

## EMPLOYMENT AGREEMENT

Agreement made between Walter S. Tabler ("Employee"), and Puget Sound Pilots (PSP) and its successors, ("Employer").

### RECITALS

1. Employer is a voluntary, unincorporated association of pilots licensed by the state of Washington to pilot vessels in the Puget Sound Pilotage District.
2. Employee is employed by Employer as its Executive Director and General Counsel.

In consideration of the mutual promises and agreements set forth herein, Employer and Employee agree as flows:

### SECTION ONE EMPLOYMENT

Employer hereby employs, engages, and hires Employee as its Executive Director and General Counsel with the following duties and responsibilities:

#### I. **Management responsibilities**

- A. Supervise and direct day to day operations of Seattle and Port Angeles stations, as directed by the President and Board of Directors.
- B. Human resources: Supervise and direct day to day operations and management of personnel, as directed by the Board of Directors.
  1. Research, identify, and design methods to enhance office policies and practices.
  2. Identify specific task areas and delegate appropriate staff to accomplish the assignment.
  3. Define and maintain staffing requirements and develop specific job descriptions and work schedules.
  4. Develop and maintain procedures for effectively evaluating employee performance.
  5. Coordinate activities necessary to maintain efficiency of Seattle and Port Angeles facilities.
  6. Maintain computerized information services in accordance with Management guidelines.
  7. Dispatching

- a. Act as ombudsman for Dispatchers in bringing operational concerns to the attention of Management.
- 8. Accounts Receivable
  - a. Develop credit policies in order to minimize uncollectible or bad debts.
  - b. Monitor cash flow to ensure timely collection of receivables.
  - c. Ensure accuracy of and compliance with regulatory reporting requirements.
- 9. Accounts Payable
  - a. Provide oversight and guidance for management of general ledger allocations and accounts.
  - b. Ensure accuracy of financial recording and reporting.
  - c. Develop and maintain security procedures necessary to safeguard assets.
- 10. Boatmen/Deckhands
  - a. Coordinate activities and performance requirements with pilot station and pilot boat managers.
  - b. Maintain cooperation and communication with Seattle office and dispatching and accounting staff.

II. **Collective bargaining**

- A. Prepare necessary date and participate in IBU labor negotiations.
- B. Administrate applicable labor agreements, including communicating with Union representatives to settle grievances.

III. **Budget**

- A. Prepare and control budget through liaison with accountants to ensure proper fiscal management, including control of service contracts and other expenditures, thereby enhancing prospects for increasing net income.
- B. Prepare, coordinate and analyze annual and long range business plans, including capital acquisitions.
- C. Devise and implement procedures and organizational changes resulting in increased revenues or efficiencies.
- D. Develop and manage a functional operating budget by requiring accountability at all staff levels within the organization.
- F. Evaluate and make comparative analysis of vendor offers including recommending and selecting vendors, and negotiating contracts.
- F. Investigate, recommend and negotiate short and long term financing.
- G. Work with staff, independent auditors and state auditors to provide information and explain procedures and results.

H. Analyze, recommend and negotiate risk management alternatives.

IV. **Financial reporting**

- A. Regular reporting of financial status, vessel activity, and other operational matters to the President, Board of Directors and membership.
- B. Provide periodic analysis of revenue, expenses, and income.
- C. Provide periodic analysis of project costs as required.
- D. Develop agenda and support documentation for regular and special meetings.

V. **Tariff setting**

- A. Provide support and research for Rate Committee negotiations with steamship operators. Participate in negotiations, as directed.
- B. Present data and testify before the Washington State Board of Pilotage Commissioners on rate increase needs and requirements, as directed.

VI. **Communications with steamship operators**

- A. Maintain communication with steamship operators to enhance the working relationship between the operators and pilots. Immediately report to the President any dispute between steamship operators and PSP and further assist the President, when requested, in resolving the dispute.
- B. Analyze steamship operator requirements and assist in averting problem areas through planning, proposing, and implementing alternative methods.
- C. Resolve billing inquiries and claims in an equitable manner consistent with regulatory constraints and PSP policy.
- D. Establish and maintain communications with maritime industry representatives.

