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AGREEMENT

BETWEEN

FREIGHTLINER of PORTLAND, LLC

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Portland, Oregon

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AND

INTERNATIONAL ASSOCIATION OF MACHINISTS

AND AEROSPACE WORKERS

JULY 6, 2004 TO JULY 1, 2007

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FREIGHTLINER of PORTLAND, LLC
Portland Truck Manufacturing Plant (TMP)

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MACHINISTS LABOR AGREEMENT
2004 - 2007

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PREAMBLE

The successful operation of the Employer's business is hereby declared to be of mutual interest and both parties hereto desire to preserve, promote and improve industrial and economic relationships, safety, cleanliness and economy and to improve and increase the quantity and quality of work performed.

AGREEMENT

THIS AGREEMENT, made and entered into between FREIGHTLINER of PORTLAND, LLC, hereinafter called the "Employer," and the INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS, DISTRICT LODGE NO. 24, AND MOUNT HOOD LODGE, LOCAL NO. 1005, of Portland, Oregon, hereinafter called the "Union."

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WITNESSETH

In consideration of the premises and the respective promises, Agreements and covenants of said parties hereto, they do hereby mutually agree as follows, to-wit:

ARTICLE I. - TERRITORY AND WORK AFFECTED

Section 1. This Agreement shall cover all production and maintenance employees employed in the Employer's plants at 5400 North Basin Street and 6936 North Fathom, Portland, Oregon, and any relocation, extension or expansion of such plants within the present jurisdiction of District Lodge No. 24, IAM-AFL-CIO, excluding all supervisors with the authority to hire or fire or effectively recommend same, office workers, engineering employees, draftsmen, guards, partsmen, material handlers, painters and janitors.

ARTICLE II. - PAYROLL DEDUCTION OF UNION INITIATION FEES AND DUES

Section 1. Upon receipt of written request, signed by an employee working in any job covered by this Agreement, executed in the form of the attached exhibit to this Agreement, and so long as such request shall not have been modified or revoked by the employee, the Employer will deduct from the pay of the employee, once in each calendar month, the amount specified in such request, to the extent otherwise then payable to the employee. The Employer will remit to the Union at its office in Portland, Oregon, once each month all money deducted from employees' pay pursuant to such requests during the preceding calendar month. Each such remittance shall be accompanied by an accounting for all such deductions indicating the credits represented thereby. The Union shall be solely responsible to each employee for application of any amounts so deducted and remitted.

ARTICLE III. - EMPLOYMENT

Section 1. The Employer recognizes the Union as the sole and exclusive bargaining agent with respect to rates of pay, hours of work and other conditions of employment covered by this Agreement.

Section 2. Each employee covered by this Agreement shall apply for membership in the Union after thirty (30) days from the date he begins work and shall remain a member as a condition of employment and the Employer agrees to notify new applicants for employment and former employees returning to employment of this Agreement. The Employer shall notify, by a mutually satisfactory means, the Union of all new hires on a weekly basis.

Section 3. The Employer, within three (3) working days after receipt of notice from the Union, will discharge any employee who is not in good standing in the Union as required by the preceding paragraph. The Union agrees to indemnify the Employer and hold it harmless against any and all suits, claims, demands and liabilities for damages or penalties that may arise out of or by reason of any action that may be taken by the Employer for the purpose of complying with this section.

Section 4. An employee's seniority shall be computed from the time of his employment by the Employer in any capacity within the bargaining unit, except that a new employee shall be on probation for the first forty-five (45) days of his employment. After forty-five (45) days (or extension as noted below) a new employee shall be placed on the seniority list and given seniority rating as of the first day he was last hired by the Employer. Retention or termination of probationary employees shall be at the Employer's sole discretion and specifically excluded from the grievance procedure. It is understood that the probationary period will be automatically extended for all days of absence or transitional duty, separate or combined, that extend to five (5) or more days.

Section 5. (a) Seniority shall prevail in reduction and restoration of force, provided the *senior employee shall be capable of performing the work remaining in the shop. In the event* there is a need to hold employees out of seniority at the time of a reduction of force or recall employees out of seniority, the Employer shall post a notice (with a copy to the Union) containing the numbers of positions affected and job description. The notice shall be posted no later than five (5) working days prior to the reduction or restoration of forces. In the event of a temporary shutdown of one (1) week or less in duration and not to exceed ten (10) days total per Contract year, the Company may operate selected "regular assigned work areas" without regard to overall seniority. The selected "regular assigned work areas" will be limited to the Electric Shop, and the Offline at the TMP. There will be at least two (2) weeks' notice prior to temporary shut downs and one (1) week notice of canceling of shutdowns. Volunteer sign-up sheets for work during shutdowns will be posted at least two (2) weeks prior to shutdown.

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Employees who sign up for work during shutdowns, but require training in order to qualify, will be provided such training, by seniority, as time and manpower requirements permit.

(b) It shall be the responsibility of the employee to keep both the Company and the Union informed of current address. During periods of layoff, the employee shall provide

notice in writing of any change in address within five (5) days to both the Employer and Union. Failure on the part of the employee to keep the Company informed of his correct address releases the Company of any responsibility of any back pay liabilities for failure to be recalled by seniority. Upon proven notice of recall by letter or telephone, the employee shall report to work within five (5) working days. The five (5) working day provision may be waived upon reasonable and acceptable proof of failure to report to work but not to exceed thirty (30) days, except for those employees on bona fide medical leave.

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Section 6. Seniority shall prevail in shift assignments, providing, however:

(a) The Employer may assign the longest service qualified employee to any shift for the purpose of training inexperienced employees.

(b) Longer service employees may be assigned by the Company to perform necessary work requiring certain qualifications which they possess to any shift, providing no shorter service employee on such job possesses the qualifications necessary to perform such work on the shift to which the assignment was made. The Employer agrees that such temporary assignment shall continue only until a qualified shorter service employee can be trained to replace the longer service employee. An employee assigned to the shift of his preference, in accordance with the provisions of this Section, shall not be given consideration for shift preference in making subsequent assignments for a period of three (3) months from the date of the original assignment, except by agreement between the representatives of the Employer and the Local Lodge. Such assignments will become effective only at the start of the payroll week.

Deleted: (c) That nothing contained herein shall prohibit the Employer from assigning a new employee to the day shift during that employee's probationary period, and for ninety (90) calendar days from date of hire in the following areas: Plate Shop and Machine Shop at the Truck Manufacturing Plant and Parts Manufacturing Plant and Electric Shop as agreed to in negotiations. If an employee on the seniority list was reassigned to the night shift to make room for such a new employee under this subsection, such senior employee shall be offered the opportunity to return to the day shift at the completion of the period herein provided. The new employee will be reassigned to the shift so vacated.¶

Section 7. (a) An employee with twelve (12) or more months of seniority who desires to fill a permanent vacancy in another regular assigned work area may file a request on a form to be supplied by the Employer. Employees may file requests for six (6) "regular assigned work areas" at any one time. There shall be one (1) transfer or refusal allowable in each six (6) month bid period. Employees accepting area transfers must accept the shift for which the job is available for the first week only and then may exercise any options for shift change that his seniority entitles him. Employees asked to change areas must make a decision within twenty-four (24) hours of notification. Failure to accept such area assignment shall nullify such Area Transfer Request except for inability to accept shift assignment changes where his seniority does not allow him to move to his prior shift. Area Transfer Requests may be withdrawn prior to area opening without penalty.

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When it is determined by the Employer that a permanent vacancy exists, Area Transfer Requests will be honored on a seniority basis providing the employee requesting a change to another "regular assigned work area" has the ability to perform the job in a normal and average manner. The Employer will make every reasonable effort to instruct and assist the employee in the proper performance of the new job assignment.

Should a vacancy be created by honoring an area bid request, the Employer will allow only one backfill area bid transfer to fill that vacancy. Subsequent vacancies created by honoring this backfill area bid request will not be considered a permanent vacancy for area bid purposes.

When an employee has been selected for an area transfer in accordance with the foregoing, and he accepts the area change offered, he will be allowed a trial period to demonstrate his capabilities on the job in question. The trial period shall not be less than fifteen (15) or more than thirty (30) working days. This shall count as the one maximum transfer or refusal as provided. An employee who fails to perform satisfactorily will be returned to his prior "regular assigned work area." In the event an employee elects to return to his former "regular assigned work area," he may do so within the first ten (10) working days. Employees may not apply for vacation to be taken during these ten (10) working days.

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The parties agree that the "regular assigned work areas" referred to in this section are as follows:

TMP – "Active List"	**TMP II – "Active List"**
Offline	Electric Shop
Pre-Paint Cab (Military / FLD)	TMP II Assembly
Pre-Paint Cab (Century Class / Western Star)	TMP II Quality Assurance
Finish Cab	TMP II Fuel Tank / Welding
Chassis Start – Pool 1	
Axle Assembly – Pool 15	
Aeroquip – Valve Buildup	
Military Chassis – Pool 21	
Mid-line Chassis – Pool 2	
Engine Buildup – Pool 13	
Final Chassis – Pool 3	
Maintenance	
Quality Assurance	
Vehicle Inspector	

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TMP – "No Longer Exist List"	PMP – "No Longer Exist List"
Plate Shop	Machine Shop
Machine Shop	Sheet Metal Shop
Frame Rail	Tool & Die
RIV	
Welders (Piece Parts)	

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To insure the retention of sufficient trained employees in a given "regular assigned work area" or subdivision thereof, movement between the "regular assigned work areas" will be limited to a maximum of either three (3) Area Transfer Requests or ten percent (10%) of the employees in a "regular assigned work area" honored on a seniority basis in each calendar month.

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It is agreed that at the TMP the above limitation with respect to the Pre-Paint Chassis, Midline Chassis, Final Chassis, Pre-Paint Cab and Finish Cab "regular assigned work areas" will operate on a "station" basis. This is not to be construed as providing for change requests being honored between such "stations." When the Employer has honored an employee's area transfer request, the employee will not be eligible for a subsequent area transfer for six months from the date of such area change.

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(b) Area Transfer Request Cards may be filed at any time. When an Area Transfer Request is filed with a supervisor, the employee shall be given a receipt therefore and the request card shall be kept in the Personnel Office, with two (2) copies to the Shop Steward, until the employee is offered the area transfer or until the following January 7 or July 7, whichever comes first.

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Shop Stewards will be made aware of any additional permanent opening caused by expansion or increased production. The limitation of one refusal each six (6) months as defined in Section 7(a) shall not apply under these circumstances.

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(c) When a vacancy is to be filled, an Area Transfer Request shall be valid if it was filed five (5) working days prior to the date of filling such vacancy.

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(d) When an employee is temporarily assigned to the Employer's office for thirty (30) calendar days or longer or an employee is on medical leave that is anticipated to last ninety (90) days or longer and is replaced in his "regular assigned work area" the senior employee with an Area Transfer Request on file may exercise his right to replace such employee with the understanding that he is also temporarily assigned and upon return of the employee regularly assigned to the area, he will be returned to his previous "regular assigned work area."

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(e) The Employer will give preferential consideration by seniority to employees' wishes as to permanent job assignments within their "regular assigned work areas." Senior employees may request training for new job processes or equipment in their regular assigned work area where the new equipment or job processes are located. The Company shall give due consideration to the employees' request for such training. It will be management's determination what constitutes new equipment/operation requiring such training.

(f) In the case of recall from layoff, the Company will endeavor to adjust manpower and recall employees to their former "regular assigned work area" by seniority. If, after initial placements are made, any employee not returned to his "regular assigned work area" may file an Area Change Request for such return. Vacancies (including subsequent recalls) will be filled by seniority.

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(g) When the need arises to transfer employees in or out of a "regular assigned work area" on a temporary basis, such transfer will be required of the least senior employee qualified to perform the work.

When the need arises to transfer Tool & Die employees into a regular assigned work area, on a temporary basis, those employees displaced from that regular assigned work area will be given first choice "by seniority" to accept the temporary transfer, unless a current temporary employee must continue a particular project. In no event will such temporary project extend beyond 90 days without mutual consent of the Union and Company.

