

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM S-8  
REGISTRATION STATEMENT UNDER  
THE SECURITIES ACT OF 1933

APPLIANCE RECYCLING CENTERS OF AMERICA, INC.  
(Exact name of issuer as specified in its charter)

Minnesota 41-1454591  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

7400 Excelsior Boulevard, Minneapolis, Minnesota 55426  
(Address of principal executive offices, including Zip Code)

APPLIANCE RECYCLING CENTERS OF AMERICA, INC.  
AMENDED AND RESTATED 1997 STOCK OPTION PLAN

WARRANTS TO PURCHASE COMMON STOCK  
(Full title of the plan)

Edward R. Cameron Copy to:  
President Elizabeth H. Cobb, Esq.  
Appliance Recycling Centers of America, Inc. Mackall, Crouse & Moore, PLC  
7400 Excelsior Boulevard 1400 AT&T Tower  
Minneapolis, Minnesota 55426 901 Marquette Avenue  
(Name and address of agent for service) Minneapolis, Minnesota 55402-2859  
(612) 305-1400

(612) 930-9000  
(Telephone number, including area code, of agent for service)

Approximate date of commencement of proposed sale:  
From time to time after the effective date of this registration statement.

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, no par value	105,000 shares	\$1.9375	\$203,437.50	\$53.71

(1) 100,000 shares under the 1997 Plan and 5,000 shares under the warrant.

(2) Estimated solely for the purpose of determining the registration fee pursuant to Rule 457(c) and (h), based upon the average of the high and low prices for such Common Stock on March 23, 2000, as reported on the OTC Bulletin Board.

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

Documents containing the information specified in this Part I will be sent or given to employees as specified by Rule 428(b)(1). Such documents need not be filed with the Securities and Exchange Commission either as part of this registration statement or as prospectuses or prospectus supplements pursuant to Rule 424. Such documents and the documents incorporated by reference in this registration statement pursuant to Item 3 of Part II, taken together, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act of 1933.

Item 1. Plan Information.

Item 2. Registrant Information and Employee Plan Annual Information.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents are incorporated herein by reference:

a. Annual Report on Form 10-K of Appliance Recycling Centers of America, Inc. (the "Company") for the fiscal year ended January 1, 2000, filed with the Securities and Exchange Commission pursuant to Sections 13 or 15(d) of the Exchange Act.

b. All other reports filed by the Company with the Securities and Exchange Commission since January 1, 2000, pursuant to Sections 13 or 15(d) of the Exchange Act.

c. Description of the Company Common Stock, contained in the Company's Registration Statement on Form S-1 (Registration No. 33-58938), filed with the Securities and Exchange Commission.

d. All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act subsequent to the date of this registration statement and prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all such securities then remaining to be sold.

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Item 4. Description of Securities.

The common stock, without par value (the "Common Stock"), of the Company offered pursuant to this registration statement is registered under Section 12(g) of the Securities Exchange Act of 1934. The description of the Company Common Stock is incorporated by reference pursuant to Item 3.c. above.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

Article 5 of the Company's Bylaws provides that the Company shall indemnify its officers and directors in accordance with, and to the extent provided by, Minnesota law. Under Minnesota law, a corporation shall, unless prohibited or limited by its articles of incorporation or bylaws, indemnify its directors, officers, and employees against judgments, penalties, fines, settlements, expenses, and disbursements, incurred by such person who was, or is threatened to be, made a party to a proceeding by reason of the fact that the person is or was a director, officer, or employee of the corporation if generally, with respect to the acts or omission of the person complained of in the proceeding, they had no reasonable cause to believe the conduct was unlawful; and reasonably believed the conduct was in the best interests of the corporation or, in certain circumstances, reasonably believed that the conduct was not opposed to the best interests of the corporation. Minnesota corporate law also provides that a corporation may purchase and maintain insurance on behalf of any indemnified party against any liability asserted against such person, whether or not the corporation would have been required to indemnify the person against liability under the provisions of Minnesota corporate law. The Company presently does not maintain an insurance policy covering the liability of directors and officer.

As permitted by Section 302A.251 of the Minnesota Statutes, Article 6 of the Articles of Incorporation of the Company provides that a director of the Company shall not be personally liable to the Company or its stockholders for monetary damages for certain types of breaches of fiduciary duty as a director.

Item 7. Exemption from Registration Claimed.

Not applicable.

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Item 8. Exhibits.

Exhibit Number - - - - -	Description - - - - -
5.1	Opinion of Mackall, Crouse & Moore as to the legality of Common Stock of the Company
24.1	Consent of McGladrey & Pullen, LLP
24.2	Consent of Mackall, Crouse & Moore [included in its opinion filed as Exhibit 5.1].
25.1	Powers of Attorney [included as part of signature page].
28.1	Appliance Recycling Centers of America, Inc. Amended and Restated 1997 Stock Option Plan (the "1997 Plan")
28.2	Warrant to Purchase 5,000 Shares of Common Stock, dated March 5, 1999.

Item 9. Undertakings.

(a) Rule 415 Offering.

