

508

2005

AGREEMENT

Between

3,700 workers

PHILIP MORRIS U.S.A.

and



LOCAL NO. 203-T

of the

BAKERY, CONFECTIONERY,

TOBACCO WORKERS

and GRAIN MILLERS

INTERNATIONAL UNION

AFL-CIO-CLC

Richmond, Virginia

February 1, 2005

2009

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AGREEMENT

ARTICLE I GENERAL PURPOSE

The general purpose of this Agreement is, in the mutual interest of the Employer and employee, to provide for the operation of the facilities hereinafter mentioned under methods which will further, to the fullest extent possible, the safety, welfare and health of the employees, economy of operation, quality and quantity of output, cleanliness of the facilities and protection of the property. It is recognized by this Agreement to be the duty of the Employer and the employees to cooperate fully, individually and collectively, for the advancement of said conditions.

ARTICLE II RECOGNITION

The Employer recognizes Local Union #203 T of the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union A.F.L.-C.I.O.-C.L.C., as being the duly elected legally accredited representative of the employees of Philip Morris U.S.A., at Richmond, Virginia, and immediate vicinity, exclusive of such employees as are supervisors, assistant supervisors, clerical or office workers, salaried executives and sub-executives, and of such other jobs which are covered by separate agreements. This Local Union shall constitute the sole bargaining agency for those it represents for the purpose of collective bargaining in all matters pertaining to wages, hours and working conditions.

ARTICLE III CHECKOFF

For the convenience of the employees, the Employer will make payroll deductions for Union Membership dues for any employee covered by this Agreement, who authorizes the Employer to make such deduction.

Such deductions will be made as follows:

1. Upon receipt of an authorization from an employee, which shall be on a form furnished by the Employer (as hereinafter set forth) signed by the employee, and witnessed, the Employer shall deduct each month from the wages of said employee a sum not to exceed the required Union dues, as shall be duly fixed by the International Union from time to time, as payment of his monthly Union membership dues, and continue such deduction until this authorization is withdrawn, in writing, to the Manager of Human Resources by Certified Mail.
2. Such dues will be checked off during the third pay period of each calendar month, and the dues so deducted shall be paid to the Union not later than the thirtieth day of the same month unless the employee withdraws, in writing, to the Manager of Human Resources by Certified Mail, the authorization prior to that date. If the employee has no earnings during that pay period, the Employer will deduct his Union dues for that month in a subsequent pay period and remit those dues to the Union by the thirtieth day of the calendar month, unless the employee withdraws, in writing, to the Manager of Human Resources by Certified Mail, the authorization prior to that date.

3. Authorization Card.

Amount

Date_____

Social Security Number

TO: PHILIP MORRIS U.S.A.

I, _____
First Middle Last (Please Print)

voluntarily request and authorize Philip Morris U.S.A. to deduct from my wages each month and pay to the duly authorized officer of the Local Union #_____ representing me, by the thirtieth of each such calendar month in which said deductions are made, an amount not to exceed the required Union dues, as shall be duly fixed by the International Union from time to time, in payment of my monthly Union membership dues.

These deductions shall be made so long as this voluntary authorization shall not be withdrawn in writing to the Manager of Human Resources by Certified Mail.

Witness

Signature

ARTICLE IV COOPERATION

In the interest of promoting a harmonious relationship, the Employer and the Union agree that within thirty (30) days after employment or as soon thereafter as practical, each new employee will be given an opportunity to meet with a representative of the Union to discuss Union affiliation.

ARTICLE V BULLETIN BOARDS

The Employer will grant the Union permission to use the Employer bulletin boards for posting the following type of notices:

1. Notice of Union recreational activities and social affairs.
2. Notices of Union elections, appointments and results of elections.
3. Notices of Union meetings.

All notices must be approved by the Factory Superintendent or the Human Resources Department and be posted by Management. An officer of the Union is the only person who may request permission to post notices.

ARTICLE VI HOURS AND OVERTIME

SECTION 1 - HOURS

Seven and one-half (7 1/2) hours per day excluding lunch from Monday through Friday, inclusive, with a mutually agreed starting time, shall be the normal daily schedule of hours. Thirty-seven and one-half (37 1/2) hours per week shall be the normal weekly schedule of hours. In the case of air conditioning adjusters, eight (8) hours per day shall be the normal daily schedule of hours and forty (40) hours per week shall be the normal weekly schedule of hours.

SECTION 2 - OVERTIME

A. Overtime for all employees shall be paid:

1. At the rate of time and one-half (1 1/2) for work performed:
 - a. In excess of seven and one-half (7.5) hours in one (1) day.
 - b. In excess of thirty-seven and one-half (37.5) hours in one (1) week.
 - c. The first three and three-fourths (3 3/4) hours on the sixth (6th) consecutive day worked within a week. For the purpose of determining the sixth (6th) consecutive day worked within a week, the employee must work at least three

and three-fourths (3 3/4) hours in each of the previous five (5) days.

d. In excess of seven and one-half (7.5) consecutive hours.

2. At the rate of double time (2) for work performed:

a. On the seventh (7th) consecutive day worked within a week. For the purpose of determining the seventh (7th) consecutive day worked within a week, the employee must work at least three and three-fourths (3 3/4) hours in each of the previous six (6) days.

b. On any of the holidays designated in the Basic Collective Bargaining Agreement.

c. In excess of eleven and one-half (11 1/2) consecutive hours in a day.

d. In excess of three and three-fourths (3 3/4) hours on the sixth (6th) consecutive day worked within a week. For the purpose of determining the sixth (6th) consecutive day worked within a week, the employee must work at least three and three-fourths (3 3/4) hours in each of the previous five (5) days.

B. For the purpose of the payment of overtime, a day shall consist of twenty-four (24) consecutive hours,

which shall begin four (4) hours prior to the designated starting time of the normal shift. A week shall consist of seven (7) consecutive days beginning with the daily starting time on Monday and ending at the end of the seventh (7th) consecutive day.

A shift's "day" will be from 3:00 a.m.-3:00 a.m., and their week shall begin on Monday morning and run until 3:00 a.m. the following Monday morning.

B shift's "day" will be from 11:00 a.m.-11:00 a.m., and their week shall begin on Monday morning and run until 11:00 a.m. the following Monday morning.

C shift's "day" will be from 7:00 p.m.-7:00 p.m., and their week shall begin at 7:00 p.m. on Sunday night and run until 7:00 p.m. the following Sunday night.

Normal shift starting times will remain unchanged.

Sunday night and Holiday startup will remain as currently practiced.

- C. For the purpose of the payment of overtime: holidays, jury duty and funeral leave, and time missed from work when an employee is absent due to a compensable on-the-job injury or illness, approved medical leave of absence, approved maternity leave of absence, or legitimate and verifiable outpatient surgery, hospital stay, or official union business shall

be considered as time worked, provided that such occur(s) on a day(s) on which the employee would otherwise be scheduled to work.

- D. In the event that an employee is not provided work on a Monday, Tuesday, Wednesday, Thursday or Friday due to a short work week, inclement weather, or the failure of utilities, the day on which the employee is not provided work shall be considered as time worked for the purpose of determining the sixth (6th) consecutive day worked within a week for the payment of overtime, provided that such day(s) occur(s) on a day(s) on which the employee would otherwise be scheduled to work.
- E. Employees scheduled for 6th and/or 7th day production who are relieved on limited production days, by employees who are not scheduled to work, will have the day(s) counted as time worked for purposes of payment of overtime on the 6th and/or 7th day.
- F. Employees scheduled for 6th and 7th day production, who, with management approval, find a replacement for the 6th day and work on the 7th day will have the 6th day counted as time worked for purposes of payment of overtime on the 7th day.

Employees who are otherwise qualified for 6th and 7th day pay but are only scheduled to work on what would be the 7th day shall be paid at the double time rate.

This in no way impacts Sunday night start-up.

- G. The overtime rate shall be based on the employee's base rate, shift differential, and cost of living allowance.
- H. There shall be no pyramiding of overtime payments.
- I. Overtime for air conditioning adjusters shall be paid as follows:
- (1) At time and one-half (1 1/2) for hours worked in excess of eight (8) hours per day and for the first four (4) hours of work performed on the sixth (6th) day worked within a work week.
 - (2) At double-time for hours worked:
 - (a) On the sixth (6th) day (in excess of the first four (4)).
 - (b) On the seventh (7th) day.
 - (c) On any of the holidays specified in this Agreement.
 - (d) In excess of twelve (12) consecutive hours in any one (1) workday.
- J. In the event an employee reports to scheduled overtime work immediately prior to his/her regularly scheduled shift and his/her regular shift is cancelled due to inclement weather, any hours worked prior to the start of their regular shift shall be paid at the premium pay rate the employee would have received if he/she had worked that regular shift.

SECTION 3 - MANPOWER

Manpower personnel will be reshuffled monthly to ensure that the most senior employees have the most opportunity for overtime.

SECTION 4 - HOLIDAYS

- a. Holidays are understood to include New Year's Day, Martin Luther King Jr. Day, Good Friday, Easter Monday, the Friday before the first Saturday in May, the Friday before Memorial Day, Memorial Day, July 4, the Friday before Labor Day, Labor Day, Thanksgiving Day, the day after Thanksgiving Day, the day before Christmas Day, and Christmas Day except that, employees working an Alternative Work Schedule may have designated holidays different from the above as specified in the Alternative Work Schedule Agreement. When any of these holidays (except the day before Christmas Day) falls on a Sunday, the following Monday shall be considered as the holiday.
- b. The Employer will pay holiday pay for each of the foregoing holidays whether or not the employees work on such holiday. Holiday pay will be computed by multiplying an employee's regular hourly base rate, and any applicable uniform allowance, shift differential, and a temporary cost of living allowance by the number of hours in the employee's normal daily schedule as set forth in Section 1 of this Article.
- c. An employee will be eligible for holiday pay if both of the following eligibility rules are met:

- (1) The employee has been employed for at least thirty (30) days prior to the date the holiday occurs.
 - (2) The employee has worked at least one (1) seven and one-half (7 1/2) hour day in the week before or the week after or the week in which the holiday occurs except when an employee is absent due to (a) jury duty, (b) vacation or (c) funeral leave.
- d. An employee absent due to on-the-job illness or injury, medical leave, maternity leave, adoption/legal guardianship leave, paternity leave or family care leave will be eligible for holiday pay if the holiday occurs within twelve (12) months of the commencement of such absence.
 - e. No benefits will be paid under the Temporary Disability Income Plan for any day that an employee on Medical Leave of Absence receives Holiday Pay.
 - f. Should the Fourth of July holiday occur during the one (1) week summer shutdown vacation period, that day will be protected by extending the summer shutdown period by one (1) day. The calendar day on which the holiday occurs, as specified in the Agreement, shall be considered the holiday, except when the Fourth of July falls on a Saturday or Sunday, the immediately subsequent Monday shall be considered the holiday.

