likely.
- It encourages you to give feedback to management.
- You get your questions answered and learn about your options.
- Retaliation is forbidden.
- It helps you help yourself.

Personal Business and Use of Company Computers, Electronic Communications Systems, and Other Equipment **General Provisions**

The postage meter, copy machines, fax machines, computer equipment, telephone, etc. are for business use only. They are not to be used for personal reasons unless permission is given by your supervisor and arrangements are made to reimburse the Company where appropriate. Personal mail is not to be processed through the postage meter unless you have paid for the postage in advance. Long distance phone calls for personal communication is prohibited on Company phones. Personal checks will not be cashed through the Company and cash advances are not allowed. All of our Electronic Communications Systems [including but not limited to computers (software and hardware), the Internet, E-Mail, and Voice Mail], as well as all information transmitted, received, or stored in these systems are the property of the Company. The Electronic Communication Systems are provided for employee use solely for business purposes. Thus, the Company needs to be able to access and/or disclose any information in the Electronic Communication Systems, even those protected by your personal password, at any time, with or without notice to the employee. Employees have no expectation of privacy in connection with the use of these systems, or the transmission, receipt, or storage of information in such systems. Therefore, employees should not use the Electronic Communication Systems to store or transmit any information that they do not want management and/or other employees to see, hear or read.

Nothing should be communicated through the Electronic Communication Systems that would be inappropriate to communicate in any other manner in the workplace. Specifically, the Electronic Communication Systems are not to be used in a way that may be disruptive, illegal, offensive to others, or harmful to morale. The use of derogatory, inappropriate, discriminatory and/or non-professional language, including but not limited to slander, obscenity, sexual harassment, etc. is prohibited. Similarly, there is to be no display or transmission of sexually explicit images, messages or cartoons. Moreover, Electronic Communication Systems may not be used to solicit for any other business, organization, cause, group, commercial venture or other non-business matter.

Most of our Electronic Communication Systems are password protected to limit access to certain information, to protect data from tampering, and to identify the user. Employees are required to keep their passwords confidential, and comply with all security procedures. The unauthorized use of a password, or the access to or retrieval of information transmitted or stored in the Electronic Communication Systems is strictly prohibited.

The Company purchases and licenses the use of various computer software for business purposes and does not own the copyright to the software or its related documentation. Therefore, unless authorized by the software developer, neither the Company nor any of its employees have the right to reproduce such software for use on more than one computer. Employees may only use software on local area networks or on multiple machines according to the software license agreement. The Company prohibits the illegal duplication of software and its related documentation.

Special Rules Regarding Use of the Internet

The Company has systems in place that are capable of monitoring and recording all usage of the Company's internet facilities, including e-mail sent outside the Company. Specifically, our security systems are capable of recording (for each user) each internet site visit, each chat, newsgroup or e-mail message, and each file transfer into and out of our internal networks, and we reserve the right to do so at any time. No employee should have any expectation of privacy as to his or her internet usage. Our managers will periodically review internet activity and analyze usage patterns, and they may choose to publicize this data to ensure that Company internet resources are devoted to maintaining the highest levels of productivity.

No employee may use the Company's internet facilities to disable or overload any computer system or network, or to circumvent any system intended to protect the privacy or security of another user. In this regard, no employee may use the Company's internet facilities to propagate any virus, worm, Trojan horse or trapdoor program code.

Each employee using the internet facilities of the Company shall identify himself or herself honestly, accurately and completely when participating in chats or newsgroups, or when setting up accounts on outside computer systems.

Only those employees who are officials authorized to speak to the media on behalf of the Company may speak/write in the name of the Company to any newsgroup or chat room. Where an individual participant is identified as an employee or agent of this Company, the employee must refrain from any political advocacy and from the unauthorized endorsement or appearance of endorsement by the Company of any commercial product or service not sold or serviced by the Company, or its affiliates.

The Company retains the copyright to any material posted to any forum, newsgroup, chat or internet page by any employee in the course of his or her duties.

Employees are reminded that chats and newsgroups are public forums where it is inappropriate to reveal confidential Company information, customer data, trade secrets, and any other confidential or proprietary information of the Company. Use of Company internet facilities to commit infractions such as misuse of Company assets or resources, sexual harassment, unauthorized public speaking and misappropriation of intellectual property are prohibited by general Company policy and will be sanctioned under the relevant provisions of this Handbook.

Employees may use the internet facilities for non-business research or browsing during mealtime or other breaks, or outside work hours, provided that all other usage policies are strictly adhered to. However, employees with internet access may not use Company internet facilities to download entertainment software or games or to play games against opponents over the internet.

