AGREEMENT

Between

SMI INTERNATIONAL
EDWARDS AIR FORCE BASE

And the

INTERNATIONAL BROTHERHOOD OF TEAMSTERS
LOCAL NO. 87

EFFECTIVE JUNE 1, 2001 TO JULY 1, 2003

Table of Contents

Article Number	Title	Page Number
ARTICLE I	Agreement	1
ARTICLE II	Recognition	1
ARTICLE III	Rights Of Management	1
ARTICLE IV	Definitions	2
ARTICLE V	Overtime	3
ARTICLE VI	Base Privileges	3
ARTICLE VII	Property Damage	3
ARTICLE VIII	Health and Welfare Benefits	3
ARTICLE IX	Notices	4
ARTICLE X	Discipline and Discharge	4
ARTICLE XI	Americans with Disabilities Act (ADA)	6
ARTICLE XII	Bulletin Board	7
ARTICLE XIII	Designation of Employees	7
ARTICLE XIV	Service Credit	8
ARTICLE XV	Seniority	8
ARTICLE XVI	Layoff and Recall	9
ARTICLE XVII	Non Discrimination	9
ARTICLE XVIII	Grievance Procedure	10
ARTICLE XIX	Arbitration Procedure	12
ARTICLE XX	Family and Medical Leave	12
ARTICLE XXI	Payment for Absence in the Event of Death in the Immediate Family	14
ARTICLE XXII	Leaves of Absence without Pay	14
ARTICLE XXIII	Company Provided Tools and Uniforms	15
ARTICLE XXIV	Strikes and Lockouts	15
ARTICLE XXV	Union Security and Checkoff	16
ARTICLE XXVI	Termination of Employment	17
ARTICLE XXVII	Savings Clause	17
ARTICLE XXVIII	Waiver of Bargaining Rights and Amendments to Agreement	18
ARTICLE XXIX	Vacation	18
ARTICLE XXX	Holidays	19
ARTICLE XXXI	Sick Leave	20
ARTICLE XXXII	Successors and Assigns	21
ARTICLE XXXIII	Jury Duty	21
ARTICLE XXXIV	Reserve Military Leave	21
ARTICLE XXXV	Pregnancy Leave	21
ARTICLE XXXVI	Duration of Agreement	22
ARTICLE XXXVII	SCHEDULE "A"	23

ARTICLE I

Agreement

This Agreement made and entered into on 1 June 2001, by and between SMI International hereinafter the "Company" and the International Brotherhood of Teamsters, Local No. 87 hereinafter the "Union."

The masculine pronoun, whenever used herein, shall include the feminine and the words in the singular shall include the plural, unless the context indicates otherwise.

ARTICLE II

Recognition

The Employer recognizes the Union as the sole collective bargaining agent for all employees employed by the employer at its facilities as provided in the Certification of Representative for the National Labor Relations Board, Case No. 31-RC-7656: All employees employed by the Employer at Edwards Air Force Base, California excluding all other employees, office clerical employees, guards and supervisors as defined by the Act, as amended.

The work referred to in the preceding paragraph is work currently performed by the SMI International employees at the Edwards Air Force Base Project. Management will not perform the productive work assigned to and performed by hourly employees except as follows:

1) work which, historically, has been performed as a part of a management function;
2) in emergencies, work which calls for immediate action to avoid undue delay of any of the customer's operations or customer's personnel;
3) training of all employees; and
4) a time period not to exceed fifteen (15) minutes per day.

The work referred to above shall be turned over to the appropriate hourly employees as soon as they can be made available.

ARTICLE III

Rights Of Management

Except as otherwise expressly provided in this Agreement, nothing herein shall limit the Company in the exercise of the rights and functions of ownership or management. Accordingly, the Company has among others, the right: to select its supervisory personnel (supervisors as

defined in the NLRA as amended), to hire new employees, and to direct the working force; to discipline, suspend, or discharge employees for just cause; to promote, transfer, or lay off employees; to make such reasonable rules and regulations as the Company considers necessary or advisable for the orderly and efficient conduct of its business, and to require employees to observe such rules and regulations; to decide the number and location of its work force; to decide and determine the methods, quality standards and schedules of operation; and to determine and designate all occupational classifications it has to offer its employees. It is agreed that the enumeration of the rights and functions of management herein reserved shall not be deemed to exclude other rights of ownership or management not so enumerated. The contract provisions set forth herein shall be the sole source of any rights the Union may assert in arbitration. The Company's not exercising any functions hereby reserved for it or its exercising any function in a particular way shall not be deemed a waiver of its right to exercise such functions or preclude the Company from exercising the same in some other way not in conflict with the express provisions of this Agreement.