The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
  - (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and
  - (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

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- (2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) Filings Incorporating Subsequent Exchange Act Documents by Reference.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(h) Statement Required in Connection with Filing of Registration Statement on Form S-8.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or

otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Minneapolis, State of Minnesota as of March 27, 2000.

APPLIANCE RECYCLING CENTERS OF AMERICA, INC.

By /s/ Edward R. Cameron

-----  
 Edward R. Cameron  
 Chairman of the Board,  
 President and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Edward R. Cameron such person's true and lawful attorney-in-fact and agent with full power of substitution and resubstitution for such person and in such person's name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits hereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and as of the dates indicated.

Signature - -----	Title -----	Date ----
/s/ Edward R. Cameron - ----- Edward R. Cameron	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	March 27, 2000
/s/ Linda Koenig - ----- Linda Koenig	Controller (Principal Accounting Officer)	March 27, 2000
- ----- George B. Bonniwell	Director	March __, 2000

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/s/ Duane S. Carlson - ----- Duane S. Carlson	Director	March 27, 2000
/s/ Harry W. Spell - ----- Harry W. Spell	Director	March 27, 2000
/s/ Marvin Goldstein - ----- Marvin Goldstein	Director	March 27, 2000



March 27, 2000

Exhibit 5.1

Appliance Recycling Centers of America, Inc.  
7400 Excelsior Boulevard  
Minneapolis, MN 55426

Re: Registration Statement on Form S-8

Ladies and Gentlemen:

We have examined (a) the Registration Statement on Form S-8 (the "Registration Statement") to be filed by you with the Securities and Exchange Commission under the Securities Act of 1933, as amended, relating to the issuance by you of up to 105,000 shares of your common stock, no par value (the "Shares"), 100,000 pursuant to the Amended and Restated 1997 Stock Option Plan ("1997 Plan") and 5,000 pursuant to a Warrant to Purchase Common Stock, each, in the manner set forth in the Registration Statement; (b) your Articles of Incorporation and your Bylaws, both as amended to date; and (c) your corporate proceedings relative to your organization and to the issuance of the Shares pursuant to the 1997 Plan, the Warrant and the Registration Statement.

In addition to the examination outlined above, we have reviewed such other proceedings, documents, and records and have ascertained or verified such additional facts as we deem necessary or appropriate for purposes of this opinion.

Based upon the foregoing, we are of the opinion that:

1. Appliance Recycling Centers of America, Inc. has been legally incorporated and is validly existing under the laws of the State of Minnesota.
2. The Shares will, when issued by you and paid for by the optionee or warrant holder, as contemplated in the Registration Statement and the related Prospectus, be legally issued, fully paid, and nonassessable.

We hereby consent to the use of this opinion as an exhibit to the Registration

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Statement. In giving this consent, we do not admit hereby that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933 or the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

MACKALL, CROUNSE & MOORE, PLC

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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated February 17, 2000, with respect to the consolidated financial statements and financial statement schedule of Appliance Recycling Centers of America, Inc., and subsidiaries appearing in the Company's Annual Report on Form 10-K for the year ended January 1, 2000 and to the reference to our Firm under the heading "Experts" in the related prospectus.

McGLADREY & PULLEN, LLP

Minneapolis, Minnesota  
March 27, 2000

APPLIANCE RECYCLING CENTERS OF AMERICA, INC.  
AMENDED AND RESTATED 1997 STOCK OPTION PLAN

Effective April 29, 1999

1. PURPOSE. The purpose of this Plan is to provide a means whereby APPLIANCE RECYCLING CENTERS OF AMERICA, INC., a Minnesota corporation, (the "Company") may, through the grant of incentive stock options and nonqualified stock options to Eligible Persons, as defined below, attract and retain persons of ability as employees, officers and directors and motivate such persons to exert their best efforts on behalf of the Company and any Subsidiary. As used herein the term "Subsidiary" shall mean any corporation which at the time an option is granted under this Plan qualifies as a subsidiary of the Company under the definition of "subsidiary corporation" contained in Section 424(f) of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), or any similar provision hereafter enacted, except that such term shall not include any corporation which is classified as a foreign corporation pursuant to Section 7701 of the Code. The term "incentive stock options" means options to purchase Common Stock, without par value, of the Company ("Stock") which at the time such options are granted under this Plan qualify as incentive stock options within the meaning of Section 422 of the Code. The term "nonqualified stock options" means options to purchase Stock which at the time such options are granted under this Plan do not qualify as incentive stock options. With respect to incentive stock options, the term "Eligible Persons" includes "Employees," i.e., any full-time employees (including officers and directors who are also employees) of the Company or of any Subsidiary. With respect to nonqualified stock options, "Eligible Persons" also includes "Independent" Directors of the Company (i.e., directors who are not full-time employees of the Company or of any Subsidiary) as provided in Sections 6 and 7. The term "Board" means the Board of Directors of the Company. The term "Optionee" means an individual granted an option pursuant to the terms of the Plan. The term "Plan" means the 1997 Stock Option Plan as set forth herein, which may be amended from time to time.