- g. In addition, should the Company schedule a third week of shutdown vacation, and should any holiday(s) specified in the Agreement occur during such third week of shutdown vacation, such holiday(s) will be protected by extending the third week of shutdown vacation by the number of holidays that occur during such third week of shutdown vacation. The calendar day on which the holiday(s) occur(s), as specified in the Agreement, shall be considered the holiday.

SECTION 5 - SHIFT DIFFERENTIAL

A second shift differential of forty cents (\$.40) per hour shall be paid all employees working on the second shift and a third shift differential of forty-eight cents (\$.48) per hour shall be paid all employees working on the third shift.

SECTION 6 - SUPPER MONEY

When employees are required to work eleven (11) or more consecutive hours, the Employer will pay them two dollars and fifty cents (\$2.50) supper money.

SECTION 7 - CALL-IN PAY

Any one employee who has left the Employer's premises and is called, and required to report to work within twenty four (24) hours of the call, to perform work before his regular starting time shall be paid a minimum of three and three-fourths (3 3/4) hours pay at his prevailing rate of pay, provided he reports to work more than one (1) hour and fifteen (15) minutes before his regular starting time. It is also understood that to qualify for call-in pay the employee must report for

work at the time requested by Management. (Air conditioning adjusters shall be paid for four (4) hours pay under the above circumstances and employees working an Alternative Work Schedule will be paid according to the provisions of the Alternative Work Schedule Agreement.)

SECTION 8 - JURY DUTY

- a. When an employee who has completed his probationary period is required to lose time from work when called for jury duty, the Employer will pay him the difference between the amount he receives as compensation for jury service and his pay at his regular hourly base rate and any applicable uniform allowance and a temporary cost of living allowance for the number of hours in his normal daily schedule as set forth in Section 1 of this Article.
- b. "A" shift employees who must report for morning jury duty three (3) hours or less after their scheduled starting time will not be required to report for work at the beginning of their shift. If they have served at least three and three-fourths (3 3/4) hours on jury duty they will not be required to report to work upon being released from jury duty. "A" shift employees will return to work if released from such jury duty when they have served less than three and three-fourths (3 3/4) hours.
- c. "B" shift employees will not be required to report for work when they have served at least three and three-fourths (3 3/4) hours on jury duty, however, these employees must notify their Supervisors of the

absence prior to the start of their next scheduled shift. "B" shift employees will report to work if released from such jury duty when they have served less than three and three-fourths (3 3/4) hours.

- d. "C" shift employees will not be required to report for work when they have served at least three and three-fourths (3 3/4) hours on jury duty, however, these employees must notify their Supervisor of their absence prior to the start of their next scheduled shift. "C" shift employees will report to work if released from such jury duty when they have served less than three and three-fourths (3 3/4) hours. "C" shift employees who serve on jury duty on a Friday will not receive equivalent time off on their next scheduled shift. An employee who serves three and three-fourths (3 3/4) hours or more and is scheduled to work Saturday, has the option of working and receiving his regular prevailing rate of pay or to be absent without any compensation from the Employer.
- e. Employees working an Alternative Work Schedule will receive jury duty pay per the Alternative Work Schedule Agreement.

SECTION 9 - FUNERAL ABSENCE

- a. When an employee who has completed his probationary period is required to lose time from work because of a death in the immediate family, he shall be excused from scheduled work up to the maximum number of consecutive, regularly scheduled workdays, as specified in subsection d.

below or in any applicable Alternative Work Schedule Agreement, commencing on the day of death or commencing anytime up to and including the day of the funeral. Employees are requested to advise the Employer of such absence as soon as possible. Should any of the excused days, as specified in sub-section d. 1. and 2. below, occur during a vacation week, holiday, or a non-production day due to a short work week, the employee will be permitted to substitute his next regularly scheduled workday or days to complete up to the number of days allowable as specified in sub-section d. 1. and 2. below.

- b. Pay for each day of such excused absence shall be computed by multiplying his regular hourly base rate, and any applicable uniform allowance, shift differential, and a temporary cost of living allowance, by the number of hours as set forth in Section 1 of this Article or any applicable Alternative Work Schedule Agreement. Such absence compensation shall not include pay for lost overtime or other premium pay.
- c. Employees are permitted to substitute the next regularly scheduled work day(s) to complete up to the appropriate number of funeral absence days should any of the excused days occur during a non-production day due to a short work week.
- d. Members of the immediate family of an employee and the maximum number of excused days allowable, in accordance with sub-section a. above, is as follows:

1. Four (4) consecutive days — wife, husband, domestic partner, legal children, stepchildren, one (1) male parent, one (1) male stepparent, one (1) female parent, one (1) female stepparent.

The Company agrees to provide funeral leave for death of a domestic partner consistent with that provided for a husband or wife. The benefit is limited to those employees whose domestic partners are covered under a PM health care plan or who certify that the domestic partner would have met all requirements to have been covered under such plans.

2. Three (3) consecutive days — brother, sister, one (1) mother-in-law, one (1) father-in-law, grandfather, grandmother, and grandchildren. Mother-in-law and father-in-law are defined as the mother or father of an employee's current living spouse. Employees will be allowed funeral absence in the event of the death of one (1) mother-in-law and one (1) father-in-law.
3. The day of funeral — brother-in-law, sister-in-law, son-in-law, and daughter-in-law. Brother-in-law and sister-in-law are defined as the brother or sister of a current living spouse, or the husband or wife of a sister or brother. Son-in-law and daughter-in-law who are defined as the current spouse of an employee's current living son or daughter. Employees assigned to the "C" shift shall be excused from scheduled work on either the day of the funeral or the day immediately following the day of the funeral.

SECTION 10 - PREMIUM PAY

Pay received by employees in excess of the basic straight time pay for time worked is defined as premium pay. With the exception of supplementary payments for shift differential and uniform allowance, the Employer shall not pay any premium pay on premium pay.

SECTION 11 - WAITING TIME

- a. When employees, during the period they are performing their duties, are forced to wait through no fault of their own, no wage reduction shall be made as long as they are permitted to remain at work. However, they may be assigned other duties during such waiting period.
- b. In the event it becomes necessary to cease part or all operations those employees released will be paid a minimum of three and three-fourths (3 3/4) hours pay at their hourly rate for having started work at their assigned starting time. (Air conditioning adjusters shall be paid for four (4) hours pay under the above circumstances.)
- c. If, before the shift starts, the Employer notifies the employees not to report to work, the Employer will have no obligation to provide work or pay.

Notification will be by radio and television.

- d. Employees working an Alternative Work Schedule will be paid according to the provisions of the Alternative Work Schedule Agreement.

ARTICLE VII SENIORITY

SECTION 1 - PERMANENT EMPLOYMENT SENIORITY

- a. Seniority shall be the length of service of an employee from the employee's most recent date of permanent employment.

- b. Seniority shall be the determining factor in Reduction in Force, recall, reduction in classification, promotion within the Bargaining Unit, shift transfer, movement between Operating Locations and functional areas, overtime solicitation, and the selection of vacations, in accordance with the other provisions of this Agreement or applicable Memoranda of Understanding.

SECTION 2 - OPERATING LOCATIONS AND FUNCTIONAL AREAS

- a. Operating Locations and functional areas shall be defined as follows:
 1. The Operating Location Manufacturing Center shall consist of the following functional areas:
 - a. Cigarette Manufacturing
 - b. Primary Processing
 - c. Flavor Center
 - d. Manufacturing Engineering

2. The Operating Location Warehouse, Shipping and Receiving (WSR) shall consist of the following functional areas:
 - a. Finished Goods Warehouse (includes Returned Goods)
 - b. ASRS / Materials Warehouse (includes Truck Pool)

 3. The Operating Location B.L. Plant shall consist of the following functional areas:
 - a. B. L. Facility
 - b. Maury Street Leaf Warehouse
- b. The Employer shall have the right to establish new Operating Locations and/or functional areas and shall have the right to discontinue existing Operating Locations and/or functional areas. The Employer will notify the Union, and upon the request of the Union, will discuss such changes prior to implementation.

SECTION 3 - REDUCTION IN FORCE

- a. When conditions necessitate a reduction in the work force, seniority shall be the determining factor. Employees shall be laid off in the following order:
 1. Employees who have not completed their probationary period shall be laid off first.

2. Non-probationary employees shall be laid off in the inverse order of seniority.

- b. Employees shall be recalled in the inverse order of the layoff procedure. No new employees shall be employed until the list of former employees has been exhausted except as otherwise provided in this Agreement and/or the Long Term Agreement.

- c. The Employer will provide at least three (3) calendar weeks notice prior to any layoff.

- d. A short work week is not considered a layoff. A temporary curtailment of production due to acts of God or unusual events will not be considered a layoff.

- e. Employees laid off in Reduction in Force will receive layoff pay in accordance with Article IX of the Long Term Agreement.

SECTION 4 - REDUCTION IN CLASSIFICATION

- a. Should it be necessary to reduce the number of employees in a job classification, seniority shall be the determining factor.

- b. Should it be necessary to reduce the number of employees in a job classification on a shift, the most senior of the employees considered to be surplus shall be permitted to:

1. Displace the least senior employee within the job classification, within the Operating Location, regardless of shift. If there are multiple shift displacements, in seniority order, employees will be allowed to choose a shift. This provision does not provide bumping rights. Or,
 2. Displace the least senior employee within the employee's most recent previous job classification, within the Operating Location, within the shift; or
 3. Downgrade to the Manufacturing Technician I job classification, within the Operating Location, within the shift.
- c. Should it be necessary to reduce the number of employees in a job classification within an Operating Location, the most senior of the employees considered to be surplus shall be permitted to:
1. Displace the least senior employee within the job classification, regardless of Operating Location, regardless of shift; or
 2. Displace the least senior employee within the employee's most recent previous job classification, within the Operating Location, within the shift; or

3. Downgrade to the Manufacturing Technician I job classification, within the Operating Locations, within the shift.
- d. Should it be necessary to reduce the number of employees in a job classification regardless of the Operating Location and shift, the most senior of the employees considered to be surplus shall be permitted to:
1. Displace the least senior employee within the employee's most recent previous job classification, within the Operating Location, within the shift; or
 2. Should the employee lack sufficient seniority to displace the least senior employee within the employee's most recent previous job classification, within the Operating Location, within the shift, the employee shall be permitted to displace the least senior employee within the employee's most recent previous job classification, within the Operating Location, regardless of shift; or
 3. Should the employee lack sufficient seniority to displace the least senior employee within the employee's most recent previous job classification, within the Operating Location, regardless of shift, the employee shall be permitted to displace the least senior employee within the employee's most recent previous job classification, regardless of Operation Location, regardless of shift; or

4. Downgrade to the Manufacturing Technician I job classification, within the location, within the shift.
- e. An employee shall not be eligible to displace a less senior employee in a higher paid job classification.
- f. An employee shall not be permitted to displace another employee unless such displacement may be justified by seniority.
- g. An employee changing positions in accordance with this Section shall be required to qualify on the new position in accordance with the applicable training and evaluation program.
- h. An employee reduced in classification in accordance with this Section shall be eligible to be promoted to the former job classification only in accordance with Section 5 of this Article.