Rather, employees with internet access may download only software with business use, and must arrange to have such software properly licensed and registered. All such download activity must be approved by Fitness Formula Corporate IT. Downloaded software must be used only under the terms of its license.

Violations

Employees should notify their immediate supervisor, or Human Resources upon learning of violation of this policy. Employees who violate this policy will be subject to disciplinary action, up to and including discharge.

Company Policy on Drugs and Alcohol

Drug and alcohol abuse is one of the most serious problems in American society today. Although we have always recognized our employees' rights to make their own choices and lead their own lives, drugs and alcohol can and often do affect performance and safety on the job. When this happens, we must get involved in order to protect our employees and the future of this Company.

With this in mind, we have developed the following policy and work rules regarding the sale, use, possession and distribution of drugs and alcohol. *[The use of the term "drug" in this policy refers to both legal and illegal controlled substances, unless the legal use is pursuant to the instruction of a physician who has been informed of the employee's job duties and has concluded that the substance does not adversely affect the employee's ability to safely perform his/her job.]* This policy applies to all employees:

The use, sale, possession, distribution or manufacture of illegal narcotics, drugs, or controlled substances, including, but not limited to, marijuana, cocaine, PCP, heroin, LSD, amphetamines and barbiturates, while on Company business or on Company premises is prohibited. (Company premises includes all land, property, buildings, structures, installations, parking lots, means of transportation owned by or leased to the Company or otherwise being utilized for Company business and private vehicles parked on Company premises.) Employees are also prohibited from reporting to work while under the influence of illegal narcotics, drugs (of any kind, legal or illegal, which could affect performance or give rise to safety problems) or controlled substances. Violation of this rule may result in disciplinary action, up to and including discharge. Any such substances will be turned over to the appropriate law enforcement authorities and may result in prosecution.

a) The use or possession of alcoholic beverages by employees while on Company business or on Company premises, as defined in paragraph 1 above, is prohibited. The only exception will be at Company approved or sponsored functions which have the advance approval of the President or his designee to serve alcohol. At such functions, moderate consumption is permitted, but reasonable standards of conduct must be maintained. Violation of this rule may result in disciplinary action, up to and including discharge. Employees will not be permitted to work under the influence of drugs or alcohol. If the Company reasonably suspects that an employee is under the influence of drugs or alcohol while on Company premises or on Company business, the Company shall have the right to require the employee to take a medically approved test(s) to be given by authorized medical personnel to determine whether this policy has been violated. The Company will pay for the cost of the test(s).

The Company also reserves the right to require testing of employees who are involved in a work-related accident where human error could be a factor.

b) Failure to submit to the requested test(s) is a violation of this policy and is cause for discipline up to and including immediate discharge.

If the employee passes the test(s), the employee will be reimbursed for any lost pay.

Further, the fact that the employee took such test(s) and the results thereof, shall not be included in the employee's file. If the results of the test show that the employee has violated the rule, the employee will be subject to discipline up to and including immediate discharge. A medically-approved test(s) need not be administered when the Company has independent proof that the rule has been violated.

c) Off-the-job drug/alcohol use which could adversely affect an employee's job performance or which could jeopardize the safety of other employees, the public, Company equipment or facilities or where such usage adversely affects the reputation of the Company is also cause for disciplinary action, up to and including discharge.

d) Employees who are arrested and convicted for off-the-job drug/alcohol activity may be considered in violation of this policy. In deciding what action to take, the Company will consider the nature of the charges, the employee's present job assignment, the employee's record with the Company, the impact of the employee's conviction on the conduct of Company business and any other factor the Company may deem relevant.

e) Where state law requires, employees must notify the Company of any criminal drug statute conviction for a violation occurring in the workplace no later than 5 days after such conviction. Such a conviction will subject you to disciplinary actions up to and including immediate discharge.

We realize that in certain cases, employees may become dependent upon alcohol or narcotic substances which alter the quality of their professional and personal lives. The Company considers such dependencies to be treatable and is committed to assist any employee who comes forward to request such treatment in a confidential and caring manner, provided the employee seeks assistance before the substance abuse results in a work-related problem.

Employees are encouraged to voluntarily request assistance from the Company or reputable sources in the community, or request a medical leave of absence to deal with a personal alcohol or drug related problem. Volunteering to participate in a treatment program does not excuse or limit the employee's obligation to meet the Company's policies and standards regarding attendance, job performance, and safe and sober behavior on the job. Again, please understand that seeking such assistance will not be a defense for violating the Company's policy regarding drugs and alcohol. If you have any questions about this policy or our work rules, please speak with your supervisor.