2. SHARES SUBJECT TO THE PLAN. Options may be granted by the Company from time to time to Eligible Persons to purchase an aggregate of 200,000 shares of Stock, and such amount of shares shall be reserved for options granted under the Plan (subject to adjustment as provided in Section 8(c)). The shares issued upon exercise of options granted under the Plan may be authorized and unissued shares or shares held by the Company in its treasury. If any option granted under the Plan shall terminate, expire or, with the consent of the Optionee, be canceled as to any shares, new options may hereafter be granted covering such shares.

3. ADMINISTRATION OF THE PLAN. The Plan may be administered by the Company's Board of Directors or a Compensation and Benefits Committee (the "Committee") consisting of two or more persons appointed by the Board and serving at the Board's pleasure. Members of the Committee shall be "Non-Employee Directors" within the meaning of Rule

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16b-3 under the Securities Exchange Act of 1934 ("Exchange Act") or any successor rule or regulation. Any vacancy occurring in the membership of the Committee shall be filled by appointment by the Board.

Sections 6 and 7 of the Plan shall be administered by the Board of Directors, whose construction and interpretation of the terms and provisions of Sections 6 and 7 shall be final and conclusive. The amount of Stock subject to options granted to Independent Directors under Sections 6 and 7, the timing of the grants of such options, the eligibility for such options, and the terms and conditions of such options shall be automatic and non-discretionary in accordance with the terms of Sections 6 and 7. With respect to the remainder of the Plan, the Board or the Committee may interpret the Plan, prescribe, amend, and rescind any rules and regulations necessary or appropriate for the administration of the Plan, or for the continued qualification of any incentive stock options granted thereunder and make such other determinations and take such other action as it deems necessary or advisable, except as otherwise expressly reserved to the Board in the Plan. Any interpretation, determination, or other action made or taken by the Board or the Committee shall be final, binding and conclusive. If no Committee is appointed, the Board shall administer the Plan.

4. GRANT OF EMPLOYEE OPTIONS. Subject to the provisions of the Plan, the Board or the Committee shall (a) determine and designate from time to time those Employees to whom options are to be granted and the number of shares of Stock to be optioned to each Employee; (b) authorize the granting of incentive



stock options or nonqualified stock options or combination thereof; (c) determine the number of shares subject to each option; and (d) determine the time or times when and the manner in which each option shall be exercisable and the duration of the exercise period; provided, however, that (i) no option shall be granted after the expiration of ten years from the effective date of the Plan specified in Section 14, below and (ii) the aggregate fair market value (determined as of the date the option is granted) of the Stock for which incentive stock options will first become exercisable by an Employee in any calendar year under all incentive stock option plans of the Company and its Subsidiaries shall not exceed \$100,000.

5. TERMS AND CONDITIONS OF EMPLOYEE OPTIONS. Each option granted under Section 4 of the Plan shall be evidenced by an agreement, in a form approved by the Board or the Committee. Such agreement shall be subject to the following express terms and conditions and to such other terms and conditions as the Board or the Committee may deem appropriate:

(a) OPTION PERIOD. Each option agreement shall specify the period for which the option thereunder is granted and shall provide that the option shall expire at the end of such period. The Board or the Committee may extend such period provided that, in the case of an incentive stock option, such extension shall not in any way disqualify the option as an incentive stock option. In no case shall such period, including any such extensions, exceed ten years from the date of grant, provided, however, that, in the case of an incentive stock option granted to an individual who, at the time of grant, owns stock possessing more than 10 percent of the total combined voting power of all classes of

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stock of the Company (a "Ten Percent Stockholder"), such period, including extensions, shall not exceed five years from the date of grant.

(b) OPTION PRICE. The option price per share shall be determined by the Board or the Committee at the time any option is granted, and (i) in the case of an incentive stock option shall not be less than the fair market value, or (ii) in the case of an incentive stock option granted to a Ten Percent Stockholder, shall not be less than 110 percent of the fair market value, of one share of Stock on the date the option is granted, as determined by the Board or the Committee.

(c) EXERCISE OF OPTION. Each option agreement shall specify the time or times when the option shall become exercisable and the duration of the exercise period, and may provide for vesting provisions and/or exercisability in installments. In the case of an option granted to a full-time Employee of the Company or of any Subsidiary, no part of the option may be exercised until the Optionee shall have remained in the employ of the Company or of a Subsidiary for such period, which shall be no less than one year, after the date on which the option is granted as the Board or the Committee may specify in the option agreement.