VII. **Public meetings**

- A. At the request of the President, attend public meetings of the Washington State Board of Pilotage Commissioners.
- B. Maintain an awareness of state and federal regulatory procedures and provide technical support to the President or other pilot members.
- C. Coordinate with the President attendance of PSP representatives at public meetings, such as, but not limited to, U.S. Coast Guard hearings and Port negotiations.

**VIII. Legislation**

- A. At the request of the President, assist legislative lobbyist in regulatory matters under discussion during Legislative sessions.

**IX. Special reports/studies**

- A. Supervise preparation of special reports or studies relating to planning or development of operational guidelines.
- B. Gather, analyze and evaluate market information to develop strategies and target specific customer segments.
- C. Identify problems areas and develop proposed solutions for Management consideration.
- D. Develop and craft policies, policy statements, letters, and memorandums representing the position of PSP, as directed.
- E. Participate in and coordinate activities of various Committees, as directed.

**X. Legal**

- A. Provide legal counsel and representation, when requested by the President.
- B. Communicate with outside counsel when circumstances dictate and when requested by the President.
- C. Providing legal counsel and/or representation to individual members of the Employer is expressly prohibited by this Agreement.

Employee hereby accepts and agrees to such hiring, engagement, and employment, subject to the general supervision and pursuant to the orders, advice and direction of the President and Board of Directors. Employee shall also render such other and unrelated services and duties as may be assigned to him from time to time by Employer.

**SECTION TWO  
BEST EFFORTS OF EMPLOYEE**

Employee agrees that he will attempt at all times to faithfully, industriously, and to the best of his ability, experience and talents, perform all of the duties that may be required of and from him, to the reasonable satisfaction of Employer.

### **SECTION THREE TERM**

Employee's status as an employee commenced on October 1, 2003. Employee's actual performance of services under this contract shall commence May 1, 2007 ("Work commencement Date"). The employment relationship created by the agreement shall be for the thirty-six (36) months after May 1, 2007. In the event of any violation by the Employee of any of the terms of this contract, Employer thereupon may terminate without notice. If the Employer shall so terminate this agreement, Employee shall be entitled to compensation for 30 days. Any intent to propose to change, modify or renegotiate any section of the contract shall be preceded by written notification, by either party, at least ninety (90) days prior to the annual review. This agreement may be terminated by mutual agreement of the parties at any time.

The performance of the Employee will generally be reviewed and evaluated by the Employer annually, on or about October 1st, the result of which shall be conveyed to and discussed with the Employee. This agreement shall automatically be extended for one (1) year at the scheduled time of each annual review, unless written notice is given within thirty (30) days of such review declaring an unwillingness of either party to such an extension. (Example: If, after completion of the first year, neither party takes action to nullify the automatic extension mentioned above, the term of the Agreement shall be extended by one (1) year to the three (3) year term. If, however, after completion of the first year, either party declares it does not wish to automatically extend the Agreement, the remaining term will be two (2) years.)

### **SECTION FOUR COMPENSATION**

Starting on the Work Commencement Date, Employer shall pay Employee and Employee shall accept from Employer, in payment for Employee's services as Employer's Executive Director and General Counsel, gross compensation which shall be calculated and adjusted monthly by dividing the Total of "distribution earnings" and "cash reserves (expense)," as shown on the monthly Pilots Distribution report, for the preceding calendar month by the actual number of active Pilots; the resultant amount shall then be multiplied by ninety-one percent (91.00%) to define the monthly gross compensation, which includes salary and Employer's pension contribution pursuant to Section Eight of this Agreement. This calculation shall be made prior to December 31, 2003 and so calculated monthly thereafter.

Salary shall be the remainder amount after deducting Employer's pension contribution and is payable on the last working day of each month. Employer shall also provide to Employee: 1) family accident and health insurance (except to the extent coverage is available to Employee's dependents pursuant to other, employer provided coverage); 2) disability insurance pursuant to Employee's existing policy; and 3) \$500,000 term life insurance (beneficiary to be designated by Employee). Employer shall reimburse Employee all reasonable, ordinary and necessary business expenses incurred by Employee as Executive Director and General Counsel. Employer shall pay disability insurance premiums to Employee as additional salary rather than directly to the insurance carrier. However, no disability payments shall be made to Employee for the months November 2007 through October 2008, and thereafter for the remainder of this agreement the amount of the disability payments shall be \$55 below the cost of the policies to cover the added cost of the Cash Balance Plan provided to Employee by Employer under Section 8 of this Agreement.

