K# 4193

AGREEMENT

Between

The Aerospace Corporation

and the

Aerospace Professional Staff Association

August 1, 2007 to August 1, 2008

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PREAMBLE

The following is an agreement dated August 1, 2007, between THE AEROSPACE CORPORATION (hereinafter referred to as the "Corporation") and the AEROSPACE PROFESSIONAL STAFF ASSOCIATION (hereinafter referred to as the "Association" or "APSA").

ARTICLE I

100 RECOGNITION

101 The Corporation recognizes the Association as the exclusive bargaining agent of its employees employed in a unit described as follows:

102 Included: All regular employees employed by the Corporation as non-supervisory MTS Level I, Level II, and Level III at the following locations: El Segundo, California; Vandenberg Air Force Base, California; Onizuka Air Station, California; Sunnyvale, California; Buckley Air Force Base, Colorado; Colorado Springs, Colorado; Denver, Colorado; Schriever Air Force Base, Colorado; Peterson Air Force Base, Colorado; Kennedy Space Center, Florida; Cape Canaveral, Florida; Omaha, Nebraska; Offutt Air Force Base, Nebraska; Houston, Texas; Albuquerque, New Mexico; Kirtland Air Force Base, New Mexico; Dayton, Ohio; Chantilly, Virginia; Fairfax, Virginia; Rosslyn, Virginia; Columbia, Maryland; Silver Springs, Maryland; and Suitland, Maryland.

103 Excluded: All other employees, confidential employees, clerical employees, guards, and supervisors as defined in the National Labor Relations Act.

104 The Corporation procures labor services from outside suppliers to augment the normal efforts of bargaining unit employees. The Corporation agrees that purchased labor and/or consultants shall not be used to replace employees in the bargaining unit.

105 The Corporation agrees that it shall make the recognition of the Association as the exclusive bargaining agent of its employees in the above described unit a condition of any sale or merger of the Corporation to or with a successor employer. Prior to the sale or merger of the Corporation to or with a successor employer the Corporation shall provide the Association with the language in the agreement of sale or merger that provides that the successor employer will recognize the Association as the exclusive bargaining agent of the employees in the above described unit.

106 Within ten (10) days from the execution of this Agreement APSA shall certify in writing to the Corporation the names of its representatives accredited to represent the bargaining unit with regard to this Agreement. APSA shall also provide an updated list within five (5) days of any change. The total number of corporate employees so accredited shall not exceed one (1) representative and/or alternate at each location except that there may be five (5) regular representatives and three (3) alternates designated with regard to El Segundo. Alternates shall function only in case of the inability of a regular representative to fulfill his or her function hereunder.

ARTICLE II

200 RIGHTS OF MANAGEMENT

201 The management of the Corporation and the direction of the work force are vested exclusively in the Corporation. These rights of management shall include, but shall not be limited to, the right to determine the size of the work force and the number of employees or other persons, if any, assigned to any classification or activity, determine the type of work to be performed or to be discontinued, the location, methods, schedules of work and means of accomplishing the work, hire, promote, demote, transfer, classify, reclassify, assign work to employees outside of their normal classification, and effect reductions in force, discharge, suspend or otherwise discipline employees for just cause, determine when and whether overtime should be worked, and by whom, and change from time to time any of its policies or procedures that affect bargaining unit employees' pay rates, fringe benefits and/or conditions of work with advance notice to the Association and good faith bargaining with APSA in an attempt to reach an agreement. If such bargaining produces an agreement, that agreement shall be reduced to writing. If no agreement is reached, after impasse the Corporation may implement the change except as expressly limited by one or more specific clause or clauses of this Agreement. Changes in policies or procedures which do not fall within the foregoing scope, broadly construed, may be implemented by the Corporation without advance notice to APSA, provided that, if APSA requests an opportunity to discuss any change which the Corporation deemed not subject to advance notice, including any change in the implementation of any policy or practice, the Corporation will then discuss the matter promptly.

