

AGREEMENT

BETWEEN

**CALIFORNIA PELLETT MILL
COMPANY**

AND

THE

**UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY, ALLIED
INDUSTRIAL and SERVICE WORKERS INTERNATIONAL UNION**

LOCAL UNION NO. 1999

2007-2010

AGREEMENT

This agreement dated May 6, 2007 at 12:00 Midnight is entered into by and between CALIFORNIA PELLET MILL COMPANY, and/or its successor or assigns, hereinafter referred to as the "COMPANY", and THE United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International hereinafter referred to as the "UNION", on behalf of Local 1999.

SECTION 1 - PURPOSE

The purpose of the Company and the Union in entering into this Labor Agreement is to set forth their agreement on rates of pay, hours of work, and other conditions of employment so as to promote orderly and peaceful relations with the employees, to achieve uninterrupted operations in the plant, and to achieve the highest level of employee performance consistent with safety and good health.

The Company and the Union encourage the highest possible degree of friendly, cooperative relationships between their respective representatives at all levels and with and between all employees. The officers of the Company and the Union realize this goal depends primarily on attitudes between people in their respective organizations and at all levels of responsibility. They believe that the attitudes can be encouraged best when it is made clear that Company and Union officials, whose duties involved negotiation of this Agreement, are not antiunion or anticompany but are sincerely concerned with the best interests and well-being of the business and all employees.

SECTION 2 - RECOGNITION

- (a) The Company recognizes the Union as the exclusive bargaining representative of the employees of the Company for the purpose of collective bargaining concerning rates of pay, hours of work and conditions of employment.
- (b) The term employee as used in this Agreement shall include all production and maintenance employees at the Crawfordsville, Indiana plant, but excluding all office clerical employees and administrative employees, guards, professional employees, technicians, service persons and supervisors as defined in the Act.
- (c) The Union recognizes that the Company may transfer from other locations non-unionized personnel from other product groups to perform activities related to other products which are not included in the present job classifications within this collective agreement, any work that is covered under this collective agreement shall be done by the bargaining unit employees. The intent being to secure employees in their respective occupations.
- (d) The Company and the Union agree that they will not discriminate against any employee because of Race, Color, Creed, National Origin, Sex, Age, Membership or Non-membership in the Union, or any other reasons.

SECTION 3 - UNION SECURITY

- (a) It shall be a condition of employment that all employees of the employer covered by this Agreement, who are members of the Union in good standing on the effective date of this Agreement shall remain in good standing, and that those who are not members in good standing on the effective date of the Agreement shall, on or after thirty (30) calendar days following the effective date of this Agreement become and remain members in good standing in the Union. It shall also be a condition of employment that all employees covered by this Agreement and hired on or after its effective date shall, on or after thirty (30) calendar days following the beginning of such employment, become and remain members in good standing of the Union.

- (b) **Agency Shop.** In the event that the provisions of Section 3(a) Union Shop, should be made illegal through an act of law, all employees then, as a condition of employment, would have to pay to the Union an amount of money equal to the Union's established monthly dues and initiation fee where owing.
- (c) **Check-Off.** During the term of this Agreement, the Company will continue to check-off monthly dues, assessments, and initiation fees such as designated by the International Treasurer of the Union, on the basis of and for the term of individually signed voluntary check-off authorization cards heretofore or hereafter submitted to the Company. The aforesaid membership dues shall be remitted promptly to the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, P.O. Box 98517, Chicago, Illinois 60693. The company shall submit to the Financial Secretary of the Local Union a monthly record of those employees from whose earnings deductions have been made together with the amount of such deductions. The Company shall also furnish the Financial Secretary of the Local Union a statement of employees laid off, discharged, quit or recalled as such changes occur.
- (d) In the event of a complete plant closure of the CPM Crawfordsville manufacturing operations, the company agrees to negotiate over severance benefits for affected bargaining unit employees.

SECTION 4 - HOURS OF WORK

- (a) Purpose - This section shall not be construed as a guarantee of hours of work per day or per week, or a guarantee of days of work per week.
- (b) The hours of work for a two-shift schedule will be from 7:00 p.m. to 3:30 a.m. with a 30-minute lunch period for the first shift, and from 7:00 a.m. to 3:30 p.m. with a 30-minute lunch period on the second shift. The workweek will start at 7:00 p.m. on Sunday.
 - 1) The Company may find it necessary to vary the schedule of hours in a workday or days in a workweek. The Company upon posted notification to the Union may change the scheduled starting times and quitting times upon 48 hours notice prior to the change for individuals or groups. If bargaining unit members, on a particular shift, collectively request a temporary change in the hours of work the Company will consider such request in light of the production requirements and needs of the business and retain the sole right to approve or deny. Such request must be submitted in writing by a Union designated representative.
- (c) The hours of work for a three-shift schedule will be from 11:00 p.m. to 7:00 a.m. for the first shift, from 7:00 a.m. to 3:00 p.m. for the second shift, from 3:00 p.m. to 11:00 p.m. for the third shift. Lunch periods, as such and not to exceed 20-minutes, shall be regarded as paid time. The workweek will start at 11:00 p.m. on Sunday.
- (d) Overtime schedules for the two-shift schedule will be accomplished by either extending the hours of each shift, or by beginning the shift early; this will be determined by the needs of the business.
- (e) Time and one-half shall be paid for all hours worked in excess of 8-hours in any one day and for all hours worked in excess of 40-hours in any one week.
- (f) Time and one-half shall be paid for all hours worked on Saturday (the 6th work day) and double time shall be paid for all hours worked on Sunday (the 7th work day) provided the employee has worked at least 40 hours in the week, unless the failure to so work 40 hours was due to one of the following reasons:
 - (1) Industrial accident.
 - (2) Personal illness or injury of the employee with verification by a doctor's certificate, if requested.
 - (3) Serious illness of the employee's spouse or children, mother, father, mother-in-law, or father-in-law living in the employee's household covered by a doctor's certificate if requested, providing employee calls in if possible.
 - (4) Death in the employee's immediate family mentioned in Section 6 of this Agreement.
 - (5) Layoff due to lack of work.
 - (6) Paid holiday occurs during week.
 - (7) Official Union business for Local 1999 approved in advance by the Company.
 - (8) Extremely adverse local weather conditions providing employee calls in if possible.
 - (9) Voting in general election (not to exceed 2-hours).