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Upon transfer, the employee will be informed that the job is temporary and will be provided with the approximate length of time required or until a particular project is completed.

Employees transferred in this manner do not have any priority over junior employees permanently assigned to the area temporarily worked, regardless of the length of time of the transfer. Temporary employees shall be returned to their "regular assigned work area" prior to an Area Transfer Request being honored for a permanent vacancy.

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All jobs needing to be filled on a temporary basis for more than ninety (90) calendar days will be considered permanent openings to be filled in accordance with Article III, Section 7 (a), paragraph 2, unless they meet the requirements of Article III, Section 7 (d), or the temporary vacancy is due to an employee on approved leave.

(h) All jobs needing to be filled by a displaced worker for more than ninety (90) calendar days will be considered permanent openings to be filled in accordance with Article III, Section 7 (a), paragraph 2, unless they meet the requirements of Article III, Section 7 (d), or the vacancy is due to an employee on approved leave.

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Displaced workers shall be returned to the area displaced from by seniority.

Displaced employees assigned to an area will be considered permanent assignments but still retain displaced rights with the option to return to area displaced from.

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Section 8. A seniority list shall be prepared by the Employer on January 7th and July 7th each year for all employees covered by this Agreement and posted on the bulletin board in each department. The Union and each Shop Steward shall receive a copy of this list. Rates of pay of employees will be made available to Shop Stewards upon request.

Should any objections arise to seniority listing, such objections shall be made within thirty (30) days after posting the roster, with the exception that any employee who is off work due to injury, illness or layoff at the time of posting the roster shall have a thirty (30) day period after returning to work to enter such objection.

Section 9. Seniority status of employees shall be based upon continuous service with the Employer. For the purpose of determining employees' seniority status only, employees off the job by reason of medical leaves, personal or occupational, or layoff shall maintain seniority status and accumulate seniority for 48 months.

Employees returning to work after being off the job because of illness or injury must meet physical requirements of the Company physician and be capable of performing work available.

Alcoholism and drug abuse are recognized by the parties to be treatable conditions. Without detracting from the existing rights and obligations of the parties recognized in the other provisions of this Agreement, the Company and the Union agree to cooperate at the plant level in encouraging employees afflicted with alcoholism or drug abuse to undergo a coordinated program directed to the objective of their rehabilitation.

In order to assist employees and to provide a safe working environment, the Company, in addition to the testing now being done for cause, may, effective July 1, 1988,

include a drug screen as a part of the physical examination of employees recalled from layoff after absence from work in excess of 120 days. Such screen shall be done utilizing the most reliable procedures available and under the supervision of qualified medical personnel. Should an employee test positive as to any illegal drug and a retest confirms the positive results, he shall be offered rehabilitation. All programs will be carried out with due regard to employees' right to privacy. The Company will not require employees to submit to random or blanket drug screening.

Employees transferred or promoted to positions within the Company outside of the bargaining unit and employees on full-time Union service leave shall maintain seniority for up to two (2) years, providing they are in good standing with the Union at the time of promotion or transfer or remain in good standing with the Union during the two (2) year period.

Section 10. (a) Employees will be assigned to the Tool and Die, Maintenance and Quality Assurance Departments in accordance with the following: Where the skill, efficiency and ability of the employees to perform in the department are equal, employees will be assigned by seniority. For the purpose of this Section, Subsections (b), (c) and (f) of Section 7 only apply.

(b) Employees permanently assigned to these departments who wish to downgrade for reasons (b) and (c) of Section 7 of this Article may be held in their current position until a qualified replacement is available. The Union and Company shall meet to determine the process of evaluation and training requirements of a replacement should one not be readily available.

Section 11. Formation of any new work area that is clearly not a part of the present "regular assigned work areas" as set forth in this Article will be staffed by selecting one-half or 50% of the employees through Area Transfer requests as outlined in Section 7 of this Article. Three (3) weeks prior to the assignment of employees to a newly formed work area, a description of job requirements and location of the work area will be posted on plant bulletin boards, and Area Transfer request forms honored in accordance with Section 7 of this Article. An employee assigned to a new work area other than through the Area Transfer request procedure will be returned to his prior "regular assigned work area" upon request within ninety (90) calendar days.

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ARTICLE IV. - PERSONAL LEAVE OF ABSENCE

Section 1. When the requirements of the Employer's service will permit, any employee hereunder, upon written application to the Employer may, if the Employer approves, be granted a leave of absence (in writing) for a period not in excess of thirty (30) days. Under such leaves the employee shall retain and continue to accrue seniority, and the Union shall be notified of all such leaves granted. No personal leave of absence shall be granted to employees who are incarcerated.

Section 2. Such leaves may be extended for additional periods of thirty (30) days when approved by both the Employer and the Union (in writing) and seniority will accrue during such extension.

Section 3. Employees hereunder, returning from an authorized leave of absence or extension thereof, will be returned to the job held when the leave was granted. If the job no longer exists, the employee may exercise his seniority commensurate with his ability and seniority standing.

Section 4. Any employee hereunder on leave of absence, engaging in gainful employment without prior written permission from both the Employer and the Union shall forfeit his seniority rights and his name will be stricken from the seniority roster.

Section 5. Any employee entering the Armed Forces for military training or services, in accordance with the provisions of the Uniform Services Employment and Re-employment Act, short-term active duty call-ups and other applicable laws, will be restored to service in accordance with such laws, and his seniority will be fully protected. In case of temporary or partial disability which makes it impossible to return to work within the ninety (90) days after discharge, special arrangements will be made by the Employer and the Union for a proper extension of time.

ARTICLE V. - WAGES AND HOURS

Section 1. Day and second shift employees will work eight (8) hours in a period of eight and one-half (8-1/2) consecutive hours.

Forty (40) hours shall constitute a week's work to be worked-in five (5) consecutive days, Monday through Friday.

The normal day shift starting times shall be between 5:45 a.m. to 7:30 a.m. It is agreed between the Employer and the Union that if the starting times need to be changed because of traffic problems on Swan Island, a simple majority vote of the affected employees will be needed to change such starting times. Monday shall be considered as the starting time of the work week. The work week for third shift shall begin Sunday between 11:00 p.m. and 12:30 a.m.

Deleted: With management's approval, maintenance employees at the PMP may on a voluntary basis start their work shifts up to two (2) hours early.

All time worked before or after the employee's regular assigned workshift shall be paid for at the appropriate overtime rate, unless such work is authorized make-up time for previously approved unpaid time lost. If available, make-up time must be worked in the

employee's regular assigned work area on the day of the absence or the following day within the same work week. Make-up work is granted at Company discretion but will not be unreasonably denied. Make-up time will be granted for up to two (2) hours only. Make-up time will normally be granted for time lost due to family emergencies, personal appointments, court appearances, and medical/dental appointments that cannot be scheduled during non-working time. Repeated requests (more than one in any 30 day period) will be closely scrutinized and will be denied if determined by the Company to be avoidable. Make-up time will be paid at the regular base rate plus any shift differential, if the employee's regular assigned shift requires such differential.

Section 2. All time worked in excess of eight (8) hours in one (1) day except "make-up" time, or forty (40) hours in one (1) week and on Saturdays or Sundays shall be considered overtime.

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The first two (2) hours worked in excess of eight (8) hours Mondays through Fridays shall be paid for at one and one-half (1-1/2) times the regular hourly rate, thereafter double the regular hourly rate of pay shall apply.

All hours worked on Sundays shall be paid for at double the regular hourly rate of pay.

All hours worked on nonscheduled work Saturdays shall be paid for at the rate of double the hourly rate.

All hours worked on scheduled work Saturdays shall be paid for as follows:

First eight (8) hours -- time and one-half the regular hourly rate.

Thereafter -- double the regular hourly rate of pay.

The Employer may schedule time and one-half Saturday work not more than twice in any calendar month. All time and one-half Saturday work shall be scheduled for all employees covered by this Agreement, at the location to be worked, such time and one-half Saturday work to be scheduled not later than noon of the preceding Wednesday. This shall not be construed to mean that the Employer shall be precluded from assigning individual employees to overtime work on Saturdays, but shall mean that such individual overtime assignment for work on Saturdays shall be paid for at double the employee's regular hourly rate of pay.

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Probationary employees will be offered overtime after all other employees in overtime area have been offered

Transitional duty employees will be offered overtime if they can perform available work within their restrictions, supervisor will inform employee and Shop Steward of reason if not offered.

Section 3. (a) For the purposes of this Contract "Field Work" shall be that work performed by members of the bargaining unit similar to work performed in the TMP offline area on finished trucks at locations outside Portland, Oregon. Field work assignment shall be by seniority and shall be assigned from the offline.

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(b) Members doing Field Work shall be reimbursed according to all the conditions of this Agreement.

Section 4. (a) For the purposes of this Contract "In-Service Work" is work performed on vehicles which have been sold and placed in service. This does not include new vehicles to which new parts are to be added.

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(b) Employees performing "In-Service Work" will be paid at the rate of pay in effect for the Portland Service Shops contractual employees.

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Section 5. Employees assigned to work the second and third workshifts will receive a premium of $.45 per hour for second shift and $.25 per hour for third shift.

Second shift employees will work eight (8) hours in a period of eight and one-half (8-1/2) consecutive hours (thirty (30) minute lunch period on employees own time).

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Third shift employees will work seven (7) hours in a period of seven consecutive hours with a twenty (20) minute paid lunch period, but shall receive eight (8) hours' pay.

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Pay for time not worked, paid vacation, paid holidays and paid sick leave will be computed as follows: Day shift rate plus premium ($.45 second shift, $.25 third shift) times eight hours.

For the purpose of vacation eligibility (1200 hours) any full seven (7) hour shift will be counted as eight (8) hours. For work less than a full shift, actual hours worked will be counted, except pay provided by Article XXI, Section 2, will be considered as a full shift.

For the purpose of eligibility for medical and dental plans, each full workshift on the third shift (7 hours) will be considered as eight (8) hours. For less than a full shift, actual hours worked will be counted, except pay provided by Article XXI, Section 2, will be considered as a full shift.

Night shift premiums will be determined by the rate in effect on Monday of each work week. For example: An employee who starts the work week on second shift and is transferred to day shift on any following work day, including Saturday, will receive night shift premium, except Maintenance Employees who are provided for by Article V, Section 9.

Section 6. Any employee reporting for work shall be given a minimum of six (6) hours' continuous work or six (6) hours' pay. Employees shall be deemed to have been ordered to work unless notified not to report at or before the close of the previous shift worked, provided, however, in the event of a plant or department shutdown due to an occasion of national or local significance which calls for a temporary shutdown, or due to an emergency beyond the Company's control, the Company shall not be liable for wages to any employee for time lost. "Emergency" shall be defined as a situation resulting from causes such as, but not limited to, fire, explosion, power failure, computer failure, or act of God.

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In case of a weather emergency that necessitates the temporary shut down of the Plant the Company will make every reasonable effort to provide represented Employees with timely and accurate information. The Company actions will include activation of a Hotline

Number (1.800.874.7968) that will enable Employees to obtain periodically updated information about the closure and instructions regarding the resumption of operations. Similar information regarding the temporary interruption of operation will also be provided to the major Portland area television and radio stations.

Section 7. Any employee called back to work after leaving the Employer's premises shall be given not less than four (4) hours' work or four (4) hours' pay, based on overtime rates, time to start at time he is called, allowing a reasonable time to get to the Employers premises. The overtime rates shall be the same overtime rates as would have been in effect had the employee been continuously on the payroll since his regular shifts completion.

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Section 8. Working foremen shall receive not less than ten percent (10%) above the wage scale of their shift and department. Working foremen who have performed successfully on a permanent basis for twelve (12) continuous months or more will not be arbitrarily set back by the Company. A permanently assigned working foreman who has completed ninety (90) or more days on the job and is set back by the Employer shall receive the top production wage rate. An employee who accepts assignment as a working foreman and requests return to his former position will receive the wage rate appropriate to his automatic progression status.