This section is not intended to limit the Company's right to subcontract work. The Company agrees that it will not subcontract any work performed by employees in this bargaining unit to any other person, firm, or corporation if such subcontracting will cause the loss of work opportunities to employees covered by this Agreement. It is understood between the Union and the Company that this Article does not apply to work lost as a result of a change in the scope of work contained in the Company's current contract to perform Logistics Services at Edwards Air Force Base.

ARTICLE IV

Definitions

A) "Normal Work Schedule:" The employee's "normal work schedule" shall consist of five (5) regular work days in each regular work week, with two (2) consecutive days scheduled days off during which the employee is not scheduled to work.

B) Those employees not scheduled to work a "normal work schedule" shall be given reasonable advance notice of days and hours to be worked.

C) Determination of work shifts for individual employees, including extended workweeks on a continuing basis, shall always be made by the Company. The Company may change work schedules when necessary to meet the needs of the Company or the customer. The Company shall endeavor to notify the employee of any contemplated schedule change at least seven (7) days prior to the change.

ARTICLE V

Overtime

Overtime is that time worked in excess of the daily work period of eight (8) hours and/or in excess of the normal workweek of forty (40) hours. The parties agree that if the Company implements a "normal work schedule" consisting of four (4) regular work days, then overtime shall be the time worked in excess of the daily work period of (10) hours and/or in excess of the normal workweek of forty (40) hours. Overtime shall be computed to the nearest quarter hour.

The principles of equal distribution and advance notice of overtime will be applied as far as practicable.

For purposes of calculating overtime, the workweek shall begin at 12:01 a.m. on Sunday and end at midnight on the following Saturday.

ARTICLE VI

Base Privileges

All employees will be granted base privileges as provided by the United States Government which are subject to change at any time. An employee found to have abused base privileges may have such privileges revoked. Employment is contingent on maintaining base privileges. Loss of said privileges can only be appealed through the Base Commander.

ARTICLE VII

Property Damage

Any property damage assessed against the Company, which was caused by an employee's proven reckless or malicious action while using facilities shall be borne by the employee.

ARTICLE VIII

Health and Welfare Benefits

Eligible employees covered under this agreement are required to participate in the health and welfare plans. Current rates (as of 5/1/01) are shown below and may change in the future.

Labor Alliance Managed Trust Fund

	Employee Only	Employee +1	Employee+Fam.
Plan M5 – Option II Health Insurance	$176.00	$369.00	$512.00
Plan D3 Dental	$ 15.00	$ 28.00	$ 38.00
Plan VII Life/AD&D	$ 6.00	N/A	N/A

Eligibility: All employees hired after July 1, 2001 become eligible for benefits upon completion of probationary period. Exemptions may apply, please see Summary Plan Documents for details.

The Company agrees to pay a fringe benefit rate of $2.39 per hour for all compensable hours. Effective October 1, 2001 the Company agrees to pay a fringe benefit rate of $ 2.95 per hour for all compensable hours.

Employees may elect to participate in the Company 401K plan. Open enrollment into this plan is held quarterly.

ARTICLE IX

Notices

Whenever notice is given under this Agreement, from either party to the other, it shall be in writing. Notice to the Company shall be addressed to the Project Manager or designated representative. Notice to the Union shall be addressed to the Business Agent or designated representative who shall keep the Company informed of their correct address. Employees shall keep the Project Manager informed of their correct address. Notices shall be sent to the last known address furnished to the Project Manager by the employee, and shall be deemed to have been given as of the date received, or if returned to the Project Manager due to the employee's having failed to keep the Project Manager informed of their correct address, the date such notice is returned.

ARTICLE X

Discipline and Discharge

The Employer shall have the right to discipline or discharge any employee for just cause.

The reason for discharge or other disciplinary action shall be given to the employee in writing at the time of the discharge or other disciplinary action and the Company will provide a copy to the Union.

The work rules are divided into two categories. Group One violations are considered the most serious violations and subject the employee to immediate termination. Group Two violations will generally result in some form of progressive discipline. Disciplinary action for Group Two violations include termination, demotion, disciplinary suspension, written or verbal warning, depending, in the opinion of the employer, upon the circumstances involved. The Employer reserves the right to select the discipline or to by pass any one or more of the methods of discipline listed herein.

Group One violations include, but are not limited to, the following:

1. Dishonesty, including falsifying of the Employer's records.

2. Reporting for duty having any detectable blood alcohol level, or under the apparent influence of intoxicating beverages, or the use or possession of intoxicating beverages on the Employer's property, vehicles, or places or work; or reporting for duty under the apparent influence of drugs in violation of the Employer's Drug and Alcohol policy.

3. Deliberate destruction, abuse, or unauthorized removal of property of the Employer, other employees, the Employer's clients, or the general public.