- (10) Reporting to draft board, jury duty, and appearances at government agencies and courts of law if supported by a subpoena.
- (11) Written excused absence Plant Manager.
- (g) There shall be no pyramiding of overtime payment.

SECTION 5 - OVERTIME DISTRIBUTION

- (a) The normal workweek will be eight (8) hours a day, forty (40) hours a week. Whenever overtime is required within a job classification and there are no qualified employees who have agreed to work, the qualified employees within the classification having the least seniority shall be required to perform the work.
- (b) Scheduled overtime shall be divided as equally as possible among employees with the proper skill qualifications within their respective job classification. Employees with the proper skill level, who have the least amount of charged hours being asked to work first. All overtime hours worked up to the time of assignment of the overtime will be counted. All overtime, inclusive of week day, weekend, or holiday will be treated the same under the overtime provisions of this section. Employees still in their training period will be the last employees allowed to work overtime. When charged hours are equal, the most senior employee with the proper skill qualification within the classification will be asked to work first.
- (c) Where an employee is not at work or is unavailable to work, he will be charged overtime as his turn arises.
- (d) Notice of weekend overtime will be posted no later than 7:00 p.m. Wednesday; employees not at work or unavailable for work will be charged as their turn arises. The posting will indicate the number of employees required per shift. Qualified employees within the job classification must sign the posting indicating:
 - 1) That they will work or,
 - 2) That they have refused the overtime. The overtime requirements will be filled by assigning the employees, with the proper qualified skill level, who have accepted the overtime. Those who have refused will be charged for the overtime. Determination of whose turn it is to work will be made on the basis of the weekly overtime sheets which will be adjusted daily and posted in the department. Any imbalance in hours within the classification will be adjusted as soon as possible but no later than 30 calendar days or as soon as overtime is available. Scheduling of foreseeable overtime during the week will be done as early in the shift as possible, examples of such overtime being coverage for vacations, leaves of absence, etc.
- (e) Any employee who accepts overtime and is scheduled to work and fails to work all or any part of such overtime will be charged double the hours not worked.
- (f) Any employee newly assigned to any job classification on any basis other than a temporary transfer will be assigned the highest amount of charged hours within the classification at the end of his training or probation period.
- (g) It may become necessary, due to production requirements, to call employees into work on an overtime basis. If an employee is called by a management representative, he will be charged the hours. Whenever a management representative is calling an employee into work, such calls will be witnessed by a representative designated in writing by the Union.
- (h) The Company will establish a call-in procedure for notification of employees for weekend and holiday overtime. It will be as follows:
 - (1) The overtime assignments will be finalized by 7 p.m. on the Thursday before weekend overtime or by 7:00 p.m. of the day before holiday overtime.
 - (2) Between the hours of 12:00 p.m. and 10:00 p.m. on the day before the weekend or holiday overtime, it will be the sole responsibility of all employees to call the Overtime Extension at the main switchboard and check for his work assignment.
- (i) Where the Union feels that there has been unfairness or favoritism in the distribution of overtime, as specified above, the matter shall be presented as a grievance at Step 1.
- (j) If no employee within a classification is available for overtime, employees will be offered overtime according to section 12(f)(2). Employees will not be charged for such overtime worked in any other classification other than his present classification.