The duties of a working foreman include but are not limited to: Safety instruction, training of employees, guiding employees in work related activities, assignment of work, instructions regarding the use of tools, equipment and the work flow through the department. The above description does not preclude the foreman from assigning a qualified employee from doing any of the above. Working foreman shall not administer disciplinary action. Working Foreman will notify the Shop Steward of all permanent job changes within the area.

Section 9. In the event a maintenance mechanics shift is changed during the week, he shall be paid at the rate of time and one-half (1-1/2) for all hours worked outside of his shift as established at the beginning of the week.

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Section 10: Employees shall have the right to refuse overtime. However, employees accepting overtime assignment who are unable to either report at the scheduled overtime starting time or are unable to work the scheduled overtime, must report their tardiness or absence as per Appendix B & C.

Employees failing to follow the procedure outlined above will be charged with an attendance infraction. The penalty set forth above may be waived by mutual agreement between the Employer and the Union.

Employees who report for overtime in their regular assigned work area have the right to leave without penalty if assigned to a different area.

Section 11. Overtime Assignment Within Regular Assigned Work Area

The Employer shall distribute overtime on an equitable basis among the qualified employees in the "regularly assigned work areas" (hereinafter set forth) when such overtime becomes available. It is understood between the parties that within a "regular assigned work area" there are some employees that may not be qualified to perform all phases of the job; and

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due to the assignment of employees to various work areas and/or shifts it is difficult, and in some instances impossible, to distribute overtime on an equal basis. An employee's total overtime hours worked, in any area, will be considered for computation of overtime on an equitable basis.

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An employee who believes that he has not received a fair share of available overtime shall review the matter with his immediate supervisor and Shop Steward who will investigate any alleged inequity and will take corrective action through immediate future assignments of overtime if their investigation reveals that a bona fide inequity exists in the employees opportunity to receive a fair share of the overtime available in the employee's "regular assigned work area." Records of overtime allotment will be made available to the Shop Steward. This understanding in no way means that any employee will receive pay for overtime hours not worked. However, if after specific corrective action has been committed to by the Plant Manager, Production Manager or Personnel Manager the employee shall receive pay for hours not worked as specifically committed to.

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All overtime records will be zeroed out on June 30, 1997 and yearly thereafter.

Overtime records shall be posted within the regular assigned work area on Monday of each week.

The supervisor or his designee shall ask each employee within an overtime area if they want to work overtime. Employees shall be asked in the order of the lowest number of overtime hours and qualifications to perform the work available. Employees who are asked to work and refuse shall have those hours charged the same as if worked.

When the Employer decides to work the complete department there will be a signal displayed at the supervisor's office visible to the whole department. Employees of the department will then sign a list indicating they will work.

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Overtime Assignment Outside Regular Assigned Work Area

Misassignment of overtime of employees from one overtime "regular assigned work area" to another will require payment of equal time and pay to the person or persons denied overtime assignment.

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The parties agree the "regular assigned work areas" are as follows:

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TMP – "Active List"

Offline
Pre-Paint Cab (Military / FLD)
Pre-Paint Cab (Century Class / Western Star)
Finish Cab
Chassis Start – Pool 1
Axle Assembly – Pool 15
Aeroquip – Valve Buildup
Military Chassis – Pool 21
Mid-line Chassis – Pool 2
Engine Buildup – Pool 13

TMP II – "Active List"

Electric Shop
TMP II Assembly
TMP II Quality Assurance
TMP II Fuel Tank / Welding

Final Chassis – Pool 3
Maintenance
Quality Assurance
Vehicle Inspector

Whenever insufficient numbers of employees are available to work daily (Monday through Friday) overtime from among the employees within a "regular assigned work area" and the Employer needs additional employees to work in that area, employees will be selected on the following basis:

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(a) Within the plant where the overtime is available, on the same shift from any other "regular assigned work area."

(b) Within the plant where the overtime is available, on an alternate shift.

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(c) From the other plant (TMP or PMP).¶

Whenever insufficient numbers of employees are available to work Saturday or Sunday or daily overtime when such overtime is on a scheduled basis from among the employees within a "regular assigned work area" and the Employer needs additional employees to work in that area, employees will be selected on the following basis:

(a) Within the plant where the overtime is available, on the alternate shifts from the same "regular assigned work areas."

(b) Within the plant where the overtime is available, on the same shift from any other "regular assigned work areas."

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(c) From the other plant (TMP or PMP).¶
¶
Section 12. The hourly rates for all classifications shall be as follows:¶
¶
Classification ... [2]

Section 12 ***The hourly rates for all classifications shall be as follows:***

Classification	*6/29/2003*	*7/06/2004*	*7/03/2005*	*7/02/2006*
Tool & Die Maker	*$20.30*	*$21.80*	*$22.30*	*$22.80*
Master Maintenance	*$20.30*	*$21.80*	*$22.30*	*$22.80*
Maintenance Mechanic	*$19.75*	*$21.25*	*$21.75*	*$22.25*
QA Inspector	*$19.25*	*$20.75*	*$21.25*	*$21.75*
Vehicle Inspector	*$19.05*	*$20.55*	*$21.05*	*$21.55*
Journeyman Welder	*$19.05*	*$20.55*	*$21.05*	*$21.55*
Top Production	*$19.05*	*$20.55*	*$21.05*	*$21.55*

Progression	
Hire	*$12.00*
6 Months	*$12.50*
12 Months	*$13.00*
18 Months and Recalled Employees after 7/1/2004 with at least 18 months of seniority	*$14.00*
24 Months	*$15.00*
30 Months	*$16.00*
36 Months	*$17.00*
42 Months	*$18.00*

48 Months	*$19.00*
54 Months	*Top Production Rate*

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Progression - Recalled Employees and New Hires

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All employees on the current recall list who are recalled from layoff after ratification will return at the step last held up to a maximum of the 18 month step. The time required for advancement beyond the step entered after July 1, 2004, will commence immediately after recall/hire and continue to the top rate. This does not apply to active employees who may be laid off and recalled after ratification.

Automatic progression wage adjustments will be computed on the first (1st) day of the pay period following the calendar week in which the employee completed the six (6) month period.

Employees will be credited for all service time on the active payroll of the Employer with respect to the automatic progression schedules herein, including temporary layoffs or leaves of absence of thirty (30) calendar days or less. Employees will not be credited for any service time, when temporary layoffs or leaves of absence exceed thirty (30) calendar days.

At the option of the Employer, new employees with prior experience may be hired at any level of the progression schedules and will thereafter be advanced in accordance with the progression schedule to the maximum production department rate. Rehires with prior Freightliner experience will receive full credit for all prior months of service with respect to the automatic progression schedule.

A Production Department employee assigned to work in the Maintenance Department for two (2) or more hours during his work shift will be paid the Maintenance Mechanic rate for the entire work shift.

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Job Descriptions:

Tool and Die Maker: Constructs and repairs tools, gauges, jigs, fixtures and dies; plans and lays out work from drawings, blueprints, models or other oral or written specifications; uses a variety of tool and die makers' hand tools, precision measuring instruments; understands the working properties of common metals and alloys, setting up and operating most classes of toolroom machines and related equipment; makes necessary shop computations relating to dimensions of work, tooling of machines, feeds and speeds; fits and assembles components of tools, jigs, dies and fixtures to very close dimensional limits; tests tools under actual operating conditions.

Maintenance Mechanic: A qualified and experienced maintenance mechanic who is especially proficient in one or more areas of his trade. Diagnoses and repairs most types of mechanical, electrical, electronic and hydraulic equipment. Understands and operates most types of test equipment used in his trade. Tests equipment under actual operating conditions. Works to close tolerances from blueprints, drawings, written or oral specifications on all machines. Able to move into place, level and line up machines and machine tools.

Plate Shop Setup: A qualified and experienced operator who is able to do all steps in setting up in one or more of the following areas within the plate shop: Punch press, coil feed, strippets and press brake area. Duties include: Logging dies into and out of area; set dies in and remove dies from machines; set machines to run first part; stage dies; order material; assist operators; troubleshoot; schedule jobs; load coils; sharpen tooling; order punches, dies, shims; build up tools for strippets. This position is assigned by the Company.

Vehicle Inspector - TMP: Shall have good overall vehicle knowledge with at least thirty-six (36) months of service at the TMP and have worked a minimum of twelve (12) months in at least two of the following areas: Chassis, Pre-Paint Cab, Finish Cab or Offline; must be able to read, understand and interpret Truck Specifications, Blueprints, Schematics and Parts Books; must have a good understanding of the CRT System as related to truck specifications and truck records. Vehicle Inspector must possess a valid state drivers license.

Journeyman Welder Qualifications: Must be able to read Freightliner prints and understand welding symbols; must be able to effectively weld and operate all T.I.G. & M.I.G. type applications and be capable of welding to meet engineering specifications on drawings and pass quality assurance approval on a consistent basis; must be able to perform efficiently general work associated with burning applications. A majority of the employee's workday must be involved in welding work. Qualifications will be established initially by Welding Department supervision.

Quality Assurance Inspector: Has ability to read, interpret and understand all Freightliner blueprints and specifications. Must be adept with selection and use of metrology equipment. Is familiar with all production areas in plant assigned, and is knowledgeable of requirements imposed by general engineering standards. Department employees must be able to apply and interpret specified sampling plans and statistical process control and be certified by ASQC as Certified Mechanical Inspectors.

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ARTICLE VI. - NON-DISCRIMINATION

It is the continuing policy of the Employer and the Union that the provisions of this Agreement shall be applied to all persons without regard to race, color, religion, national origin, sex, age or disability.

All employees are encouraged to report discrimination and harassment of any nature without fear of retaliation. All employees should refer to the posted Company Policy for further clarification.

ARTICLE VII. - HOLIDAYS

Section 1. Recognized holidays are:

Good Friday
Memorial Day
Independence Day

Labor Day
Veteran's Day
Thanksgiving Day
Day after Thanksgiving

In the 2004 - 2005 Contract year, the Employer agrees to recognize July 5, 2004 and December 24, 27, 28, 29, 30, 31; and January 3, 2005.

In the 2005 - 2006 Contract year, the Employer agrees to recognize December 23, 26, 27, 28, 29, 30; and January 2, 2006.

In the 2006 - 2007 Contract year, the Employer agrees to recognize July 3 and 4; and December 22, 25, 26, 27, 28, 29; and January 1, 2007.

Section 2. Each employee with forty-five (45) or more days of employment covered by this Contract shall receive eight (8) times the regular day shift hourly rate on the above designated holidays upon which no work is performed, irrespective of the day upon which it may fall. The regular shift differential as provided for in this Contract shall be included in the amount of holiday pay to be received by employees regularly scheduled on a second or third shift at the time the holiday occurs.

Section 3. To be eligible for holiday pay, the employee must work the last scheduled workday prior to and the next scheduled workday after the holiday, but an employee's failure to work on such prior or next-following scheduled workday shall be excused for this purpose if due to one of the following reasons:

(a) A personal injury arising out of and in the course of employment with the Employer. Proof of disability is required.

(b) Jury service.

(c) Witness in court.

(d) Approved vacation.

(e) Bona fide illness (provided the employee works during the thirty (30) day period prior to the holiday). Proof of disability is required.

(f) A temporary layoff because of lack of work, providing such layoff is not in excess of thirty (30) days.

(g) An indefinite layoff because of lack of work, within five (5) working days of a paid holiday.

(h) On approved leave of absence in accordance with Article IX.

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(i) Involuntary call up of the employee's reserve unit for military *active duty in the event of local or national emergency for the* first 180 days.

(j) Paid funeral leave.

(k) Special hardship circumstances approved by the Employer.

(l) Employees who retire within fifteen (15) days of the Christmas Shutdown will be eligible for holiday pay.

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Section 4. (a) Any employee who is eligible for holiday pay and who is required to work on one of the designated holidays shall receive additional double time pay.

(b) Employees who work at least five holidays during the Christmas shutdown, or the entire shutdown days offered, whichever is less, shall have two options.

(1) Receive double time pay for all hours worked on the designated holiday, and holiday pay as described in Section two (2).