Employee will absorb the cost of travel within the Tacoma-Seattle-Everett corridor. Employee shall present expenses for travel beyond the Tacoma-Seattle-Everett corridor for reimbursement.

#### **SECTION FIVE VACATION**

Starting on the Work Commencement Date, Employee is entitled to a paid annual vacation of thirty (30) days or six (6) weeks during each calendar year, with pro-ration starting on the Work Commencement Date. No more than fifteen (15) days or three (3) weeks vacation may be taken at any one time without Employer's prior consent. Unless Employer agrees to a carryover of vacation, vacation time may not be accumulated, and must be taken in the year earned. Unused vacation is paid to Employee upon termination, minus any debt of any kind owed to Employer by Employee.

#### **SECTION SIX HOLIDAYS**

Employee shall be entitled each year to the following holidays: New Year's Day, President's Day, Memorial Day, Fourth of July, Labor Day, Veteran's Day (Nov. 11th), Thanksgiving Lay, Christmas Day, and an optional day of the Employee's own choosing.



## **SECTION SEVEN SICK LEAVE**

Starting on the Work Commencement Date, Employee shall accrue ½ day (.5 days) of sick leave per month. Unused sick leave may be carried over from one year to another and may accrue to a maximum of ninety (90) days. Sick leave days are not to be used as personal days off. Employee is not compensated for unused accumulated sick leave upon termination.

Sick leave of up to three (3) days in any calendar year may be claimed and taken to attend the funeral of a member of the Employee's immediate family, which shall include the following: spouse, domestic partner, children, parent, parents-in-law, grandparent, brother, brother-in-law, sister, sister-in-law and grandchildren.

## **SECTION EIGHT RETIREMENT BENEFITS**

As further consideration for Employee's services, Employer shall, within a reasonable time after execution of the agreement, provide the Employee the benefits of a qualified employee 401(k)/Profit Sharing Plan and Cash Balance Plan. All Employer and Employee contributions to these plans shall be deducted from Employee's Gross Compensation. In the event that Employer is required to make any contribution to such plans that is not deducted from Gross Compensation, Employee agrees to pay such sums back to Employer. Employer's obligation to create a Cash Balance Plan is conditioned upon Employer's Board of Directors approving an investment policy for any such plan.

Fringe benefits must remain in conformity with any changes in Federal or State statutes, even if it requires modification of the terms of this Agreement.

Employee is also eligible to receive retirement benefits comparable to those available to pilots under the Amended Retirement Program of Puget Sound Pilots as it may be modified or replaced including Surviving Spouse benefits. See, attached Exhibit A. Employee's Spousal benefits are subject to the same eligibility requirements that apply to pilots. Specifically, if the current plan remains in effect until Employee's retirement, Employee shall receive an annual pension, payable on a monthly basis, equal to 1.5% of Employee's years of service multiplied by the average of Employee's gross compensation (including Employee's and Employer's retirement contributions) over the three (3) years prior to the Retirement Date. Such average shall be the employee's "Retirement Base." Employee's eligibility for these benefits is dependent upon the benefits being available to a hypothetical pilot member of PSP with a hiring date of Oct 1,

2003 and a retirement date identical to that of Employee. ("Hypothetical Pilot") If, in the future, the Amended Retirement Program of Puget Sound Pilots is terminated, modified, or replaced as to the Hypothetical Pilot, those changes, to the benefit received by such pilot, shall also be made to Employee's benefits with one exception: if the new plan covering pilots uses pilot earnings to calculate a Retirement Base, the Employee's Retirement Base shall be calculated based on Employee's Gross Earnings rather than pilot earnings.

#### **SECTION NINE OTHER EMPLOYMENT**

Employee shall devote his time, attention, knowledge, and skills solely to the business and interest of Employer, and Employer shall be entitled to all the benefits, profits or other issues arising from or incident to all work, services, and advice of Employee, and Employee shall not, during the term hereof, participate in any business activity which conflicts with the best interest of the Employer.