(d) PAYMENT OF PURCHASE PRICE UPON EXERCISE. The purchase price for each stock option shall be paid to the Company in full upon exercise and shall be payable in cash in United States dollars (including check, bank draft or money order); by delivering to the Company shares of the Common Stock having a fair market value on the date of exercise of the stock option equal to the purchase price for the shares being purchased (except that the portion of the purchase price representing a fraction of a share, if any, shall in any event be paid in cash); or by delivering instructions to the Company to withhold from the shares that would otherwise be issued upon exercise of the stock option that number of shares having a fair market value equal to the purchase price; or by any combination of the above, as the Board or the Committee, in its sole discretion, shall determine. Delivery of shares may also be accomplished through the effective transfer to the Company of shares held by a broker or other agent. The Company will also cooperate with any person exercising a stock option who participates in a cashless exercise program of a broker or other agent under which all or part of the shares received upon exercise of the stock option are sold through the broker or other agent or under which the broker or other agent makes a loan to such person. As of the date of exercise the person exercising the stock option shall be considered for all purposes to be the owner of the shares with respect to which the stock option has been exercised. Payment of the purchase price with shares shall not increase the number of shares of the Common Stock which may be issued under the Plan.

(e) EXERCISE IN THE EVENT OF DEATH OR TERMINATION OF EMPLOYMENT. In the case of an option granted to a full-time Employee of the Company or of any Subsidiary:

(1) If the Optionee shall die while an employee of the Company or a Subsidiary, the Optionee's options may be exercised, to the extent that the Optionee

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shall have been entitled to do so on the date of death, by the person or persons to whom the Optionee's right under the option pass by will or applicable law, or if no such person has such right, by the executors or administrators of the Optionee, at any time, or from time to time, but not later than the expiration date specified in paragraph (a) of this Section 5 or one year after the Optionee's death, whichever date is earlier; and

(2) If the Optionee's employment by the Company or a Subsidiary shall terminate because of disability, or voluntary or involuntary separation, the Optionee may exercise the options, to the extent that he or she shall have been entitled to do so at the date of the termination of employment, at any time, or from time to time, but not later than the expiration date specified in paragraph (a) of this Section 5 or three months after termination of employment, whichever date is earlier;

provided, however, the Board or the Committee may, in its sole discretion, further limit the time periods set forth herein during which an option may be exercised, and any such limitations shall be specified in the option agreement.

6. GRANT OF INDEPENDENT DIRECTOR OPTIONS. Each Independent Director, upon his or her initial election to a first term on the Board of Directors, shall, on the date of such initial election, automatically be granted an option to purchase 5,000 shares of Common Stock. In addition, on the date of each annual meeting of shareholders of the Company, beginning with the annual meeting to be held in 1999, each Independent Director shall automatically be granted options to purchase 5,000 shares of Common Stock upon the re-election of such Independent Director to the Board by the shareholders of the Company.

7. TERMS AND CONDITIONS OF INDEPENDENT DIRECTOR OPTIONS. Each option granted under Section 6 of this Plan to an Independent Director shall be evidenced by an agreement, in a form approved by the Board. Such agreement shall be subject to the following express terms and conditions:

(a) TERM. Each option granted under Section 6 to an Independent Director shall have a term of ten years.

(b) EXERCISE PRICE. The exercise price of options granted under Section 6 shall be 100% of the fair market value of one share of Common Stock on the date of grant.

(c) VESTING AND TERMINATION OF OPTIONS. Subject to Section 8(g), options granted under Section 6 shall become exercisable six months after the date of grant. If an Independent Director ceases to be a member of the Board by reason of death or total disability and has served as a director continuously since the date of the grant, the option will become immediately exercisable in full, and shall remain exercisable, by the Optionee or the person or persons to whom the Independent Director's right under the option shall pass by will or applicable law, or if no such person has such right, by the executors or administrators of the Independent Director, for the remaining term of the

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option. If the Independent Director ceases to be a member of the Board for any other reason, the option will remain exercisable, to the extent that it was exercisable on the date such Independent Director ceased to be a member of the Board, for the remaining term of the option, but no further vesting of the option shall occur.

(d) MISCELLANEOUS. Except as provided in this Plan, no Independent Director shall have any claim or right to be granted an option under this Plan. Neither the Plan nor any action hereunder shall be construed as giving any director any right to be retained in the service of the Company.

8. TERMS AND CONDITIONS OF OPTIONS IN GENERAL.

(a) NONTRANSFERABILITY. No option granted under the Plan shall

be transferable other than by will or by the law of descent and distribution. During the lifetime of the Optionee, an option shall be exercisable only by the Optionee.

(b) INVESTMENT REPRESENTATION. Each option agreement may provide that, upon demand by the Board or the Committee for such a representation, the Optionee (or any other person acting under Section 5(e) or Section 7(c)) shall deliver to the Board or the Committee at the time of any exercise of an option or portion thereof a written representation that the shares to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof. Upon such demand, delivery of such representation prior to the delivery of any shares issued upon exercise of an option and prior to the expiration of the option period shall be a condition precedent to the right of the Optionee or such other person to purchase any shares.

(c) ADJUSTMENTS IN EVENT OF CHANGE IN COMMON STOCK. In the event of any change in the Common Stock of the Company by reason of any stock dividend, recapitalization, reorganization, merger, consolidation, split-up, combination, or exchange of shares, or rights offering to purchase Common Stock at a price substantially below fair market value, or of any similar change affecting the Common Stock, the number and kind of shares which thereafter may be optioned and sold under the Plan and the number and kind of shares subject to option in outstanding option agreements and the purchase price per share thereof shall be appropriately adjusted consistent with such change in such manner as the Board or the Committee may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, participants in the Plan.