(2) Receive double time pay for all hours worked on designated holiday, and defer holiday pay as described in Section two (2), with equivalent days off (in consecutive days) to a date selected by the employee, within one (1) year of the holiday.

If option (2) is selected by the employee it shall be put in writing twenty-four (24) hours prior to the last day worked before the holiday, or upon request to work the holiday, whichever is closest to the holiday.

Section 5. Any employee on leave of absence because of an occupational injury shall be entitled to holiday pay, to a maximum of three (3) days, for those holidays specified herein which fall within the first thirty (30) days of authorized leave.

ARTICLE VIII. - VACATIONS

Section 1. Employees will be granted vacations of one (1) week after one (1) year of employment, two (2) weeks after two (2) years of employment, three (3) weeks after five (5) years of employment, four (4) weeks after fifteen (15) years of employment, five (5) weeks after twenty (20) years of employment, and six (6) weeks after twenty-five (25) years of employment.

Section 2. Each week of vacation pay will be based upon either one fifty- second (1/52) of an employee's gross earnings for the prior calendar year as shown on the employee's W-2 statement and computed at the time his vacation is taken OR where an employee has worked 1200 hours or more between his vacation anniversary dates, he shall receive forty (40) times his day shift rate of pay in effect at the time his vacation is taken, including night shift differential if the employee is regularly assigned to the second or third shift, whichever is greater. (See Section 9 regarding pay for single day vacations.)

Section 3. An employee who has worked less than 1200 hours between vacation anniversary dates shall, for each week of vacation he is entitled to by reason of overall service, receive a pro rata vacation with pay in an amount equal to two percent (2%) of the employee's straight-time earnings, including night differential, if any, during the year immediately preceding the vacation anniversary date upon which he becomes entitled to such vacation.

Section 4. If an employee is assigned a vacation week in which a paid holiday occurs, he shall receive eight (8) hours' holiday pay or have the option of an additional day off on the Friday immediately before or the Monday immediately following such vacation, as mutually agreed in advance between the employee and the Company.

Section 5. Vacations must be taken within the year following the anniversary date of employment. One (1) week of vacation may be taken in increments of one (1) full day at a time. In addition, employees whose service time entitles them to at least four (4) weeks of vacation per year may elect to take two (2) weeks in increments of one (1) day at a time. All remaining vacation shall be taken in increments of one (1) week or more. All vacations will be assigned according to seniority. The Employer will allow a maximum of twelve percent (12%) of the employees (a minimum of two (2) employees in areas of eight (8) or more employees in each regular assigned work area on each shift) to take their vacation in any one (1) week.

Vacation schedules shall be posted on a bulletin board on the shop floor within each regular assigned work area. Each employee shall receive a copy of his/her vacation request(s), possessing the signature of his or her immediate Supervisor or Manager. The Chief Steward shall post vacation-scheduling reminders prior to the Christmas shutdown period in all regular assigned work areas. Seniority shall prevail when signing up for vacation and requests must be submitted by the end of the employee's regular shift.

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The following conditions apply:

1. For vacations between February 1 and January 31, employee vacation requests shall be accepted and assigned by seniority during the month of January. During this advanced scheduling period, employees may schedule only those weeks of vacation their annual service time fully entitles them to at the time vacation will be taken. [Carryover weeks from previous years or sick leave used as additional week(s) of vacation may be applied for after February 1.] Each week of vacation shall fall within one calendar week. Once assigned, vacation dates are frozen. Completed vacation lists shall be posted the first working day in February.

Deleted: For vacations between January 1 and January 31, vacations are assigned on a first request basis or to the senior employee if two or more employees request the same week on the same work day.

Due to the constraints of the vacation scheduling timeframe, employees shall be prepared to make their vacation selections by seniority during the following weekly periods:

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First Full Week:	Top 25% Senior Employees
Second Week:	Second 25% Senior Employees
Third Week:	Third 25% Senior Employees
Fourth Week:	Final 25% Senior Employees

Any employee who fails to select his vacation dates when asked may be bypassed. If bypassed, such employee shall be eligible for those vacation dates that remain available at the time he makes his selection. Any employee who knows they will be absent during the selection process may leave a list of their preferences. Employees may choose waiting weeks in lieu of locked week.

2. Of those weeks that remain available on the first working day of February, selected vacation week(s), shall be assigned by seniority and shall be frozen for thirty (30) working days prior to the date of vacation. All vacation requests must be submitted by the end of the employee's regular shift.

3. Vacations requested within thirty (30) days of the selected vacation dates shall be assigned on a first request basis or to the senior employee if two or more employees request the same week on the workday.

4. Employees are encouraged to file vacation cancellations as early as possible. Cancelled vacations shall first be offered to employees on the waiting list and then, shall be posted for one full shift immediately following the date of cancellation and will be awarded to the senior bidder at the end of the shift on the date of posting. A bright colored "Vacation Cancellation Notice" shall be used to announce all vacation cancellations.

The Employer shall strike from the appropriate vacation schedules any/all remaining scheduled vacation time of those retiring employees who will not be returning to active work, providing retiring employee gives the Company thirty (30) calendar days notice prior to start of vacation.

The Employer will not include the vacation time of those employees on personal leave, medical leave, family leave, bereavement leave, or child care leave in the twelve percent (12%) maximum allowable from any area including where employees elect to use accrued vacation time to cover all or any part of such leaves.

Section 6. An employee who has been in the employ of the Employer for sixty (60) days and who is separated from the employ of the Employer prior to the completion of an anniversary year shall be entitled to pro rata vacation pay as follows:

2% of the employee's straight-time earnings since his last vacation anniversary date per week to which he is entitled had he completed the anniversary year.

Section 7. Employees shall, upon ten (10) working days' notice, be paid vacation pay on the last day worked before going on vacation, except during temporary layoffs.

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Deleted: For vacations between February 1 to December 31, employees must submit their requests by January 30. Employees bumped by more senior employees can select alternate vacation dates on January 31. At February 1, listed vacation dates are frozen. Employees who have been bumped from their first choice will be placed on a list within their work area with the bumped week(s) noted. Those employees will be offered the newly vacated week(s) by seniority. Any week of vacation canceled where no one had been bumped will be posted for one full shift following the date of cancellation and will be awarded to the senior bidder.

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Deleted: For weeks between February 1 and December 31, which remain available after bidding and freezing on February 1, selected vacation week(s) will be frozen for 30 working days from the date the vacation was selected.

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Two (2) years but less than five (5) years' service: Four percent (4%) of the employee's straight-time earnings since his last vacation anniversary date;¶
¶
Five (5) years but less than fifteen (15) years' service: Six percent (6%) of the employee's straight-time earnings since his last vacation anniversary date;¶
¶
Fifteen (15) years but less than twenty (20) years' service: Eight percent (8%) of the employee's straight-time earnings since his last vacation anniversary date;¶
¶
Twenty (20) years but less than twenty-five (25) years' service: Ten percent (10%) of the employee's straight-time earnings since his last vacation anniversary date;¶
¶
Twenty-five (25) or more years' service: Twelve percent (12%) of the employee's straight-time earnings since his last vacation anniversary date.¶

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Section 8. In the event of an indefinite layoff, employees will be paid for all accrued vacation. Upon recall from layoff employees will be allowed to schedule up to two (2) weeks vacation without pay as indicated below:

NORMAL ENTITLEMENT	WITHOUT PAY
1 WEEK	NONE
2 - 3 WEEKS	1 WEEK
4 OR MORE WEEKS	2 WEEKS

Scheduling unpaid vacation will be in accordance with other relevant provision of this Article.

In addition, upon written request of an employee who is indefinitely laid off, the Employer will defer payment of any or all accrued vacation for up to forty-eight (48) months following lay off. If the laid off employee subsequently requests deferred vacation pay the Employer shall provide the payment in full at the next regular scheduled payday.

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Section 9. Single days of vacation shall be frozen for up to three (3) working days prior to the selected vacation date (from the first day of two or more consecutive days). However, it is understood that single days of vacation, including those frozen shall not take precedence over full week vacations.

Deleted: Single days of vacation will be paid at the rate of eight (8) times the employees straight-time hourly rate plus shift premium if applicable. Single days of vacation will not take precedence over weekly scheduled or non-scheduled vacation periods. Single days of vacation will be granted, provided they do not exceed the 12% maximum.

Section 10. Scheduled vacation time of those employees voluntarily transferring to another Regular Assigned Work Area shall not be merged by seniority with the vacation time of those employees within that area.

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Scheduled vacation time of those employees involuntarily displaced into another Regular Assigned Work Area shall be merged by seniority with the vacation time of those employees within that area, subject ot the twelve percent (12%) maximum.

Section 11. All claims of vacation overpayment made by the Employer must be presented to the employee within thirty (30) days of the date the alleged overpayment was received.

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ARTICLE IX. - MILITARY DUTY

Employees who are members of a military reserve unit shall be granted leaves of absence without pay to attend annual training or required training if such leaves of absence are requested by the employees.

ARTICLE X. - PAY PERIOD

Employees shall be paid weekly on the same day of each week.

At the Employer's discretion, paychecks and/or pay stubs may be mailed via regular U.S. mail to employee's home address of record, provided that social security numbers are not displayed on the check or stub.

Sixty (60) days notice will be provided prior to transitioning to a mail distribution process.

ARTICLE XI. - SUBLETTING OF WORK

Section 1. In subletting work from the Employer's shop, a Union shop will be given preference where the services or parts are competitive in quality and cost.

Section 2. The Employer will give preference to the use of labor and materials that have not been declared unfair by the Northwest Oregon Labor Council of Portland, Oregon, and the Employer is so notified.

ARTICLE XII. - HEALTH AND WELFARE

Section 1. The Employer agrees to provide for benefits covering Medical, Surgical, Hospital, Disability Income, Vision and Prescription Drugs as set forth in Appendix "A" of this Agreement except as follows:

1. Effective January 1, 1995, Freightliner will provide its Point of Service Medical Care Plan (the POS Plan) with NO PREMIUM CONTRIBUTIONS REQUIRED from covered employees during the life of this Agreement.

2. NO PREMIUM CONTRIBUTIONS are required to maintain the same or equivalent coverage for vision, dental, prescriptions and disability insurance. The Company will maintain these benefits during the life of the Agreement.

3. Employees who elect to retain the Kaiser medical care plan may do so under these conditions:

   (1) Kaiser HMO office visit co-pay increased to $10 on January 1, 2005

   (2) Kaiser HMO emergency room co-pay increased to $75 on January 1, 2005.

   (3) Effective January 1, 1996, and January 1, 1997, the Company will maintain the cost of the Kaiser medical plan benefits.

4. Employees who elect to retain Blue Cross may do so under these conditions:

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(1) Effective January 1, 1996, and January 1, 1997, the Company will maintain the cost of the Blue Cross medical plan benefits.

5. **Effective January 6, 2002**, an employee Health and Welfare monthly premium shall be required as follows:
   $ 40 per month – Employee only
   $ 90 per month – Employee plus one dependent
   $130 per month – Employee plus two or more dependents

The premium payment shall be made by a weekly pre-tax payroll deduction.

6. Increase prescription drug co-pays to $10 / $20 for retail purchases and $20 / $40 for mail order utilization.

7. Increase weekly disability to $250 / first four (4) weeks, $300 / next 22 weeks.

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Section 2. Full time employees will be eligible for medical plan coverage under all plans on the first day of the month after completion of thirty (30) days after hire. Employees recalled from layoff or returning from medical leave, will be eligible for benefits upon return to active employment. Where an employee is indefinitely laid off during a reduction-in-force and receives pro-rata vacation in an amount that would provide eighty (80) or more hours in the next following month, coverage will be extended for one (1) month. The Employer will provide for a two (2) year waiver of premiums for employees on occupational medical leave of absence.

Section 3. The Company will provide medical insurance at the same level of benefits*, integrated with Medicare**, as provided for active employees, except the Time Loss benefit, for Company retirees. Company retirees are defined as those employees who are eligible for retirement from Freightliner Corporation on or after July 1, 1988, normal, early or disability by the current provisions of the Automotive Machinists Pension Trust Fund, and have at least ten (10) years of service with Freightliner Corporation. The Company will provide a waiver of premium for one (1) year following the death of retirees, for dependent spouse and children under 19 years of age.