202 Any new policy and all changes to Polices and/or Practices which involve Recognition of Achievements and Striving for Excellence (AE), Human Resources (HR), Safety-Injury and Illness Prevention Program (SA), Security Program (SE), Standards of Business Conduct (ST), will be coordinated with APSA by Labor Relations in advance of implementation pursuant to Paragraph 201. All other new policies will be reviewed by Labor Relations and the Office of the General Counsel to determine if they affect bargaining unit employees' pay rates, fringe benefits and/or conditions of work. New policies so identified will be coordinated in advance with APSA pursuant to Paragraph 201. In addition, upon execution of the Agreement, the Labor Relations Administrator will meet with designated representatives of APSA to identify which other Policies or Practices affect bargaining unit employees' pay rates, fringe benefits and/or conditions of work. Changes in such policies will thereafter be coordinated in advance of implementation pursuant to Paragraph 201. The Corporation may specify reasonable time limits for response and for the commencement of discussion. The Corporation shall provide APSA with two (2) paper copies of new and/or revised Policies and Practices.

203 Any new summary plan description and all changes to and/or deletions of Summary Plan Descriptions will be coordinated with APSA in advance of implementation. This process is informal, allowing APSA to pose questions and make suggestions for changes to the proposed content of these documents. There will be no negotiations or written agreement involved in this process. The Corporation may specify reasonable time limits for response from APSA.

ARTICLE III

300 **UNION SECURITY**

301 **Voluntary Membership and Maintenance of Membership**

302 Each member of the bargaining unit may elect to join APSA but shall not be required to do so as a condition of initial or continued employment.

303 Each member of the bargaining unit who is, or elects to become, a member of APSA on or after the thirtieth (30th) day following the effective date of this Agreement shall be required, while a member of the bargaining unit, to continue membership in APSA for the duration of this Agreement to the extent of tendering the membership dues uniformly required as a condition of retaining membership in APSA.

304 Any member of the bargaining unit who has elected to become a member of APSA may withdraw from membership in APSA by giving notification in writing to APSA and to the Corporation of his or her desire to withdraw.

305 **Deduction of Dues**

306 The Corporation shall deduct Association member's dues from the earnings of employees who are members of the bargaining unit upon the following conditions and at the time and in the manner hereinafter provided.

307 Deductions will only be made from the earnings of a member of the bargaining unit who has executed and delivered to the Corporation a written authorization each time the employee enters or re-enters the bargaining unit. The authorization shall be in the form set forth in Appendix A.

308 When Deduction is Taken: Each current week's Association membership dues as authorized will be deducted from an employee's weekly earnings provided:

309 An authorization card has been received by Payroll at least four (4) weeks prior to the Payroll period for which the authorization is to be effected and has not been revoked, and

310 The Association has certified in writing to the Corporation the amount of such dues. Certification and any changes thereto received during any week will be made effective the week beginning four (4) weeks after receipt of such certification for each APSA member who has executed a new authorization form in accordance with Paragraph 309 above. Once the Association has certified the amount, such certification will remain in effect until changed by the Association.

311 **Remittance and Statements to the Association**

312 Each week, the Corporation shall remit by electronic transfer, to an APSA-designated bank account, the amount of dues collected.

313 The Corporation shall furnish a weekly report (Report 104-50, SAP-ZHRRAWDO, *Register of APSA Dues Deductions*) as of the last day of work to APSA. This report shall be furnished in paper copy only, shall be organized by employee badge number, and shall contain the following information:

314 a. The total amount of current dues deducted.

315 b. Employee name, employee badge number, four-digit cost center code, current automatic dues deduction (yes/no), weekly deduction amount, and the year-to-date amount for each employee from whose earnings deductions have been made.

316 c. Employee name, employee badge number, four-digit cost center code, current automatic dues deduction (yes/no), weekly deduction amount, and the year-to-date amount for each employee who had authorized such deductions but from whose earnings no deductions were made because their paychecks were insufficient to enable the Corporation to make appropriate deductions.

317 **Indemnity Agreement**

318 The Association shall indemnify and save the Corporation harmless against any and all claims, demands, lawsuits or other forms of liability including costs and attorney fees that may arise out of or by reason of actions taken by the Corporation in making payroll deductions as herein provided or in complying with this Article.