(d) INCENTIVE STOCK OPTIONS. Each option agreement which provides for the grant of an incentive stock option to a participant shall contain such terms and provisions as the Board or the Committee may determine to be necessary or desirable in order to qualify such option as an incentive stock option within the meaning of Section 422 of the Code.

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(e) NO RIGHTS AS SHAREHOLDER. No Optionee shall have any rights as a shareholder with respect to any shares subject to his option prior to the date of issuance to him of a certificate or certificates for such shares.

(f) NO RIGHTS TO CONTINUED EMPLOYMENT. The Plan and any option granted under the Plan shall not confer upon any Optionee any right with respect to continuance of employment by the Company or any Subsidiary, nor shall they interfere in any way with the right of the Company or any Subsidiary by which an Optionee is employed to terminate his employment at any time.

(g) COMPLIANCE WITH SECTION 16(b). In the case of Optionees who are subject to Section 16 of the Exchange Act, the Company intends that the Plan and any award granted under the Plan satisfy the applicable requirements of Section 16 and any regulations promulgated thereunder, including Rule 16b-3. If a provision of the Plan or any award would otherwise conflict with such intent, that provision, to the extent possible, shall be interpreted so as to avoid the conflict. To the extent of any remaining irreconcilable conflict with such intent, the provision shall be deemed void as applied to Optionees who are subject to Section 16 of the Exchange Act.

9. WITHHOLDING TAXES. The Company and its Subsidiaries shall have the right to require the payment (through withholding or otherwise) of any federal, state or local taxes required by law to be withheld with respect to the issuance of shares upon the exercise of an option.

10. CONTINGENT AWARDS. Any option granted under the Plan prior to the date on which the Plan is approved by the Company's stockholders shall be contingent upon such approval. If stockholder approval is not received within 12 months after the date on which this Plan is adopted by the Board, such award shall be void and of no force or effect.

11. STOCKHOLDER APPROVAL. The approval of the Plan or any amendment by the Company's stockholders must comply with all applicable provisions of the Company's charter, bylaws, and applicable state law prescribing the method and degree of stockholder approval required for granting awards of the type provided under the Plan. Absent any such prescribed method and degree of stockholder approval, the Plan or such amendment must be approved by a simple majority vote of stockholders voting, either in person or by proxy, at a duly held stockholders' meeting.

12. COMPLIANCE WITH OTHER LAWS AND REGULATIONS. The Plan, the grant and exercise of options thereunder, and the obligation of the Company to sell and deliver shares under such options, shall be subject to all applicable federal and state laws, rules, and regulations and to such approvals by any government or regulatory agency as may be required. The Company shall not be required to issue or deliver any certificates for shares of Common Stock prior to the completion of any registration or qualification of such shares under any federal or state law, or any ruling or regulation of any government body which the Company shall, in its sole discretion, determine to be necessary or advisable.

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13. AMENDMENT AND DISCONTINUANCE. The Plan shall expire on March 6, 2007, unless earlier terminated as provided herein, and no options shall be granted under the Plan after it expires or is terminated. Options outstanding at the expiration or termination of the Plan shall continue to be exercisable in accordance with their respective terms and conditions. The Board of Directors of the Company may from time to time amend, suspend or discontinue the Plan; provided, however, that subject to the provisions of Section 8(c), no action of the Board of Directors or of the Committee may, without shareholder approval, (i) increase the number of shares reserved for options pursuant to Section 2 or (ii) permit a change in the classification of Employees eligible to participate in the Plan; and further provided, that no amendment to the Plan shall be effective without approval of the shareholders, if shareholder approval is required pursuant to Rule 16b-3 under the Exchange Act (or any successor rule or regulations) or the applicable rules of any securities exchange or the NASD. Without the written consent of an Optionee, no amendment or suspension of the Plan shall alter or impair any option previously granted to him under the Plan.

14. EFFECTIVE DATE OF THE PLAN. The original effective date of the Plan was March 7, 1997, subject to shareholder approval on or before March 7, 1998. The Plan was approved by the shareholders of the Company on April 24, 1997. The Plan was amended by the Board on May 20, 1997. The Plan was further amended by the Board on November 2, 1998 and on March 5, 1999, subject to approval by the shareholders (which amendments were approved by the shareholders of the Company on April 29, 1999). This amendment and restatement of the Plan was effective as of April 29, 1999.

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THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, OFFERED, PLEDGED OR OTHERWISE DISTRIBUTED FOR VALUE EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND SUCH LAWS COVERING SUCH SECURITIES OR UNLESS THE COMPANY RECEIVES AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT, PLEDGE OR DISTRIBUTION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SUCH ACT AND SUCH LAWS.

EXERCISABLE ON OR BEFORE, AND VOID AFTER 5:00 P.M.  
MINNEAPOLIS TIME, MARCH 1, 2009

WARRANT TO PURCHASE  
5,000 SHARES OF COMMON STOCK

OF

APPLIANCE RECYCLING CENTERS OF AMERICA, INC.