#### **SECTION TEN MODIFICATION OF AGREEMENT**

No waiver or modification of this agreement or of any covenant, condition, or limitation herein contained shall be valid unless in writing and duly executed by both parties charged therewith and no evidence of any waiver or modification shall be offered or received in evidence of any proceeding, arbitration, or litigation between the parties hereto arising out of or affecting this agreement, or the rights or obligations of the parties hereunder, unless such waiver or modification is in writing, duly executed as aforesaid, and the parties further agree that the provisions of this section may not be waived except as herein set forth.

#### **SECTION ELEVEN CHOICE OF LAW AND VENUE**

It is the intention of the parties hereto that this agreement and the performance hereunder and all suits and special proceedings hereunder be construed in accordance with and pursuant to the laws of the State of Washington and that in any action, special proceeding, or other proceeding that may be brought arising out of, in connection with, or by reason of this agreement, the laws of the state of Washington shall be applicable and shall govern to the exclusion of the law of any other forum, without regard to the jurisdiction in which any action or special proceeding may be instituted. The prevailing party in any such action or special proceedings shall recover his or its reasonable attorney's fees and costs from the other, if so permitted by law. Venue shall be King County, Washington.



**SECTION TWELVE  
COMPLETE AGREEMENT**

This agreement comprises the complete agreement concerning the employment arrangement between the parties and shall, as of the effective date hereof, supersede all other agreements between the parties. The parties stipulate that neither of them has made any representation with respect to the subject matter of this agreement or any representation including the execution and delivery hereof except such representations as are specifically set forth herein and each of the parties hereto acknowledges that he or it has relied on its own judgment in entering into this agreement.

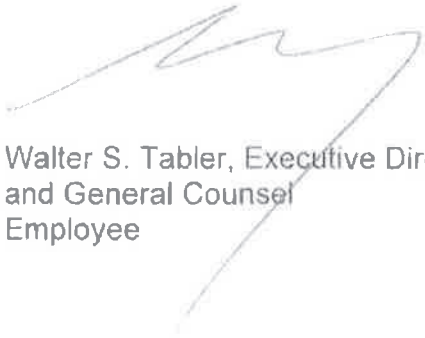
IN WITNESS WHEREOF, the parties have signed this agreement at Seattle, Washington on *March 17*, 2008.

PUGET SOUND PILOTS

By:



Delmar G. Mackenzie, President  
Employer



Walter S. Tabler, Executive Director  
and General Counsel  
Employee

**AMENDED RETIREMENT PROGRAM  
OF  
PUGET SOUND PILOTS**

**TABLE OF CONTENTS**

PREAMBLE .....	2
SECTION I .....	3
NAME AND DEFINITIONS .....	3
1.1 Organization .....	4
1.2 Plan .....	4
1.3 Active Pilot .....	4
1.4 Participant .....	4
1.5 Retired Pilot .....	5
1.6 Years of Service .....	5
1.7 Target Net Income .....	6
1.8 Active Pilot's Net Share .....	7
1.9 Retirement Base .....	8
1.10 Normal Retirement Date and Early Retirement .....	9
1.11 Disability .....	9
1.12 Disabled Pilot .....	11
SECTION II .....	12
PARTICIPATION .....	12
2.1 Current Active Pilot .....	12
2.2 Active Pilots Who Begin Service with the Organization After the Amendment Effective Date .....	12
2.3 Incorporation by Individual Participants .....	13
SECTION III .....	13
BENEFITS .....	13
3.1 Generally, .....	13
3.2 Retirement Benefits .....	14
3.3 Disability Benefits .....	15
3.4 Death Benefits .....	16
3.5 Employees of Pilot Corporations of Individual Active Pilots .....	19
SECTION IV .....	19
MISCELLANEOUS .....	19
4.1 Amendments .....	19
4.2 Right to Benefits .....	20

AMENDED RETIREMENT PROGRAM  
OF  
PUGET SOUND PILOTS

**Article I. PREAMBLE**

WHEREAS, on the first day of March, 1982, Puget Sound Pilots adopted a Pension Program; and,

WHEREAS, on the first day of January, 1988, Puget Sound Pilots amended such Pension Program; WHEREAS, Puget Sound Pilots amended the Pension Program effective July 1, 2001 to increase benefits accruing after July 1, 2001 ("Amendment Effective Date");

WHEREAS, Puget Sound Pilots again desire's to amend the plan effective August 8, 2006.