ARTICLE IV

400 APSA COMMUNICATIONS

401 At all locations where the Corporation maintains a bulletin board, a bulletin board of a size to be mutually agreed upon shall be provided by the Corporation to the extent practicable and feasible to be used by APSA for posting of the following types of notices:

402 a Notices of APSA meetings.

403 b. Notices of APSA elections.

404 c. Notices concerning the appointment of officers and results of APSA elections.

405 d. Notices of APSA social, educational or recreational affairs.

406 Space for boxes for the distribution of APSA newsletters and notices shall be provided to the extent practical and feasible at all locations where the Corporation maintains an "Orbiter" box.

407 All notices shall be signed by an official of APSA.

408 APSA shall not distribute or post, nor authorize its members or those that it represents to distribute or post, any material anywhere within the work areas of the Corporation's operations except as herein provided. All material, which is posted or distributed as herein provided will be consistent with the professional nature of The Aerospace Corporation or with the use of its premises. All material shall be submitted to the Labor Relations Administrator in draft form at least two (2) working days prior to posting and distribution and in final form immediately prior to posting and distribution. After notice to APSA, the Corporation may remove or relocate the APSA bulletin boards for reasons such as alteration of facilities. The Corporation shall have the right to remove any material posted or distributed in violation of this Article.

409 The Corporation agrees to distribute through its internal mail system, at locations other than El Segundo, APSA material, which is mailed in the U.S. mail to members of the bargaining unit at such

locations, unless space is provided there to APSA in accordance with Paragraph 406 of this Article. APSA agrees not to use the mail for distribution of its material to corporate locations at El Segundo, or other locations where the provisions of Paragraph 406 *supra* are operative.

410 The Corporation agrees to provide APSA with a monthly report (Report 021-91, *Alphabetic Listing of Home Addresses of MTS Non Supervisors*) in both paper copy and disk format containing the following information regarding each bargaining unit member: employee badge number, employee name, four-digit cost center code, position code, and mailing address including zip code.

411 APSA shall have the right to use two conference rooms in Aerospace's El Segundo, CA, facility per week on a scheduled basis during the noon hour for meetings of its Board of Directors and committees. APSA shall further have the right to use one conference room in each of Aerospace's Albuquerque, NM, Chantilly, VA, Colorado Springs, CO, Eastern Range, FL, and Western Range, CA, facilities per week on a scheduled basis during the noon hour for meetings of its committees. These meetings are not to be publicized and attendance will be limited to fewer than 20.

412 APSA shall have the right to use one conference room in Aerospace's El Segundo, CA, facility per calendar quarter during the noon hour for general meetings not to exceed 250 bargaining unit members. APSA shall further have the right to use one conference room in each of Aerospace's Chantilly, VA, Colorado Springs, CO, Eastern Range, FL, and Western Range, CA, facilities per calendar quarter during the noon hour for general meetings not to exceed 35 bargaining unit members, provided that on-site management shall have the right to reschedule utilization of the room with advance notice to APSA no later than 4 PM on the workday preceding the scheduled meeting.

413 APSA shall have the right to use one conference room twice a year on a weekend during the day for training purposes. These meetings are not to be publicized and attendance will be limited to under 250. Any attendance by non-employees shall be coordinated in advance with Security.

414 The Corporation will provide employees newly hired into the bargaining unit a copy of the Agreement and one document (i.e., new hire greeting) supplied by APSA. The Corporation will include in its new hire orientation a chart, which states:

> "The Aerospace Corporation has a bargaining agreement with APSA covering Members of the Technical Staff in non-supervisory positions at Levels I, II, and III except for confidential employees. All such MTS are represented by APSA in negotiations with the Corporation whether or not they are dues paying members. It is up to each such MTS to decide whether he or she wishes to join APSA."

415 The Corporation shall provide APSA with a weekly report containing a list of the employees newly hired into the bargaining unit during that week by name, badge number, 4-digit cost center code, position code and work location, with the list organized by work location.