New Hires after July 1, 2004

The Company will pay for Medicare Part B and Part D upon eligibility after retirement. Freightliner retiree medical benefits will not be available.

Effective 7/1/2001 for future retirees, in the event of the death of an enrolled retiree whose spouse is at least 60 years old at the time of death, medical coverage may be continued at the same cost sharing percentage that was applied prior to the death of the retiree. Such coverage will be discontinued when the surviving spouse reaches age 65.

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*For those employees who retire on or after June 1, 1988, prescription drugs will be provided with a $5.00 co-pay to become effective December 1, 1988.

**Each person who is eligible for Medicare under the Social Security Act shall be considered to have full Medicare coverage. The term "full Medicare coverage" means coverage for all benefits provided under Medicare, including benefits available on an optional basis whether or not the person is enrolled in all portions of Medicare. Medicare will be considered the primary carrier.

Beginning January 1, 1995, retirees will have the same medical care plan options as active employees.

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Cost-sharing for retirees also begins in 1995 for those who retire on or after January 1, 1995. *This means retirees will pay a percentage of the premium cost; Freightliner will* pay the remainder.

The chart below shows the percent of premium that retirees will pay using a combination of age and service: 85 = 100% benefit:

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AGE AND SERVICE MATRIX¶
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AGE ... [3]
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	AGE										
SERVICE	55	56	57	58	59	60	61	62	63	64	65
10	55%	53%	51%	49%	47%	45%	40%	35%	35%	35%	35%
11	51%	49%	47%	45%	43%	41%	36%	31%	31%	31%	31%
12	47%	45%	43%	41%	39%	37%	32%	27%	27%	27%	27%
13	43%	41%	39%	37%	35%	33%	28%	23%	23%	23%	23%
14	39%	37%	35%	33%	31%	29%	24%	19%	19%	19%	19%
15	35%	33%	31%	29%	27%	25%	20%	15%	15%	15%	15%
16	32%	30%	28%	26%	24%	22%	17%	12%	12%	12%	12%
17	29%	27%	25%	23%	21%	19%	14%	9%	9%	9%	9%
18	26%	24%	22%	20%	18%	16%	11%	6%	6%	6%	6%
19	23%	21%	19%	17%	15%	13%	8%	3%	3%	3%	3%
20	20%	18%	16%	14%	12%	10%	5%	0%	0%	0%	0%
21	18%	16%	14%	12%	10%	8%	4%	0%	0%	0%	0%
22	16%	14%	12%	10%	8%	6%	3%	0%	0%	0%	0%
23	14%	12%	10%	8%	6%	4%	2%	0%	0%	0%	0%
24	12%	10%	8%	6%	4%	2%	0%	0%	0%	0%	0%
25	10%	8%	6%	4%	2%	0%	0%	0%	0%	0%	0%
26	8%	6%	4%	2%	0%	0%	0%	0%	0%	0%	0%
27	6%	4%	2%	0%	0%	0%	0%	0%	0%	0%	0%
28	4%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
29	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
30	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Section 4. The Employer agrees to allow self-payment as required by Oregon or Federal statute.

Section 5. The Employer will pay the cost of the benefit plans for employees who are on medical leave of absence for the first six (6) months of such leave subject to the employee's applicable monthly premium.

Section 6. The Employer's premium payments made in accordance with this Article are dependent upon continuation of this Labor Agreement.

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¶
Those who retire between 1995 and 1998 will pay a percentage of the premium share listed in the above table, depending on when they retire. This phased-in cost-sharing is outlined in the table below:¶
¶
¶
YEAR OF RETIREMENT ... [4]

Section 7. Employees who retire and have at least six (6) months of coverage under either Blue Cross or Kaiser may select that retiree coverage.

Section 8. In the event of a layoff, Health Insurance coverage will be continued for six (6) months for all employees who are at the top of the wage progression in any classification at the time of layoff.

Section 9. Effective January 1, 2005, Employees may participate in a Medical Savings Plan (Section 125). Employees who elect to participate will have Wages reduced pursuant to a Wage Reduction Agreement.

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ARTICLE XIII. - PENSION PROGRAM

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Section 1. The Employer shall pay into the Machinists' Pension Plan Fund $596.85 per month, on account of each member of the bargaining unit, or $138.00 per week for each week employed if employed less than the full month, or $27.60 per day if employed less than one (1) week for all days of more than four (4) hours' work, said amount to be computed monthly.

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Effective July 3, 2005, the Employer contribution shall be increased by 20¢ per qualified hour.

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Effective July 2, 2006, the Employer contribution shall be increased by 20¢ per qualified hour.

The total amount due for each calendar month shall be remitted in a lump sum not later than twenty (20) days after the last business day of such month. The Employer agrees to abide by such rules as may be established by the Trustees of said trust fund to facilitate the determination of hours for which contributions are due; the prompt and orderly collection of such amounts and the accurate reporting and recording of such hours and such amounts paid on account of each member of the bargaining unit. Failure to make all payments herein provided for within the specified time shall be a breach of this Agreement.

Deleted: . Effective July 1, 1998, the Employer contribution shall be increased to $441.15588.20 per month, $102.00 136.00per week, or $20.402 per day.¶ ¶ . . Effective July 1, 1999, the Employer contribution shall be increased to $467.10596.85 per month, $108.00 38per week, or $21.6027.60 per day.¶ ¶

Section 2. The Employer agrees to provide payroll deduction for employees' contributions to the Machinist District Lodge 24 Retirement Savings Plan (401K).

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ARTICLE XIV. - DENTAL PLAN

The Employer agrees to provide a plan of dental benefits agreed to in negotiations with the Kaiser Dental Plan as an option, for employees covered by this Contract who have been compensated for eighty (80) hours or more in the preceding month and each month thereafter. The Employer will pay the cost of the benefit plan for employees who are on medical leave of absence for the first six (6) months of such leave. The Employer will maintain the cost of such benefits for the life of the Labor Agreement.

Transition from the I.A.M. Dental Trust to a modified Freightliner of Portland, LLC Dental Plan ($1500 annual maximum and Ø deductible) effective March 1, 2005. Employees (and their dependents) who retire after ratification will be eligible for coverage under the modified Freightliner of Portland, LLC Plan until age 65.

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ARTICLE XV. - PAID SICK LEAVE

Section 1. The Union and Employer agree that unplanned absenteeism is detrimental to the efficiency of the Employer's operations and that, the purpose of paid sick leave is to compensate employees for absences due to bona fide illness or injury only.

Normally, the Employer will not require an employee to present proof of illness or injury to qualify for paid sick leave unless employee is on Attendance Control Policy, pattern, or other circumstance deemed necessary to require proof of bona fide illness. To qualify for any payment, employees must report their absence to the Employer prior to or immediately following (within 30 minutes) the beginning of their regular work shift.

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Section 2. Paid sick leave in the amount of seven (7) days based on a year of service for regular full-time employees shall be granted by the Employer. Paid sick leave will be credited to employees on an accrued basis of (4.66) hours for each completed month of continuous service. Employees shall be eligible to use accrued paid sick leave benefits as earned.

Section 3. Employees off the active payroll due to layoff, personal leave of absence or non-occupational medical leave in excess of thirty (30) calendar days will not accrue paid sick leave benefits. An employee off the active payroll due to an occupational medical leave in *excess of ninety (90) calendar days will not accrue paid sick leave benefits.*

Section 4. Employees are eligible to claim accumulated paid sick leave for each day of absence due to bona fide illness or injury commencing with the first day of absence, in addition, employees may use two (2) hours or four (4) hours of accumulated paid sick leave for a bona fide doctor or dental appointment. To be eligible to use sick leave for doctor or dental appointments, employees must make prior notification at least one (1) day in advance to their supervisor and the employee may be required to verify his appointment. Employees absent due to occupational injury are eligible to draw paid sick leave benefits for any day or days they are not eligible for Workers' Compensation due to the three (3) day waiting period.

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Employees reporting to work who are too ill to continue to work, as determined by the nurse or designee, are eligible to claim paid sick leave for the balance of the shift.

Section 5. One day of paid sick leave shall be defined as eight (8) hours at the employee's regular straight-time rate of pay in effect at the time used, including night shift differential, if the employee is regularly assigned to second or third shift, except as provided in Section 6 of this Article. Paid sick leave shall apply to regular scheduled workdays, Monday through Friday, and only to full days absences, except as otherwise provided in this Agreement.

Section 6. (a) Paid sick leave may be accumulated up to a maximum of fifty (50) days. An employee with fifteen (15) days or more of accumulated paid sick leave may, at his option, request to receive payment for five (5) days of paid sick leave at the time of his next regular scheduled vacation, or take the five (5) days of accumulated paid sick leave as an additional week of vacation. Such accumulated paid sick leave used as vacation pay will be paid at the *shift rate in effect for the employee at the time the vacation is taken. Employees who retire on* early, normal or disability retirement will receive pay for any unused sick leave at the time of such retirement.

Any employee with accrued sick leave of seven days may cash out the excess above seven days.

(b) Employees who terminate for any reason shall receive payment for all accrued unused paid sick leave. In the event of indefinite layoff, employees shall have the option of being paid for all accrued sick leave at the time of layoff or upon termination because of loss of seniority.

Section 7. Upon return to work, an employee intending to claim paid sick leave must fill out and sign a "Paid Sick Leave Request" form. This form must be prepared within three (3) working days after return to work and given to the employee's immediate supervisor. Payment will be made on valid requests within two (2) payroll periods from the time the request form was submitted by the employee. Arrangements will be made by the Employer to provide payment of paid sick leave benefits to employees on prolonged medical absence prior to return to work.

Section 8. An employee with ten (10) or more days of accumulated sick leave shall be entitled to use from one to five days of such sick leave for family emergencies to include hospitalization, accident, elder or child disability care.

Section 9. Up to five (5) days accrued sick leave may be used as funeral leave for the death of a niece, nephew, uncle, aunt or in conjunction with paid funeral leave for any enumerated family member in Article XVI, Section 1.

Section 10. All claims of paid sick leave overpayment made by the Employer must be presented to the employee within thirty (30) days of the date the alleged overpayment was received.

ARTICLE XVI. - BEREAVEMENT LEAVE

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Section 1. An employee shall be entitled to five (5) days' paid leave in the event of a death of an employee's spouse, parent, child, or stepchild.

An employee shall be entitled to three (3) days' paid leave in the event of the death of an employee's stepmother, stepfather, father-in-law, mother-in-law, sister or brother, grandparents, grandchild, brother/sister of spouse, son/daughter-in-law.

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Deleted: stepchild,

An employee shall be entitled to one (1) day paid leave in the event of the death of any other member of the immediate family. Immediate family is defined as a great-grandparent, great-grandchild, stepbrother/sister, stepparents of spouse, and spouse's grandparent.

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Section 2. Paid bereavement leave only may require verification to receive pay.

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Section 3. An employee shall have the option of using up to five (5) days of paid sick leave in conjunction with paid bereavement leave.

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An employee shall be entitled to use up to five (5) days of accumulated sick leave in the event of the death of a niece, nephew, aunt, or uncle and/or to attend the funeral of persons

other than those listed above with whom they have a close relationship. Employees shall notify the Employer in advance of the days they intend to use.

Section 4. Bereavement leave may be paid or taken at employee's option in addition to vacation pay when the funeral occurs during employee's scheduled vacation.

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Bereavement leave may be paid or taken in addition to holiday pay when death occurs during a scheduled holiday.

ARTICLE XVII. - TOOL INSURANCE

In the event of complete loss of all hand tools in the employee's tool box as a result of fire or theft on the Employer's premises, and subject to a $25.00 deductible only, the Employer will replace such comparable tools or, if it so elects, in cash for each such loss, to a maximum of $5,000. Claims will only be honored for tools which have been listed on an appropriate inventory schedule filed with the Employer prior to the loss. The Employer reserves the right to exclude from such coverage tools clearly not needed for the employee's work at the plant. Tools will be checked out when removed from the plant.