Absenteeism

You are important to Fitness Formula Clubs' business. Please remember that the club and your fellow employees depend on you to be at work and on time on all of your scheduled workdays. Maintaining a good attendance record is very important and all attendance at work, meetings and training sessions will be noted in your personnel file. You must notify your supervisor or the Club Manager if you are unable to be at work for your scheduled shift. Failure to comply with work schedule may result in discharge. Failure to notify your manager of your absence from work after a period of three days will indicate job abandonment and your voluntary separation of employment.

Employee Orientation

One of the most important days of your employment with Fitness Formula is your orientation. The company vision, purpose and values are shared in an interactive session for new employees. You will learn how your position impacts the business and your commitment may further your career goals.

Fitness Formula conducts employee orientations on a regular basis. Attendance is mandatory for all new employees with at least 10 scheduled hours of work per week. If you miss an opportunity to attend an orientation within the first 90 days of your employment, you will be temporarily suspended without pay until you attend an orientation. If you fail to attend the orientation without sufficient reason provided to your Manager after suspension has been invoked, you will be discharged from your position.

Employee Staff Survey

Employees must complete the staff survey on line within 90 days of employment. Our goal is to provide you all the necessary tools for a successful, long and productive employment relationship. It is important for you to complete the survey so we may continue to improve our orientation procedures, staff development and the employee integration process. The survey can be found on the webpage <http://ffc.com/start/>. If you do not complete the survey within 90 days of employment, you will be suspended from work without pay until you complete the survey.

Charitable and Other Solicitations

We do not want to embarrass employees at work with requests for contributions, or pressure them with literature on outside subjects. Therefore, no employee is permitted to distribute or post literature, pamphlets, circulars, etc., in any working area at any time unless approved by the Club General Manager. Solicitation is also prohibited for any purpose while either the person soliciting or the person being solicited is on working time. (Working time does not include scheduled rest breaks or meal breaks.) Non-employees may not solicit for any purpose or engage in the distribution of literature of any kind on club or Fitness Formula premises.

Club Property

Upon hire, you may be issued club keys, uniforms or other club property. Your supervisor will ask you to sign a receipt for such items and a uniform deposit will be deducted from your payroll. All property belonging to the club must be returned to the club when employment is either voluntarily or involuntarily terminated. The following list is a representation, but not all inclusive, of club property:

- Financial statements
- Personnel information
- Payroll information
- Club, Sales or Fitness manuals
- Marketing materials and sales files
- Club keys
- Membership lists and/or names
- Cleaning/Maintenance supplies
- Uniforms

Confidential Information/Trade Secrets

Many employees are privy to confidential information. Although it is impossible to list all the circumstances under which information may be deemed private or confidential, it is your responsibility to use good judgment in protecting club and personal information. Because employees quite often maintain close personal contact with members, it is essential to keep personal and business relationships separate. Confidential and/or private business information must be kept confidential and private. Some examples of confidential information are: salaries, financial statements, operating or training manuals, marketing and other business plans, membership names and lists.

If you are unsure whether something is confidential, ask your General Manager before disclosing the information. Disclosing or copying confidential information without prior approval may be grounds for immediate dismissal.

Conflicts of Interest

It is possible that the interest of the individual and the interest of Fitness Formula or any of its clubs may be in conflict. Fitness Formula wants to know of any potential conflicts of interest before they occur. Sometimes even the appearance of a conflict of interest can be a problem. Failing to notify management or acting in a manner which is detrimental to Fitness Formula's interest will be grounds for immediate dismissal.

It is impossible to describe all the situations which may cause or give the appearance of a conflict of interest. Therefore, the prohibitions included in this policy are not exhaustive and only include some of the most clear cut examples.

Some examples of conflicts of interest that should be discussed with your supervisor include but are not limited to: soliciting members or other employees for your own personal financial gain; allowing yourself to be solicited by members for the exchange or trade of services; selling unauthorized health-related products, apparel or equipment on Club premises; accepting gifts from suppliers or vendors; a financial interest held by you or your immediate family members in any firm which does business with the Club or Fitness Formula or competes with the Club or Fitness Formula.

Club management will decide conflict of interest if any club employee, personal trainer or sales associate is working for other health or fitness clubs/organizations.