416 The Corporation agrees to include in the electronic publication pursuant to Paragraph 1614 a notice of APSA's quarterly membership meetings to run for a two (2) week period prior to the individual meetings. Such notices shall set forth only the time, place, date and agenda for the meetings and shall be consistent with the professional nature of the Corporation. These notices shall be submitted to the Labor Relations Administrator for approval and forwarding to the "Happenings" coordination office at least five (5) working days prior to the publication deadline. The Labor Relations Administrator shall notify APSA of any disapproval of its submittal at least two (2) working days prior to the publication deadline and shall meet with APSA in a good faith attempt to resolve the issues.

417 The Corporation agrees to continue providing a public voice-mail address on the Corporation's voice-mail system for APSA's utilization in communicating with members of the bargaining unit.

418 The Corporation agrees to continue providing for APSA's advertisement in the classified section of the Corporation's telephone directory.

ARTICLE V

500 APSA LEAVES OF ABSENCE

501 Requests for leaves of absence for Association business matters will be treated on the same basis as all other requests for unpaid personal leaves of absence except that, upon a written request from APSA, approval of a maximum of one (1) week of such leave shall be granted unless extraordinary circumstances prevent it.

ARTICLE VI

600 MERIT EMPLOYMENT PROVISIONS

601 Full-Time and Part-Time Employment

602 Recording of effort by bargaining unit employees is set forth in Appendix C, Work Environment, Section 7, Exempt Employees – Distribution of Effort.

603 Part-time employment for bargaining unit employees is set forth in Appendix C, Work Environment, Section 8, Exempt Employees - Part-Time Employment.

604 Determination of Performance

605 Each member of the bargaining unit shall have his or her performance evaluated and documented by supervision at least yearly and updated in the event of transfer. In the event of significant changes in performance, changes in content of the employee's work, or in the event of promotion, reduction in force, or other reason, an additional evaluation may be performed. Any significant improvement or decline in an MTS's performance ratings in comparison with previous years must be explained in Part II B of the Performance Evaluation Form, which contains the supervisor's comments. This explanation should specifically identify, where appropriate, any apparent decline or increase in an MTS's rating because of a change in the manner or method of evaluation.

606 The performance documentation shall include an evaluation of the bargaining unit member, using a list of performance factors and appropriate performance indicators. Where factors other than those listed on the review form are also relevant because of the nature of the job, such other factors may also be utilized by supervision. Where factors other than the established factors set forth in the Performance Evaluation Form are determined by management to be relevant in evaluating an MTS's performance in a particular position, those factors should be identified and discussed with the MTS sufficiently in advance to fairly advise the employee and subsequently be identified on the form itself.

607 Each employee will be informed of his or her evaluation in the course of a personal discussion with supervision. The employee will have the opportunity to comment on the evaluation verbally

and in writing. Any written comments will become part of the evaluation record and a copy of the evaluation will be given to the employee.

608 Each employee in an organization is ranked according to value. If desired, the employee may verbally request to receive in writing marked as "High Sensitivity" and "Aerospace Internal Use Only" his/her value ranking and a brief narrative describing its basis. Employee value rankings are reported to the individual employee in one (1) of five (5) groups (also known as "bins"), of approximately 1-10, 11-30, 31-70, 71-90, and 91-100 percent. In small organizations such as those with less than 10 employees, fewer groups may be utilized in reporting value rankings. Specifically, an employee may request to be informed where he/she is in the bottom group.

609 Where an employee's performance is established as unsatisfactory or has significantly declined, that fact shall be stated on the evaluation form and the employee given the opportunity to discuss with supervision the reasons for that judgment and the areas where improvement is required.

610 The performance management process for the MTS is described in Appendix C, Work Environment, Section 1, Performance Management Process.

611 **Transfers**

612 All open job positions within the bargaining unit shall be posted or communicated to all Corporate locations unless a specific determination is made to the contrary by the cognizant Level 6 Vice President.

613 The Corporation shall provide APSA with a monthly report (Report 021-116, SAP-ZHRRAPSO, *APSA Report on the Exempt Active Population*) in paper copy only indicating employees who have transferred into and out of the bargaining unit. This report includes bargaining unit employees who have entered or terminated employment from, changed status, or transferred within the Corporation. This report shall include the following information for each bargaining unit member: employee badge number, employee name, four-digit cost center code, pay plan, organization level and status.