ARTICLE XVIII. - MISCELLANEOUS PROVISIONS

Section 1. Authorized Union business representatives shall have access to jobs where members of the Union are at work, it being understood they will first make their presence known to the management and that they will not unnecessarily interfere with the employees or cause them to neglect their work.

Section 2. (a) It shall not be a violation of this Agreement for employees covered by this Agreement to refuse to cross a picket line established by any other Union representing employees in the plant of the Employer, if such employees are engaged in a strike which is properly sanctioned.

(b) It shall not be a violation of this Agreement for an employee to refuse to go through a lawful primary picket line established by a bona fide Union and recognized and sanctioned by the International Association of Machinists and Aerospace Workers, AFL-CIO, and properly sanctioned by the Northwest Oregon Labor Council of Portland, Oregon.

(c) The Union is not in favor of sympathetic strikes and will do everything in its power to prevent them during the term of this Agreement.

Section 3. Except under emergency circumstances, each employee will be given a ten (10) minute rest break on Company time once during each half shift. Employees working overtime prior to or after the regular shift shall have a ten (10) minute break after two (2) hours of overtime or prior to two (2) hours of overtime.

Section 4. No employee shall receive any reduction in benefits or wages as a result of the signing of this Agreement.

Section 5. Supervisors are excluded from the terms and coverage of this Agreement and shall not use the tools of the trade or perform the work normally performed by members of the Union except when such work is performed for the purpose of demonstrating, inspecting, instructing and diagnosing.

Section 6. No employee will be penalized because of unreleased garnishments if they do not exceed garnishments on two indebtednesses within one year. This is true no matter how many times the employee is garnisheed for each of those two indebtednesses.

Section 7. When employees are working overtime and no Shop Steward is working, the Union may notify the Employer of their designation of one of the employees working as temporary Shop Steward.

Section 8. At the Union's request, the Company will provide a meeting place for Shop Steward meetings at times mutually agreeable.

Section 9. The Company will make a consistent effort to issue warnings or discipline, including attendance, within 15 days of the alleged infraction. All letters of warning or discipline, including attendance that are issued through the postal system shall be delivered exclusively through Registered or Certified Mail.

Warning letters unrelated to attendance problems will be reviewed by the Employer at the request of an employee after six (6) months from date of issue and may be subject to the grievance procedure.

Section 10. The Employer shall provide three (3) bulletin boards at the Electric Shop and twelve (12) bulletin boards at the TMP for posting of the following types of notices:

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(a) Union recreational and social activities

(b) Union elections

(c) Union appointments and results of Union elections

(d) Union meetings

(e) Such other notices as may be mutually agreed upon by the Union and the Employer

Section 11. (a) When the number of employees available is in excess of the Employer's needs to conduct inventory, employees may lay off for the day in order of seniority. Senior employees who desire the one (1) day layoff shall notify the Employer at least ten (10) working days in advance. It is understood that in some instances all employees will be needed and will be expected to be at work on the day of inventory.

(b) When inventory is conducted on a day other than a regular workday the employees will be offered the opportunity to work by seniority within the regular assigned area where the inventory is conducted. It is understood that when inventory has been completed within a regular assigned work area, employees may be assigned to work in other areas.

Section 12. Any employee required to take an eye examination as scheduled by the Company due to laser machine operation will receive time off with pay or straight-time pay for the duration of the appointment.

Section 13. Any employee required to appear as a witness subpoenaed by the Company or any other party to a legal proceeding to which the employee is not a party will receive paid time from work or straight-time pay as required to satisfy the subpoena.

Section 14. No leaves will be granted for incarceration. Employees who are absent for three (3) or more days due to incarceration will be terminated. An employee who was terminated for

incarceration and later found "not guilty" by a court of law, will be reinstated with his original seniority date. Such reinstated employee will receive past service credit only for vacation and automatic progression purposes.

ARTICLE XIX. - GRIEVANCE PROCEDURE

Section 1. It is the intention of the parties hereto to submit all the disputes arising out of the terms of this Contract to the grievance procedure as outlined below. During the term of this Contract there shall not be a cessation of work on the part of the employees nor any lockout on the part of the Employer.

Section 2. Any employee or Union grievance must be submitted in writing and properly signed by the employee or Union official claiming to be aggrieved within ten (10) working days of the date upon which the event or events alleged to constitute the grievance were first known or should have been known to the employee or Union official; except that any grievance alleging unjustified termination or misapplication of layoff must be submitted within three (3) working days.

Where grievance-handling activity occurs during regular working hours, the Shop Stewards will not lose pay. It is understood that the time so spent will be reasonable. Where such activities extend beyond the regular working hours, overtime pay will only be given upon prior consent of the Employer. The Employer will grant time to handle grievances upon request of the Shop Steward. When circumstances prevent the immediate release of a Shop Steward to handle grievances, such request will be granted within a reasonable time.

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Section 3. In the event that the parties shall be unable to adjust any grievance or dispute arising under the terms of this Contract, the following steps shall be taken:

Step 1. It shall be taken up between the employee's immediate supervisor and the Shop Steward. If no settlement is reached within three (3) working days, the grievance will be referred to Step 2.

Step 2. It shall be taken up between the Personnel Manager, or designee, and the Union Representative, who shall use their best effort to resolve the dispute or grievance. The Union may call the grievant and shop steward involved to support their position. The Employer

Representative will give a written answer within ten (10) working days. If no agreement can be reached, the Union may advance the grievance to Step 3 within ten (10) working days.

Step 3. In the event the Union wishes to proceed with Step 3, the Union shall make their request in writing, with a copy of the grievance to the Plant Manager, for arbitration by a third party. The arbitrator shall be chosen mutually by the Employer and the Union. The decision of the arbitrator shall be final and binding upon both parties.

In the event the Employer and the Union are unable to agree upon the selection of a third party within ten (10) working days from a written demand for arbitration, the office of the Federal Mediation and Conciliation Service shall be petitioned to submit a list of names of five (5) proposed arbitrators. The Employer and the Union shall each alternately strike from this list

the names of the proposed arbitrators, one at a time, until only one (1) name remains on the list. The name of the arbitrator remaining on the list shall be deemed as accepted by both parties.

The decision of the arbitrator shall be rendered in writing within thirty (30) calendar days after the close of the hearing or the date for submission of written briefs.

The decision of the arbitrator shall be final and binding upon both parties, but the arbitrator shall have no power to render a decision which adds to, subtracts from, or modifies this Agreement. The fees of the arbitrator and the necessary expenses (exclusive of payment to witnesses) shall be borne by the party whose position is not upheld by the arbitrator's decision. In the case of a compromise decision, the arbitrator shall decide on the distribution of his fees. Each party shall pay the fees of its own counsel or representative. If an employee-witness is called by the Employer, the Employer will reimburse him for the time lost. If an employee-witness is called by the Union, the Union will reimburse him for time lost. Non-employee witnesses will be compensated by the party requesting his appearance.

In the event an arbitrator is selected and a hearing date is scheduled and agreed upon by both parties and either party subsequently cancels such hearing, the party so canceling shall pay any cost assessed by the arbitrator.

Board of Adjustment Alternative

A pool of panel members will be created through a joint training session. The pool will consist of an equal number of Union and Company panel members.

For grievances concerning suspensions, termination (except for attendance control program violations) or misapplication of layoff or recall, the grievance shall be referred to a Board of Adjustment consisting of two (2) Company panel members selected randomly from the pool and two (2) Union panel members selected randomly from the pool. Other grievances will be heard by mutual agreement of the Company and the Union.

The Board of Adjustment will hear the grievance.

A majority decision by the Board shall be final and binding on all parties. In case of a deadlock, the Union may refer the grievance to arbitration by serving notice to the Company within ten (10) days of the Board's decision.

Section 4. It is understood that the Union will be the moving party in each step of the grievance procedure. Grievances not advanced to the next step within the time limits of this Article shall be considered withdrawn. Time limits in this Article may be extended upon mutual agreement in writing between the Company and the Union.

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ARTICLE XX. - JURY DUTY

Section 1. When an employee covered by this Agreement is called upon for jury service in any municipal, county, state or federal court, he shall advise the Employer immediately upon receipt of such notification. If the employee is thereafter taken from his work for such service he shall be reimbursed to the extent provided herein for loss of wages resulting from performance of such service.

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Section 2. The amount of jury pay shall be computed by calculating the amount of pay the employee would have received (up to a maximum of forty (40) hours straight-time in any week, or eight (8) hours straight-time in any day) had he not been called for jury duty. To receive jury duty pay, the employee shall make a written request together with supporting evidence of his jury service.

Section 3. *To be entitled to such reimbursement the employee who reports for jury duty and* who is excused within the normal hours of his regularly scheduled shift must report immediately to his Employer to determine if work is available to him.

Section 4. Any employee who is placed upon a jury panel shall be transferred to the day shift for the period of time for which he may be subject to call for jury duty.

ARTICLE XXI. - SAFETY AND SANITATION

Section 1. Facilities and Compliance with Laws. The Employer shall comply with all rules and regulations established by OSHA (Occupational Safety and Health Act), and with any other federal and state safety and health laws where applicable. The Employer shall maintain safe and sanitary conditions in plant facilities and shall provide ventilating systems as required by law.

Section 2. Industrial Accidents. All occupational injuries, no matter how slight, must be reported by the employee to his supervisor at the time the injury occurs. An employee injured on the job, which injury does not permit his continuing to work, shall be paid for the balance of his shift.

Section 3. A Safety Committee will be established consisting of all Union Stewards on each shift at each plant and members of the Employer's management. Meetings will be held monthly in an effort to find solutions to safety problems including ergonomics. The Union may designate one representative from the second and third shifts to attend the monthly meetings. The Employer shall compensate second and third shift representatives for attending at the employee's straight-time rate of pay (a minimum of two (2) hours). Shop Stewards from all three shifts may

attend the monthly safety meeting. Swing and graveyard Shop Stewards shall be compensated for attending meetings at the straight-time rate of pay. Attendance is voluntary.

Section 4. The Company will replace welding leathers as needed, and provide protective clothing for the grinding department as needed.

ARTICLE XXII. - LABOR/MANAGEMENT PRODUCTIVITY COMMITTEE

A labor/management productivity committee will be established consisting of all shop stewards, the plant manager and the business representative. The meetings will be held on an ad hoc basis. Day shift employees attending said meetings will be coming off the job for the meetings with no loss of pay. Second and third shift employees will be coming prior to their

shift to attend said meetings, with straight-time pay for the time of the meeting. The agenda of the meeting will be limited to new orders, new machines/equipment, new technology, productivity problems/warranty problems, production increases/decreases, plant expansions, other items of interest that affect the majority of employees. The Company and the Union will each supply a proposed agenda of items to be discussed two (2) weeks in advance of the meetings. No grievances of record will be discussed at said meetings.

ARTICLE XXIII. - MANAGEMENT RIGHTS

All management rights not expressly curtailed or surrendered by this Agreement are reserved to the Employer. The Employer's rights may not be exercised in a manner which conflicts with the expressed provisions of this Agreement. Such exercise may be made the subject of a grievance under Article XIX herein.

ARTICLE XXIV. - SEVERANCE PAY

In the event of a permanent shut down of the Portland plants, the Employer shall negotiate with the Union on severance pay.

ARTICLE XXV. - DURATION OF AGREEMENT

Section 1. This Agreement, signed this ____ day of July 2004, shall become effective as of the sixth day of July, 2004, and shall remain in effect until the thirtieth day of June, 2007, and thereafter until either party serves a sixty (60) day written notice on the other specifying a desire to modify or terminate this Agreement. Should neither party give such sixty (60) day notice, this Agreement shall remain in full force and effect until such notice is given and for sixty (60) days thereafter.

Section 2. Within ten (10) days after receipt of said notice, the parties to this Agreement shall begin negotiations.