4. Engaging in a strike, picketing, slowdown or other act in violation of Article 26.

5. Possessing unauthorized firearms or other dangerous weapons at work.

6. Providing false information, false documents or refusing to cooperate in the investigation of incidents or accidents.

7. Insubordination. Insubordination includes a pattern of challenging a supervisor's authority <u>or</u> a refusal, after a supervisor gives a direct order and explains the consequences of refusal, to perform assigned work.

8. Threatening, intimidating, coercing or abusing other employees, clients, or members of the public.

Group Two offenses include, but are not limited to, the following:

1. Neglect of duty.

2. Sleeping during work time or in work areas (excludes sleeping during authorized break periods in non-work areas).

3. Engaging in horseplay during working hours or on Employer's premises.

4. Failure to immediately report accidents or personal injuries in accordance with published procedures.

5. Absence from work where permission to be absent has not been given by the Employer, unless such absence is beyond the control of the employee, in which case the employee must notify the Employer of his anticipated absence.

6. Making disparaging remarks about the Employer or the Employer's facility or services, or any words or deeds which would discourage any person from dealing with the Employer.

7. Neglect in the care of the Employer's property.

8. Uncooperative attitude.

9. Carelessness.

10. Violation of Company safety rules.

11. Violation of Company work rules, policies or procedures.

12. Incompetence.

13. Violation of any applicable local, state or federal law, rule, regulation or ordinance.

14. Conviction of a crime (Suspension without pay after arrest for a crime affecting or relating to the nature of the employee's work pending determination of guilt is permissible).

15. Any other act of dishonest, misconduct or neglect not listed above.

Failure on the part of the Employer to enforce the provisions of this clause in certain instances shall not constitute a waiver of the Employer's rights to enforce the clause in other instances. The foregoing list is not intended to be all-inclusive, employees may be disciplined or discharged for other conduct not included under the terms of this Article where such conduct provides just cause.

The provisions of this Article do not apply to layoffs.

ARTICLE XI

Americans with Disabilities Act (ADA)

The Union and the Employer will mutually support compliance with the ADA. If an employee is determined to be disabled within the definition of the ADA the Employer will make reasonable accommodations as required by the ADA. The parties agree that any reasonable accommodation made by the Employer to comply with the ADA will not constitute a breach or violation of any provision of this Agreement. The provisions of this Article are not intended to allow a bargaining unit employee to displace another bargaining unit employee.

ARTICLE XII

Bulletin Board

The Employer will provide reasonable space for a Union bulletin board. The bulletin board will be restricted to notices of legitimate union business.

No employee may post or publish any notice, information or statements on the bulletin board critical of or which in any way defame or hold the Union, Employer, its services, its officers, supervisors or employees up to scorn or ridicule.

ARTICLE XIII

Designation of Employees

Regular Seniority employees are those employees who have completed their probationary period. Probationary employees are those who have been hired for regular employment, but have worked for the Company for less than 90 days. Upon attaining regular employee status, an employee shall have his/her total time counted toward continuous service.

Probationary employees may be terminated during their probationary period without recourse to the grievance and arbitration procedures set forth in Articles XVIII and XIX.

Temporary employees are those employees who have been hired by the Company to augment the work force whenever the workload temporarily requires additional help; or in the event of emergency or unanticipated condition or situation; or to relieve regular employees during absences. Temporary employees shall not work for the Company for more than 60 days unless mutually extended in writing.

Temporary employees may be terminated without recourse to the grievance or arbitration procedures set forth in Articles XVIII and XIX.

ARTICLE XIV

Service Credit

For purposes of this Agreement, service credit is the actual amount of time for which an employee received compensation for employment with the Company, including workers compensation. Service Credit does not include the actual time the employee is on authorized leave without pay.

ARTICLE XV

Seniority

For purposes of this Agreement, seniority is the total uninterrupted continuous service the employee has with the Company at Edwards Air Force Base. When two or more employees have identical seniority dates, seniority rank will be determined by alphabetical order of last names, names commencing with "A" being the more senior.

ARTICLE XVI

Layoff and Recall

In the matter of layoffs and recall, the employee having the least seniority within an operational classification shall be the first to be laid off. This procedure will continue in order of least seniority as a layoff is required. Recall shall be based solely on seniority with the Company at Edwards Air Force Base, with the most senior employee within the operational classification being recalled first. In all cases of layoff, the Company will give no less than two (2) weeks notice of contemplated layoff to the employee affected. However, at the Company's option, the employee may be paid up to two (2) weeks pay in lieu of notice or any combination of pay and notice totaling two (2) weeks.

Recall rights are as follows:

1) An employee with one year or less of seniority with the Company maintains recall rights for a number of months equal to the number of months of seniority with the Company. (i.e. Employee with seven (7) months seniority with the Company at the time of layoff maintains seven (7) months recall rights).

2) An employee with more than one year of seniority with the Company maintains recall rights for a period of eighteen (18) months.