NOW, THEREFORE, such Pension Program, to continue to be known as the " Amended Retirement Program of Puget Sound Pilots", is hereby amended to read as follows:

Exhibit A To Employment Agreement

Recognizing that monies for an unfunded Retirement Program have been made available in the Washington State Puget Sound Pilotage District Tariff to Puget Sound Pilots, we, the undersigned, are desirous of establishing a fair and equitable plan utilizing these funds.

Further, that this expense for the unfunded Retirement Program is specifically designated for this purpose and is therefore, not part of an Active Pilots' income.

Further, that this expense is calculated each year based on the previous year's actual retirement expenditures. No special accounting will be required other than the total amount distributed to retirees.

We, therefore, mutually agree, effective August 8, 2006, to amend the Amended Retirement Program of Puget Sound Pilots in accordance with the following Rules and Regulations:

Article II. SECTION I  
Article III. NAME AND DEFINITIONS

Exhibit A To Employment Agreement

**Section 3.01 1.1 Organization**

The term "Organization" shall mean Puget Sound Pilots and its successors and assigns.

**Section 3.02 1.2 Plan**

The term "Plan" shall mean the Amended Retirement Program of Puget Sound Pilots as set forth herein.

**Section 3.03 1.3 Active Pilot**

The term "Active Pilot" shall mean any person belonging to the organization and actively engaged in the Organization's business in accordance with the By-laws and Operating rules of the Organization on or after March 1, 1982.

**Section 3.04 1.4 Participant**

The term "Participant" shall mean an Active Pilot or an Active Pilot who has elected Early Retirement.

Exhibit A To Employment Agreement

**Section 3.05 1.5 Retired Pilot**

The term "Retired Pilot" shall mean an Active Pilot who retires under the Plan after satisfying the requirements of Section 1.10 and all provisions of the By-laws and Operating rules of the Organization.

**Section 3.06 1.6 Years of Service**

The term "Years of Service" shall mean the period of time used to calculate the extent of a participant's benefits under the Plan. A Year of Service is determined by dividing the total number of days for which a share of the Organization's receipts were received by an Active Pilot by 365. Any remainder of 183 or more days but less than 365 days shall count as one-half (1/2) a Year of Service. Any remainder of 182 or fewer days shall not be taken into account in determining years of service. In the event an Active Pilot terminates service with the Organization and then later resumes service with the Organization , then, notwithstanding the above, all prior time will count in any determination of present Years of Service. In any event, however, the number of days used to determine Years of Service



shall not be counted past the date the Active Pilot attains the statutory age of retirement.

**Section 3.07 1.7 Target Net Income and Net Income**

The term Target Net Income shall mean the projected annual income for an Active Pilot, excluding all expenses as determined by the Washington State Board of Pilotage Commissioners ("Commission") at the Tariff Hearings for the current tariff year. The term Net Income shall mean the annual net income per pilot calculated by dividing the Net Balance of Pooled Revenue of the Organization for a year by the Working Pilot Roster. The Working Pilot Roster is the number of total annual duty days divided by the number of days in the year. Net Balance of Pooled Revenue is the total pilotage tariff revenue minus the sum of: Organization expenses; payments under any retirement plan; transportation charges collected under the tariff; and the Working Pilot Roster multiplied by the Individual Business Expense Allowance. The Individual Expense allowance for any year shall be the amount set by the Washington State Board of Pilotage Commissioners (or the Organization's Board of Directors in the event

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it is not set by the Pilotage Commission) to cover the average cost to a pilot of: medical, disability, license and civil defense insurances; the state pilot license fee; physical exam; subsistence and lodging; business communication and navigation and office supplies.