Dress Code Etiquette and Personal Appearance

In keeping with Fitness Formula's Core Values and reputation, employees' good personal hygiene and neatness are very important. You must wear and maintain a neat, clean uniform and care for the rest of your appearance at work every day. There is a one-time fee deducted from payroll for your uniform. **Name tags are to be worn by all staff and managers at all times while on duty.** The accepted attire for respective positions is as follows:

Sales Manager/Sales Staff /Manager on Duty*

Men – **Dress shirt and tie**, slacks, dark shoes and socks

Women – Pant suit, slacks or skirt, dress, business shoes

*Exceptions include fitness managers, and overnight MOD shifts

Beach wear, "fad" fashion, inappropriate lengths, fabric, or fit may not be acceptable. High heeled, platform, tennis/gym shoes, and some open-toed shoes may not be acceptable.

Service Manager/Supervisor/Service Staff

While on duty at service/front desk, the service managers, supervisors and staff may be in respective club service uniform which includes:

Men - designated shirt, appropriate slacks and shoes.

Women – designated blouse, appropriate slacks or skirt and shoes.

Gym or tennis shoes are unacceptable.

Fitness and Personal Training Staff/Housekeeping/Maintenance/Childcare/Spa

Men and Women – Club issued uniform shirt, specified black pants/shorts and athletic footwear.

Respective club or uniform hats only are acceptable on fitness staff and must be worn facing front.

We strive to maintain our professional reputation at all times. To that end, we expect the additional following dress code and etiquette policies to be observed:

1. The designated department uniform must be worn during all shifts.
(Please check with your department supervisor for specific uniform requirements.)
2. Name tags are mandatory at all times while at work.
3. Clothes/uniforms may not show visible signs of being dirty or wrinkled.
4. Black shoes must be worn by service staff at all times. No gym shoes allowed while on your shift at the front desk or service desk.
5. Hair is to be brushed or combed neatly. Employees with long hair may be asked to pull it back.
6. "Fad" hair cuts or styles or facial hair may not be acceptable.
7. Excessive or inappropriate jewelry is not acceptable (male or female).
8. A neat, clean appearance and good personal hygiene is expected at all times. Please refrain from excessive perfume or cologne.

9. Male employees may not wear earrings or any other types of facial jewelry or adornments.
10. Additional facial jewelry which includes tongue, nose or eyebrow accessories may not be worn while on your work shift.
11. Headphones must not be worn while on your work shift.
12. Gum chewing will not be allowed while on your work shift.
13. The use of personal cell phones for calls or texting is unacceptable in any member visible area while on your shift.

The acceptability of your clothing and etiquette will be determined by your department or General Manager.

Employee Transfers

Transfer between Fitness Formula clubs will not result in lost tenure gained toward benefits. While some promotions and job transfers will originate from Fitness Formula, you may also request a transfer. In doing so, you must notify your direct General Manager of your request for transfer. There is no guarantee that a suitable job will be available or that a transfer will be granted. You must be employed 90 days before requesting a transfer of positions between clubs or applying for a comparable or other available position. Fitness Formula will transfer or not transfer employees based on the needs of the business.

Exceptions may include, but are not limited to:

Employee moves their residence.

Employment needs of the company/individual club.

Management decision.

Handbook Changes and Addendums

This Handbook was prepared to set forth, define and explain the philosophies, policies, benefits and procedures of your employment with Fitness Formula. Although much of the subject matter contained in this Handbook is part of Fitness Formula's established policies, you may find some changes from prior policies. These changes are to be in effect immediately.

From time to time, it may be necessary to make additional changes through the issuance of company wide memos. These memos and addendums should be kept along with the Employee Handbook and are to be considered a part of this Handbook. It is the intention of this Handbook to answer your questions regarding the policies, benefits and procedures of employment with Fitness Formula. However, if some items are still unclear please discuss them with your supervisor or club manager. Individual Fitness Formula clubs may supplement this Handbook with policies and procedures specific to their operation. If you are unclear as to any aspects of Fitness Formula employment policies, it is your responsibility to discuss these with your supervisor or club manager.

Housekeeping

The general appearance of all club locations within our network is a direct reflection of how much individual pride we take in our surroundings and in our jobs. Good housekeeping means better and more pleasant working conditions, helps reduce accidents, improves health conditions and is a determining factor in the image of the club.

Employees are urged to cooperate by doing their full share toward helping us keep and maintain our reputation of being a clean and orderly club. Whether an employee is on the maintenance staff or not, he/she should assist by placing all paper cups, wrappings, garbage and all general waste in the litter baskets provided. Employees should also assist in the locker rooms when needed by closing all locker doors and placing all used towels in the bins provided.