SECTION 5 - PROMOTIONS WITHIN THE BARGAINING UNIT

- a. Promotions within the Bargaining Unit shall be based upon seniority, merit and ability in accordance with the applicable selection and Competency Based Evaluation Programs.
- b. An employee shall be eligible to upgrade to any higher paid job classification(s), regardless of Operating Location and regardless of functional area.

- c. When a job vacancy exists, a notice of the opening will be posted. Employees may indicate their desire for the position by signing their name and Employee Personnel Identification Number (PERNO) in the space provided in the notice within five (5) working days after posting.
- d. An employee will not be awarded a position in a lower job classification, except in cases of incompetence, medical reasons and reduction in classification.
- e. If an employee is unable to qualify for a position at any time during the training period, such employee will be permitted to return to the job classification, Operating Location and shift previously held. Such employee shall not be eligible to be promoted to the position on which the employee was unable to qualify for a period of twelve (12) months from the date on which the employee was returned to the job classification previously held.

SECTION 6 - SHIFT/IN SHIFT TRANSFERS

- a. Shift transfers will be awarded to employees based on seniority within the job classification and Operating Location.
- b. When a job vacancy exists on a particular shift, a notice of the opening will be posted. Employees in the same job classification and Operating Location on any other shift may indicate their desire for the position by signing their name and Employee

Personnel Identification Number (PERNO) in the space provided in the notice within five (5) working days after posting.

- c. An employee who has received a shift transfer pursuant to this Section must remain on the shift to which the employee has transferred for a period of at least six (6) months to be eligible to be awarded a subsequent shift transfer pursuant to this Section, except that such requirement shall be waived to permit an employee who has previously received a shift transfer from the "C" shift to the "B" shift or from the "B" shift to the "C" shift to transfer to the "A" shift.
- d. If, after posting a job vacancy(ies) on a particular shift, a sufficient number of employees are not obtained to fill such vacancy(ies), employees in the Manufacturing Technician I job classification, within Operating Location, regardless of functional area, will be moved from the shift(s) of availability to the shift of need in the inverse order of seniority. If such vacancy(ies) exist in more than one functional area, the employee required to change shift shall be given their choice of functional area in order of seniority. Additionally, in situations where the employees who will be required to change shift will be replaced by moving more senior employees from another functional area on the shift(s) of availability, such replacement employees, in order of seniority, will first be offered the opportunity to move to any openings in the same functional area on the shift of need.

Employees transferred under this provision shall not be subject to the provisions of Section 6(c) of this Article.

- e. By seniority, employees will have the opportunity to annually bid for shift transfers. Employees will be allowed to fill voids (no bumping is allowed) on the desired shift. Employees must remain in the same job classification.
- f. Employees can move to openings within the factory including MRC, one move per employee per year, by seniority/qualifications to include within shift with no training. This does not affect the annual shift transfer agreement 6 (e) above.

SECTION 7 - MOVEMENT BETWEEN OPERATING LOCATIONS OR FUNCTIONAL AREAS

- a. When it is necessary to move employees from an Operating Location(s) to an Operating Location(s), the employees in the Manufacturing Technician I job classification at the Operating Location(s) of availability will be moved to the Operating Location(s) of need in the inverse order of seniority.
- b. When it is necessary to move employees from a functional area(s) to a functional area(s), the employees in the Manufacturing Technician I job classification in the functional area(s) of availability will be moved to the functional area(s) of need, within shift, in the inverse order of seniority.

- c. Annually, Twenty (20) MT-Is, regardless of shift, assigned to Primary Processing, will be allowed to bid into voids, by seniority, to Cigarette Manufacturing. In addition, one (1) MTII and one (1) MTIII per shift, assigned to Primary Processing, will be allowed to bid into respective voids, by seniority, to Cigarette Manufacturing MT II and MT III openings.

SECTION 8 - TEMPORARY TRANSFERS

In the event an employee is temporarily transferred by the Employer when there is work available in his regular job, he shall be paid no less than he could make on his regular job.

SECTION 9 - LOSS OF SENIORITY

An employee shall cease to have seniority rights and will no longer be in the Employer's employ if the employee:

1. Quits.
2. Is discharged.
3. Is absent for seven (7) working days without notifying the Employer.
4. Is laid off for twelve (12) consecutive months. However, if his seniority exceeds twelve (12) months he will not lose his seniority until he is laid off for a continuous period equal to the seniority he has acquired at the time of such layoff, but not to exceed thirty-six (36) consecutive months.

5. Retires.
6. Exceeds a leave of absence without just cause.

SECTION 10 - RECOGNITION OF SERVICE

Employees who have given long and faithful service in the employ of the Employer and who are unable to perform their regular duties and provided they are not eligible for pension under the Employer's Retirement Plan will be given other work, provided further that other work is available and in the judgement of the Management such employees are capable of performing such available work in a satisfactory manner. Said employees will be paid the job rate to which they are assigned.

SECTION 11 - SPECIAL SENIORITY PROVISIONS

- a. Employees accepting official positions with the Local Union, or The Bakery, Confectionery, Tobacco Workers and Grain Millers International Union, A.F.L.-C.I.O.-C.L.C., or the Virginia Federation of Labor shall not forfeit their seniority.
- b. An employee who is promoted to a supervisory position shall be released by the Union and become a straight time employee.
- c. Employees who are elected or appointed to a government office shall not forfeit their seniority for a period not to exceed one (1) term in office or four (4) years, whichever occurs first.

SECTION 12 - PROBATIONARY PERIOD

- a. During the first three (3) months of continuous service of any new employee, the Employer shall be the sole judge as to such employee's fitness to remain in the Employer's employ.
- b. There shall be no seniority among probationary employees. Upon successful completion of the probationary period, the employee's seniority shall date back to the date of last employment.

SECTION 13 - MILITARY SERVICE

Any employee covered by this Agreement who is called into or enlists in any branch of the armed service of the United States and is reinstated as provided by law, shall be given his seniority rights unimpaired.

ARTICLE VIII MANAGEMENT RIGHTS

- a. The right to employ, promote, transfer or layoff; to demote, discharge, suspend or discipline for just cause; to develop new or modified processes and means of manufacture; to install new or modified machine designs and establish speeds; to determine the products to be manufactured; to plan and schedule production; to develop and revise plant layouts; to establish product quality standards; to establish reasonable work rules; to direct the work force; and to determine job responsibilities, including workloads and qualifications, are recognized by the Union and the Employer to be the responsibility of

the Employer. It is understood that the foregoing itemization is descriptive of the general rights of Management subject to the provisions of the Agreement and Section b. below.

- b. Should the Employer seek to change staffing levels, job responsibilities, employee performance standards, or methods used to insure all employees will receive lunch and break periods provided by the Basic Collective Bargaining Agreement and to provide coverage, if any, to fill vacancies due to absences, vacation, Medical Leave of Absence, Maternity Leave of Absence, absence due to occupational injury or illness, funeral leave, jury duty, or FMLA, the Employer will meet and confer with the Union in good faith with respect to the proposed changes with the intent to achieve a mutual understanding.

- c. Prior to implementation of any changes in accordance with paragraph b of this Article, the Employer will provide to the Union written notice of anticipated staffing levels, by job classification, for each department. Such notice shall include an explanation of the method(s) to be used to ensure that all employees will receive lunch and break periods provided by the Basic Collective Bargaining Agreement and to provide coverage, if any, to fill vacancies due to absences, vacation, Medical Leave of Absence, Maternity Leave of Absence, absence due to occupational injury or illness, funeral leave, jury duty, or FMLA.

ARTICLE IX
LEAVE OF ABSENCES

SECTION 1 - MEDICAL LEAVE OF ABSENCE

When sickness or hospitalization, other than an occupational disease or injury, occurs which makes an employee medically unable to perform the duties of his or her job, a leave of absence may be granted by the Human Resources Department at the Manufacturing Center, upon recommendation of the Employer's Physician under the following conditions:

- a. An employee must be absent from work for a period in excess of five (5) consecutive regularly scheduled work days due to temporarily disabling, non-occupational illness, injury or other medical conditions, including pregnancy, which prevents performance of normal job duties, and must have been in the continuous service of the Employer for a period of at least three (3) months to be eligible for a Medical Leave of Absence.

- b. Upon written application by the employee within five (5) working days of the inception of the period of absence, a Medical Leave of Absence may be granted by the Human Resources Department for a period of up to three (3) months duration. Upon written application by the employee, a Medical Leave of Absence may be extended by the Human Resources Department for a period of up to six (6) weeks duration. Additional extensions may be granted under similar procedures.

- c. The employee involved may be required to meet with the Company's designated physician or physician(s) for consultation or examination, and/or the Human Resources Department. In the event of a dispute between the employee's attending physician and the Employer's designated physician, the Employer will provide the affected employee with a list of not less than three (3) physicians, certified in the appropriate medical specialty from which the affected employee will select one (1) physician who will examine the employee at the Employer's expense, and make a final determination as to the employee's incapacitation. This process will be reviewed and evaluated after one (1) year.
- d. The employee will provide to the Human Resources Department within ten (10) working days of the application for Medical Leave of Absence, certification of disability from the employee's personal physician prior to a Medical Leave of Absence being granted or extended should the employee fail (through no fault of his own) to provide such certification of disability within the specified ten (10) working day period, but such certification of disability is received within (15) working days following the application for a Medical Leave of Absence, the application for Medical Leave of Absence will be considered. If the employee exceeds the time limits as stated in paragraph b or d, a Medical Leave of Absence may be granted, effective on the date such certification of disability from the employee's physician is received by the

Employer. Any days absent prior to the effective date of the Medical Leave of Absence will be considered as daily absences.

- e. An employee must apply to the Employer for reinstatement upon the expiration date of a Medical Leave of Absence. If in the Employer's opinion an employee cannot return to the job held by the employee immediately preceding the granting of a Medical Leave of Absence by the Employer, and perform all duties and responsibilities of the employee's job, the Employer will not reinstate the employee. The employee must then apply for an extension of the Medical Leave of Absence in accordance with paragraphs 1b and 1d.
- f. Employees returning from Medical Leave of Absence, who are requested to undergo further evaluation by OHS and who qualify for temporary disability income, will continue to receive temporary disability income during the evaluation period. Such evaluation period will neither extend nor re-establish the receipt of temporary disability income. The maximum number of weeks for temporary disability income remains at twenty-six (26) weeks (39 weeks for transplant).
- g. The failure by an employee to apply for reinstatement without just cause from an authorized Medical Leave of Absence or to apply for extension of an authorized Medical Leave of Absence on the date indicated when the Medical Leave of Absence is granted by

Human Resources Department, may result in the termination of the employee.