SECTION 6 - PAID ALLOWANCES

- (a) Whenever an employee reports to work on his regular shift and there is no work available, he shall be paid for four (4) hours at his regular base rate of pay provided, however, that he may be assigned to any other work in the plant which he is able to perform for a minimum of four (4) hours and be paid at the rate of his regular job. Provided, that the above provisions will not apply if the employee does not have a telephone, or does not leave with the Company a telephone number where notice can be given, and should work be not available because of fire, flood, tornado, or power failure, or some similar contingency beyond the control of the Company. The Company will make every reasonable effort to notify employees the night before they are scheduled to work or four (4) hours before scheduled in any workday.
 - (b) Whenever an employee has been called in for work, such employee shall be paid the applicable rate for all hours worked. Hours worked for this purpose shall be rounded to the next higher hour but in any case not less than two (2) hours pay.
 - (c) The Company shall grant the employees a five (5) minute wash-up period before lunch time and quitting time, which period shall be signaled by the automatic time clock; however, no employee shall stop his work or leave his machine prior to the signaling for said wash-up period.
 - (d) **Bereavement Pay.** An employee shall be given a maximum of three (3) working days off with pay to make arrangements for and attend the funeral of his father-in-law, mother-in-law, brothers and sisters, half brother or half sister, grandparents, grandchildren, daughter-in-law, and son-in-law. An employee shall be given a maximum of five (5) working days off with pay to make arrangements for and attend the funeral of his child, current stepchild, current spouse, father or step father, one but not both: mother or stepmother, one but not both. Only working days are considered and any time off in any working day shall be considered as one day.
- e) **Jury Duty Pay.**
- (1) Any employee who is called for jury service shall be excused from work for the days on which he serves, and he shall receive for each such day of jury service on which he otherwise would have worked the difference between eight (8) times his average straight-time hourly earnings and the payment he receives for jury service. The employee will present proof of jury service and of pay received therefore.
 - (2) An employee who is summoned for jury service and is not required to serve will be entitled to pay in accord with this Section for time lost from work.
- (f) **Military Pay Differential.**
- (1) A non-probationary employee who is a member of the National Guard or the U.S. Reserves and who attends annual encampments or training duty shall receive a military pay differential, up to but not in excess of two (2) weeks.
 - (2) Such differential shall be an amount by which the employee's straight time earnings, (for a period not to exceed two (2) weeks - 40 hours each week), exceed the employee's military pay for such periods of service. Military pay excludes amounts received for such as travel, subsistence, and housing allowance

SECTION 7 - VACATIONS

- (a) Each employee who at any time during the life of this Agreement has been employed by the Company for one (1) year but less than two (2) years, shall receive during such calendar year one (1) week vacation with pay. Employees who have been employed for two (2) years shall receive two (2) weeks vacation with pay during each calendar year.
- (b) Each employee, who at any time during the life of this Agreement has been employed by the Company for eight (8) years or more, shall receive three (3) weeks vacation with pay during each calendar year.
- (c) Each employee, who at any time during the life of this Agreement has been employed by the Company for twenty (20) years or more, shall receive four (4) weeks vacation with pay during each calendar year.
- (d) Each employee, who at any time during the life of this Agreement has been employed by the Company for thirty (30) years or more, shall receive five (5) weeks vacation with pay during each calendar year.
- (e) Each new employee shall, after six (6) months employment receive one day of vacation with pay for each two months employment calculated from his starting date. Computation of such time shall include the week prior to the vacation period.
- (f) An employee whose continuous length of service is one (1) year or more as of December 31, immediately preceding the vacation year shall qualify for a vacation or vacation allowance if the employee:
 - (1) Actually works during the last full calendar week of the year preceding the vacation year; or
 - (2) Failing to qualify under (1) above, returns to work without loss of continuous service during the vacation year and works for a period of one month or the length of absence, whichever is shorter. Such employees returning to work, too late in the vacation year to permit working for one month shall be paid their vacation allowance due in lieu of taking a paid vacation period; or
 - (3) Who fails to qualify under (1) or (2) above because he/she has been disabled during the preceding six (6) months due to personal or industrial accident or injury; or
 - (4) Qualified under (1) above, but whose absence extends beyond the vacation year and who did not receive in such vacation year the full vacation pay to which entitled shall receive at year end any amount due as a vacation allowance.
- (g) All vacation pay shall be computed at the regular hourly rate of pay. The number of hours for which an employee is paid for each vacation week shall be forty (40) hours. The number of hours for which he shall be paid for each day of vacation under a full week shall be one-fifth (1/5) of forty hours. Employees with ten (10) years or more of service shall receive an additional vacation bonus payment of \$75.00. Employees with twenty (20) years or more of service shall receive a vacation bonus of \$150.00. Such bonus shall be paid at the time of the employee's first vacation period.
- (h) Checks for vacation pay will be issued on the Friday immediately preceding the start of the employee's vacation.
- (i) Employees who quit, leave, or are terminated and who have not yet achieved their anniversary date which would have entitled them to the total vacation pay which they have received under the above procedure shall have such sum owed to the Company deducted from any other monies due them by the Company.
- (j) Employees shall submit their request in writing by March 15 for vacations to be taken during that calendar year. All requests will list choice(s) of vacation timing. To the extent practicable, the requested vacation will be scheduled at the time most desired by employees with more senior employees being given preference, provided that not more than 30% of the employees in any one job classification shall be on vacation at any time. If an employee fails to schedule vacation weeks by September 1, the Company may at its own discretion schedule those remaining vacation weeks. An employee may elect to work during a maximum of (1) one of his vacation weeks rather than take time-off by stating his intentions to the Company (1) one week in advance. If an employee so elects, he will be paid his vacation pay for this week plus his wages for hours worked.

By mutual agreement with the Company an employee may be permitted to elect to work during additional weeks of vacation, for such weeks the employee will be paid his vacation pay for these weeks plus his wages for hours worked.

- (k) During the term of this agreement, an employee may elect to take their vacation at a rate of one day at a time, with supervisory approval prior to the start of the employee's shift, such approval will not be necessary in case of an emergency.
- (l) Any employee leaving the employ of the Company for any reason after his seniority date in the calendar year in which he has received his vacation will be paid his vacation pay pro-rated on the basis of one-twelfth (1/12) for each month of his employment from his last anniversary date to the date of his termination; less than 15 calendar days shall be disregarded and 15 calendar days shall be considered a full month.
- (m) Vacations may not be postponed from one calendar year to the next. Any holiday which falls in a vacation period shall not be considered a day of vacation.