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For Employer:	***For Union:***
Scott W. Evitt	*Steven C. Hillesland*
Brian Mooers	*Joe Estes*
Trudy Houghton	*Joe Kear*
	Ronald C. Flowers
Mark Dolan	*Gary Payne*
	Carroll Wikander
Mike Heller	*Frank Hole*

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LETTER OF INTENT

July 6, 2004

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The employee's personnel folder contains important information, some of which concerns rate of pay, job classification, workstation, disciplinary action, marital status, number of dependents, etc.

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Because this information is of vital importance to the Employer as well as to the employee, it is necessary that it be kept current, accurate and complete. To this end, it is the intent of the Employer, upon request of the employee, to share this information with the individual concerned.

No information of a personal nature will be communicated to anyone other than the requesting employee.

MEMORANDUM OF UNDERSTANDING

July 6, 2004

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Transfers occasioned by a reduction in force, where an employee is required to purchase new tools at the Company's request and the employee is returned to his former job within ninety (90) days, may, at his option, have unneeded tools purchased by the Company under the following conditions:

1. The employee shows proof of purchase of tools as required by the Company; and

2. The tools to be purchased by the Company are in good condition.

MEMORANDUM OF UNDERSTANDING

July 6, 2004

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It is agreed that any bona fide use of sick leave days will not be counted in any review of an employee's attendance record over the prior twelve (12) months from the time of the review. It is understood that such days that are not to be counted will have been days which have otherwise qualified by the terms of the Agreement and have been paid for by the Employer.

LETTER OF INTENT

July 6, 2004

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The Employer and Union agree that the following is the intended application of the provisions of Article III, Section 7. The Employer when granting Area Transfer Requests to fill permanent area vacancies and not where Employer requirements are filled through temporary assignments will be guided by the following in the order set forth below:

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1. Employees temporarily transferred out of their "regular assigned work area." [Section 7(d) and 7(g)]

2. Employees on the active payroll who have previously been displaced (over 90 days) through a reduction in force.

3. Employees on the active payroll with Area Transfer Requests on file.

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4. Employer assignment where there are no Area Transfer Requests on file. [Section 7(g)]

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5. Employees being recalled. [Section 7(f)]

6. Employees newly hired.

LETTER OF INTENT

July 6, 2004

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The following sets forth the provisions of an understanding reached in negotiations with reference to subcontracting by the Employer. Because of the fears expressed by the Union that the Employer would subcontract work that could be performed by the Employer's employees during a period when employees are on layoff, the following assurances are given:

It is not the intent of the Employer to subcontract work customarily performed by the Employer in the Portland plants with its own employees, during a reduction in force, or which would directly result in a reduction in force.

Additionally, employees of another employer will not perform bargaining unit work in the Portland plants which is not currently being performed or has not been performed in the past.

It should be understood that in some instances subcontracting involves considerations of production schedule, the lack of machinery and/or equipment or economic factors that will compel management to subcontract some functions. On the other hand, it is generally to the Employer's advantage to perform as much of the work with its own employees as possible.

During the 1997 Negotiations, it was further agreed that the Company will keep the Union informed of work that is normally performed by bargaining unit employees that is being considered for subcontracting prior to awarding a contract. If the Union feels that such work is within the capability of the bargaining unit and can be feasibly and competitively performed by bargaining unit employees, representatives of the Company and the Union will meet together as a joint labor/management subcontracting committee to discuss this possibility.

MEMORANDUM OF UNDERSTANDING

July 6, 2004

Apprenticeship

There will be a joint Labor and Management Apprenticeship committee at the TMP comprised of an equal number of each side.

Committee members shall be selected from within the Company and shall include the Machinist Union Business Representative and the Plant Human Resources Manager.

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MEMORANDUM OF UNDERSTANDING

July 6, 2004

Americans with Disabilities Act

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Effective July 26, 1992 the parties agree to fully comply with the Americans With Disabilities Act (ADA). Any contractual provision which conflicts with ADA will be considered null and void with respect to such compliance.

MEMORANDUM OF UNDERSTANDING

July 6, 2004

Federal Family Medical Leave Act of 1993

The parties recognize, understand and agree that the Federal Family Medical Leave Act, 107 Stat 6, 29 USC 2601, took effect on February 5, 1994, for the Employer's bargaining unit employees represented by the Union. The parties agree that the provisions of the statute supersede any conflicting provisions of the Agreement as interpreted and applied by the Employer. The Employer's efforts to comply with its obligations under the Federal Family Medical Leave Act shall not be subject to the Grievance and Arbitration provisions of the Agreement.

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MEMORANDUM OF UNDERSTANDING

July 6, 2004

Prescription Safety Glasses

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The Company agrees to pay the cost, up to the maximum specified below for an employee's prescription safety glasses on an as needed basis with the following limitations and conditions:

1. Payment will be made to a maximum of $100;

2. Payment will be made no more frequently than once every 12 months to the maximum for a complete set (frames and lens) or either replacement frames or lens;

3. Payment may not include tints, coatings, or photo-grey lens;

4. Employees shall be responsible for payment of any balance beyond the approved maximum allowable to be paid by direct invoice from authorized vendors and will be required to either pay or authorize payroll deduction for such amount prior to receipt of glasses;

5. Employees must present a photo badge to authorized vendors indicating that they are an employee of the Truck Manufacturing Plant, Parts Manufacturing Plant, or Corporate Warehouse;

6. Authorized vendors for direct invoicing are:

Crown Optical
2933 E. Burnside Street
Portland, OR 97214
503.232.5006
Hours: 9 – 5 pm Monday thru Friday
9:30 am – 1 pm Saturday

Gibson Safety
12035 N.E. Marx Street
Portland, OR 97220
503.256.4727
Toll Free Number: 1.800.231.6439
Hours: 9 – 6 pm Monday thru Friday

North Portland Optical
3246 N. Lombard
Portland, OR 97217
503.285.1671
Hours: 9 – 5 pm Monday thru Friday

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Prescription Safety Glasses – *Continued*

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7. Glasses, frames or lenses may be purchased at any other dispenser of ANSI-approved safety glasses. Employees must have their glasses checked by their Plant's Occupational Health Nurse who will forward their invoice for direct reimbursement to the employee for the maximum allowable amount.

LETTER OF UNDERSTANDING

July 6, 2004

Joint Contract Explanation Meeting

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After ratification of a renewed collective Agreement, the parties agree there will be a joint meeting between the Union and its Shop Stewards and the Company and its Managers and Supervisors to review new provisions of the Agreement. All Supervisors and Managers are required to attend.

In order to acquaint new supervisory personnel with the application of the contract, a training session will be arranged with the appropriate Stewards and Chief Steward and any other personal Management desires, which will last no less than one hour and which will be held within one month of the placement of the new Supervisor or Manager in the Portland Truck Manufacturing Plant.

To the extent necessary and by mutual agreement, additional meetings will be jointly conducted on an annual basis to facilitate harmonious labor relations.

MEMO OF UNDERSTANDING

July 6, 2004

Revised Freightliner of Portland LLC Tuition Reimbursement Program

The previously suspended Tuition Reimbursement Policy for employees will be replaced with a new Corporate-wide program effective January 1, 2005.

General Guidelines:

Specific Guidelines:

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Deleted: <#>Employees must have one year of continuous service to qualify for program approval.¶
¶
<#>Employees in approved degree programs must take a minimum of three (3) credit hours per term to maintain active status.¶
¶
<#>Employees may take up to 12 credit hours per term.¶
¶
<#>Employees who successfully complete pre-approved tests for professional certification programs will qualify for reimbursement.¶

Deleted: <#>Freightliner is in the process of negotiating discounted tuition rates (based on rates charged by state schools) with local colleges and universities.¶
¶
<#>Employees will be reimbursed up to the discounted tuition limit based on grades earned.¶
¶
<#>Reimbursement is based on the course grade received as follows:¶
¶
For undergraduate courses: ... [5]

LETTER OF UNDERSTANDING

July 6, 2004

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With regard to the Company's Drug and Alcohol Policy which allows for one opportunity for treatment for a drug or alcohol dependency via a "last chance agreement", it is agreed between the parties that one additional treatment opportunity will be allowed under the following conditions:

1. The employee was a prior "last chance" participant who has satisfactorily completed the program and the agreement has been terminated;

2. The employee is not beyond Letter 1 for progressive discipline under the Attendance Control Program;

3. The employee is not otherwise subject to discipline under established standards of conduct, job performance, or other plant rule;

4. The employee signs and abides by a second "last chance agreement".

It is understood that an employee who fails to meet all of these conditions at the time a second treatment opportunity is requested or required will not qualify for the second opportunity and employment will be terminated for violation of Company policy.

MEMORANDUM OF UNDERSTANDING

July 6, 2004

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As agreed to in negotiations, the Company will provide payroll deduction for employee contributions to the Machinists Non-Partisan Political League (MNPL). Such deductions will be made upon receipt of a written request by an employee covered by this Agreement. The Union shall be solely responsible to each employee for monies so deducted and remitted.

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LETTER OF UNDERSTANDING

July 6, 2004

Chief Shop Steward

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The Company and the Union agree to the appointment of one Chief Shop Steward on a trial basis under the following conditions:

1. The trial period shall be for one year and may be discontinued thereafter upon mutual agreement between the Company and the Union;

2. The Chief Shop Steward will be utilized for one day per week* with the flexibility to work any day of the week and shift as necessary; and,

3. Specific duties of the Chief Shop Steward are to be determined.

* *Two days per week effective 7/1/2002 and three days per week effective 7/1/2003*

LETTER OF UNDERSTANDING

July 6, 2004

Master Maintenance Apprentice Program

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The Joint Apprenticeship Committee will develop a Master Maintenance Apprenticeship Program. The pre-requisite to entering the program will be (1) completion of a state-approved maintenance apprenticeship or equivalent and two (2) years experience at Freightliner as a maintenance mechanic (not inclusive of apprenticeship time).

All maintenance mechanics who satisfy the pre-requisites shall be offered the opportunity by seniority to participate in the Master Maintenance Apprenticeship.

LETTER OF UNDERSTANDING

July 6, 2004

Continuous Improvement Team Assignments

The Company and the Union agree to mutually support employee involvement in projects aimed at improving process and product quality. It was further discussed and agreed that Continuous Improvement Teams (CITs) would be formed and used for continuous improvement assignments, as the Company deems appropriate. The Union may also recommend improvement projects and participants for the Company's consideration.

CIT teams can be comprised of management representatives and employees from any plant Union. The duration of these temporary assignments will vary depending upon the scope of the project and the need for each individual's contribution. Upon completion of the assignment the employee will be returned to the area from which he/she was temporarily re-assigned.

The Company will consider all applicants in the selection of CIT team members. However, participation is voluntary. Employees who are interested in participating should submit a written request to participate to the Quality Assurance Manager. At the employee's request, the Company will advise employees who were not selected of reasons for selections that were made. The following attributes will be considered in the selection of CIT team members.

- Seniority
- Specialized Job Knowledge
- Operations Experience
- Mechanical Aptitude
- Verbal Communication Skills
- Written Communication Skills
- Ability to Interface with All Levels of Employees
- Interpersonal Skills and Attitude

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LETTER OF UNDERSTANDING

July 6, 2004

Attendance Control Program

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JULY 1, 1997¶

The Company and the Union mutually agree that the current Attendance Control Program is a reasonable work rule.

Employees' regular attendance on the job is a vital importance for the efficient operation of the Company's business. Disruption of established work schedules due to excessive absenteeism and tardiness places a heavy burden on fellow employees as well as on the planning necessary to achieve production goals. The Union pledges its support for the Company's effort to maintain acceptable standards of attendance and to provide for fair and consistent treatment of employees receiving corrective action for excessive absenteeism.

The parties agreed to continue discussions to modify the current program if and when necessary.

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LETTER OF UNDERSTANDING

July 6, 2004

Vacation Carryover Practice

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Article VIII, Section 5 states that vacations must be taken within the year following the anniversary date of employment. However, a long-standing practice of permitting carryover of unused vacation does exist. During the 1997 Negotiations, it was agreed that employees hired after July 1, 1997 will be required to take vacations within the year following their anniversary date of employment and such requirement will be strictly enforced.