ARTICLE XVII

Non Discrimination

The Employer and the Union agree that in the administration of this agreement there will be no discrimination by the Employer or the Union because of an employee's race, creed, gender, religion, national origin, disability or age within the meaning of applicable state and federal laws. Nothing in this agreement shall be construed to prevent the Employer's compliance with the Americans with Disabilities Act.

In this Agreement, except where the context otherwise requires where a bonafide occupational qualification or requirement exists, words of masculine or feminine gender also refer to the opposite gender (when applicable.)

ARTICLE XVIII

Grievance Procedure

Definitions

Complaints: Employees and/or the Union representative are encouraged to engage in informal discussions with Management to attempt settlement or prevent problems prior to the written "grievance" being filed.

Grievance: A grievance is hereby defined as a claimed violation or noncompliance with the provisions of this Contract.

Presentation of Grievance

All grievances shall be presented in writing no later than ten (10) working days after the occurrence/event upon which the grievance is based. All written grievances shall set forth: the facts giving rise to the grievance; the provision of the Agreement alleged to have been violated; the names of the aggrieved employee(s); and the remedy sought. All written grievances shall be signed by the aggrieved employee and Chief Steward or the Union if filed on behalf of aggrieved employee(s). All grievances shall be presented to the Project Manager or his designee.

Grievance Steps

Step 1: Within five (5) working days after the Company receives the written grievance, it shall be considered at a meeting between the aggrieved employee, the Chief Steward and the Grievant's immediate supervisor or designee. Within five (5) working days of completion of the Step 1 meeting, the Company shall respond in writing to the employee and the shop steward. If the written Step 1 response is not satisfactory, the grievance may be advanced to Step 2 provided written notification of such advancement is provided to the Company within five (5) working days of receipt of the Company's Step 1 response.

Step 2: Within five (5) working days after the grievance is advanced to Step 2, the aggrieved employee, the Chief Steward and the Project Manager shall meet to discuss the grievance. Within five (5) working days after completion of the Step 2 meeting, the Company shall respond in writing, to the employee and the Chief Steward. If the written Step 2 response is not satisfactory, the grievance may be advanced to Step 3 provided written notification of such advancement is provided to the Company within five (5) working days of receipt of the Company's Step 2 response. A grievance initiated by the Union and not by a particular employee shall commence at this Step.

Step 3: Within five (5) working days after the grievance is advanced to Step 3, the aggrieved employee, the Union Business Representative and the Company Human Resources Manager or designee shall discuss the grievance. Within five (5) working days of completion of the Step 3 meeting, the Company shall respond, in writing, to the employee and the designated Union

representative. If the written Step 3 response is not satisfactory, the grievance may be advanced to arbitration.

Other Considerations: No grievance shall be accepted by the Company unless it is submitted or appealed within the time limits set forth within this Article. If either party fails to comply with the time limits set forth in this Article, the grievance shall be deemed settled in favor of the party that did not miss the time limit. By written, mutual consent of the parties who would normally meet at any Step of the grievance procedure, the time limits for that Step may be extended. For purposes of this Article "working days" do not include Saturdays, Sundays and holidays as designated in this Agreement.

ARTICLE XIX
Arbitration Procedure

During the term of this Agreement, any grievance which has not been finally settled or disposed of in accordance with the steps of the Grievance Procedure outlined above may be submitted to Arbitration within ten (10) working days after receipt of the Company's Third Step reply.

The parties shall jointly request the Federal Mediation and Conciliation Service to submit a panel of five (5) arbitrators. The parties shall alternatively strike arbitrators from the panel with the loser of a coin toss striking first. The remaining name shall be the arbitrator. The parties may mutually agree to a specific arbitrator thereby waiving the above procedure.

The authority of the Arbitrator shall be limited to determining questions directly involving the interpretation or application of specific provisions of this Agreement, and the Arbitrator shall not determine any question that lies outside the specifications of this Agreement. The Arbitrator shall not have authority to add to, to subtract from, or to change any of the terms of this Agreement, to change an existing wage rate or to establish a new wage rate. In no event shall the same question or issue be subject to arbitration more than once. The decision or award of such arbitrator shall be final and binding on each of the parties, and they will abide thereby subject to such applicable laws and rules and regulations as any Federal Agency having jurisdiction may impose. The cost of the Arbitrator's services, and any other expenses incidental to the arbitration which are mutually agreed to in advance, shall be shared equally by the parties. Each party shall bear the expenses of preparation and presentation of its own case. For the purpose of the Arbitration Procedure, Saturdays, Sundays, and holidays shall not be counted in the computed due date for any decision or appeal therefrom. In addition, any grievance being submitted to arbitration is subject to final resolution between the designated representative of the Union and the Company designated representative, prior to the grievance being presented to the arbitrator. In order to be arbitrable the grievance must have been filed prior to the expiration of this Agreement.