614 All applications for posted positions shall be written and full consideration shall be given to all such applications. A member of the bargaining unit may apply for any open position without prejudice to his or her current position. In administering the provisions of this paragraph, the Corporation will send a letter to job applicants with the following text:

> "Your request for transfer for the above noted personnel requisition has been received and referred to the appropriate supervisor."
>
> "It is the practice of the Human Resources Division not to notify the Supervisor of an employee who is seeking a transfer. It is felt that such notice by an employee to her or his Supervisor is good business practice but it is not required."

615 Transfers will be made at the discretion of the Corporation based upon management's assessment of the operational requirements and of the applying employee's suitability. Unsuccessful applicants for posted jobs shall, upon rejection, be informed in writing of the reasons therefore.

616 No bargaining unit employee shall, except under unusual circumstances, be involuntarily reclassified to a position at a lower level as a result of reorganization or otherwise without having been given at least forty-five (45) calendar days to seek another position with the Corporation.

617 The corporation's policy is not to transfer an employee into an organization where the employee would be reporting to the same manager/supervisor as a family member or domestic partner. Family members and domestic partners may not be in a supervisory relationship.

618 The limit of 6 pending transfers can be waived on a case-by-case basis by the Human Resources Department.

619 The limit of 6 pending transfers is waived for those in displaced status or those notified they have been selected for a reduction in force.

620 **Reduction in Force (RIF)**

621 Whenever it becomes necessary to reduce or change the composition of the working force because of lack of work, the imposition of budgetary changes, a reorganization of tasks, changing requirements for particular skills or occupations or other reasons, management may select employees for reduction in force. Ability to perform the remaining work, performance as an Aerospace employee, and, to the extent it bears upon the foregoing, experience gained in years of service at Aerospace and elsewhere shall be considered by Management in selecting employees for RIF. All members of the bargaining unit shall be evaluated on a non-discriminatory basis. It is the intent of the Corporation to select employees for RIF from as broad a base as is suitable under the circumstances; however, the provisions of this Article do not require that all reductions are Corporate-wide in scope nor restrict the Corporation's right to transfer employees or to offer transfers and/or reclassifications to employees affected by reduction in force. In cases of RIF, the Corporation agrees to expedite its review of applications for transfer in those situations where the Corporation believes transfers may be warranted.

622 Employees who are eligible to enter retirement from active employment and who have been selected for termination of employment as part of a RIF shall not be required to forego severance pay as a condition to invoking retirement status.

623 In the event of a RIF, access of RIF'ees to Aerospace facilities shall not be limited beyond normal controls for regular employees between 7:00 a.m. and 4:30 p.m., Monday through Friday (except holidays). Exceptions may be made where program security or individual circumstances warrant.

624 **Rehire**

625 The Corporation shall establish a roster consisting of the names of those employees whose employment has been terminated under the provisions of Paragraph 621 of this Agreement. At the termination interview, employees shall be informed of the Corporation's rehire policy as specified in Paragraph 650 of this Agreement. At this time, the Corporation shall ask employees if they wish to have their name on the roster. Only employees, who respond "Yes", will have their names included on the roster. The Corporation shall request resumes from all employees who have responded "Yes." The collected resumes shall be included with the roster. It shall be the responsibility of the employee to provide the Corporation with a resume. For a period of one (1) year following termination of employment, the Corporation shall send copies of the current MTS position vacancies to each person on said roster. The mailings shall be concurrent with distribution within the Corporation of each publication of these postings. The Corporation shall implement procedures to ensure that persons on said roster who notify the Corporation in writing of their interest and suitability shall be considered along with other applicants for any position to be filled by the Corporation by outside hiring. No outside applicant shall be hired for a position as to which there is a person on said roster who has notified the Corporation of his or her interest and suitability unless a written explanation has been approved by the level 4 manager. It shall be the responsibility of persons on said roster to keep the Corporation informed of his or her address. Persons shall

remain on said roster for a period of one (1) year, or until such person is rehired, declines an offer of rehire, or asks to have his or her name removed from the roster.