THIS CERTIFIES THAT, in consideration of certain good and valuable consideration, Marvin Goldstein, or permitted assigns (the "Holder"), is entitled to subscribe for and purchase from Appliance Recycling Centers of America, Inc., a Minnesota corporation (the "Company"), at any time, or from time to time, from September 1, 1999 and on or before 5:00 p.m. Minneapolis time, March 1, 2009, Five Thousand (5,000) fully paid and nonassessable shares (the "Warrant Shares") of the Company's common stock, no par value per share (the "Common Stock"), at an exercise price per share of \$0.625 (the "Warrant Exercise Price"), subject to adjustment as hereinafter indicated.

This Warrant is subject to the following provisions, terms, and conditions:

1. Exercise and Transferability.

- (a) Subject to subsection 1(c), the rights represented by this Warrant may be exercised by the holder hereof, in whole or in part (but not as to fewer than 100 shares of Common Stock), by written notice of exercise delivered to the Company and by the surrender of this Warrant (properly endorsed) at the principal office of the Company and upon payment to it by cash or certified or cashier's check of the Warrant Exercise Price for the number of Warrant Shares being purchased.
- (b) This Warrant may not be transferred, except by will, pursuant to the operation of law, or in compliance with the provisions of Section 10 hereof.

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- (c) The shares of Common Stock to be issued upon exercise of the Warrant may not be issued absent registration under the 1933 Act, and applicable state securities laws, or the availability of an exemption from registration. There can be no assurance that any such exemption will be available to the Company at the time of exercise.

2. Additional Right to Convert Warrant.

(a) The Holder of this Warrant shall have the right to require the Company to convert this Warrant (the "Conversion Right") at any time after it is exercisable, but prior to its expiration, into shares of Common Stock as provided for in this Section 2. Upon exercise of the Conversion Right, the Company shall deliver to the Holder (without payment by the Holder of any Warrant Exercise Price) shares of the Company's Common Stock in a number equal to the quotient obtained by dividing (x) the value of the Warrant at the time the Conversion Right is exercised (determined by subtracting the aggregate Warrant Exercise Price at the time the Conversion Right is exercised from the aggregate Market Price (defined below) of the shares of Common Stock issuable upon exercise of the Warrant on the day immediately prior to the exercise of the Conversion Right by (y) the Market Price of one share of Common Stock on the day immediately prior to the exercise of the Conversion Right.

(b) The Conversion Right may be exercised by the Holder, at any time or from time to time, prior to its expiration, on any business day by specifying in the notice of exercise (i) the total number of shares of Common Stock the Holder will purchase, and (ii) the number of shares of Common Stock that are to be acquired pursuant to the Conversion Right and not for cash.

(c) Upon receipt of the notice of exercise, the Company will promptly deliver to the Holder a certificate or certificates for the number of shares of Common Stock issuable upon such conversion, together with cash in lieu of any fraction of a share, and the Company will deliver to the Holder a new warrant representing the number of shares, if any, with respect to which the Warrant shall not have been exercised.

(d) Market Price of a share of Common Stock as of a particular date (the "Determination Date") shall mean the last reported sale price or, if none, the average of the last reported closing bid and asked prices on any national securities exchange or quoted in the National Association of Securities Dealers Automated Quotations Systems (NASDAQ), or if not listed on a national securities exchange or quoted in NASDAQ, the average of the last reported closing bid and asked prices as reported by the National Quotations Bureau from quotations by market makers in such Common Stock on the OTC Bulletin Board or the local over-the-counter market or, if not listed on a national securities exchange or quoted on NASDAQ or quoted on the OTC Bulletin Board or by local market makers, the fair market value as determined in good faith by the Company's Board of Directors.

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3. Issuance of the Warrant Shares. The Company agrees that the Warrant Shares purchased hereby shall be and are deemed to be issued to the record holder hereof as of the close of business on the date on which this Warrant shall have been surrendered and payment made for the Warrant Shares as aforesaid. Subject to the provisions of the next succeeding Section, certificates for the Warrant Shares so purchased shall be delivered to the Holder hereof by the transfer agent within a reasonable time after the rights represented by this Warrant shall have been so exercised, and, unless this Warrant has expired, a new Warrant representing the right to purchase the number of Warrant Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be delivered to the Holder hereof within such time. Notwithstanding the foregoing, however, the Company shall not be required to deliver any certificate for shares of Common Stock upon exercise of this Warrant, except in accordance with the provisions, and subject to the limitations, of Section 10 hereof, to the extent that such provisions and limitations are applicable.

4. Covenants of the Company. The Company covenants and agrees that the Warrant Shares issued upon the exercise of the rights represented by this Warrant will, upon issuance, be duly authorized and issued, fully paid, nonassessable, and free from all taxes, liens, and charges with respect to the issuance thereof, and without limiting the generality of the foregoing, the Company covenants and agrees that it will from time to time take all such action as may be required to assure that the par value per share of the Common Stock, if any, is at all times equal to, or less than, the then effective Warrant Exercise Price. The Company further covenants and agrees that during the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved for issuance upon exercise of the rights evidenced by this Warrant a sufficient number of shares of its Common Stock to provide for the exercise of such rights.