The administration of the arbitration process shall rest solely with the Union and the Company and shall be mutually agreed upon by the parties.

ARTICLE XX

Family and Medical Leave

Employees will be granted family and medical leave as required by and in accordance with the Family and Medical Leave Act (FMLA). The following is a summary of FLMA provisions. The provisions of FMLA will prevail in the event this information differs from the Act.

The FMLA provides for 12 weeks of leave in a twelve-month period, and all unused paid leave will be applied to FMLA prior to being placed in an unpaid leave status. Leave is authorized for family care or medical purposes defined as:

a) The birth or placement of a child for adoption or foster care which must conclude within 12 months of the birth or placement;

b) To care for an immediate family member (spouse, child, parent, excluding parent-in-law) with a serious health condition as defined by FMLA; or

c) To take medical leave when the employee is unable to work because of a serious health condition, as defined by the FMLA.

To be eligible for FMLA, an employee must:

a) Have been employed by the company for a period of at least 12 months; and

b) Have worked at least 1250 hours over the prior 12-month period.

Employees wishing to utilize FMLA leave for foreseeable events are required to give 30 days' advance written notice to the Project Manager. Prior to being granted FMLA leave for health reasons, employees are required to submit the Project manager a medical certification provided by a qualified health care provider, as defined by the FMLA. The company may, at its discretion, request second or third medical opinions at no cost to the employee. Periodic reports on the employee's status and intent to return to work may be requested by the Company, and must be provided by the employee. Fitness for duty certifications completed by the employee's qualified health care provider must be submitted to the administration office prior to returning to work.

Certain medically related leave taken by the employee may count against the employee's annual FMLA entitlement even though the employee did not request FMLA leave. The Company will notify the employee in writing any time leave taken will be counted against the employee's annual FMLA entitlement.

Health benefits normally paid for by the Company will remain in effect while the employee is on FMLA leave, to a maximum of 12 weeks. Any portion of the health benefits normally paid by the employee remains the responsibility of the employee.

Upon return from FMLA an employee shall be restored to his or her former position or to an equivalent one with no loss of seniority.

ARTICLE XXI

Payment for Absence in the Event of Death in the Immediate Family

Employees, in the event of death in their immediate families, shall be eligible to receive the equivalent of their straight time hourly wages for three (3) days of bereavement leave if traveling within the state, and five (5) days bereavement leave if traveling outside the state for the number of hours in their regular shift, but not to exceed eight (8) hours per day. Payment shall be made only when absence is taken for the purpose of attending the funeral or related services. For the purposes of this section, immediate family shall be defined as the employee's current spouse, parent/legal guardian, child, step child, sister, brother, grandparent, grandchild, current spouse's parent, current spouse's brother, or current spouse's sister.

Employees may be eligible for an additional two days of unpaid leave if requested and approved in advance of the leave. Approval of such unpaid leave shall be at the sole discretion of management.

ARTICLE XXII

Leaves of Absence without Pay

Leaves of Absence up to ninety (90) days may also be granted for other miscellaneous reasons. Application by the employee for such approved absence shall be made in writing to the immediate supervisor with a minimum of four (4) weeks notice for non-emergencies. The granting of leave shall be the sole prerogative of the Company.

The employee's pay shall cease upon the employee's last hour worked, and no compensation of any kind shall be paid to the employee during the leave. During such leave, the employee's seniority shall accumulate.

Employees on leave without pay are not eligible for any benefits including but not limited to vacation, sick time, and holidays except as required by law or except as otherwise specifically provided for in this Agreement.

Such leave may be extended beyond the ninety (90) day period at the sole discretion of the Company. If the leave is extended beyond the ninety (90) day period, the employee will retain but not accrue seniority.

Acceptance of gainful employment while on leave of absence, except if approved in writing by the Project Manager, shall be just cause for termination.

Failure to return from the leave of absences on the date specified, unless prior approval of the Project Manager has been obtained, shall be just cause for discharge.

ARTICLE XXIII

Company Provided Tools and Uniforms

The Company shall determine the type and quantity of tools necessary for the performance of assigned tasks and provide said tools to employees unless otherwise agreed. Each employee shall be responsible to account for the tools and equipment so supplied, ordinary wear and tear excepted. Tools and equipment provided to individual employees, which become lost, damaged, or stolen through the employee's proven negligence, reckless or malicious action shall be replaced or paid for by the employee.

Uniforms may be provided by the Company at its discretion. Employees shall properly care for said uniforms and for their return upon termination of employment.