- h. Following reinstatement from an authorized Medical Leave of Absence, an employee must work ten (10) normally scheduled work days before they can apply for Temporary Disability Income benefits under another disability absence due to the same cause.
- i. Engaging in gainful employment while on a Leave of Absence without consent of the Employer may result in termination of employment.
- j. Employees on Leave of Absence who are thereafter placed on long term disability in accordance with the applicable social security rules are eligible for reinstatement with full seniority benefits provided they are capable of performing job requirements.
- k. A pregnant employee on Medical Leave of Absence may continue on Medical Leave of Absence for up to three (3) months following delivery. Such Medical Leave of Absence may be extended in accordance with the provisions of paragraph 1b. Delivery as used herein shall be defined as any event which terminates the pregnancy.
- l. The Employer's policies and practices affecting any aspect of an employee's leave, including but not limited to commencement and duration of leave, the availability of extension of leave, the accrual during leave of seniority and other benefits and privileges

including holiday and vacation pay and other fringe benefits, disability pay, reinstatement after expiration of leave, as well as an employee's opportunities for future promotion, transfers and entry into apprenticeship or training programs, shall be applied to disability because of pregnancy or childbirth on the same terms and conditions that are applied to any other temporary disabilities.

- m. Effective 2/1/99, transplants of major organs (heart, lung, kidney, etc.) will qualify for thirty-nine (39) weeks of *Temporary Disability Income Payments*, if such duration is medically necessary.

SECTION 2 – MATERNITY LEAVE OF ABSENCE

- a. An employee may work as long as she is able provided that she is capable of performing all of her normal job duties and responsibilities and maintains a satisfactory attendance record. A pregnant employee who has acquired three (3) months service from the date of last employment and who does not wish to perform her normal job, may request a maternity leave by presenting the Human Resources Department with a *certificate from her doctor stating that she is pregnant and the expected date of delivery*. She will then be placed on a maternity leave of absence. Once an employee is granted a maternity leave of absence she will not be allowed to return to work until after the date of delivery. If the employee becomes disabled while on *maternity leave*, she will not be eligible for a medical leave until after the date of delivery.

- b. An employee may continue on leave for up to three (3) months after delivery. However, written requests for extension of leave of absence will be granted if, in the opinion of the Employer, such extension is warranted.
- c. Delivery as used herein shall include any event which terminates the pregnancy.

SECTION 3 – FAMILY AND MEDICAL LEAVE ACT OF 1993

- a. For family care, maternity, paternity, adoption and legal guardianship, an employee may take up to twelve (12) weeks of unpaid leave in a twelve (12) month period in accordance with established policies and procedures.
- b. For an employee's personal medical condition, an employee may take up to twelve (12) weeks in a twelve (12) month period in accordance with established policies and procedures. This time period may be concurrent with any approved Medical Leave of Absence.

ARTICLE X VACATIONS

SECTION 1 – VACATION PAY COMPUTATION

A week's vacation pay shall be computed by multiplying the employee's regular hourly base rate of pay and any applicable uniform allowance, shift differential, and cost of living allowance by the number of hours in his normal weekly schedule of hours, as specified in Section 1 of Article VI hereof.

SECTION 2 - VACATION SHUTDOWN ELIGIBILITY

- a. The Employer reserves the right to shutdown any or all of its plants for plant-wide vacations.
- b. The Employer will grant a summer vacation of one (1) week and a winter vacation of one (1) week with a week's vacation pay in each case 1) to all employees who have been in the continuous service of the Employer, including authorized leaves of absence for illness or maternity for six (6) months or more, dating back from the beginning of the vacation period in question, and 2) to all other employees who have accumulated six (6) months or more actual service in the twelve (12) consecutive months dating back from the beginning of the vacation period in question.
- c. The Employer will give at least fifteen (15) days notice of the exact date of summer and winter vacation shutdown periods. If, in the Employer's opinion, production is required, the Employer may allow employees a week's vacation pay and require the employee to work at regular rates in lieu of any vacation period.

SECTION 3 - SERVICE VACATIONS

- a. The Employer will also grant additional weeks of vacation with vacation pay to each employee who, prior to the end of each calendar year, has completed years of continuous service with the Employer as specified below:

- (1) 5 years but less than 10 - a 3rd week
 - (2) 10 years but less than 17 - a 4th week
 - (3) 17 years but less than 24 - a 5th week
 - (4) 24 years but less than 30 - a 6th week
 - (5) 30 or more years - a 7th week
- b. Such additional weeks of vacation may be taken prior to the end of the calendar year. The Employer may allow the employee vacation pay and request the employee to work at regular rates in lieu of any service vacation period or, at the employee's option, reschedule his service vacation.
- c. Employees who are absent from work due to an on-the-job illness or injury or medical or maternity leave will be eligible for service vacations:
- (1) for the year in which the leave commenced and
 - (2) for the following calendar year.
- d. Employees who are on an authorized medical or maternity leave of absence during their scheduled third, fourth, fifth, sixth, or seventh week of vacation may reschedule these weeks of vacation with Management approval upon being reinstated from such leave of absence during the calendar year. However, if the leave of absence expires after the calendar year in which the leave commenced, the employee will be paid for that week(s) of vacation. An employee on medical or maternity leave may request pay for those scheduled weeks in lieu of

rescheduling those same weeks. Such payment will be made in lieu of temporary disability income and will not change the maximum allowable weeks of temporary disability income.

- e. The normal service vacation week will begin with the first regularly scheduled production shift on Monday and end with the last regularly scheduled production shift of the same week on Sunday.
- f. Employees will be solicited for vacation selection by seniority, within job classification, within shift, within functional area. The maximum number of employees in a job classification in a functional area that shall be permitted to schedule vacations during a given week shall be based upon the total of service vacation weeks eligibility among employees within the job classification, within the functional area, divided by forty six (46) weeks.
- g. Employees who indicate, through the appropriate mechanism (e.g., the kiosk system), their desire not to work on Saturday and Sunday immediately preceding their normal service vacation week will not be required to do so.
- h. Employees returning from vacation who wish to work overtime prior to the start of their shift on Monday, including "C" shift employees wishing to perform early start-up, will be allowed to do so provided they properly indicate their desire to do so with designated Management prior to th

commencement of their vacation and verify with designated Management that they have been scheduled to work on the Friday prior to the scheduled overtime. Employees who fail to report for such overtime will be considered absent.

SECTION 4 - DAY-AT-A-TIME

GUIDELINES-MC/BL

Employees eligible for service vacation may elect to take one (1) or two (2) week(s) of service vacation in increments of one (1) day each according to the following guidelines:

- a. At the time of vacation solicitation, employees desiring to take vacation in daily increments must reserve one (1) or two (2) service week(s) as a "Bank" week(s) from which the daily vacation will be drawn.
- b. If one (1) "Bank" week is selected, it will be designated as the last full week immediately preceding the December shutdown. If a second "Bank" week is selected, it will be designated as the next to the last full week immediately preceding the December shutdown.
- c. As daily vacation is taken throughout the year, the employee will be paid for that day in conjunction with pay for the remainder of the week in which that day falls.

upon the employee's years of service without regard to the eligibility requirements contained in Sections 2 and 3 of this Article, during the calendar year in which the retirement occurs, provided that the employee has not previously received vacation pay for such shutdown or service vacation week(s).

Retirees leaving at the end of the year will get all of their vacation checks as long as they have no scheduled work days prior to the date of their retirement.

ARTICLE XI GRIEVANCE PROCEDURE

SECTION 1 - GRIEVANCE

Should differences arise between the employees covered by the Agreement and the Employer as to the meaning and application of the provisions of this Agreement, or should any employee believe he has been unjustly dealt with, an earnest effort shall be made to settle such differences. The grievance must be presented within ten (10) working days from the occurrence, situation, condition, or action of Management giving rise to the grievance or the grievance shall be considered waived. The waiver of any grievance as a result of overstaying the time limits will not set a precedent.

SECTION 2 - STEP PROCEDURE

In those cases where an employee or the Union desires to process a grievance he shall proceed in the following manner:

Step 1 — The employee shall take the grievance up with the designated Department Union Representative and the latter will present the grievance to the Supervisor and/or Lead Supervisor and they shall attempt to settle the grievance on the day the Union presented the grievance, if possible. If not settled at this step, the Union Representative may take the grievance to the next step.

Step 2 — The grievance must be submitted in writing to Step 2 within three (3) working days immediately following the Union's receipt of the Employer's first step decision. The Shift Manager or Bay Manager, or his representative shall meet with the designated Union Representative to settle the grievance. If the grievance has not been settled within three (3) working days, the grievance may be submitted to the next step.

Step 3 — The written grievance must be submitted to Step 3 within three (3) working days immediately following the Union's receipt of the Employer's second step decision. The Plant Management Team member, responsible for the area in which the grievance occurred, or his/her representative, and the Human Resources Representative will meet with the designated Union Representative to resolve the matter. If the matter is not resolved within five (5) working days, the written grievance may be submitted to the next step.

Step 4 — The written grievance must be submitted to Step 4 within three (3) working days immediately following the Union's receipt of the Employer's third step decision. The appropriate General Manager and the

Director of Richmond Human Resources, or their representatives, shall meet to resolve the matter with the designated Union Representative. In the event no settlement is reached within five (5) working days, a dispute shall exist and the resolution thereto shall be subject to Article XII of this Agreement.

SECTION 3 – TIME LIMIT

- a. The parties agree to follow each of the foregoing steps in the processing of the grievance; and if at any step the Employer's representative fails to give his written answer within the time limit therein set forth, the Union may appeal the grievance to the next step at the expiration of such time limit. If at any step the employee fails to request that the grievance be submitted to the next step within three (3) working days following the expiration of such time limit as set forth in the step procedure, the grievance will be deemed by both parties to be settled.

- b. The Employer and the Union may extend the time limits set forth in the grievance procedure by mutual agreement. The party requesting the extension must do so in writing.

ARTICLE XII ARBITRATION

Any dispute arising out of the application or interpretation of this Basic Agreement shall be submitted to arbitration upon the request of the Union in the event that a settlement cannot be reached under the provisions of Article XI.

A dispute shall be deemed settled unless a written notification requesting arbitration is received by the Employer from the Local Union #203-T Shop Committee within five (5) working days of the Union's receipt of the Employer's decision at the fourth step of the grievance procedure. If the Union submits a written request, immediately thereafter the Employer and the Union shall attempt to agree upon a neutral person whom they shall designate as the arbitrator. The arbitration must be held within the four (4) month period following the Union's request for arbitration, if practical.

The Company and Union will mutually agree upon a minimum of a five (5) person panel of arbitrators. Arbitrators from the panel will be randomly selected via blind draw by the parties. The same arbitrator may not be used for successive arbitrations. On an annual basis, the Company and Union will review the panel of arbitrators. If either party wishes to replace one (1) or all of the arbitrators, the parties will mutually agree to the replacement(s).