**Section 3.08 1.8 Active Pilot's Net Share**

The term "Active Pilot's Net Share" shall mean that share of the Organization's pooled monthly receipts of an Active Pilot on full share who was on duty or on earned time off each day during the month after deductions have been made for pooled expenses, including the benefits paid under the Plan. An Active Pilot's Net Share will be shown in the Earnings Column on the Monthly Distribution Sheet. For purposes of this Section 1.8, an Active Pilot on full share is an Active Pilot entitled to one day credit for each day on duty or on earned time off under the By-Laws and Operating Rules of Puget Sound Pilots.

**Section 3.09 1.9 Retirement Base**

The term "Retirement Base" shall mean an amount equal to the average of the last three (3) years' Target Net Income as defined in section 1.7, which shall include the current tariff year and the two immediately preceding tariff years prior to an Active Pilot's retirement. If the Commission does not set a Target Net Income prior to the beginning of any tariff year (July 1 to June 30), Net Income for the calendar year in which that tariff year begins shall be substituted for Target Net Income in determining this average. If such Net Income is not yet known at the time of retirement for the final year of the three year average, it shall be assumed to be same as the prior year Net Income until such time as it is known. At that time, any adjustments in the retirement benefits shall be made retroactively without interest. Any retroactive adjustments shall be spread over three months. Should a pilot have less than three full years of service, the average shall be determined from the actual number of full years of service. For those Pilots retired before December 31, 1987, the Retirement Base shall be \$105,425.00.

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**Section 3.10 1.10 Normal Retirement Date and Early Retirement**

(a) The term "Normal Retirement Date" shall mean the actual date on which a Participant retires after having satisfied all of the following requirements:

(1) Completed at least one (1) Year of Service

(2) Given written notice to the Organization of the Active Pilot's intention to retire at least six (6) months prior to such Normal Retirement Date.

(b) The term "Early Retirement" shall mean a retirement wherein an Active Pilot has elected to retire and is not yet receiving benefits under this Plan.

**Section 3.11 1.11 Disability**

(a) "Disability" shall mean any medically determinable physical or mental impairment which renders an Active Pilot incapable of satisfactorily performing the duties of a pilot; wherein the inability to perform the duties of a pilot may be expected to result in death, or be of long, continued, and indefinite duration.

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- (b) In no case, however, shall an Active Pilot be deemed to be disabled if the Active Pilot's physical or mental impairment: (1) was contracted, suffered or incurred while the Active Pilot was engaged in a felonious criminal enterprise: or, (2) resulted from an intentional, self-inflicted injury.
- (c) Disability shall be determined by a licensed physician selected by the Organization's Board of Directors, who shall certify the findings and conclusions of his or her examination of the Active Pilot to such Board of Directors. If the Active Pilot does not agree with the findings and conclusions of such physician, such pilot shall have the right to be examined by such Pilot's own physician. If the physician selected by the Organization and the Active Pilot's physician fail to agree as to whether such pilot is disabled, a third physician shall be selected by such two physicians and the determination of any two of the three physicians shall be final and conclusive on all interested parties.

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**Section 3.12 1.12 Disabled Pilot**

The term "Disabled Pilot" shall mean an Active Pilot who suffers a Disability as defined in Section 1.11.



**Article IV. SECTION II**

**Article V. PARTICIPATION**

**Section 5.01 2.1 Current Active Pilot**

Each Active Pilot on the Amendment Effective Date of this Plan must elect to become a participant of the Plan. The election shall be in writing and filed with the Organization immediately upon execution of this Plan; provided, however, that any Active Pilot who signed the original Pension Program of March 1, 1982 or the Amended Retirement Program of Puget Sound Pilots as amended in 1988, shall not have to make further election, but shall automatically continue to be a participant of this Plan.

**Section 5.02 2.2 Active Pilots Who Begin Service with the Organization After the Amendment Effective Date**

Each Active Pilot who begins service with the Organization after the Amended Effective Date must elect to become a Participant of the Plan. The election shall be in writing and filed with the Organization immediately upon beginning service with Puget Sound Pilots. The provisions of Section 2.1 shall apply to each such Active Pilot.