SECTION 8 - HOLIDAYS

(a) Each employee shall receive eight (8) hours pay at his regular hourly rate of pay for the following holidays:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
New Year's Day		Jan. 1	Jan. 1	Jan 1
Good Friday		Mar 21	Apr 10	Apr 2
Memorial Day	May 28	May 26	May 25	
Independence Day	July 4	July 4	July 3	
Labor Day	Sept 3	Sept 1	Sept 7	
Thanksgiving Day	Nov. 22	Nov. 27	Nov. 26	
Day After Thanksgiving	Nov. 23	Nov. 28	Nov. 27	
Christmas Eve	Dec. 24	Dec. 24	Dec. 24	
Christmas Day	Dec. 25	Dec. 25	Dec. 25	
New Year's Eve	Dec. 31	Dec. 31	Dec. 31	

(1) Provided the employee worked the regularly scheduled workday prior to and the first scheduled workday following the holiday. Exceptions will be made in cases where the employee is no more than four(4) hours late, or in cases where the employee fails to work all or a part of the day for one of the reasons specified in Section 4(f) except no. 6, and provided such excused absence prior to the holiday is not in excess of two (2) months, or if the absence is due to a work connected injury or illness, the absence period is not in excess of six (6) months.

(2) Probationary employees will not be eligible for Holiday Pay.

- (b) There shall be no regular production or maintenance work required on any holiday and each employee who consents to work on any holiday at the Company's request shall receive double time for all hours worked in addition to any holiday pay to which the employee is entitled. Any regular shift, which starts on a holiday which, is ending or a shift which ends on the beginning of a holiday shall not be counted as Holiday work.
- (c) When any negotiated holiday falls on Saturday, Friday shall be observed as such holiday; when any negotiated holiday falls on Sunday, Monday shall be observed as such holiday.

SECTION 9 - SENIORITY/CONTINUOUS LENGTH OF SERVICE

(a) **Seniority Status** - The parties recognize that continuous length of service is a highly important factor in conditions of employment including such as promotion, lay off, recall from lay off, shift preference, and others.

(b) Calculation of Seniority/Continuous Service

- (1) Seniority is defined as the length of continuous service commencing with date of employment or re-employment where a break in continuous service has occurred. Where two employees have the same seniority date, the employee whose surname precedes the

- other alphabetically will be deemed to have the longer service.
- (2) New employees shall be regarded as temporary or probationary employees for ninety (90) calendar days from date of employment and may be laid off or discharged at any time during this probationary period at the discretion of the Company. This provision shall not prevent the Union from processing a grievance from a probationary employee through the second step of the grievance procedure. Probationary employees, upon completing this ninety (90) day period shall be granted seniority retroactive to date of employment.
 - (3) The seniority of any employee shall continue to accumulate and shall terminate only if:
 - a. The employee quits.
 - b. The employee is discharged for just cause.
 - c. The employee is absent from work for three (3) working days without notifying the Company during such time and giving a reasonable excuse for such absence.
 - d. The employee when summoned to work by registered mail to last known address, fails to report, or give valid reason for such failure within five (5) days. A period of one (1) year elapses since the employee with less than one (1) year seniority has worked for the company; employees with more than one (1) year shall be based on the length of service at the time he leaves work. Provided that when an employee sustains in the service of the Company, a compensable temporary total disability, the period for which statutory compensation is payable to him shall not be considered as absence from the employment of the Company within the meaning of this paragraph.
 - (c) The Company shall post each quarter on the Company's bulletin board, a record of each employee's continuous service, a copy of such record shall be furnished the Union; any employee having a grievance in regard to such record shall present the same to the Company, which grievance shall be adjusted, if necessary, under the grievance machinery as hereinafter provided.
 - (d) Employee Address
 - (1) Employee shall be individually responsible to keep the Company currently informed in writing of their mailing address and telephone number.
 - (2) Forms for the above information are to be available and shall be completed and given to the Office Manager.

SECTION 10 - MANAGEMENT

- (a) The right to hire, to promote to supervisory position, to relieve employee from duty because of lack of work, transfer or discontinuance of work; and the right to discontinue operations in whole or in part, to substitute or move equipment or other property as the conduct of business may require; to maintain order and efficiency, and to determine work schedules, changes in operations or equipment is the sole responsibility of the Company.
- (b) The right to discipline, to discharge for just cause, to transfer, to determine an employee's ability to perform the work required, and to establish reasonable rules governing the conduct of its employees, not conflicting with the terms of this Agreement are the sole responsibility and right of the Company. The Company will insure that Union representatives are informed as required to properly carry out their functions in such matters.
- (c) Written warning notices given to the employee shall be removed from their records six (6) months after issuance, unless further offenses of the same type occur before the six (6) month period elapses.
- (d) Non-bargaining unit employees may instruct, but shall not perform any type of bargaining unit work except for testing and instruction.
- (e) The Company acknowledges that the obligation to provide training opportunities and instructions to employees is the sole responsibility of Management. Furthermore, to the extent business permits, Management recognizes that providing those employees, who desire training, the opportunity to train and learn new skills is an essential part of the continued success of the Crawfordsville operation.