LETTER OF UNDERSTANDING

July 6, 2004

Power Blackout

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The following sets forth an understanding reached in negotiations with reference to power blackouts at the Portland TMP.

The Union and the Company recognize that power blackouts beyond the control of the Company are possible during the term of the Labor Agreement.

Under these circumstances, it is the intent of the parties to meet when necessary to negotiate conditions beyond those provided for in the current C.B.A.

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July 6, 2004

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Wage Attachments

Upon ratification and on a prospective basis, the Company may recover some administrative cost for processing wage attachments subject to the following:

$5.00 monthly administrative fee for each bona fide child support court order;

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$1.00 processing fee for each week of each wage garnishment

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July 6, 2004

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New Items

The Company and the Union to continue discussions regarding the HPWO Program.

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July 6, 2004

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Protection of Rights

The Employer will promote and is committed to a workplace atmosphere that provides openness and mutual respect for all its employees.

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LETTER OF UNDERSTANDING

July 6, 2004

New Miscellaneous Attachments

The Parties Agree to the Following:

1. Attendance Control Program

A. Change Suspension to Written Warning in Lieu of Suspension.

B. Change 60 to 90 for unexcused absences and tardies / short times.

2. FMLA and OFLA

Employees will not be required to use vacation or sick leave for their own serious health conditions that qualify for FMLA

3. Vacation

A. Employees who are entitled to five (5) or more weeks of vacation may take up to three (3) such weeks in single day increments, subject to all current contract requirements and practices (maximum group percentages, mutual agreement, etc.

B. When vacation is taken during a holiday week, the additional day off will not be counted in the vacation percentages in the week it is taken.

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LETTER OF UNDERSTANDING

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July 6, 2004

Plant Closures

This will confirm that during the term of the 2004 – 2007 Collective Bargaining Agreement, Freightliner of Portland, LLC does not intend to close the Portland Truck Manufacturing Plant. It is understood that conditions may arise that are beyond the control of the Company, e.g., act of God, catastrophic circumstances, or significant economic decline. Should these conditions occur, the Company will discuss such conditions with the International Union.

LETTER OF UNDERSTANDING

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July 6, 2004

Benefits Committee

During the 2004 negotiations, the Employer and Union discussed the need for ongoing dialogue involving cost containment, improvement and ways to effectively utilize the benefits programs. To accomplish that, it has been agreed that there will be established a Joint Benefits Committee (JBC).

The Committee shall be comprised of two Company representatives and one representative from each Union. They shall meet at mutually agreed upon dates and times.

LETTER OF UNDERSTANDING

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July 6, 2004

Internet Access Discount

Company to use best efforts to obtain America On-Line (AOL) or through Freightliner Purchasing group discount rates. If cut-rate access is available, it is understood that individual subscriber's fees and cost will be paid direct by the individual employee.

APPENDIX "A"

HEALTH AND WELFARE BENEFITS
BLUE CROSS-BLUE SHIELD

Employee and Dependent Coverage	$1,000,000 Maximum:
Major Medical Benefits	$100 Deductible 80% to $2,500; balance at 100% - Maximum Family deductible per year $300.
Service:	Coverage:
Office Call	80% - 100%
Hospital Call	80% - 100%
Home Call	80% - 100%
X-Ray & Lab Fee	80% - 100%
Surgery	80% - 100%
Asst. at Surgery	80% - 100%
Anesthesiologist	80% - 100%
Hospital Room	80% - 100%
Hospital Extra	80% - 100%
Pregnancy	80% - 100%
Additional Accident Benefit	80% - 100% (No Deductible)
Ambulance	80% - 100%
Emergency Room	80% - 100%
Radiotherapy Procedures	80% - 100%
Chiropractors	80% - 100%
Alcoholism	80% - 100% ($6000 Maximum within 24 months)
Prescription Drugs	$1.00 Co-Pay (Effective January 6, 2002, $10.00 Generic, $15.00 Brand – Applies to all Health Plans)
Weekly Disability: Employee Only	
Begins, Accident	1st Day
Begins, Illness	4th Day
Weekly Benefits	$250- 1st Four Weeks
	$300- Next 22 Weeks
Vision Coverage: Employee and Dependent	
Examination	$40.00
Lens	
Singles (each)	$20.00
Bifocal (each)	$37.50
Trifocal (each)	$40.50
Lenticular (each)	$60.00
Frames	$45.00
Contact Lens*	$150.00 each*

(Contacts covered at single vision lens rate unless required following cataract surgery)

Benefit Period	**1 set lenses & frames per year if under 17 **1 set lenses & frames every 2 years if over 17
Retiree Medical -	Major Medical and Vision Benefits Prescription Drugs $5.00 Co-Pay 12/1/88
Hearing Aid	Effective January 1, 1998: non-investigational or non-experimental services prescribed by licensed physician or licensed audiologist. Claims paid at 80%. Limit $800/any three (3) year period.

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EMPLOYEE LIFE INSURANCE

The Company will provide $60,000 life insurance to each employee, at no cost, with a two year waiver of premium for medical absences.

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APPENDIX B

Daily Absence

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EMPLOYEE REPORTING REQUIREMENTS

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Each day of absence ***must*** be reported using the ***TIPS*** call-in system.
(Wallet sized cards are available in Payroll)

TMP Employees: 503-745-5553

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The system will not accept or record your absence if you do not call before or within 30 minutes after shift start. Your failure to call within this time will be considered an unreported absence.

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MEDICAL LEAVE OF ABSENCE (INITIAL)

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EMPLOYEE REPORTING REQUIREMENTS

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If an absence due to personal illness or injury extends to 3 days, you must personally contact the nurse at the plant in which you work.

TMP Employees: 503-745-7130
503-745-7138

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This personal contact must be made prior to the end of your shift on or before the third workday to request a medical leave of absence and to provide proof of disability.

Only employees who are hospitalized, bedridden, or immobilized will be allowed to provide proof of disability at the first opportunity beyond the third day. Medical documentation must specify the cause of inability to provide documentation by the end of the third day.

Medical documentation may be faxed to:

TMP Employees: 503-745-6243

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DISCIPLINE

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In all instances, it is the employee's responsibility to personally make the required call and to ensure that medical documentation is provided as required.

Failure to follow each of these reporting requirements the first time will result in a Warning Letter. A second failure to report as required will result in a second Warning Letter. A third failure to report as required will result in discharge.

MEDICAL LEAVE OF ABSENCE – *Continuing*

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EMPLOYEE REPORTING REQUIREMENTS

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To maintain your medical leave status you must personally contact the nurse at least once each work week and provide proof of continuing disability by the end of your shift upon expiration of your current proof of disability. Weekly contact may be waived in writing.

As an example, your disability slip states, "off work (or disabled) from 1/10 through 1/15". You are expected to return to work on 1/16 or provide proof of continuing disability by the end of your shift on 1/16.

TMP Employees:	**503-745-7130**
	503-745-7138
Fax:	**503-745-6243**

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Failure to return to work or provide proof of continuing disability as required will remove you from medical leave status and require you to follow the Daily Absence reporting requirements.

DISCIPLINE

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Failure to follow each of these reporting requirements the first time will result in a Warning Letter. A second failure to report as required will result in a second Warning Letter. A third failure to report as required will result in discharge.

FAMILY LEAVE

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OREGON FAMILY LEAVE ACT (OFLA) AND FAMILY MEDICAL LEAVE ACT (FMLA)

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EMPLOYEE REPORTING REQUIREMENTS

An employee requiring family leave must notify the Company as soon as the need for leave is known but no later than end of shift on the second day of absence. (All leaves must be approved by Human Resources Management at TMP).

MEDICAL VERIFICATION

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- **For Sick Child Leave** medical verification is required after the third day leave is taken for this purpose (not sequential and may be a different child) in any calendar year.

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- **For a Serious Health Condition** for you or any eligible close family member, medical verification of the condition requiring the leave is required within 15 days of the Company's written request. A form of "Certification of Health Care Provider" will be provided to you for the purpose of obtaining that verification, if you have not previously provided satisfactory medical verification.

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A serious health condition is defined as:

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- In patient care
- Critical illness or injury diagnosed as terminal or which poses an imminent danger of death
- Conditions requiring constant or continuing care
- Permanent or long-term incapacity due to a condition for which treatment may not be effective (such as Alzheimer's disease, severe stroke, or terminal stages of disease)
- Absence for pregnancy related disability
- Absence for prenatal care
- Multiple treatments for conditions that if not treated would likely result in incapacity of more than three days

- **For parental leave** due to a newborn, newly adopted or newly placed foster child. Parental leave must be taken in on continuous block of time. Documentation to support the leave must be provided within 5 days of the Company's request.

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ELIGIBILITY

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The eligibility requirements of ***OFLA*** and ***FMLA*** are different:

OFLA

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Employees are eligible for ***OFLA*** if they have been employed for 180 days preceding the start of leave and, during the period of such employment they have averaged 25 hours of work per week.

FMLA

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Employees are eligible for ***FMLA*** if they have been employed for 12 months preceding the leave and have worked a total of 1250 hours within that 12-month period.

DISCIPLINE

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An employee who fails to provide the required notice and/or medical verification in the times required under this policy, will receive a written Warning Letter. An employee who fails to provide the required notes and/or medical verification in the time required by this policy a second time will receive a second Warning Letter. Any employee who violates this verification process after two written warnings will be discharged.

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TRUCK MANUFACTURING PLANT - continued

Maintenance
Quality Assurance
Military Chassis

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(c) From the other plant (TMP or PMP).

Section 12. The hourly rates for all classifications shall be as follows:

Classification	*7/1/01*	*6/30/02*	*6/29/03*
Tool & Die Maker	*$22.10*	*$22.65*	*$23.20*
Master Maintenance	*$22.10*	*$22.65*	*$23.20*
Maintenance Mechanic	*$21.55*	*$22.10*	*$22.65*
QA Inspector	*$21.25*	*$21.70*	*$22.15*
Vehicle Inspector	*$21.05*	*$21.50*	*$21.95*
Journeyman Welder	*$21.05*	*$21.50*	*$21.95*
Plate Shop Setup	*$21.05*	*$21.50*	*$21.95*
Top Production	*$21.05*	*$21.50*	*$21.95*

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AGE AND SERVICE MATRIX

	AGE							
SERVICE	**62**	**61**	**60**	**59**	**58**	**57**	**56**	**55**
30	0	0	0	0	0	0	0	0
29	0	0	0	0	0	0	0	2
28	0	0	0	0	0	0	2	4
27	0	0	0	0	0	2	4	6
26	0	0	0	0	2	4	6	8
25	0	0	0	2	4	6	8	10
24	0	0	2	4	6	8	10	12
23	0	2	4	6	8	10	12	14
22	0	3	6	8	10	12	14	16
21	0	4	8	10	12	14	16	18
20	0	5	10	12	14	16	18	20
19	3	8	13	15	17	19	21	23

AGE								
18	6	11	16	18	20	22	24	26
17	9	14	19	21	23	25	27	29
16	12	17	22	24	26	28	30	32
15	15	20	25	27	29	31	33	35
14	19	24	29	31	33	35	37	39
13	23	28	33	35	37	39	41	43
12	27	32	37	39	41	43	45	47
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PHASED-IN COST-SHARING (1995-1998)

Those who retire between 1995 and 1998 will pay a percentage of the premium share listed in the above table, depending on when they retire. This phased-in cost-sharing is outlined in the table below:

YEAR OF RETIREMENT	% OF 1999 PREMIUM PAID BY RETIREES
1995	20%
1996	40%
1997	60%
1998	80%
1999	100%

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Freightliner is in the process of negotiating discounted tuition rates (based on rates charged by state schools) with local colleges and universities.

Employees will be reimbursed up to the discounted tuition limit based on grades earned.

Reimbursement is based on the course grade received as follows:

For undergraduate courses: A=100% B=90% C=50% Below C=0%
For graduate courses: A=100% B=90% Below B=0%

Employees may receive a 50% reimbursement upon registration, with the remaining reimbursement issued upon course completion.

Note: Effective January 6, 2002, this program will be suspended. Program approvals received prior to January 6, 2002 will continue to be honored.