ARTICLE XXIV

Strikes and Lockouts

Section 1. During the term of this Agreement, or any extension of this agreement, no strikes shall be caused or sanctioned by the Union or its members, and neither the Union nor any of its members or representatives, nor any bargaining unit employees, shall call, cause, authorize, or ratify or engage in, any sit down, stay-in or other strike, sympathy strike, picketing, walkout, slowdown or work stoppage, or any other interference with, or stoppage of work, or publicize by any means whatsoever that the Employer is considered unfair or that there is a dispute between the Employer and the Union or any other third party or prevent or attempt to prevent the access of persons to the Employer's facilities, equipment or services for any reason whatsoever, or interfere with the employer's materials, equipment or services for any reason whatsoever, and the Union will not cause or engage in, nor will any member or representative of the Union or any bargaining unit employee take part in, any boycott of any kind directed against the Employer, or engage in any other economic action detrimental to the Employer.

Section 2. In the event of a violation of any provision of this Article by the Union, its members or representatives, or by any Employee:

(A) Any such employee shall be subject to immediate discipline and discharge, without recourse, except in regard to the question of promotion or participation in such action.

(B) The Union shall, upon notice from the Employer, immediately direct such employees, both orally and in writing, to resume normal operations immediately, and

(C) The Union shall be liable for any and all damages incurred by the Employer for any violation of this Article if authorized by the Union.

Section 3. During the term of this Agreement, the Employer will not lockout the employees covered by this Agreement.

Section 4. For violation or breach of this Article either party may submit any claim of violation or breach to a court of that party's choice for injunctive relief. If either party seeks damages based upon a violation or breach of this Article, such claim shall be submitted to arbitration following the procedure set forth in Article 21.

Section 5. All striking employees' benefits shall terminate upon commencement of a strike.

Section 6. If a strike occurs in violation of this Article, the Employer shall not be required to discuss the dispute in question or any other matter while such strike is in effect, except as specified in 2(b) above.

ARTICLE XXV

Union Security and Checkoff

(A) Recognition. The Company recognizes the Union as the exclusive representative of the employees covered by this Agreement for Collective Bargaining. It shall be a condition of continued employment that all employees of the Employer covered by this Agreement on or after the thirtieth (30th) day following the beginning of employment, or the effective date of this Agreement, whichever is later, every employee covered by this Agreement shall become and remain a member of the Union, membership as used herein shall mean only the obligation to pay periodic dues and initiation fees uniformly required, or, in the event the employee objects to full dues and initiation fees, only the obligation to pay periodic dues and initiation fees related to representational costs.

The effective date of this clause shall be the date of execution, or the effective date of this Agreement, whichever shall be later. Good standing for the purpose of this Agreement shall mean and be defined as the timely payment of the regular dues an initiation fees uniformly required of all members of the Union.

(B) The Union agrees that it will not require the Employer to take action against any employee who is not in "good standing" without at least seven (7) days notice, during which time the employee shall have an opportunity to restore him or herself to "good standing". Should the Employer terminate an employee for failure to maintain "good standing" said employee will not be re-employed until the employee has paid or tendered to the Union any such fees, re-initiation or dues accrued to the date of termination.

(C) It is understood between the parties that the Union will have equal opportunity with all other sources to refer suitable candidates for employment.

(D) It is agreed that the Company shall deduct from the wages and make payable to the Union initiation fees and current monthly dues of the Union for those employees in the unit who have given the Company a duly executed and lawful written assignment for such purposes and shall deduct and submit to the Local Union only those amounts as billed monthly by the Union.

The Union will levy only those initiation fees and dues which are authorized or permitted by the Constitution and By-laws applicable to the Union and in the manner provided therein. The Company shall be entitled to rely upon compliance by the Union with this provision and the Union shall save the Company harmless with respect thereto.

ARTICLE XXVI

Termination of Employment

(A) Employees shall give the Company two (2) weeks notice of resignation in writing.

(B) Employees laid off through no fault of their own shall be granted two weeks notice in writing, payment of wages in lieu of notice or any combination of wages and/or notice.

(C) This requirement of notice, set forth in (B) above, shall not apply to a layoff caused by an Act of God, or by an unauthorized or illegal strike of the employees of the Company.

(D) For insurance purposes only, the termination date of the employee will be based as if the employee had worked on the active payroll for the notice period.

ARTICLE XXVII

Savings Clause

In the event that any portion of this Agreement is invalidated by the passage of legislation or an order or award of a court of competent jurisdiction, such invalidation shall apply only to those portions thus invalidated, and all remaining portions of this Agreement not invalidated shall remain in full force and effect.

Should any Article or section of this Agreement be held invalid or be restrained as provided herein, the parties shall immediately meet and negotiate valid alternate and/or substitute provisions to replace and/or modify those provisions so affected. If, after sixty (60) days, the parties fail to reach agreement on a valid alternative or substitution, the matter shall be submitted to arbitration following the procedure set forth in Article XIX.