5. Antidilution Adjustments. The provisions in this Warrant relating to the number of Warrant Shares and the Warrant Exercise Price are subject to adjustment as hereinafter provided.

(a) If, at any time prior to exercise of this Warrant, the Company shall declare a dividend or make any other distribution upon the Common Stock of the Company payable in shares of Common Stock or other securities, upon exercise of this Warrant, the Holder shall be entitled to receive, for each share of Common Stock purchased pursuant to such Warrant (and in addition to such shares purchased), the number of shares of Common Stock or other securities, as the case may be, issued per share of Common Stock in payment of such dividend or distribution.

(b) In case at any time the Company shall subdivide its outstanding shares of Common Stock into a greater number of shares, the Warrant Exercise Price in effect immediately prior to such subdivision shall be proportionately reduced and the number of Warrant Shares purchasable pursuant to this

Warrant immediately prior to such subdivision shall be proportionately increased, and conversely, in case at any time the Company shall combine its outstanding shares of Common Stock into a smaller number of shares, the Warrant Exercise Price in effect immediately prior to such combination shall be proportionately increased and the number of Warrant Shares purchasable upon the exercise of this Warrant

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immediately prior to such combination shall be proportionately reduced. Except as provided in this Subsection 5(b), no adjustment in the Warrant Shares so purchasable shall be made pursuant to this Section 5 as a result of, or by reason of, any such subdivision or combination.

(c) Except as hereinafter provided, no adjustment of the Warrant Exercise Price hereunder shall be made if such adjustment results in a change in the Warrant Exercise Price then in effect of less than five cents (\$.05). Any adjustment of less than five cents (\$.05) of any Warrant Exercise Price shall be carried forward and shall be made at the time of and together with any subsequent adjustment which, together with any adjustment or adjustments so carried forward, amounts to five cents (\$.05) or more. However, upon the exercise of this Warrant, the Company shall make all necessary adjustments (to the nearest cent) not theretofore made to the Warrant Exercise Price up to and including any date upon which this Warrant is exercised.

(d) Upon the occurrence of each adjustment of the Warrant Exercise Price pursuant to this Section 5, the Company shall promptly compute such adjustment in accordance with the terms hereof and furnish to the registered holder a notice (at the address of the holder or the transfer books of the Company) setting forth such adjustment and showing in detail the facts upon which such adjustment is based. The Company shall, upon the written request at any time of the registered holder, furnish or cause to be furnished to the registered holder a certificate setting forth (a) all such adjustments theretofore made, and (b) the Warrant Exercise Price at the time in effect.

6. Consolidation, Merger, or Sale of Assets. In the case of any consolidation or merger of the Company with another corporation, the sale of all or substantially all of its assets to another person, or any reorganization or reclassification of the capital stock of the Company (except a stock split or combination, provision for which is made in Section 5 hereof), as a condition of such consolidation, merger, sale, reorganization, or reclassification, lawful and adequate provision shall be made whereby the Holder hereof shall thereafter have the right to purchase upon the basis and upon the terms and conditions specified herein and in lieu of the Warrant Shares immediately theretofore purchasable hereunder, such shares of stock, securities, or assets as may (by virtue of such consolidation, merger, sale, reorganization, or reclassification) be issued or payable with respect to, or in exchange for, a number of outstanding shares of the Company's Common Stock equal to the number of Warrant Shares immediately theretofore so purchasable hereunder had such consolidation, merger, sale, reorganization, or reclassification not taken place, and in any such case appropriate provisions shall be made with respect to the rights and interest of the holder to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Warrant Exercise Price) shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities, or assets thereafter deliverable upon the exercise of this Warrant. The Company shall not effect any such consolidation, merger, or sale unless, prior to, or simultaneously with, the consummation thereof, any successor person or persons purchasing such assets or succeeding or resulting from such consolidation, merger, reorganization, or reclassification shall assume by written instrument, executed and mailed or delivered to the Holder, the obligation to deliver to

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such Holder such shares of stock, securities, or assets as, in accordance with the foregoing provisions, the Holder may be entitled to receive.

7. Fractional Shares. Fractional shares shall not be issued upon the exercise of this Warrant, but in any case where the holder would, except for the provisions of this Section, be entitled under the terms hereof to receive a fractional share, the Company shall, upon the exercise of this Warrant for the largest number of whole shares then called for, pay a sum in cash equal to the sum of (a) the Market Price (as defined in Section 2 hereof) of such fractional

share, less (b) the proportional part of the Warrant Exercise Price represented by such fractional share.

8. Common Stock. As used herein, the term "Common Stock" shall mean and include the Company's currently authorized shares of Common Stock and shall also include any capital stock of any class of the Company hereafter authorized which shall not be limited to a fixed sum or percentage in respect of the rights of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution, or winding-up of the Company into which such shares shall be converted.