626 **Notification in the Event of a Reduction in Force**

627 **To the Individual**

628 An employee designated to be terminated through RIF shall be given written notice in accordance with Paragraph 633.

629 **To APSA**

630 The Corporation agrees, to the extent practicable, to notify APSA in writing at least three (3) weeks prior to the notification of any individual of their inclusion in a RIF when the RIF is anticipated to involve five (5) or more members of the bargaining unit. There shall be no obligation to give APSA advance notice of the names of the individuals whose inclusion in the RIF is anticipated or to discuss with APSA the names of the individuals under review for possible inclusion in the RIF. In any RIF, APSA shall be notified in writing of the name of each member of the bargaining unit to be included in the RIF concurrently with such notice to the individual. A letter of notification shall inform the individual that he/she may have an APSA representative present at the notification interview. Any individual to be included in the RIF may request the presence of an APSA representative at the notification interview.

631 APSA agrees that the information, which it receives from the Corporation in advance of any anticipated RIF, shall be treated by it as confidential.

632 **Options in Event of RIF**

633 Any member of the bargaining unit whose employment is being terminated due to a RIF shall receive four (4) week's written notice of his or her termination of employment. Any bargaining unit member designated for RIF shall have the option of receiving up to four (4) weeks' pay in lieu of notice. Bargaining unit members shall receive at least one (1) week's written notice plus three (3) weeks' pay or a combination of written notice and pay in lieu of notice equaling four (4) weeks' salary. If, in the opinion of the cognizant Level 6 Vice President, operational factors should require immediate termination the bargaining unit member shall receive four (4) weeks' pay in lieu of notice.

634 The Corporation shall provide for bargaining unit members who have been designated for RIF and who are otherwise eligible for retirement to be able to enter retirement from active employment.

635 **Corrective Action Process**

636 The Corporation has a corrective action process for managing unsatisfactory performance and/or unacceptable conduct by bargaining unit members. If requested by the member, an APSA representative shall be allowed to be present to represent the bargaining unit member in any Step 2 or 3 corrective action meeting. With or without the participation of APSA, a bargaining unit member shall be provided an opportunity to respond to the identified problem(s) in any corrective action meeting. A description of the corrective action process is provided in Appendix C, Work Environment, Section 2, Corrective Action.

637 **Termination for Cause**

638 The Corporation has the right to terminate for cause. The Corporation shall notify APSA promptly, but in any event within two (2) working days, of any termination for cause. Any employee in the

process of being terminated for cause may request the presence of an APSA representative at the termination interview.

639 Termination for cause shall include but not be limited to terminations for unsatisfactory performance. An employee terminated for "unsatisfactory performance" shall be given a prior written Corrective Action concerning his performance and a reasonable time to correct the deficiency. All such written Corrective Actions shall be reviewed by the Human Resources Division to consider whether remedial action or a remedial program is appropriate and has been recommended.

640 Termination for cause shall also include a very limited category of discretionary terminations upon the authority of the President or cognizant Senior Vice President of the Corporation. Any such discretionary termination shall not be subject to grievance.

641 **Displaced Status**

642 Displaced status occurs when an employee's job has been eliminated as a result of reorganization, has been filled during an employee's leave of absence or has become unsuitable as a result of an employee's inability to perform the primary functions of the job APSA shall be notified, in writing, of the name of each member of the bargaining unit to be placed on displaced status concurrently with such notice to the individual.

643 The goal of placing employees in displaced status is to provide an opportunity for the employee to seek a new position or work assignment. Hence, an employee in displaced status would normally be assigned work during the displaced period. If an employee elects to seek employment within the Corporation he or she may do so for a period of ninety-one (91) days. At any time during the ninety-one days an employee may elect to terminate employment and receive RIF notice benefits and severance pay. At the end of ninety-one days in displaced status, the employee's employment is subject to immediate termination. The terminating employee will receive RIF notice, benefits and severance pay. Extension of the ninety-one day period requires approval of the Director, Employee Relations

644 If temporary work assignments are unavailable, the employee may go into no-pay status between assignments; however, the employee is not normally subject to immediate termination of employment. Should a company-wide RIF occur, an employee may be subject to involuntary termination during the ninety-one day period in displaced status.