ARTICLE XXVIII

Waiver of Bargaining Rights and Amendments to Agreement

During the negotiations resulting in this Agreement, the Company and the Union each had the unlimited right and opportunity to make demands and proposals not otherwise prohibited by law. Accordingly, the Agreement is the final settlement for its duration of all demands and proposals made by either party during negotiations. The parties agree that all demands and proposals of either party not addressed in this Agreement are expressly waived for the duration of this Agreement. Negotiations for modifications during the life of this Agreement shall be held only by mutual consent of the parties. No modification of this Agreement shall be effective unless in writing and signed by the Company's Human Resources Director or designee and the Union's Business Agent or designee. Any such modification shall not be construed as a general modification, but shall be strictly limited to the specific article, issue or provision expressly addressed.

ARTICLE XXIX

Vacation

Regular Seniority employees will accrue vacation hours for each calendar month, as shown in the schedule below; provided that no vacation will be earned in any calendar month in which the employee has not actually worked, unless the employee is actively receiving workers compensation.

Years of Service Credit	Vacation
1-4	6.66 hrs/mo, maximum 80/hrs a yr
5-14	10 hrs/mo, maximum of 120/hrs a yr
15 or more	13.33 hrs/mo, maximum of 160/hrs a yr

Employees must request vacation in writing. The Company retains the rights to approve, deny, schedule and cancel vacations. However, once the Company has approved vacation, the Company shall not alter the approved vacation period unless necessary due to the needs of the business.

An employee scheduled to take five (5) or more consecutive calendar days of vacation may request to receive vacation pay prior to beginning his vacation if he submits his written vacation request at least fifteen (15) days prior to the commencement of his vacation.

An employee may not accumulate and carry over vacation from one anniversary year to the next.

An employee who has completed the probationary period will be paid for accrued but unused vacation hours upon termination of employment with the Company, except that the employee shall not receive such pay if the employee resigns without giving two (2) weeks notice of

resignation in accordance with Article XXVI or if the employee has been discharged for just cause.

In the event an employee is laid off within fifteen (15) days or less in a one (1) month period, the employee will receive a pro-rated rate of hours (half of the rate specified above) of vacation. However, should the employee work more than those fifteen (15) days in a month, they will receive the amount specified, as stated above.

An employee shall be compensated for vacation at the straight-time rate of pay for his designated job classification at the time the vacation is taken. Time compensated for vacation but not worked shall not constitute hours worked for purposes of calculating overtime.

Employees may request vacation in 1-hour increments, and may be used as accrued not to exceed eight (8) hours a day.

ARTICLE XXX

Holidays

The following shall be observed:

New Year's Day
Martin Luther King Jr.'s Birthday
President's Day
Memorial Day
Independence Day
Floating Holiday (1)
Labor Day
Columbus Day
Veteran's Day
Thanksgiving Day
Christmas Day

For employees whose regularly scheduled shift commences between 11:00 p.m. and 12:00 midnight, the shift commencing on the holiday eve shall be considered the holiday for the purpose of determining the day observed as the holiday.

When a holiday falls on a Saturday, the proceeding Friday will be observed as the holiday. When a holiday falls on a Sunday, the following Monday will be observed as the holiday.

All Regular Seniority employees are eligible to receive the benefits set forth in this Article if the employee actually worked his last scheduled shift before and his first scheduled shift after the date observed as the holiday. An employee other than a Regular Seniority employee shall not be eligible for the benefits set forth in this Article.

An eligible employee who is not scheduled to work on the day observed as the holiday shall receive eight (8) hours pay at his straight-time rate of pay.

An eligible employee required to work on the day observed as the holiday shall receive one and one-half (1 ½) times his straight-time rate of pay for all hours actually worked on that day, in addition to eight (8) hours pay at his straight-time rate of pay. An employee who is required to

work on the day observed as the holiday and who does not report to work shall not receive benefits under this Article.

If a holiday is observed during the scheduled vacation of an eligible employee, the employee will not be charged vacation pay for that day, but will receive benefits in accordance with this Article.

Hours compensated but not worked under this Article shall not be considered hours worked for purposes of computing overtime.

Reasonable notice will be given by the employee of ten (10) working days prior to the date the employee wishes to take their floating holiday. However, under extraordinary and/or emergencies circumstances, time may be granted immediately.

Any other declared holidays by the federal government will be a paid holiday for employees. Likewise should the government cancel any previously agreed to holidays, employees will be required to work and paid at their regular straight time rate.

ARTICLE XXXI

Sick Leave

The employees' anniversary date will be used to determine the end and beginning of the year for purposes of sick leave. Regular Seniority employees will earn sick leave at a rate 3.33 hours (for a total of 40 hours per year) for each calendar month of employment; provided that no leave will be earned for any calendar month in which the employee has not actually worked.