Any arbitrator selected under the provisions of this Article shall have the authority to render a decision which shall be final and binding upon the parties to this Agreement. Such decision must be rendered within thirty (30) days, if practical. The arbitrator shall have no power to alter or modify any of the terms of this Agreement or to impose on any party hereto a limitation or obligation not explicitly provided for in this Agreement. The professional fees of the arbitrator shall be borne equally by the Employer and the Union. Any

expense over and above such professional fees shall be paid by the Employer.

The arbitration shall be conducted under the rules of the Federal Mediation and Conciliation Service.

ARTICLE XIII

DISCIPLINE, SUSPENSION AND DISCHARGE

- a. The right of the Employer to discipline suspend and/or discharge employees for just cause is recognized. With regard to discharge or suspension upon request by the Union, the Employer will show cause for any specific discharge or suspension. The Employer shall be notified of such request within five (5) working days after the employee has been discharged or suspended and the matter will be referred to the third step of the grievance procedure or otherwise the matter will be deemed settled. With regard to other disciplinary matters, the Union will take the specific grievance up beginning with the first step of the grievance procedure.
- b. If possible, the Employer will meet with a Union Representative for the purpose of discussing and notifying the Union of the Employer's intentions regarding a suspension or discharge prior to such action being taken.
- c. In the event any employee covered by this Agreement is discharged or suspended and it is proven such employee has been unjustly dealt with, said employee shall be restored to service with seniority rights unimpaired and paid for all time lost.

- d. In the event any employee covered by this Agreement is discharged or suspended and after conferring with the Union it is decided such action of discharge or suspension is too severe, said employee may be restored to service with seniority rights unimpaired and with various degrees of disciplinary action including loss of pay.

ARTICLE XIV NO STRIKE/NO LOCKOUT

The Employer and the Union agree to a No Strike/No Lockout provision as provided for in the Long Term Agreement.

ARTICLE XV EMERGENCIES

Whenever any emergency shall arise or whenever business operations are interrupted which requires immediate action, the Management shall decide such matters as they deem best. The action taken shall promptly be reported to a member of the Union committee if said action affects its relations with the Union pertaining to wages, hours and working conditions.

**ARTICLE XVI
NONDISCRIMINATION**

SECTION 1

There shall be no discrimination against any employee because of sex, race, color, religion, age, national origin, physical or mental handicap, or veteran status in regard to any position for which the employee is qualified.

SECTION 2

The use in this Agreement of "he", "him", or other masculine words shall be deemed to refer to persons of both sexes.

**ARTICLE XVII
OTHER EMPLOYEE BENEFITS**

- a. Announcement of all employee benefit programs including sickness disability, group life insurance, group hospital, medical-surgical insurance, dental insurance, vision care, Long Term Disability, the Employer's Retirement and Deferred Profit Sharing Plan has been made and explanation of such programs will be distributed as soon as practical to each employee and to each new employee.
- b. These benefit programs are recognized as a part of the overall labor agreement. The benefits provided by such programs shall continue in effect for the term of this Agreement unless otherwise provided for in the Long Term Agreement.

ARTICLE XVIII
TERMINATION OF AGREEMENT

This Agreement shall become effective February 1, 2005, and shall remain in full force and effect through January 31, 2009, and shall be renewed automatically thereafter for periods of three (3) years each unless either party gives notice in writing of the desire to change or of termination at least one hundred and twenty (120) days prior to the current expiration date of this Agreement. Within thirty (30) days after receipt of such written notice, the parties to this Agreement shall confer and shall attempt to negotiate as to the proposed changes or a renewal agreement.

ARTICLE XIX
FIXER ALLOCATION

Allocate Fixers where needed per qualification

ARTICLE XX
START-UP

Weekly Plant Start-up:

Management may require a mandatory start-up for all C-shift Cigarette Manufacturing employees between 9:30 p.m. and 11:00 p.m. All classifications and areas may not be brought in at the same time. Full cigarette production will be permitted during this start-up period.

This also applies to a weekly plant start-up that may fall on a night other than Sunday.

The Company will give two weeks notice as to start-up plans.

If brand(s) are on a partial work week, start-up for those modules running those brands will be eleven (11) o'clock p.m. Those employees may volunteer to be replacements.

Employees on vacation will have the option of coming in at designated start time or eleven (11) o'clock p.m unless the employee has committed to come in early prior to going out on vacation.

ARTICLE XXI
SEPARABILITY

In the event that any of the provisions of this Agreement shall be held to be in violation of any State or Federal law or regulations, such determination shall not in any way affect the remaining provisions of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the day and year below written:

Dated: February 1, 2005

Richmond, Virginia

PHILIP MORRIS U.S.A.:

By: Craig G. Schwartz
General Manager, Richmond
Manufacturing

Debbie Weber
General Manager, Richmond
Processing Plants

David Harrington
Manager, Employee Relations

REPRESENTING B.C.T.G.M.,
LOCAL UNION 203-T:

Oscar Giles, President

W. Frankie Pearce, Vice President

Ronald Buchanan

Michael New

Diana Jackson

Arol M. Bottoms

Lilton Crawley

Butch Henley

B.C.T.G.M. REPRESENTATIVES:

T.J. Warren
Industry Vice President

Barry Baker
International Representative

William J. Daunhauer
International Representative

SCHEDULE OF JOB RATES
(Progression Rates or other qualifications
for job rates are not shown)

After fifteen (15) days new employees in permanent employment receive five cents (5¢) an hour for uniform allowance. The uniform allowance is not included in this schedule nor is any temporary Cost of Living Allowance.

The wage rates agreed upon and those in effect at the date of signing the Agreement shall be the established rates during the period covered by this Agreement during the first year of the Agreement. The job rates to be effective February 1, 2005 will be calculated in the preceding January of each year. These rates will be made available at such time.

Each active full-time employee on the payroll of the Company, including employees absent due to occupational injury or illness, Medical Leave of Absence, Maternity Leave of Absence or other authorized leave under the Family Medical Leave Act, covered by this agreement, will receive payment in accordance with the following:

The parties have agreed to establish a pay for performance system whereby eligible employees will have an opportunity to earn annual cash bonuses based on improvements against certain measures.

A. Pay for Performance Payments

Payments will be lump sum bonuses paid twice yearly on the dates shown below:

August 1, 2005 and February 1, 2006 --

Up to a total of \$2,000 (\$1,000 per payout)

August 1, 2006 and February 1, 2007 --

Up to a total of \$2,000 (\$1,000 per payout)

August 1, 2007 and February 1, 2008 --

Up to a total of \$2,000 (\$1,000 per payout)

August 1, 2008 and February 1, 2009 --

Up to a total of \$2,500 (\$1,250 per payout)

Performance payments will be adjusted depending on the individual's total straight-time hours worked. Vacation days, holidays, funeral leave, shutdowns caused by Acts of God, Company-excused Union business, paid jury duty and curtailment days all count as time worked for the purpose of calculating eligibility. Employees who retire during a goal period will receive a pro-rated payment based on their date of retirement.

Payment of Pay for Performance amount will be as a separate check for the full amount less any required deductions (e.g. federal and state taxes, FICA, etc.)

Should the payment date fall on a Saturday, employees will receive the "Pay for Performance" payment on the immediately preceding Friday. Should the payment date fall on a Sunday, employees will receive the "Pay for Performance" payment on the immediately subsequent Monday.

The "Pay for Performance" payment will be considered as pay solely for the purpose of the Deferred Profit Sharing Plan and will not be included in the base rate of subsequent years.

Probationary employees who are employees of the Employer on the date the "Pay for Performance" payment is made will have their "Pay for Performance" payment deferred until they have completed the probationary period.

B. Effective February 1, 2008: A General Wage Increase equal to two percent (2%) of the base rate and cost of living allowance fold-in for each respective job classification.

SCHEDULE OF PAY RATES (2/1/05)

Code	Title	Rate
0118	Fixer, Legg Cutter (Primary)	31.58
0120	Packing Fixer – No Assignment.....	31.58
0121	Making Fixer – No Assignment.....	31.58
0122	Plug Fixer – No Assignment.....	31.58
0640	Manufacturing Technician IV	31.58
0165	Manufacturing Technician I (Hired after 2/1/99).....	16.56
0171	Manufacturing Technician I	23.53
0172	Materials Technician.....	24.31
0173	Distribution Technician-Finished Goods...	24.31
0272	Manufacturing Technician II – Packer.....	25.42
0274	Manufacturing Technician II – Processing....	25.42
0276	Manufacturing Technician II – Distribution..	25.42
0641	Manufacturing Technician II – Mentholator	25.42
0774	Manufacturing Technician III – Perforator...	26.70
0574	Manufacturing Technician III – Plug.....	28.16
0575	Manufacturing Technician III – Maker....	28.16
0576	Manufacturing Technician III – Packer....	28.16
0577	Manufacturing Technician III – Processing..	28.16
0578	Finished Goods Technician III.....	28.16
1665	Hydrobeater Panel Operator.....	26.86
2053	Oiler, Cigarette Manufacturing.....	24.83
4056	Oiler, Processing.....	24.83
4650	Adjustor, Air Conditioning.....	27.13
4655	Operator, Air Conditioning/Utility.....	28.16

Effective February 1, 2005, each classification above MT-I (or PT at Park 500) will be reduced by 10% for all employees hired after 2/1/05. Any subsequent COLA, General Wage Increases, or other adjustments will be made to all rates. Rate progression will still apply.

SCHEDULE OF NEW HIRE PAY RATES (2/1/05)

Code	Title	Rate
5172	Materials Technician.....	21.88
5173	Distribution Technician-Finished Goods...	21.88
5272	Manufacturing Technician II - Packer.....	22.88
5274	Manufacturing Technician II - Processing....	22.88
5276	Manufacturing Technician II - Distribution..	22.88
5641	Manufacturing Technician II - Mentholator	22.88
5774	Manufacturing Technician III - Perforator...	24.03
5574	Manufacturing Technician III - Plug.....	25.34
5575	Manufacturing Technician III - Maker....	25.34
5576	Manufacturing Technician III - Packer....	25.34
5577	Manufacturing Technician III - Processing..	25.34
5578	Finished Goods Technician III.....	25.34
5665	Hydrobeater Panel Operator.....	24.17
5053	Oiler, Cigarette Manufacturing.....	22.35
5056	Oiler, Processing.....	22.35
5650	Adjustor, Air Conditioning.....	24.42
5655	Operator, Air Conditioning/Utility.....	25.34

RATE PROGRESSION FOR NEW EMPLOYEES

- A. Employees hired on or after February 1, 1999, shall receive the new hire rate established by the Company.
- B. Upon successful completion of three (3) months of employment, employees shall receive seventy-six percent (76%) of the applicable full base rate of pay for their job classification.
- C. Upon successful completion of six (6) months of employment, and upon completion of each successive three (3) months period thereafter, such employees shall receive an additional three percent (3%) of the applicable full base rate of pay for their job classification. (Example: 6 months = 79%, 9 months = 82%, etc.)
- D. The applicable full base rate of pay shall be received upon completion of twenty seven (27) months of employment. Fixers must complete a thirty-six (36) month job rate progression.
- E. During this progressive period, employees who bid for, and are selected for, a higher grade of pay shall be paid in accordance with the appropriate percentage applied to the new classification base rate. The percentage applied to the new classification base rate shall be the percentage the employees are receiving at the time of selection and the percentage shall be

applied on the date the employees would receive their next normally scheduled progressive increase.