SECTION 11 - ADJUSTMENT OF GRIEVANCES

(a) Should differences arise between the Company and the Union and the employees covered by this Agreement, as to the meaning and application of the provisions of this Agreement such differences shall be settled in the following manner.

Step 1. Any employee having a grievance shall, with his steward, first take the grievance up with the shift foreman and shall make a good faith effort to adjust the grievance all within one (1) working day. If the grievance is not adjusted it shall be submitted to the foreman in writing in triplicate, properly dated and signed, within five (5) working days, and all procedure henceforth shall be based upon and be limited to the grievance as so stated in writing. The foreman's written disposition thereof shall be endorsed on or attached to the written grievance, dated, signed and all returned to the employee within one (1) working day after receipt by him.

Step 2. If the Union is dissatisfied with the Company's answer in Step 1, the Union shall prepare a response setting forth the reasons why it disagrees with the Company's position. A meeting will then be called between the Grievance Committee, the aggrieved employee, the International Representative, the Manager of the Plant and/or his representative, within five (5) working days. The Company shall give their answer within three (3) working days.

Step 3. Arbitration - If a settlement cannot be arrived at in either Step, the matter may then be appealed to arbitration within (10) days. In the event the parties are unable to agree on an arbitrator, the matter shall be submitted to the FMCS for securing an arbitration panel from which an arbitrator is to be selected. Union and Management shall share the expense thereof equally. The decision of said arbitrator shall be final and binding upon the parties but the arbitrator shall not have the power to add to, subtract from or modify any of the terms of this Agreement supplemental thereto.

(b) **Grievance Committee.** The Grievance Committee shall consist of not more than three (3) members, employees of the Company, designated by the Union, who will be afforded such time, without pay, as may be required for the following purposes:

(1) To attend scheduled committee meetings with management. Such meetings will be held during the first week of each month upon notice from either party to the other of their desire therefore.

(2) To attend definitely arranged meetings with the management pertaining to discharge or other matters, which cannot be reasonably delayed until the time of the next meeting.

(3) Any duly elected Union official or steward shall have the right to visit departments other than his own for the purpose of investigating or negotiating grievance business of the Union after notice to and permission from his immediate supervisor. Permission shall be granted by the supervisor as soon as reasonable.

(c) No Union business will interfere with the duties required of any employee.

(d) The time limits specified in (a) above may be extended by mutual agreement. A grievance will be waived for all purposes if not presented to the Company in writing as provided herein within 30 days, or if in the absence of mutual agreement to extend time periods the grievance is not appealed within the time limits herein prescribed for each step of the grievance procedure.

Matters pertaining to discharge or other matters that cannot reasonably be delayed may be presented at 2nd Step upon request.

Notwithstanding the above, in cases of any employee's discharge or suspension, a hearing shall be scheduled upon request of a union official. Such hearing shall be scheduled within five working days of the day the request is submitted in writing. A Company representative shall advise the employee and the Union representative of the findings of the hearing in writing as soon as possible, but in any case no longer than five working days from the date of the hearing. The answer from the Company may be appealed to the second step of the grievance procedure. Time limits may be extended by mutual agreement.

SECTION 12 - PROMOTION, LAYOFF, DEMOTION, TRANSFER

(a) Promotion

- (1) Promotion is defined as upgrading an employee from a lower paid to a higher paid job classification. Length of continuous service (Seniority) shall prevail in all cases of promotion.
- (2) In order to determine the classification and skill level to which an employee will be considered for the purpose of promotion and training a job card will be completed by each employee. This card will include the following:
 - Name
 - Seniority Date
 - Present Classification and Skill Level
 - Skill Level for Training
 - Classifications and Skill Level for promotion
 - Qualified Classifications and Skill Level for the purpose of layoff and recall

The job card is renewable on a once per calendar quarter basis. Employee's selections will be posted on the Plant bulletin board. The Company will confirm or deny each employee's job card.

- (3) All classification vacancies will be filled according to all employees' job card.
- (4) The senior qualified employee will be the first to be selected.
- (5) If there are no qualified applicants, the Company may fill the position from any sources.
 - (a) Non bargaining unit employees without seniority in the bargaining unit, transferring into the bargaining unit shall do so as probationary employees.
- (6) The employee in a new skill level by reason of being the successful candidate shall be returned to his former skill level and rate of pay if he is unable to meet the job requirement after a period of instruction and familiarization of up to thirty (30) calendar days. The instruction and familiarization period may be extended for up to an additional thirty (30) calendar days.
- (7) When an employee is assigned to his new skill level he will receive the job rate. An employee will be considered qualified when he has satisfactorily completed the applicable period of instruction and familiarization.
- (8) When there is a temporary vacancy to be filled, the Company may use the provisions of article 12 (a)(3) in order to replace an employee on a ten (10) days or more leave of absence. In such case the employee returning from such leave will be reinstated in the occupation which he held at the time of the leave, the employee who replaced him will be returned to his previous occupation. If there is a reduction in force, such temporary assignment will be cancelled.

(b) Layoff

- (1) The removal and placement of employees affected by lack of work for a period longer than ten days is specified below. The removal and placement of employees affected by lack of work for a period of ten (10) days or less is specified in Section 12(f).
- (2) For the purpose of layoff and recall seniority will be recognized. .
- (3) In order to determine the classifications to which the employee will be laid-off and recalled, the employee job card will list the qualified classifications and skill levels for the purpose of layoff and recall.