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**Section 5.03 2.3 Incorporation by Individual Participants**

Pilot corporations of individual Active Pilots must elect to become participants of the Plan immediately upon becoming a member of the Organization. Years of Service of a corporation shall include any Years of Service accrued by a shareholder prior to incorporation, and of a shareholder in case of disincorporation.

Article VI. SECTION III

Article VII. BENEFITS

**Section 7.01 3.1 Generally,**

- (a) All benefits shall be calculated and paid on a monthly basis.
- (b) All benefits shall be paid from the first day of the month following the Participant's retirement, death or disability, whichever is applicable, and payments shall commence within a reasonable time after the first day of such month; provided that, all Retirement Benefits shall commence only after all vacation days, respite days, and credits received for extra days of work

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while on respite days or vacation, as defined in Rule 17 of the Operating Rules of Puget Sound Pilots, have been exhausted. Payments shall continue to the end of the month in which benefits terminate for any reason whatsoever.

- (c) With the Exception of the restoration of Years of Service under Section 1.6, all benefits under the Plan, whether in pay status or not, shall be forfeited if the person or their successor, entitled or to be entitled thereto, engages in piloting any vessel, with or without compensation, on the Organization's Pilotage Ground without first obtaining written consent of the Puget Sound Pilots' Board of Directors and signed by the President thereof, to engage in such piloting.

**Section 7.02 3.2 Retirement Benefits**

- (a) A Retired Pilot shall be entitled to receive a retirement benefit equal to one and one-half percent (1.5%) of the Retired Pilot's Retirement Base multiplied by the number of that Pilot's Years of Service.

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- (b) If in any month, an Active Pilot's Net share falls ten percent (10%) or more below the prorated Target Net Income, the Retired Pilot shall receive a like percentage reduction in retirement benefits. This reduction shall be applied to the retired pilot's retirement benefit. If in any month there is no Commission set Target Net Income in effect and an Active Pilot's Net share falls fifteen (15%) or more below the average of the previous three (3) years Net Income prorated on a monthly basis, then the Retired Pilot shall receive a like percentage reduction in retirement benefits. This reduction shall be applied to the retired pilot's retirement benefit.
- (c) A retirement benefit shall continue to the Retired Pilot for the Retired Pilot's life.

**Section 7.03 3.3 Disability Benefits**

- (a) Subject to the provisions of Section 3.1 and to the limitations of Section 3.3 (b), an Active Pilot who becomes disabled as defined in Section 1.12 shall be entitled to receive the greater of:

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- (1) A disability benefit equal to ten percent (10%) of the disabled pilot's retirement base, or
  - (2) A disability benefit equal to one and one-half percent (1.5%) of the Disabled Pilot's Retirement Base multiplied by the number of the Disabled Pilot's Years of Service.
- (b) The disability benefit determined in Section 3.3 (a) shall be reduced by any amount received by the Disabled Pilot from a disability insurance policy or other insurance policy the premiums of which have been paid by the Organization.
- (c) The disability benefit determined in Section 3.3 (a) above shall continue to the Disabled Pilot for the rest of the Disabled Pilot's life as long as the Disabled Pilot remains disabled according to Sections 1.11 and 1.12.

**Section 7.04 3.4 Death Benefits**

- (a) Upon the death of an Active Pilot, shareholder of a Pilot corporation, Retired Pilot, Pilot on early retirement, or Disabled Pilot, the surviving spouse shall be entitled to receive a death benefit for life, or until such surviving spouse remarries. The

Exhibit A To Employment Agreement

death benefit shall be payable only if such surviving spouse and the Active Pilot, shareholder of a Pilot corporation, Retired Pilot, Pilot on early retirement, or Disabled Pilot shall have been married throughout the five (5) year period immediately preceding the earlier of the Active Pilot, shareholder of a Pilot corporation, Retired Pilot, Pilot on early retirement, or Disabled Pilot's death, Normal Retirement Date, Early Retirement Date, or disability.