CONTINGENT COST OF LIVING ALLOWANCE

Any temporary Cost of Living Allowance paid during the prior year shall be folded into the base rate on an annual basis.

RETIREMENT GROUPS

(Effective 2/1/05)

Code	Title	Retirement Group
0165	Manufacturing Technician I (Hired after 2-1-99)	F
0171	Manufacturing Technician I	B
0172	Materials Technician	B
0173	Distribution Technician	B
0270	Manufacturing Technician II - Plug	C
0272	Manufacturing Technician II - Packer	C
0274	Manufacturing Technician II - Processing	C
0276	Manufacturing Technician II - Distribution	C
0641	Manufacturing Technician II - Mentholator	C
2053	Oiler, Cigarette Manufacturing	C
4056	Oiler, Processing	C
0774	Manufacturing Technician III - Perforator	C
0574	Manufacturing Technician III - Plug	D
0575	Manufacturing Technician III - Maker	D
0576	Manufacturing Technician III - Packer	D
0577	Manufacturing Technician III - Processing	D
0578	Finished Goods Technician III -	D
565	Hydrobeater Panel Operator	D

4650	Adjustor, Air Conditioning.....	D
4655	Operator, Air Conditioning/Utility	D
All	Fixers	E
0640	Manufacturing Technician IV	E

Retirement Rates

The Company agreed to increase the flat rate retirement benefits to the following amounts effective: February 1, 2005:

Group B: Sixty-three dollars (\$63.00) per month per year of service.

Group C: Sixty-eight dollars (\$68.00) per month per year of service.

Group D: Seventy-six dollars (\$76.00) per month per year of service.

Group E: Seventy-nine dollars (\$79.00) per month per year of service.

Group F: Thirty-eight dollars (\$38.00) per month per year of service.

February 1, 2005

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND
LOCAL #203-T, B.C.T.W.I.U.**

SUBJECT: ABSENTEEISM POLICY

The Company and the Union agree to the following Memorandum of Understanding.

SECTION 1 - Purpose

1.1 It is the purpose of this Memorandum of Understanding to recognize that absenteeism is a serious concern that must be addressed while making allowances for those employees who are required to miss time from work due to certain specified reasons.

**SECTION 2 - Consideration for Absences for the
Purpose of Imposing Disciplinary**

Action

2.1 Employees may be absent from work for up to a total of twelve (12) days in any twelve (12) month period for the following specified reasons and such absences will not be considered for the purpose of imposing disciplinary actions.

1. Days spent in the hospital and inpatient or outpatient surgery, and/or
2. Medical Department daily absences as defined in the Memorandum of Understanding dated February 1, 1989, and/or
3. Funeral absence, limited to the day of the funeral and travel time to the funeral if the funeral is outside of the Richmond area, in the following situations only:
 - (a) Funeral absence for which the employee's spouse is eligible and for which the employee is not eligible under Article VI, Section 9 of the Basic Collective Bargaining Agreement.
 - (b) Funeral absence for which the employee otherwise would be eligible under Article VI, Section 9 of the Basic Collective Bargaining Agreement, had not the employee already utilized such day(s).

2.2 Absences from work for any other reason(s) or any total of absences in excess of twelve (12) days in any twelve (12) month period, including absences for the reasons specified in this section, will be considered for the purpose of disciplinary action without regard to the reason(s) for the absence(s).

- 2.3 The Employer may insist upon such documentation as it deems necessary prior to permitting an absence due to days spent in the hospital and inpatient or *outpatient surgery*.
- 2.4 On days the Company announces an inclement weather day the absence will not be counted against the employee's attendance record.

SECTION 3 – Disciplinary Action Procedure

- 3.1 The parties agree that any total of absences in excess of five (5) in any twelve (12) month period for reasons not specified in Section 2 of this Memorandum of Understanding, or any total of absences in excess of twelve (12) in any twelve (12) month period including absences for the reasons specified in Section 2 of this Memorandum of Understanding will be considered unacceptable and will be subject to disciplinary action in accordance with the following procedure:
1. Oral Warning
 2. Written Warning
 3. Five (5) work day suspension without pay
 4. Discharge
- 3.2 The parties recognize that counseling is not a formal disciplinary action and encourage the use of counseling to make employees aware of their attendance records. To further accomplish this objective, it is agreed that a copy of the attendance

profile will be provided to the employee in a timely manner following each absence from work. The Employer may require the employee to acknowledge in writing receipt of the profile.

3.3 The following factors will be considered in imposing and reviewing disciplinary action under steps three (3) and four (4) of this disciplinary action procedure. These factors may be used either to mitigate or aggravate disciplinary action.

1. The employee's length of service;
2. The employee's medical leave of absence and workers' compensation absence record; and
3. The employee's total attendance record dating back to the date of employment.

Section 4 – Other

4.1 As used in this Memorandum of Understanding, the term absence is intended to include both absences and lates.

4.2 This Memorandum of Understanding supersedes the Memorandum of Understanding concerning "Absenteeism Policy" dated February 1, 1989.

February 1, 1989

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND
LOCAL #203-T, B.C.T.W.I.U.**

**SUBJECT: MEDICAL DEPARTMENT DAILY
ABSENCES**

An employee who reports to the Medical Department prior to the beginning of his shift or during his shift and is sent home to recuperate or to see a doctor, will not be considered as absent for that day for disciplinary purposes.

If an employee is sent home and told by the Medical Department not to return to work for a day or more, the employee will not be considered absent for that day or days for disciplinary purposes.

Those employees that are sent home and told by the Medical Department to see their physician before returning to work will not be considered absent the following day for disciplinary purposes, provided the employee cannot visit his physician due to the physician's schedule. If the employee's physician does not clear the employee to return to work, the employee will not be considered absent for disciplinary purposes for up to a maximum of five (5) days.

The Company and the Union agree that if this absentee procedure leads to abuse, the Company and the Union will meet to discuss modifications to this procedure and/or its application to individual employees.

February 1, 1992

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND
LOCAL #203-T, B.C.T.W.I.U.**

**SUBJECT: DISTRIBUTION OF "B" SHIFT
SHUTDOWN VACATION
PAYCHECKS**

The Company will distribute shutdown vacation checks to "B" shift employees on Thursday prior to shutdown vacations.

Those employees who were absent without justification on the last day prior to the previous shutdown will be denied this privilege for the upcoming shutdown.

The Employer will begin distributing paychecks within the first hour of the shift.

February 1, 2005

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND
LOCAL #203-T, B.C.T.G.M.**

SUBJECT: DISTRIBUTION OF PAYCHECKS

On all shifts the Company will endeavor to begin paycheck distribution within the first hour of each shift, and will complete paycheck distribution within the first three (3) hours of the shift. Employees are expected to notify supervision of errors in their paychecks as early as possible in the shift. Timekeeping and paycheck procedures will be examined by the Company in an effort to prevent errors in pay from occurring.

The Payroll Department will come in at 5:30 a.m. on the day the "C" shift paychecks are distributed to correct errors in "C" shift paychecks. Employees will no longer be asked to sign a form to receive special checks.

Curtailed employees will receive their paychecks on their last regularly scheduled work day.

This Memorandum of Understanding supersedes the Memorandum of Understanding concerning "Distribution of Paychecks" dated February 1, 1999.

February 1, 1989

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND
LOCAL #203-T, B.C.T.W.I.U.**

**SUBJECT: PROMOTIONS AND SHIFT
TRANSFERS**

The following guidelines will apply in the application of Article VII, Section 5 and 6 of the Basic Collective Bargaining Agreement:

- A. Should it be necessary to post a notice for a shift transfer in a situation in which it is not necessary to promote any employee to the job classification in the Operating Location in which the job vacancy exists, the job vacancy will be posted for a shift transfer within the job classification and within the Operating Location.

- B. Should it be necessary to post a notice for a shift transfer in a situation in which it may be necessary to promote an employee to the job classification in which the job vacancy exists, the job vacancy will be posted for a shift transfer within the job classification and within the Operating Location and for a promotion for all lesser paid job classification(s) regardless of Operating Location.

February 1, 1989

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND
LOCAL #203-T, B.C.T.W.I.U.**

**SUBJECT: CANCELLATION OF SCHEDULED
NON-PRODUCTION WEEKEND
OVERTIME**

The Employer agrees not to cancel scheduled non-production weekend overtime except due to:

1. Delay in the delivery of parts, materials, or supplies;
or
2. Acts of God or other unusual events; *or*
3. The need to correct an error(s) in overtime solicitation; *or*
4. Conflicting maintenance or production requirements.

February 1, 1995

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND
LOCAL #203-T, B.C.T.W.I.U.**

**SUBJECT: RETIREMENT GROUP RETENTION
ON DOWNGRADE**

Any employee who has been in a retirement group for two and one-half (2 1/2) years or greater and is subsequently downgraded through a reduction in classification will retain their prior retirement group for a period of five (5) years from the date of the downgrade.

February 1, 2005

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND
LOCAL #203-T, B.C.T.W.I.U.**

**SUBJECT: CIGARETTE MANUFACTURING
CONSOLIDATION**

This Memorandum of Understanding supersedes all previous Memorandums of Understanding on work practices relating to the assignment of work or staffing levels.

The Company shall have the right to determine required staffing levels and work assignments.

The Company will consolidate employees in all classifications. It is not the Company's intent to assign any employee more than a 100% workload as defined by the staffing levels in place at the time. The staffing levels for employees in the fixer classification will be determined by the number of machines operating and the minimum manning complement by bay, as established by the Company. Any change to the staffing levels will be made in accordance with Article VIII.

Training implications may arise from the implementation of this Memorandum of Understanding

and will be addressed accordingly. Training may or may not be conducted at the training center. Training will be offered on a voluntary basis. If employees refuse training, they will forfeit the right to work the assignments defined by this Memorandum of Understanding.

This Memorandum of Understanding supersedes the Memorandum of Understanding concerning "Cigarette Manufacturing Partial Production Day and Weekend Assignments" dated February 1, 1999.

February 1, 1992

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND
LOCAL #203-T, B.C.T.W.I.U.**

SUBJECT: TRAINING FOR UNION STEWARDS

The Company shall release union-designated stewards at the straight time rate one (1) day per year to attend union-sponsored training program(s). Such hours paid shall be counted as hours worked for benefit purposes.