- (4) When there is a necessity to layoff or displace employees due to a reduction in force, employees will first be removed from the skill level within the job classification where lack of work exists, the following procedure utilizing the employee's job card will be used:
- a. Probationary employees will be removed first.
 - b. If there are no probationary employees, the least senior employee in the affected skill level will be displaced first.
 - c. The displaced employee will be placed in the highest paying of qualified skill level within the job classification satisfactorily held, seniority permitting. These classifications will be listed on his job card.
 - d. An employee not assigned to a classification following this procedure will be removed from the payroll on a layoff status.
 - e. An employee affected by the application of d. above will be given two full working days of advance notice of layoff or sixteen hours of pay in lieu of notice.

c) Recall

- (1) When the recall of a displaced or laid-off employee is necessary, the following procedure utilizing the employee's job card will be used:
- a. The qualified and senior displaced or laid-off employee will be recalled to the opening.
 - b. If the opening is the recalled employee's skill level in his home classification, the recall procedure shall be completely satisfied for that particular employee.
 - c. If the opening is not the employee's skill level in his home classification, then such employee shall have the right to follow the above procedure as described in a. until he reaches his skill level in his home classification.
 - d. Recall shall be by registered mail or by telephone to the last address and/or telephone number on file with the Company. It is the sole responsibility of the employee to ensure the correct information is on file with the Company.
- (2) Employees recalled must accept recall.
- (3) Employees who fail to accept recall shall be terminated.

d) Demotion and Transfer

- (1) An employee may designate on his job card the desire to move to a lower job classification.

e) Shift Preference

- (1) Any employee desiring to work on the first, second, or third shifts shall be permitted to bump a less senior employee on a plant-wide basis within his or her job classification, provided they are in the same skill level and the less senior employee is not in his or her job training period. An employee transferred as a result of this procedure shall not be granted a second such transfer for a period of one (1) month.
- (2) The application of this sub-section shall not prevent the training of employees on any shift, nor shall employees be required to transfer because of the training period of another employee.
- (3) Any two (2) employees in the same job classification and skill level by mutual agreement may trade shifts for a period of not less than (1) day nor more than one (1) week. Employees must return to their original shifts and skill level at the termination of the trade. Employees will not be allowed to trade again for a period of thirty (30) days.
- (4) When the needs of the business dictate that an employee be transferred from one shift to another, the junior employee in the skill level from the shift where the manpower is to be reduced will be selected and transferred to one of the other shifts. The more senior employee in the skill level wishing to displace this junior transferred

employee for shift preference may do so without incurring the normal 30 day period in which he cannot displace again. This shift preference must be made prior to 3:00 p.m. on the Friday prior to the effective date of the transfer and will only apply to the shift preference of the transferred employee.

- (5) Any two employees in the same skill level by mutual agreement may trade weekend overtime days (Saturday and Sunday). This trade is for the posted weekend overtime only. The two (2) employees agreeing to such a change must notify the Supervisor for the weekend overtime so an adjustment to the posted overtime sheet is made to show the change.

(f) Temporary Transfers

- (1) Temporary transfers are defined as those employee transfers between job classification which are required by the needs of the business and normally caused by such as employee absence, equipment breakdown, material shortages, work imbalance. Temporary transfers shall not exceed ten (10) working days.
- (2) Those to be temporarily transferred will be selected in the following order:
 - a. The senior employee with recall rights to the classification who is on the shift where the transfer is required.
 - b. In exception to a. above, in cases of need for temporary transfers after shift startup, the Company may use any employee for the remainder of that shift only.
- (3) Employees temporarily transferred to a lower paying job classification shall continue to be paid their regular rate of pay for the first ten (10) days of such transfer.
- (4) Employees temporarily transferred to a higher paying job classification shall be immediately paid the job rate of the skill level within the job classification to which transferred.
- (5) Employees affected by a lack of work in their classification for a period of 1 day and not to exceed 10 days may be assigned to any position as needed by the Company. If none exists, the senior employees may bump a less senior man in the Utility classification. The junior utility man will be placed on lay-off status.
- (6) The Company and the Union agree the application of this temporary transfer procedure will be consistent with the intent of the job card system.
- (7) In the Heat Treat skill level it is required that a qualified employee will be transferred.

SECTION 13 - CLASSIFICATION - WAGE RATES

(a) Job Classification

- (1) All jobs within the bargaining unit shall be identified by the Company by Job Classification and Skill Level within that classification and hourly rate.
- (2) Whenever a job classification is to be changed through the addition or elimination of skill levels, the Company will notify the Union at least thirty (30) days in advance. In the event of the combination of skill levels the Company will pay the highest rate of the combined skill levels. For the purpose of the above, the skill levels and job classifications shall be the skill levels and job classifications at the time of ratification of this contract, dated in 2004.

(b) Wage Rates

- (1) Job rate is the maximum rate of pay for any skill level within a job classification.
- (2) Employees placed in a job classification and skill level in accordance with the layoff and/or recall procedure shall be paid the rate of the skill level within the job classification.

