

MEMORANDUM of UNDERSTANDING BETWEEN PACE, LOCAL 8-586, AND SIMPSON TACOMA KRAFT COMPANY, LLC REGARDING 12-HOUR SHIFTS.

Simpson Tacoma Kraft Company, LLC (Company) and PACE International Union, Local #8-586 (Union), do hereby agree that the following understanding is applicable for the implementation of a twelve (12) hour shift compressed work week schedule as agreed to in our mutual letter of understanding which was signed by both parties on July 21, 2003. The parties have agreed that the provisions set forth herein shall be effective January 19, 2004 and shall remain in effect as outlined below.

1. The twelve (12) hour shift schedule will be permitted by a vote of a 70% majority of eligible employees for a trial period of up to one (1) year starting January 19, 2004. Eligible employees voting on this agreement include all regular shift employees represented by PACE Local #8-586 and extra-board employees working more than 50% of the time in the paper mill.
2. This trial period will involve shift production employees and extra-board employees identified above. Day workers are not part of this trial.
3. The twelve (12) hour shift times of 7:30 A.M. to 7:30 P.M. and from 7:30 P.M. to 7:30 A.M. will define a day consisting of twenty four (24) hours as defined in the collective bargaining agreement. Other definitions remain unchanged if not specifically changed in this memorandum.
4. The Union will conduct an employee secret ballot vote of regular paper mill shift employees and eligible extra-board employees identified in Item 1 above. Payroll records for the six (6) month period immediately preceding November 1, 2003 will be used to determine eligible extra-board voters. The parties may mutually agree to exclude or include any employee who will or will not be assigned to the trial schedules during the trial period, regardless of historical assignment. In order for the trial period to be implemented at least 70% of eligible employees must vote in favor of implementation. The vote will be conducted at such a time and over a duration that affords the maximum opportunity for all affected employees to vote.
5. During the trial period the trial may be cancelled by either party upon at least thirty (30) days written notice without additional cost.
6. It is understood by both the Company and the Union that problems may arise in working the compressed workweek schedule. Should this occur, the combined compressed workweek committee will meet to discuss the problems and make recommendations for resolution.
7. It is clearly understood by the Company and the Union that replacements must be available for relief purposes when needed. Replacements will come, in order, from the On-call extra-board, then from qualified employees who most recently worked the vacant job or from employees next scheduled to work in the position.
8. Overtime will not be paid if occurred as a result of the initial implementation or discontinuation of the twelve (12) hour shift schedule.
9. There will be not negative impact on Safety, Absenteeism, or Productivity.

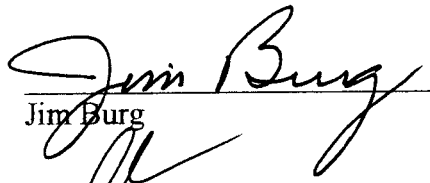
10. The parties intend that the implementation of the twelve (12) hour schedule will be cost neutral to the Mill. The parties will not alter benefits unless there is mutual agreement.
11. Classroom training will continue to be conducted during regular daytime business hours.
12. The parties will meet to review the trial of twelve (12) hour shifts a minimum of once a month for the first three (3) months of the trial and once a quarter following for the remainder of the trial period.
13. Overtime, at the rate of time and one half, will be paid for all hours worked in excess of eight (8) hours in any one day at the compressed rate for hours worked on the compressed workweek schedule.
14. Floating Holidays will be paid at the Book Rate (less the deduction for PIUMPF) of the job assigned for the week in which the floating holiday is taken. Effective June 1, 2004, each eligible employee (as identified in Item 1 of this Memorandum) will be eligible for a total of three (3) twelve (12) hour floating holidays for the 2004 – 2005 year. Also, employees who are required to work on the 4<sup>th</sup> of July and Christmas Holiday period will earn an additional eight (8) hours of floating holiday time for each period worked. When an employee has accumulated twelve (12) hours of additional holiday time they may schedule another twelve (12) hour floating holiday. At the end of the 2004 – 2005 vacation year employees will have the option of receiving pay for unused hours or they may carry over unused hours (less than 12 hours) into the next year. Unused floating holiday hours can be used to cover absences for pay purposes as is currently practiced.
15. Jury duty allowance will be paid as outlined in the current collective bargaining agreement. Such reimbursement shall not exceed twelve (12) hours in any one day or forty eight (48) hours per week less remuneration for jury duty pay. This will be paid at straight time at the book rate (less the deduction for PIUMPF).
16. The job rate of employees working the compressed workweek schedule will be adjusted to 0.8571429 (less the deduction for PIUMPF) of the rate established by the current collective bargaining agreement.
17. Overtime pay for work outside the regular compressed workweek schedule, call time, machine clothing time, allowance for failure to provide work, vacation pay, holiday pay, time worked on a holiday, and time worked on Sunday will be paid at the established rate of pay as defined by the current collective bargaining agreement (less the deduction for PIUMPF).  
Employees who work in excess of twelve (12) hours during a holiday will be compensated at double time for those hours worked in excess of twelve (12) hours
18. Bereavement pay will be paid for hours lost up to a total of twenty four (24) hours for the death of a regular employee's immediate family member and up to forty (40) hours for the death of an employee's spouse or natural or adopted children.
19. Shift differential will be paid for all hours worked on the night shift (7:30 P.M. to 7:30 A.M.) at the rate of the sum of the current swing shift and graveyard differentials divided by twelve (12). For example,  $[8 \text{ hours} \times \$0.60] + [8 \text{ hours} \times \$0.83] / 12 \text{ hours} = \$0.96 \text{ per hour}$ . Effective September 1, 2005 the night shift differential will be \$1.00 per hour.


20. Employees as defined in this memorandum, working the compressed workweek schedule, which are required to work fourteen (14) consecutive hours will be eligible for a meal, which will be hot if practical. Should an employee be required to work beyond fourteen (14) consecutive hours, they will be eligible for an additional meal for each four (4) hours worked.
21. Employees working according to this agreement will follow the attached compressed workweek schedule. (Attached Exhibit A)
22. The Company will make a reasonable effort to avoid scheduling extra-board employees for more than forty-eight (48) hours in any seven (7) day period.
23. At the end of the twelve (12) month trial period the parties must mutually agree to continue the compressed workweek schedule. If there is mutual agreement to continue the compressed workweek schedule, the Pulp Mill and the Power House may request that the similar schedule be implemented for each department following these same guidelines. This will be subject to a vote as outlined in Item 1 of this agreement.
24. Except as outlined above, the terms and conditions of the existing collective bargaining agreement remain unchanged.

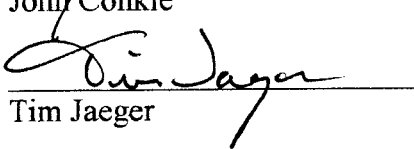
Agreed to the 9<sup>th</sup> day of December 2003.

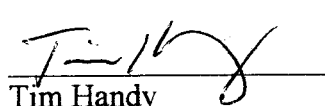
For Simpson Tacoma Kraft Company, LLC

For Pace Local #8-586

  
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Jim Burg

  
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John Conkle

  
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Tim Jaeger

  
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Tim Handy

  
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Don Bare

  
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Virgil Bender

  
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Bill Williams

  
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Bob Weber