- (b) The death benefit payable to the surviving spouse of a Retired Pilot who dies on or after the Amendment Effective Date having five (5) or more years of service shall be an amount equal to one-half (1/2) the benefit such deceased Retired Pilot, Pilot on early retirement, or Disabled Pilot was receiving, or, in the case of a deceased Active Pilot who dies on or after the Amendment Effective Date, one-half (1/2) the retirement benefit the Active Pilot would have been entitled to receive had the Active Pilot retired on the date of the Active Pilot's death, without regard to the requirements for retirement provided in Section 1.10, but in

Exhibit A To Employment Agreement



any event the benefit shall not be less than five percent (5%) of the applicable retirement base of the deceased pilot.

- (c) Except in the case of a Disabled Pilot, the death benefit payable to the surviving spouse of a Retired Pilot who dies on or after the Amendment Effective Date having less than five (5) years of service shall be the same retirement benefit such deceased Retired Pilot or Pilot on Early retirement was receiving, or in the case of a deceased Active Pilot who dies on or after the Amendment Effective Date, the same retirement benefit the Active Pilot would have been entitled to receive had the Active Pilot retired on the date of the Active Pilot's death and had the percentage in Section 3.2(a) above been 1.5% at the time of the pilot's death, without regard to the requirements for retirement provided in Section 1.10, but in any event the benefit shall not be more than five percent (5%) of the applicable retirement base of the deceased pilot.
- (d) Surviving spouses accruing and/or receiving death benefits under the Plan prior to the Amendment Effective Date, shall,

Exhibit A To Employment Agreement

starting on the Amendment Effective Date, receive a twenty percent (20%) increase in the amount of such benefits.

- (e) In the event the surviving spouse remarries, payments for retirement benefits to the surviving spouse, as provided for in this Section, shall cease effective on the date of remarriage.

**Section 7.05 3.5 Employees of Pilot Corporations**

A pilot corporation of an individual Active Pilot may designate the employees to receive the benefits coming to that corporation. If the Active Pilot employee of the pilot corporation becomes deceased then the provisions of Section 3.4 shall apply.

Article VIII. SECTION IV

Article IX. MISCELLANEOUS

**Section 9.01 4.1 Amendments**

- (a) This Plan may be amended to provide additional benefits or to liberalize any other provision relating to benefits by a vote of at least two-thirds (2/3) of all Active Pilots.

Exhibit A To Employment Agreement

- (b) Amendments reducing benefits or otherwise adversely affecting anyone receiving benefits under this Plan may be made only upon a vote of at least two-thirds (2/3) of all Active Pilots and those persons receiving benefits.

**Section 9.02 4.2 Right to Benefits**

No right to benefits shall exist against any individual herein.

## Addendum to Employment Contract Between Walter S. Tabler and Puget Sound Pilots

This Addendum ("Addendum") is entered this 28<sup>th</sup> day of December between Walter S. Tabler (Employee) and Puget Sound Pilots (Employer) and is an addendum to the "Employment Agreement" between the parties most recently amended on March 17, 2008 (Agreement").

Whereas, Section 4 of the Agreement provides for Compensation as a percentage of a figure based on distribution earnings and cash reserves (expense) as shown on the pilots Monthly Distribution Report; and

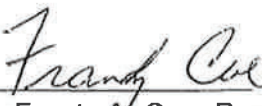
Whereas, The distribution to the pilots on that report includes funds for the Individual Expense Allowance which is made up of various expenses including medical insurance and pilot license fees; and


Whereas, PSP contemplates changing the way that it distributes income by paying for medical insurance and pilot license fees as association expenses not charged to the individual pilots and this change will result in a lower pilot distribution on the Monthly Distribution Report.

It is agreed that effective immediately, the Agreement will be amended as follows:

The Employee's Gross Compensation referred to in Sections 4 and 8 of the Agreement will be increased to include a payment each month in the amount of ninety-one percent (91%) of the amount paid in the prior month by PSP as an association expense for pilot medical insurance premiums and pilot license fees divided by the actual number of Active Pilots shown on the Distribution report. For example, if there were 53 Active Pilots in a month and the employer paid \$150,000 in medical insurance premiums and pilot license fees for that month, the Employee's Gross Compensation paid in the following month would be increased by \$2,575.47 over the amount provided in the formula contained in Section 4 of the Agreement.

Puget Sound Pilots

  
By: Frantz A. Coe, President

  
Walter S. Tabler