An employee who has completed his probationary period shall be entitled to use leave earned under this Article when the employee has a personal medical appointment that could not be scheduled during non-working hours or suffers an injury or illness that prevents the employee from working and with respect to which the employee is not entitled to worker's compensation benefits. An employee will accumulate and carryover sick leave to the Catastrophic Sick Bank from one anniversary year to the next

An employee shall be compensated for sick leave at the straight-time rate of pay for his job classification at the time the leave is taken.

Time compensated under this Article but not actually worked shall not constitute hours worked for purposes of calculating overtime.

CATASTROPHIC SICK BANK

All unused sick leave may be carried over from one calendar year to the next. This unused sick leave will be carried over into a Catastrophic Bank. This sick leave may be used only for serious medical conditions, as defined in the Family Medical Leave Act (3 days or more duration). There is no payout on any sick leave upon termination of employment.

ARTICLE XXXII

Successors and Assigns

The terms and conditions of this Agreement shall be binding on any and all successors and assigns of the Employer, whether by sale, transfer, merger, acquisition, consolidation, or otherwise. The Employer shall make substantive efforts to ensure that as a condition of transfer that the successors or assigns will be bound by the terms of this Agreement, and shall notify the Union before the parties have concluded their transaction.

ARTICLE XXXIII

Jury Duty

An employee who fails to work his regularly scheduled hours because of jury duty or as a witness in a case in a court of law to which he is neither a party directly nor as a member of a class shall receive eight (8) hours pay at his regular hourly rate of pay exclusive of any premiums. The employee must promptly notify his supervisor of required jury duty service to be eligible for jury duty pay. Payment is limited to a maximum of five (5) days in any week. To be eligible for payment, the employee must submit a written statement from the appropriate public official listing the dates served and the amount of fees received.

ARTICLE XXXIV

Reserve Military Leave

Employees who are members of the active reserve services of the United States Armed Forces and who are ordered to perform annual training duty of no more than two (2) weeks duration as Training Duty Reservists shall be paid the difference between the pay received from Armed Forces for such training duty and their regular hourly rate of pay exclusive of all premiums; provided that such employees, in order to be eligible for such pay, must furnish to their supervisors written certification from their Commanding Officers attesting to the performance and dates of such service.

Under exceptional circumstances (national emergency, time of war) military leave may be extended. However, wages will only be allowed for a total of two (2) weeks of military leave, as stated above.

ARTICLE XXXV

Pregnancy Leave

Will be allowed in accordance with applicable State and Federal laws.

ARTICLE XXXVI

Duration of Agreement

This Agreement shall become effective on June 1, 2001 and shall continue in full force and effect through midnight July 1, 2003. Thereafter, it shall automatically renew itself and continue in full force and effect from year to year unless written notice of election to terminate or modify any provision of this Agreement is given by one party, and received by the other party not later than sixty days prior to the expiration date of this Agreement or sixty days prior to any subsequent applicable expiration date.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the day and year set forth above.

For the Company,

SMI International

SMI International

For the Union,

International Brotherhood of Teamsters
Local No. 87

International Brotherhood of Teamsters
Local No. 87

ARTICLE XXXVII

SCHEDULE "A"

Classification	Current Wage	New Wage As of 10/1/01
Supply Technician	$15.70	$17.28
Material Expediter	$12.31	$13.34
Material Expediter Lead	$12.31*	$13.34**
Material Coordinator	$12.31	$13.34
Material Coordinator Lead	$12.31*	$13.34**
Computer Oper./Material Coor.	$12.31	$13.34
Warehouse Specialist	$11.19	$12.30
Warehouse Specialist II	$11.38	$13.21
Shipping & Receiving Clerk	$10.37	$11.42
Shipping & Receiving Clerk II	$10.73	$12.33
Stock Clerk	$10.32	$11.35
Stock Clerk II	$11.23	$12.26
Light/Medium Truck Driver	$12.15	$13.18
Heavy Truck Driver	$15.33	$15.33

Economic Increase October 1, 2002 – 4% across the board on base wages only

A shift premium of .35 per hour worked will be paid for employees on swing shift and graveyard shift. All drivers required to maintain a Class "A" license will be paid a premium of $.35 per hour worked. **A premium of $.50 will be paid to all leads for hours worked.

The Company & the Union agree to designate the following positions as "Qualified Trainers" and will receive a .50 cent differential for all hours worked.

Material Expediter Lead	Receiving	1 Position

Material Expediter Lead	LMCA	1 Position
Material Coord. Lead	LMCA	1 Position
Supply Technician	Storage & Issue	1 Position
Supply Technician	RAMS	1 Position
Supply Technician	MSL	2 Positions

Training performed by other employees as assigned by their supervisor will be paid $1.00 per hour for all hours spent training.