Nutrition Supplement Policy

It is the position of Fitness Formula that the professional fitness staff may give information on safe and effective exercise and weight management programs. Exercise programs may include information on cardiovascular, strength and flexibility regimes. Desirable weight management programs are those that are nutritionally sound according to the American Heart Association and the American Dietary Association and result in maximal losses of fat weight and minimal losses of fat-free weight.

Fitness Formula employees will not recommend dietary supplements in designing fitness and/or weight management programs for members. Members who desire information on dietary supplements will be referred to their physician, a staff dietician or nutritionist, or an appropriate Fitness Formula medical/wellness subtenant. Fitness Formula recommends that club members take charge of their own personal health. *(Supplements may include the following: vitamins, minerals, herbs, botanicals and other plant-derived substances, amino acids, concentrates, metabolites, constituents and extracts of these substances.)*

Payroll Errors

While every precaution is taken to see that your payroll is correct, errors can occur. If this happens, notify your supervisor immediately and we will correct the error. If you request a replacement check, and we must void or cancel the original payroll amount provided to you, there will be a \$30 fee deducted from your payroll. If you provide us with incorrect banking information or neglect to inform us of a change in bank information, there will be a \$15 charge for any payroll kickback.

Performance Review

Among the factors your supervisor/manager will evaluate are your job knowledge and performance, reliability, attendance at work and scheduled meetings, service quality, willingness to take on more responsibilities and your level of professional behavior toward your job, fellow employees and members.

An initial performance evaluation will be conducted after you complete the Introductory Period of 90 days of employment. A six month review of performance may be conducted, as well as a performance review during the all staff common review period. All evaluations are closely linked to, but do not necessarily guarantee that a compensation increase will be provided at that time. Any potential increase in your pay will take place during the designated performance evaluation timeline.

Leaves of Absence (General Provisions)

Occasionally it may be necessary for you to be absent from the job for an extended period of time. However, such absences can cause confusion in work scheduling and the need for replacements. Therefore, you are urged to request such leaves of absence only when they are clearly necessary. All leaves of absence are **unpaid**, except that you may be eligible for certain payment(s) under the Company's benefit program(s).

Employees who are absent, or expect to be absent from work for more than 5 consecutive workdays with authorization will need to request a leave of absence. (if an employee is out of work for more than 3 consecutive days, they might qualify for FMLA). All requests for leaves of absence must be submitted to your supervisor in writing at least thirty (30) days in advance of the start of the leave (except when the leave is due to an emergency or is otherwise not foreseeable). A delay in submitting this request could result in a delay of the start of your leave. You will be notified if your leave request is approved. You are required to make an effort to schedule a leave so as not to disrupt business operations. During the leave, you may be required to report periodically on your status and your intention to return to work. An employee shall not be granted a leave of absence for the purpose of seeking or taking employment elsewhere or operating a private business. Unauthorized work while on a leave of absence will result in disciplinary action, up to and including discharge.

Any extension of time for your leave of absence must be requested in writing prior to your scheduled date of return to work, together with written documentation to support the extension. Your failure to either return to work on the scheduled date of return or to apply in writing for an extension prior to that date will be considered to be a resignation of employment effective as of the last date of the approved leave. Employees on leave for their own serious health condition must provide a fitness-for-duty release from their health care provider before they will be permitted to return to work. Regardless of your original estimated return to work date, you are expected to contact the Company as soon as your doctor releases you to return to work.

A leave of absence will not affect the continuity of your employment. Your original date of employment remains the same for seniority purposes. However, you will not accrue any benefits during the period you are on a leave.

We offer the following types of leave of absence: Family and Medical Leave ("FMLA"); Medical Leave; and Personal Leave. Your maximum time on a leave of absence, all types combined, and including all extensions, cannot exceed a total of twenty-six work weeks in a rolling twelve month period, except in cases where further leave is required by law. In addition, other time off may be obtained for service on a jury or bereavement time away from work. Specific policies concerning these benefits as well as others will be provided to you separately.

The following rules explain how FMLA and Medical Leaves are coordinated with other benefits:

- You must take any and all types of leave of absence for which you qualify at the same time. For example, if you qualify for both an FMLA and a Medical leave, you would take them simultaneously.
- All time missed from work that qualifies for both workers' compensation and a leave of absence, will be counted toward the employee's 12 weeks of FMLA and/or Medical Leave.
- If you otherwise qualify for workers' compensation, you shall collect such payments at the same time you are on FMLA and/or Medical Leave.
- If you otherwise qualify for other types of paid time off programs, such as paid vacation days, etc., you must substitute those paid days for any **unpaid** FMLA and/or Medical Leave. This means that you may take such paid time off at the same time you are taking **unpaid** FMLA and/or Medical Leave.