The Union shall provide the Company 30-days advance notice of such program(s) and who will attend. The maximum allowable number of stewards compensated for by this agreement in any year at each location shall not exceed the number of stewards at each location as of 11/1/91 (Richmond, Louisville, Cabarrus* and Park 500/B-100/PMF). Union officials at each location shall certify to the Company a count of the number of eligible stewards as of 11/1/91. Both parties agreed that such training should not impede the Company's ability to staff its operations. Therefore, the maximum allowable number of stewards/committeemen who may be off on a normal work day to attend such training shall not exceed 50% of the number that may be compensated in a year. Furthermore, paid

training shall not be extended with unpaid days of training under this agreement.

* The number of Cabarrus Stewards will be adjusted following completion of the expansion.

February 1, 2005

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND
LOCAL #203-T, B.C.T.W.I.U.**

SUBJECT:EDTP

- 1.1 This Memorandum of Understanding establishing The Philip Morris USA Employee Development and Training Program (hereinafter the "Program"), entered into between Philip Morris USA (hereinafter the "Employer") and the Bakery, Confectionery and Tobacco Workers International Union (hereinafter the "Union"), shall be applicable to employees represented by the Union, including employees laid off due to a reduction in force until the time that such employee has lost seniority rights in accordance with the Basic Collective Bargaining Agreement, at the Employer's facilities in Richmond, Virginia; Louisville, Kentucky; Chester, Virginia; and Cabarrus County, North Carolina; excluding, however, employees who have not completed the probationary period established by the Basic Collective Bargaining Agreement.
- 1.2 Employees covered by the above Collective Bargaining Agreements, who are terminated by the Company for medical reasons following the

exhaustion of avenues through the medical accommodation program, shall be eligible to participate in the program for the purpose of preparing for alternative employment. Such participation shall not exceed twenty-four (24) months following the date of termination, and will not constitute a head count for funding as described in paragraph 1.5 of this Memorandum.

- 1.3 It is the purpose of the Program to make available to eligible employees training, retraining and other developmental opportunities and assistance in the mutual interest of the employees and the Employer through the improvement of existing skills and knowledge of the employees, the development of new skills and knowledge to enhance employees' career potential and employment security and improvement of the overall quality of employee's lives through personal development through which the competitiveness of the Employer will also be enhanced. In addition, the Program will provide assistance to employees laid off due to a reduction in force to facilitate reemployment of such employees.
- 1.4 The Program shall provide to eligible employees sponsored or approved activities and/or tuition and fees related to the following:
 - A. Programs for active employees shall include:

1. Workshops and/or activities to assist employees in determining which educational or personal development activities to pursue;
 2. Educational classes or programs to enhance skills in areas such as math, language, communications and other basic skills;
 3. Tuition and other fees related to classes leading to credits or degrees at approved educational institutions to include courses leading to a college degree or certificate in a vocational field; and
 4. Tuition and other fees related to non-credit or non-degree courses or activities that serve to directly enhance personal development.
- B. Programs limited to employees laid off due to a reduction in force or employees terminated for medical reasons shall include:
1. Workshops and/or activities to assist employees in determining which educational or personal development activities to pursue;
 2. Educational classes or programs to enhance skills in areas such as math, language, communications and other basic skills;

3. Tuition and other fees related to classes leading to credits or degrees at approved educational institutions to include courses leading to a college degree or certificate in a vocational field that serve to directly prepare the employee for alternative employment;
4. Career counseling and guidance; and
5. Outplacement services which includes skills assessment, resume preparation, interview training, agency fees, and other associated activities.

1.5 The Employer shall establish a program account for the purpose of addressing the cost of the Program and shall contribute three hundred dollars (\$300.00) for each eligible employee on the payroll of the Employer on the effective date of this Memorandum and annually thereafter on the anniversary of the effective date of this Memorandum; provided, however, that during the duration of this Memorandum of Understanding the total unused accumulated contribution shall not exceed 2.5 million dollars. All expenses of the Program shall be paid for out of the program account, including but not limited to administrative costs including staff resources, program development expenses, tuition and fees and other program benefits. The Employer will provide to the Union a monthly

statement of all contributions to and expenses from the program account.

- 1.6 The administrative procedures and guidelines applicable to the program shall be established by the joint Philip Morris USA-BCTWIU Employee Development and Training Committee. Such Committee shall consist of one (1) representative designated by the International Union, one (1) representative designated by each of the four (4) local Unions signatory to this Memorandum of Understanding and five (5) representatives designated by the Employer. The Program Administrator shall serve on the Committee in a non-voting capacity.
- 1.7 The EDTP Steering Committee shall have the authority to impose limitations on individual Bargaining Unit Members' expenditures. Such limitations may include, but are not limited to restricting the number of retraining/reeducation programs and/or total dollar expenditures a laid off employee will be entitled to receive.
- 1.8 This Memorandum of Understanding shall become effective on February 1, 2005 and shall remain effective through June 5, 2012.
- 1.9 The Company commits to convening discussions relative to providing adequate funding for t E.D.T.P. should future usage exceed the current funding level.

1.10 This Memorandum of Understanding supersedes the Memorandum of Understanding concerning "EDTP" dated February 1, 1995.

February 1, 2005

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND
LOCAL #203-T, B.C.T.G.M.**

SUBJECT: EMPLOYEE LAYOFF

- 1.1 This Memorandum of Understanding, entered into between Philip Morris USA (hereinafter the "Employer") and the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union (hereinafter the "Union"), shall be applicable to full-time employees represented by the Union in the Richmond, Virginia, Cabarrus County, North Carolina, and Louisville, Kentucky locations only who are on the payroll of the Employer prior to February 1, 2005, including employees absent due to occupational injury or illness, Medical Leave of Absence and Maternity Leave of Absence.

- 1.2 During the term of this Memorandum of Understanding, the Employer will not lay off employees covered by his Memorandum, except in the event of a decline in volume as defined in paragraphs 1.3 and 1.4 of this Memorandum of Understanding. In the event of any such decline in volume, the Employer shall retain the right to lay

off employees as provided by the Basic Collective Bargaining Agreement.

- 1.3 For the purpose of this Memorandum, the term "volume" shall be defined as the combined total number of cigarettes produced at the Employer's facilities in Richmond Virginia; Louisville, Kentucky; and Cabarrus County, North Carolina.
- 1.4 For the purpose of this Memorandum of Understanding, the term "decline" shall be defined as volume over any period of time which when calculated on an annualized basis is less than a volume of 180 billion cigarettes.
- 1.5 The Employer reserves the right to exempt the employees of Park 500, Chester, Virginia location from this Memorandum as long as employment for those employees can be offered in Richmond, Virginia. Employees at the Park 500 location who decline employment at a Richmond location may be laid off as provided by the Basic Collective Bargaining Agreement.
- 1.6 Nothing in this Memorandum of Understanding shall be construed to either guarantee any specific employment level or the replacement of any employee who ceases to be an employee of the Employer, nor shall it be construed to prevent the Employer from offering to employees incentives to voluntarily separate from employment with the Employer.

- 1.7 Restraint by the Employer to initiate any Reduction in Force as a result of volume decline shall not negate the right of the Employer to initiate such action at a future date. Notification of pending future reductions will be provided the Union in a timely manner.

- 1.8 This Memorandum of Understanding becomes effective on February 1, 2005, and remains effective through January 31, 2009. Any dispute(s) related to the interpretation or application of this Memorandum of Understanding shall be subject to the grievance and arbitration provisions contained in the Basic Collective Bargaining Agreement.

February 1, 1992

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS U.S.A.
AND
LOCAL #203-T, B.C.T.W.I.U.**

SUBJECT: SELECTION AND TRAINING

The following selection and training process was agreed to:

- A. The Company and the Union have agreed to establish selection program(s), to be developed by the consulting firm of HRStrategies, for employees desiring to upgrade from their current job classification. The Apticom selection process will no longer be used. The current Apticom pool of employees identified as eligible bidders to MT-III openings will be drawn from until the new selection process has been implemented.
- B. The Company and the Union will jointly participate in equal numbers in the development of these selection programs. After providing input into this development process, a job-related and validated selection program will be developed. Within 30 days, the Company and the Union will reach consensus. The program will be implemented at this time. Upon implementation, the Apticom pool will

be dissolved and all employees must then successfully complete the new selection process.

- C. Should the Company or the Union desire to subsequently establish alternative selection program(s) to the ones developed by HRStrategies, the parties must mutually agree upon an alternative source. If agreed upon, any development or modification, will similarly follow paragraph B.
- D. Both the Company and the Union recognize that an equally important step in improving the skills and quality of the work force is the training which employees received.

To further this objective, both parties agree to establish a Training Council, comprised of a mutually agreeable number of representatives.

The training Council, in a joint participative manner, will review and evaluate existing training efforts as well as assist in the development of future training efforts.

Both parties recognize that the Company has the ultimate responsibility to establish and subsequently modify training programs, taking into consideration the input of the Training Council.

- E. This Memorandum of Understanding supersedes the Hilton Head Memorandum dated February 15, 1988, where applicable.

February 1, 1995

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS U.S.A.
AND
LOCAL #203-T, B.C.T.W.I.U.**

SUBJECT: SELECTION AND TRAINING - MT II's

Under the guidelines as established in the Memorandum of Understanding dated February 1, 1992, "Selection and Training," the following selection and training process was agreed to for employees upgrading to MT-II positions:

1. The Company and the Union have agreed to establish selection program(s), to be developed by the consulting firm of HRStrategies, for employees desiring to upgrade from their current job classification.
2. The Company and Union will jointly participate in equal numbers in the development of these selection programs. After providing input into this development process, a job-related and validated selection program will be developed. Within 30 days, the Company and the Union will reach consensus. The program will be implemented at this time.

3. Should the Company or the Union desire to subsequently establish alternative selection program(s) to the ones developed by HRStrategies, the parties must mutually agree upon an alternative sources. If agreed upon, any development or modification, will similarly follow paragraph 2.

February 1, 1999

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS U.S.A.
AND
LOCAL #203-T, B.C.T.G.M.**

SUBJECT: NEW HIRES

Employees hired on or after February 1, 1999 shall receive a starting rate of pay (defined as the rate paid during the first ninety (90) calendar days of employment) as set by local plant management.

After the first ninety (90) calendar days, employees hired on or after February 1, 1999 shall be subject to the new hire rate progression currently in effect until they reach the top rate of pay shown below.

The top rate of pay will be as follows for the following job classifications:

Manufacturing Technician I (R, L,C)	\$15.50 (2/1/02)
Processing Technician (P500)	\$15.50 (2/1/02)

Uniform allowance, shift differential, COLA fold-in and rate increases beyond the first year of this agreement shall be applied to the above rates as appropriate.

Should an employee hired on or after February 1, 1999 bid to a higher classification such employee will be required to complete any associated promotional rate progression to achieve the top rate of pay for that new classification.