(c) Job Progression and Wage Rate Schedules

CLASSIFICATION	Lump Sum			
	<u>5/1/2006</u>	<u>6/1/2007</u>	<u>5/7/2008</u>	<u>5/5/2009</u>
Maintenance Classification	\$16.50	\$1200	\$16.95	\$17.45
Machine Classification :	\$16.10	\$1200	\$16.55	\$17.05
Skill Levels:				
N/C Machine	\$16.00	\$1200	\$16.35	\$16.75
Shell Mfg. Center/Machinist	\$15.70	\$1200	\$16.05	\$16.45
Drill/Precision Grind	\$15.40	\$1200	\$15.75	\$16.15
Non-Machine Classification:	\$14.61	\$1200	\$14.96	\$15.36
Skill Levels:				
Heat Treat/ Auto Polish	\$14.51	\$1200	\$14.86	\$15.26
Service Assembly/Visual Insp./Utility	\$14.09	\$1200	\$14.44	\$14.84

(d) **Shift Differential.** During the term of this agreement, forty cents (40 cents) per hour will be added to the earnings of each employee on the second shift (3 PM – 11 PM); fifty-five (55 cents) per hour will be added to the earnings of each employee on the third shift (11 PM – 7 AM) and to those employees working the 7 PM – 3:30 AM shift. An employee who is required to start work before the first shift shall be paid the bonus for all time so worked before the first shift. An employee who works beyond the first shift will receive the shift premium for any hours worked into the second shift

(e) New Hire Rates

- (1) Job Progression and Wage Rate Schedules for employees hired after 3/26/90 will be as follows:
 - a. When hired, the applicable current rate less 20%.
 - b. At the end of (1) one year of employment, the applicable current rate less 10%.
 - c. At the end of (2) years of employment and thereafter the full applicable rate.

SECTION 14 - SAFETY AND HEALTH

- (a) All employees and the Company will endeavor to cooperate in an effort to maintain a clean and orderly workplace. The Company shall continue to make reasonable provisions for the safety and health of its employees at the plant during the hours of their employment. Protective devices and other equipment necessary to properly protect employees from injury and safeguard their health shall be provided by the Company. Employees will carefully use and protect equipment furnished and will be chargeable for willful and reckless loss or damage.
- (b) The company shall at all times provide proper heating and ventilation insofar as it is possible so to do.
- (c) A Safety committee consisting of four employees, two appointed by the Union and two by the Company, shall continue its quarterly meetings. The committee shall make inspections and recommendations, review accidents and generally consider matters of safety in the plant.
- (d) A first aid station shall be maintained in the plant, the same to be in charge of a responsible person designated by the Company for each shift.
- (e) Employees shall be immediately notified of emergency calls received because of illness, death or other emergencies providing the person calling states the exact nature of the emergency, and if they will not so state, then the employee shall not be notified. The employee will cooperate in an endeavor to eliminate all non-emergency calls.
- (f) The Company will pay ten dollars (\$10.00) each month to the man assigned to the chip cart for safety shoes.

SECTION 15 - BULLETIN BOARDS

An enclosed bulletin board for the exclusive use of the Union in posting notices of its meetings, and for other information, shall be installed as near the time clock as practicable, and the Union shall be furnished with a key. All postings shall be signed by the President of the Local or his authorized representative. In exchange for this posting privilege the Union agrees that postings will not subject management, the Company, or any employee to ridicule or embarrassment.

There shall be no distribution by the Union or its members or agents, to or for employees, of pamphlets, political notices, cards or any other kind of literature on Company time; nor any posting other than on the Union bulletin board.

SECTION 16 - INTERNATIONAL UNION REPRESENTATIVE

A representative of the International Union may be admitted to the plant at any reasonable time to investigate any grievance brought to his attention, providing he first asks for and obtains permission from the Plant Manager.

SECTION 17 - EMPLOYEES IN MILITARY SERVICE

The Company and Union agree to abide by existing Federal laws that may pertain to re-employment of employees entering the armed forces of the United States.

SECTION 18 - INSURANCE

(a) The Company shall provide an insurance program for the benefit of employees. The Company will maintain the current medical insurance plan through Wellmark Blue Cross Blue Shield, until its current contract with Wellmark expires on December 31, 2007. Employee premium contributions to remain the same through December 31, 2007. The employee contribution toward the medical insurance program will be:

Single	\$16.65 per week
Two-Person	\$21.75 per week
Family	\$25.04per week

Commencing January 2008 the Company will maintain an insurance contract that is significantly comparable to the current benefit level, however the employees will pay in addition to the weekly rates listed, an additional 50% of all annual insurance cost increases.

In no case will the employees 50% insurance increase exceed 5% of the total monthly base premium cost in 2008; 6.25% in calendar year 2009; 7.5% in calendar year 2010. The total base premium cost will adjust annually to reflect the total insurance cost increase. The current base premium rates for 2007 are:

Single	\$283.45 per month
Two-Person	\$540.54 per month
Family	\$861.69 per month

The Company may change insurance carriers during the term of this agreement.

- (b) If, as, and when the Company is required by applicable law or regulation to provide for employees an alternative Health Maintenance Organization (HMO) Plan, the company shall not be required to pay any greater contribution for any employee on account of such HMO Plan than the total amount of contributions required to be paid by the Company under paragraph (a) of this Section.
- (c) If by the enactment of a National Health Care legislation or any similar federal or state law or regulation the Company is required to pay by payroll tax or otherwise for any or all of the benefits provided for under paragraph (a) of this Section, the benefits to be provided under paragraph (a) shall be adjusted to avoid any duplication and the Company's contribution reduced accordingly.
- (d) Before any change in medical benefits is affected the Company will meet with the Union to discuss any benefit change, cost increase and available options.