Family and Medical Leave

If you have been employed by the Company for at least twelve (12) months and have worked at least 1,250 hours during the 12-month period preceding the start of the leave, you are eligible for up to a total of twelve (12) workweeks of **unpaid** FMLA Leave during any rolling twelve (12) month period for one or more of the following reasons:

- Because of the birth of your child and in order to care for such child (within 12 months after the birth of the child);
- Because of the placement of a child with you for adoption or foster care (within 12 months of the placement of the child) in order to care for your spouse, child, or parents if they have a "serious health condition";
- Because of a "serious health condition" that makes you unable to perform the functions of your job;
- Any qualifying exigency (as the Secretary of Labor will, by regulation, determine) arising from the fact that a child, spouse, or parent of the employee is on active duty (or has been notified of an impending call or order to active duty) in the U.S. Armed Forces in support of a contingency operation;
- To care for a spouse, child, parent, or next of kin who is a servicemember recovering from a serious illness or injury sustained in the line of duty.

If your spouse also works for the Company and you both become eligible for a leave under paragraphs a or b above, or for the care of a sick parent under paragraph c above, the two of you together will be limited to a combined total of twelve (12) workweeks of leave in any rolling 12-month period.

Rolling 12-Month Period - The rolling 12-month period is the twelve month period immediately preceding the beginning of your leave.

Medical Certification - Any request for a leave under paragraph c or d above, must be supported by certification issued by the applicable health care provider. You may obtain a certification form from the Human Resources Department. At its discretion, the Company may require a second medical opinion and periodic re-certification to support the continuation of a leave. If the 1st and 2nd opinions differ, a 3rd opinion can be obtained from a health care provider jointly approved by both you and the Company.

Serious Health Condition - For purposes of this policy, "serious health condition" means an illness, injury, impairment or physical or mental condition that involves one of the following: Hospital Care, Inpatient care (i.e., an overnight stay) in a hospital, hospice or residential medical care facility, including any period of incapacity or subsequent treatment in connection with or consequent to such inpatient care.

Absence Plus Treatment A period of incapacity of **more** than three consecutive calendar days (including any subsequent treatment or period of incapacity relating to the same condition), that also involves either: a) **treatment two or more times** within 30 days of the beginning of incapacity by a health care provider, by a nurse or physician's assistant under direct supervision of a health care provider, or by a provider of health care services (e.g., physical therapist) under orders of, or on referral by, a health care provider must take place within seven days of the first day of incapacity; or b) **treatment** by a health care provider **on at least one occasion** which results in a **regimen of continuing treatment** under the supervision of the health care provider.

Pregnancy Any period of incapacity due to pregnancy, or for prenatal care.

Chronic Conditions Requiring Treatment A chronic condition which: a) requires **periodic visits** for treatment by a health care provider, or by a nurse or physician's assistant under direct supervision of a health care provider; b) continues over an extended period of time; **and** c) may cause episodic rather than a continuing period of incapacity (e.g., asthma, diabetes, epilepsy, etc.).

Permanent/Long-term Conditions Requiring Supervision A period of incapacity which is **permanent or long-term** due to a condition for which treatment may be effective. The employee or family member must be under the continuing supervision of, but need not be receiving active treatment by, a health care provider. Examples include Alzheimer's, a severe stroke, or the terminal stages of a disease.

Multiple Treatments (non-chronic conditions) Any period of absence to receive **multiple treatment** (including any period of recovery there from) by a health care provider or by a provider of health care services under orders of, or on referral by, a health care provider, either for **restorative surgery** after an accident or other injury, **or** for condition that **would likely result in a period of incapacity of more** than three consecutive calendar days in the absence of medical intervention or treatment, such as cancer (chemotherapy, radiation, etc.), severe arthritis (physical therapy), and kidney disease (dialysis).

Intermittent Leave - If certified as medically necessary for the serious health condition of either you or your spouse, child or parent, leave may be taken on an intermittent or reduced leave schedule. If leave is requested on this basis, however, the Company may require that you transfer temporarily to an alternative position which better accommodates recurring periods of absence or to a part-time schedule, provided that the position offers equivalent pay and benefits. Whether you will be permitted to take leave under paragraphs a and b above on an intermittent basis will be at management's sole discretion.