The flat rate pension amount for the above classifications will be as follows:

<u>Classification</u>	<u>Group Code</u>	<u>Amount</u>
Manufacturing		
Technician I (R, L.C)	F (2/1/02)	\$36.00
Processing Technician (P500)	F (2/1/02)	\$36.00

February 1, 1999

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS U.S.A.
AND
LOCAL #203-T, B.C.T.G.M.**

SUBJECT: FIXER SELECTION

The Company will institute a new fixer selection system.

1. Company will forecast fixer voids.
2. The Company will select the most senior employees who express interest, equal to the number of voids.
 - a. Selected employees must pass JFI.
 - b. Selected employees must satisfactorily complete a 22 credit hour curriculum from an independent educational source designated by the Company. This source is John Tyler Community College. The program must be completed within thirty (30) months. Employees will remain in their current classifications while enrolled in coursework. The coursework will be conducted during non-working hours and on the employee's own time.

- c. Upon successful completion of the entire curriculum, selected employees will receive a certificate and a check totaling \$15,000 (non-qualifying for Deferred Profit Sharing or Pension purposes).
3. The number of employees who express interest in excess of forecasted needs will be placed on a list in seniority order.

Subsequent fixer openings will be filled as follows:

1. The Company will post a bid for fixer openings.
2. The Company will determine if any employees who were placed on the list compiled during the initial selection have completed the certification process. These employees will be selected in seniority order to fill the openings. They must pass JFI to enter machine training. They will receive the \$15,000 when they enter machine training.

All employees* are eligible to participate in the certification process. The \$15,000 will not be paid until all of the following criteria are met:

- a. The employee successfully completes the certification process.
- b. The employee is identified as a fixer candidate.
- c. The employee passes JFI.

- d. The employee enters machine specific training.

No Active Internal Candidates

If there are no active employees who have completed the certification process and passed JFI, the Company will do the following:

- a. In seniority order, determine if there are any laid off employees who have completed the certification process and are interested in the fixer classification.
- b. Allow them the opportunity to take JFI.
- c. In seniority order, recall those who pass JFI.

If there are still insufficient volunteers, the Company would hire external candidates.

Should the new fixer selection system proposal be ratified, the Company agrees to meet with the Union to develop a joint apprenticeship committee comprised of equal members from the Union and Company.

The current selection system, JFI, Basic Skills, and Machine Specific training will remain in effect until 11/1/2000. After 11/1/2000, the new fixer selection/training system will replace the current system.

*This includes Cleaning Attendants. Cleaning Attendants will be considered only at the point of external hire.

December 1, 2001

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND LOCAL #203-T, B.C.T.W.I.U.**

SUBJECT: FIXER SENIORITY

The John Tyler Community College (JTCC) curriculum and Job Fit Initiative (JFI) testing standards will continue to be used as criteria for becoming a Fixer. The Company agrees, however, with the Union's request to provide any current employee that successfully completes the identified JTCC curriculum and satisfies the JFI testing requirements on or before June 30, 2003 a Fixer Occupational Seniority date that predates any Fixer hired from outside the Company. This predated seniority date will also be applied to any employee, currently enrolled, who can demonstrate to the Company that they were unable, through no fault of their own, to complete the JTCC and JFI requirements prior to June 30, 2003.

Additionally, current employees who bid for Fixer openings after completing the requirements as defined by the Memorandum of Understanding on Fixer Selection, dated February 1, 1999, will receive \$3,000.00 upon entering machine specific training, \$5,000.00 at the end of their machine training, and \$7,000.00 after successfully completing their 90 day qualifying period (Total of \$15,000.00) This supercedes the applicabl

sections of the above mentioned Memorandum of Understanding, and the \$15,000.00 will not be paid upon Entering machine specific training.

Should a current employee die while active in either the Fixer training or the 90 day qualification period, the Company will pay to his/her heir, as designated by their Philip Morris life insurance, the unpaid remaining balance of the \$15,000.00

Should a current employee be granted Medical Leave of Absence, not return to Work from that Leave of Absence, and subsequently be awarded Long Term Disability due to the original injury or illness that was the cause for that Medical Leave of Absence, while active in either the Fixer training or the 90 day qualification period, the Company will pay to that employee the unpaid remaining balance of the \$15,000.00.

Under no circumstances shall any employee, or their heirs, be paid more than \$15,000.00.

There are currently three (3) employees who previously completed the required curriculum at John Tyler Community College and have not entered into Fixer training. These three (3) employees shall be grandfathered, and upon meeting all of the requirements as defined in the above mentioned MOU, dated February 1, 1999, shall receive \$15,000.00 upon entering machine specific training. They will be due no other payments.

February 1, 2005

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND LOCAL #203-T, B.C.T.W.I.U.**

**SUBJECT: JOHN TYLER COMMUNITY
COLLEGE FIXER TRAINING**

Employees enrolled in the John Tyler Community College Fixer Program after 2/1/2005 are not eligible for the \$15,000 payment referenced in the 12/1/2001 MOU.

Employees newly enrolled in the John Tyler Community College Fixer Program after 2/1/2005 will be reimbursed for the cost of books, provided they provide applicable receipts and have received a certificate.

All other aspects of the 12/1/2001 MOU remain in effect.

February 1, 1999

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS U.S.A.
AND
LOCAL #203-T, B.C.T.G.M.**

SUBJECT: BL FORKLIFT

The Company and Union agree that any future bid or new hire into the Blended Leaf (BL) facility must be able to retain a valid lift license. Employees that have held a position at the BL and subsequently returned to the BL will have the lift license requirement waived. Any employee that fails to gain a lift license will be returned to his previously held classification. Any employee that is unable to maintain a valid license will not be eligible for any overtime until such time that he is able to re-qualify.

February 1, 2002

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS U.S.A.
AND
LOCAL #203-T, B.C.T.G.M.**

SUBJECT: OPERATION SUPPORT

- The Manufacturing Technician II classification in Finished Goods will be upgraded to Manufacturing Technician III and will move from Retirement Group Rate "C" to "D".
- The Company and the Union agree that Distribution Technicians in Central Warehouse are reclassified as Material Technicians.
- Materials Technicians at the Central Warehouse are eligible for overtime in Materials Distribution, in lieu of forcing in Materials Distribution.
- Additionally, Distribution Technicians in Finished Goods have primary responsibility to pick up palletized work on the production floor, with Material Technicians supplementing as needed.
- Departments will retain first rights to overtime and vacation selections.

- The shift times for Finished Goods and Central Warehouse are moved to 7:00 a.m. to 3:00 p.m., 3:00 p.m. to 11:00 p.m., and 11:00 p.m. to 7:00 a.m.

February 1, 2005

**MEMORANDUM OF UNDERSTANDING
BETWEEN**

PHILIP MORRIS U.S.A.

AND

B.C.T.G.M.I.U. LOCALS #203-T, 229-T, AND 359-T

**SUBJECT: TRANSFERS BETWEEN VIRGINIA
AND NORTH CAROLINA
LOCATIONS**

- 1.1 This Memorandum of Understanding, entered into between Philip Morris USA (hereinafter the "Employer" or the "Company") and the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union (hereinafter the "Union"), shall be applicable to full-time employees represented by the Union in the Richmond, Virginia, Chester, Virginia, and Cabarrus County, North Carolina locations, including employees absent due to occupational injury or illness, Family Medical Leave of Absence, Medical Leave of Absence, Maternity Leave of Absence, and Military Leave of Absence.
- 1.2 Two times each year, during the life of the contract, the Company will post a solicitation at each location to provide employees an opportunity to express an interest to transfer. Interest postings will be posted for a two (2) week period.

Employees who have expressed an intent to transfer will be notified, by seniority, and will transfer to the new location at the earliest date jointly established by the Company and the Union.

- 1.3 A maximum of four (4) employees per year per state will be allowed to transfer under this memorandum.
- 1.4 Employees transferring to a new state will relocate as MT-I's (or PT at Park 500). Employees who transfer will be placed on the seniority list above any new hires who may begin employment on the same entry date.
- 1.5 A BCT employee transferred from another facility shall lose seniority in the facility from which the employee transferred and shall begin to accrue seniority in the new facility effective the first day of such transfer. An employee transferred from another location will maintain his or her years of Company service solely for the purpose of meeting the service requirements for eligibility for any applicable benefit program in effect at the operation covered by this Agreement.
- 1.6 All relocation expenses will be borne by the transferring employee. The employee may, with Management approval, reschedule one (1) service week of vacation to facilitate movement.

- 1.7 Employees transferring to Virginia may be assigned to any operating location in Richmond or to the Park 500 facility in Chester, Virginia. Assignment will be based on employer need at the time of the transfer.
- 1.8 Employees who transfer from one state to another will be *required to remain in the new state for a minimum of five (5) years before transferring again under this agreement.*
- 1.9 Transfers by employees at the Park 500, Chester, Virginia location are *subject to management approval.*
- 1.10 In the event of a reduction in force or layoff which causes employees to become eligible for transfer *under provisions of the Long Term Agreement, the Long Term Agreement transfer provision supersedes this above.*
- 1.11 This Memorandum of Understanding will be *effective February 1, 2005 and remain in effect until January 31, 2009.*

February 1, 2005

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PHILIP MORRIS, U.S.A.
AND
LOCAL #203-T, B.C.T.W.I.U.**

**SUBJECT: UTILIZE B.C.T.G.M. LOCAL 203-T
RETIREES AS A SUPPLEMENTAL
WORKFORCE**

Both parties agree to put an MOU into place with an end date of 12/31/2007. The MOU may be extended with mutual agreement of both parties.

The MOU will allow the Company to select retirees (Company's discretion) to work up to 1000 hours per year to alleviate forces.

Active employees will be solicited for week long overtime or 4-day per week overtime a month at a time.

Permanent voids will be filled by active employees.

Company will post 20 upgrade positions within 30 days after ratification of contract. By 12/31/2005, another 30 upgrade positions will be posted (for a total of 50).

In the event of curtailment days, active employees have first rights to work.

Active employees maintain current 12-hour overtime rights, as currently practiced when returning from i.e.; vacation, MLOA, funeral leave, etc.

The supplemental workforce will be utilized to relieve forcing on week long openings.

Any unforeseen issues will be resolved by mutual agreement.

If the 3rd week of Shutdown is cancelled, forced employees will have the right to reschedule their vacation, as long as the Supplemental Workforce agreement is in effect.

Employees who are required to return a day early from shutdown have the option to take an unpaid vacation day, as long as the Supplemental Workforce agreement is in effect.

In the event that an employee is forced to return a day early from shutdown they will be allowed to schedule a day off without pay at a later date, using the same guidelines as we currently use for Day At A Time. The "re-scheduled" day will not count against the employee in their attendance record. This unpaid vacation is a qualifier for 6th/7th day pay.

Employees will be solicited for vacation by Bay by seniority by classification as long as the Supplemental Workforce agreement is in effect.

Current vacation solicitation practices for Fixers remain in effect as long as the supplemental work force agreement is in effect.

NOTES