9. No Voting Rights. This Warrant shall not entitle the Holder hereof to any voting rights or other rights as a shareholder of the Company.

10. Restrictions on Transfer of the Warrant and the Warrant Shares.

(a) The Holder of this Warrant, by acceptance hereof, agrees to give written notice to the Company before transferring this Warrant or any Warrant Shares of the Holder's intention to do so, describing briefly the manner of any proposed transfer. Upon receiving such written notice, the Company shall present copies thereof to the Company's counsel, and if in the reasonable opinion of such counsel the proposed transfer does not comply with federal and state securities laws and may not be effected without registration or qualification (under any federal or state law), the Company shall notify the Holder of such opinion.

If, in the opinion of Company's counsel referred to in this Section 10, the proposed transfer of the Warrant or any Warrant Shares described in the written notice given pursuant to this Section 10 may not be effected without registration or qualification under federal or state securities laws, the Company shall give notice thereof to the Holder hereof, and the Holder will limit his activities in respect to such as, in the opinion of such counsel, are permitted by law.

(b) The following legend respecting restrictions upon the transfer of the Warrant Shares shall be endorsed on all certificates for the Warrant Shares:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), NOR ANY APPLICABLE STATE SECURITIES LAWS. THEY HAVE BEEN ACQUIRED

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FOR INVESTMENT AND NOT WITH A VIEW TO THE DISTRIBUTION THEREOF WITHIN THE MEANING OF THE 1933 ACT AND THE RULES AND REGULATIONS THEREUNDER. THE HOLDER OF SUCH SECURITIES HAS AGREED NOT TO EFFECT A DISPOSITION OF SUCH SECURITIES UNLESS OR UNTIL: (1) A REGISTRATION STATEMENT UNDER THE 1933 ACT COVERING SUCH SECURITIES HAS BECOME EFFECTIVE UNDER THE 1933 ACT, (2) THE COMPANY HAS RECEIVED EVIDENCE SATISFACTORY TO IT THAT THE SALE OF SUCH SECURITIES WILL BE MADE IN COMPLIANCE WITH RULE 144 AND THE APPLICABLE STATE SECURITIES LAWS, OR (3) THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT REGISTRATION UNDER THE 1933 ACT AND APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

In addition, the Company's transfer agent shall place a stop order on the Company's transfer books with regard to the Warrant and the Warrant Shares, as provided in this Section 10.

11. Replacement of Warrant. The Company agrees with the Holder hereof that, upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of any such loss, theft or destruction, upon receipt of any unsecured indemnity agreement from the Holder reasonably satisfactory to the Company, or in the case of any such mutilation, upon surrender and cancellation of such mutilated Warrant, the Company will make and deliver a new Warrant of like tenure, in lieu of the lost, stolen, destroyed or mutilated Warrant.

12. Termination of Warrant. If the initial Holder, Marvin Goldstein, ceases to be a director of the Company or one of its subsidiaries or affiliates for any reason prior to September 1, 1999, the date on which this Warrant becomes exercisable, this Warrant shall terminate and expire as of the date such directorship ceases.



IN WITNESS WHEREOF, Appliance Recycling Centers of America, Inc. has caused this Warrant to be signed by its duly authorized officer and this Warrant to be dated as of March 5, 1999.

APPLIANCE RECYCLING CENTERS OF AMERICA, INC.

By/s/ Edward R. Cameron

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Edward R. Cameron  
Chief Executive Officer

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EXERCISE FORM

(To be signed by registered holder to exercise Warrants)

The undersigned elects to exercise the attached Warrant [SELECT ONE]:

\_\_\_\_\_ for cash

\_\_\_\_\_ pursuant to the cashless Conversion Right contained in Section 2.

The undersigned hereby irrevocably elects to exercise the rights represented by the attached Warrant to purchase \_\_\_\_\_ of the shares of Common Stock of APPLIANCE RECYCLING CENTERS OF AMERICA, INC. issuable upon the exercise of the Warrants represented thereby, and requests that certificates for such shares (together with a new Warrant representing the number of Warrants, if any, that are not exercised) shall be issued in the name of:

Name (please print):

\_\_\_\_\_

Address:

\_\_\_\_\_  
\_\_\_\_\_

Social security or  
other identifying number:

\_\_\_\_\_

Dated: \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
Signature\*

\* The signature on the Exercise Form must correspond to the name as written upon the face of the Warrant in every particular without alteration or enlargement or any change whatsoever. When signing on behalf of a corporation, partnership, trust or other entity, PLEASE indicate your position(s) and title(s) with such entity.

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ASSIGNMENT FORM

(To be signed only upon authorized transfer of Warrants)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_ the right to purchase the

securities of APPLIANCE RECYCLING CENTERS OF AMERICA, INC. to which the within

Warrant relates and appoints \_\_\_\_\_, attorney-in-fact,

to transfer said right on the books of APPLIANCE RECYCLING CENTERS OF AMERICA,

INC. with full power of substitution in the premises.

Dated: \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
Signature

Address:

\_\_\_\_\_  
\_\_\_\_\_  
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