Employee Benefits During FMLA Leave of Absence - You will be permitted to maintain health insurance coverage for the duration of the leave under the same conditions coverage would have been provided if you had remained actively at work. However, you must make arrangements for the continuation of and payment of any applicable insurance premiums before you go on leave status. If you do not return to work after the leave, or if you fail to pay your portion of the premiums while you are on leave, you will be required to reimburse the Company for the costs and expenses that may have been spent to insure you during the leave.

Return from an FMLA Leave - If you return to work after using up to 12 workweeks of FMLA Leave in a rolling twelve (12) month period, you will be restored to the same position you held when the leave started, or to one that is equivalent. Of course, you have no greater right to reinstatement or to other benefits and conditions of employment than if you had been continuously employed during the FMLA Leave period. Certain highly compensated "key employees" may be denied reinstatement when necessary to prevent "substantial and grievous economic injury" to the Company's operations. A "key employee" is a salaried employee who is among the highest paid 10% of employees at that location, or any location within a 75 mile radius. Employees will be notified of their status as a key employee, when applicable, after they request an FMLA Leave.

Military Caregiver Leave - The NDAA Amendments entitle eligible employees who are family members of covered servicemembers to take up to 26 workweeks of leave in a “single 12-month period” to care for a covered servicemember. In order to qualify for leave under this provision, the covered servicemember must have suffered a serious illness or injury that was incurred in the line of duty on active duty. This provision provides an additional leave entitlement beyond the normal 12 weeks of FMLA leave. This provision also extends FMLA protection to care for additional family members (i.e. next of kin) beyond those for whom traditional FMLA caregiver leave has been allowed (i.e. spouse, child, parent, etc.) An eligible employee’s leave is capped at 26 weeks within a 12-month leave period. Therefore, an employee is not entitled receive 12 weeks of leave in addition to 26 weeks of Military Caregiver leave. Additionally, a qualified employee is still limited to 12 weeks of traditional FMLA leave.

Qualifying Exigency Leave - The second new military leave entitlement created by the NDAA is designed to help families of members of the National Guard and Reserves manage their affairs while the member is on active duty in support of the contingency operation. A Qualifying Exigency Leave may be taken for the traditional 12 workweeks by an eligible employee with a covered servicemember serving in the National Guard or Reserves to use for “any qualifying exigency” arising out of the fact that servicemember is on active duty or called to active duty status in support of a contingency operation. The Final Rule defines qualifying exigency by referring to a number of broad categories which employees can use FMLA leave: (1) Short-notice deployment; (2) Military events and related activities; (3) Childcare and school activities; (4) Financial and legal arrangements; (5) Counseling; (6) Rest and recuperation; (7) Post-deployment activities; and (8) Additional activities not encompassed in the other categories, but agreed to by the employer and employee.

Medical Leaves

Full-time employees who have completed their introductory period who become medically unable to work due to an illness or injury, and who do not qualify for an FMLA Leave, may apply for an unpaid Medical Leave, not to extend beyond twenty-six workweeks in any rolling twelve-month period for all applicable leaves combined.

To qualify for a Medical Leave, you must submit certification from your health care provider verifying your medical condition, the need for the leave, and the length of time you will be unable to work. Also, as a condition of your Medical Leave, you grant the Company the right to verify your medical condition on a periodic basis during the leave of absence.

Return From A Medical Leave - In granting a Medical Leave, you should understand that it is not always possible to guarantee that a job will be available when you wish to return. At the end of a Medical Leave, you will only be reinstated if you submit a fitness-for-duty certificate from your doctor, and there is a job available for which you are qualified to perform at that time.

Continuation of Insurance – Employees who desire to continue health insurance coverage during any leave not covered by the preceding FMLA policy, may do so by timely electing such coverage under the terms of COBRA and paying the entire insurance premium due at the beginning of each month, as provided for under COBRA.

Personal Leaves

Employees who have successfully completed their orientation period, may request an unpaid Personal Leave of absence of up to 30 days. There must be a legitimate need for the personal leave, and such leave should not interfere with departmental operations. Each request for personal leave of absence will be considered on an individual basis. Whether to grant a personal leave, and the duration of the leave is at management's discretion, taking the reason for the leave, the impact on the workload, and the urgency of the employee's situation into consideration.

All requests for Personal Leave must be made in writing and submitted to your supervisor as far in advance as possible. Employees must use all vacation or other paid time accrued prior to going on a Personal Leave of Absence.