SECTION 19 - PENSION PLAN

No later than August 1, 2001, the Company will maintain and permit employees to participate in a Section 401K defined contribution pension plan on the terms described in this section. Employees may make a voluntary pre-tax contribution of up to 14% of wages by enrolling and authorizing the contribution in accordance with the Plan terms. If an employee makes a contribution, the Company will match the first 8% of the contribution at a rate of 50% (resulting in a maximum match equal to 4% of wages). The employee and Company contributions are subject to federal statutory caps.

SECTION 20 - LEAVE OF ABSENCE

- (a) **Non-occupational illness and injury leave of absence.** Employees shall be granted leaves of absence for non-occupational illness or injury for a period of time equal to their seniority with the Company at the beginning of such leaves, but not longer than two (2) years, provided adequate evidence is presented, as requested, as to their continued disability. Employees on such leaves shall retain re-employment rights to the job which they were assigned prior to beginning of such leaves for up to one (1) year from the starting of such leaves. No employee will be terminated and lose seniority rights because of absence due to personal illness, injury other than above, or due to work connected injury or illness, provided they return to work within thirty (30) days after release from a licensed physician.
- (b) **Union Leave.** An employee who is chosen as a delegate to either a district, state or national Union convention or conference or to a Union education conference, upon application approved by the Union will be given a leave of absence without pay but without prejudice as to seniority and other rights, for the purpose of attending such conventions or conferences, provided, however, that no such leave shall be for a period in excess of one week, unless otherwise mutually agreed, and not more than three (3) employees shall be absent from the plant on such leave at any one time, except where the absence of the employees elected to go would curtail production by 50% in their department.
- (c) **Hardship leave of absence.** An employee may be granted a leave for reasons of personal hardship, without pay, for up to 30 days upon establishing in the sole judgment of the Plant Manager sufficient basis for such leave. Employees granted such leave shall retain re-employment rights to the job which they were assigned prior to beginning the leave.
- (d) **Personal leave.** Any employee may be granted a personal leave of absence for up to thirty (30) days at the sole discretion of Management.

SECTION 21 - NO STRIKE - NO LOCKOUT

The Union agrees that for the term of this Agreement there shall be no strike, slowdown, or other interference with production and the Company agrees that for the same period it will not lockout employees.

SECTION 22 - TERMINATION

- (a) This Agreement shall continue in full force and effect until 11:59 p.m. May 1, 2010. After 11:59 p.m. May 1, 2010 this Agreement shall renew itself from year to year, unless either party thereto gives written notice to the other party at least sixty (60) days prior to the anniversary date of its desire to terminate or modify the Agreement.
- (b) Not more than sixty (60) days prior to the expiration date of this Agreement, the parties may meet in conference, in Crawfordsville, Indiana, unless otherwise mutually agreed, for the purpose of negotiating the terms and conditions of a new Agreement.
- (c) Any notice given hereunder shall be given by registered mail, be completed by and at the time of mailing, and if by the Company, be addressed to the Sub District 3 Director, USW, 9402 Uptown Drive, Suite 600, Indianapolis, Indiana 46256, and if by the Union to the Company at Crawfordsville, Indiana. Either party may by like written notice, change the address to which registered mail notice to it shall be given.

FOR:

CALIFORNIA PELLET MILL COMPANY

Carl R. Allis, Plant Manager

FOR:

LOCAL UNION NO. 1999

**UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY, ALLIED
INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION**

Leo W. Gerard, Int'l President

James English, Int'l Secretary-Treasurer

Tom Conway, Int'l Vice President

Fred Redmond, Int'l Vice President

Jim Robinson, Director, District

Randy McKay, Sub-District Director

James C. Adcock, Staff Representative

Benny M. Branson, Unit President

Gerald L. Maltzberger, Committee

Dennis D. Long, Committee

BENEFITS SUMMARY

LIFE INSURANCE

\$19,000

\$15,000.00 Additional Supplemental Life Insurance

Accidental Death and Dismemberment Insurance

\$19,000

SHORT TERM DISABILITY

\$250.00 per week.

Retirement Bonus

2007: \$1000 bonus to anyone at or over age 65 during the calendar year 2007, who retires by July 31, 2007, or in the month in 2007 when they reach 65 years of age. Such employees must notify the Company of his intention to retire by May 31, 2007.

As of January 1, 2008 and continuing for the life of this Agreement any employee who retires with 30 years of seniority or more, regardless of age, will receive \$1000 bonus.

Letter of Understanding

On May 1st of each calendar year of the Collective Bargaining Agreement, this policy will reset to zero (0) for all employees. Any discipline issued in the prior calendar year shall be removed from the employees file and not used for any purpose whatsoever. For the purposes of this policy the calendar year shall be May 1st to the next years May 1st.

Employees who fail to notify the Company prior to the start of their scheduled shift of their absences shall receive the following progressive discipline. Employees who fail to provide notification and provide a verifiable excuse as to the reason for their failure will not be subject to any discipline.

Progressive Disciplinary Procedure:

First Offense	Written Verbal Warning
Second Offense	Written Warning
Third Offense	Subject to Termination