In granting a Personal Leave of absence, you should understand that it is not possible for the Company to guarantee that a job will be available when you wish to return. At the end of a Personal Leave, you will only be reinstated if there is a job available for which you are qualified at that time.

If you choose to continue your group health insurance during a Personal Leave, you may do so by timely electing such coverage under the terms of COBRA and paying the entire insurance premium due at the beginning of each month, as provided for under COBRA. Failure to pay the premium on time could result in cancellation of coverage. If your insurance is cancelled, either because you chose not to continue coverage during the leave or because of non-payment of any applicable premium, and you wish to enroll at a later date, you should refer to the specific provisions of the health plan which will determine your rights to re-enrollment.

Military Leave

Should your employment at the Company be interrupted by active military duty or by reserve training obligations, we will grant you a military leave of absence and reinstatement rights in accordance with all applicable federal and state laws.

Jury Duty

When an employee is called to serve on a jury, the employee will be paid for a regular work day of eight hours each day served minus the amount paid for serving on the jury up to two weeks. The check they receive for serving on jury duty must be given to the Accounting Manager. Employees should present a copy of their summons to their supervisor as soon as it is received so that arrangements can be made to cover their work shift. Employees who are released from duty early must report for work.

Parking

In locations where there is no charge for member parking, employees are not permitted to park their personal cars in any of the club designated parking spots unless a prior arrangement with your Club Manager has been made. The Club is not responsible for loss or damage due to collision, vandalism or theft in the parking area.

Employee Records

It is your responsibility to keep your personnel records up to date with information on your address, telephone number, dependents and person to notify in case of an emergency. Please make your direct supervisor or General Manager aware when any of these items change.

Professional Conduct

One of the keys to the success of the Fitness Formula has been the strong commitment to professionalism in everything it does. In furtherance of that commitment, the Company expects and requires its employees to act in a professional manner and to refrain from any conduct that may be detrimental to Fitness Formula, its image, morale, or the servicing of its members.

Fitness Formula recognizes that, on occasion, social relationships develop amongst our employees and between employees and members. Fitness Formula generally has no interest or desire in interfering with such relationships. However, if Fitness Formula determines that a relationship is adversely affecting, or has the potential of adversely affecting, the standard of professionalism that Fitness Formula requires of all its employees, Fitness Formula may take disciplinary action, up to and including discharge, against the employee(s) involved.

Smoking

Fitness Formula is in the service business and our clubs are places where people come to improve and enjoy their health. Smoking is incongruous with this goal and therefore employees may not smoke anywhere, anytime on Fitness Formula club property. Fitness Formula will pay up to \$75 for one series of smoking cessation classes.

Sports and Exercise

Sports and exercise are key elements of our business. Although not required, Fitness Formula encourages you to participate in sports and exercise regularly. You are encouraged to use the club facilities, subject to each club's rules for employee use. Remember, members always have priority on equipment, courts, pools and other facilities.

Training Sessions

In order to maintain our high level of service, we must continue to develop ourselves professionally. Training sessions and staff meetings are an important part of your job, and attendance may be mandatory.

Non-exempt hourly employees only will be paid their normal hourly rate for mandatory training sessions and staff meetings. Non-attendance at mandatory or other important job related meetings will be noted in your personnel file and disciplinary action may be taken, up to and including discharge.

Voluntary Resignation

We request that you provide your immediate supervisor a minimum of two weeks notification if you are resigning your position, however we may choose to release you from your duties at anytime. The advance notification will be appreciated and noted in your employee file.

Work Schedules

All employees are scheduled for work by their supervisors. The recreation business is based on service to people during their leisure hours which are usually evenings and weekends. To accomplish our service goals, it may be necessary to modify an employee's work schedule. Management may change the number of hours, the work schedule, or days of the week you are scheduled to work.

Management will make every effort to meet employee's wishes when scheduling work. If you have a special need, please inform your supervisor as soon as possible. Changes are not guaranteed. Hourly employees are prohibited from working unscheduled or overtime hours unless prior approval is obtained from your supervisor. During an eight hour shift, a 10-minute break may be taken within the first 2 hours, with your manager's approval. Hourly staff will punch out for meal breaks consisting of ½ hour, which may be taken in the fifth hour of your shift. An additional 10-minute break may be taken during the last 2 hours of your shift, with your manager's approval.

During a six to seven hour shift, one 10-minute break may be taken with your manager's approval. A meal break of ½ hour may be taken in the third hour. Rest and meal breaks will not be taken consecutively.