645 **Disability Leave - Return to Work**

646 The Corporation assists an employee's return from Disability leave to active employment directly or through a rehabilitation program. The goal is to provide a reasonable time for the employee to find suitable work if the employee's position has been filled or eliminated during the leave, or if the employee is no longer able to perform that type of work. An employee returning from temporary disability leave normally returns to the same organization and position. An employee may be put in displaced status if his or her position has been eliminated or filled due to a critical need, or if the employee can no longer perform the primary functions of that position.

647 An employee on temporary disability leave or Long-Term Disability (LTD) may participate in a rehabilitation program that allows the employee, under approved circumstances, to return to work to his or her previous position or similar position on a part-time basis. The employee will receive full-time regular benefits from the Corporation, as well as pay for hours worked, and where the employee elected LTD coverage, proportionally reduced disability benefits from the insurer, provided the insurer approves the individual's rehabilitation program.

648 **Termination Pay**

649 Employees who voluntarily terminate employment receive no termination pay. Employees terminated involuntarily for reasons other than a reduction in force receive two (2) weeks' termination pay if employed for six (6) months or more, or one (1) week's pay if employed for less than six (6) months. Employees terminated for cause sufficient to render continued employment detrimental to the corporation's interests or as a consequence of ongoing corrective action receive neither advance notice nor termination pay.

650 An employee who is terminated in a reduction in force shall receive severance pay in accordance with the Corporation's severance pay policies (see Appendix E, Employee Programs, Section 9, Severance Pay). If a person who has been so terminated is rehired, such person shall be rehired as a new employee unless the rehire is within a period of one (1) year and the person rehired repays to the Corporation the sums he or she has received as pay in lieu of notice and severance pay to the extent such pay exceeds the product of the employee's weekly wage at the time of the reduction multiplied by the number of weeks the employee was unemployed. Any sums so returned shall constitute the full extent of the severance pay available for such employee in the event of a subsequent reduction except that such employee shall thereafter accrue additional weeks of severance pay at the rate of one (1) week of severance pay for each year of subsequent employment up to a maximum total of nineteen (19) weeks.

651 A description of the benefits associated with a reduction in force is provided in Appendix E, Employee Programs, Section 10, Reduction-In-Force (RIF) Benefits.

652 **MTS Pay Plan**

653 A description of the MTS salary structure is provided in Section 4 of Appendix B. The MTS job descriptions are provided in Section 2 of Appendix B.

654 A copy of Appendix B, Nonsupervisory MTS, Section 4, MTS Pay Plan Structure, along with Practices HR–2-2 and HR–2-3, the Aerospace Professional Career Path booklet, a description of the MTS job role characteristics, and the MTS position code designations shall be maintained in the library, as well as a copy of the current salary distribution percentile curves for the non-supervisory MTS. A copy of the same data shall be maintained by the administrators in all regional facilities for viewing by the MTS. Two (2) paper copies of the same material shall be provided to APSA, along with a copy on magnetic media of the current salary distribution tables and percentile curves for the non-supervisory MTS.

ARTICLE VII

700 NON-DISCRIMINATION

701 The parties hereto subscribe to the principles of equal opportunity and merit employment and in furtherance thereof agree in accordance with the applicable state and federal laws not to discriminate against any employee because of age, race, color, ancestry, national origin, gender or gender identity, sexual orientation, creed, religion, physical disability, mental disability, medical condition, marital status, veteran status, or union activity or lack thereof. Except as provided in Paragraphs 702 through 705, all complaints arising under this paragraph shall be processed in accord with Article XV of this Agreement.

702 As part of their commitment to Equal Employment Opportunity, the Corporation and APSA agree that any form of sexual harassment in the workplace is improper. Complaints of sexual harassment shall be reported to line management, to the Diversity & Equal Employment Opportunity ("D&EEO") Office and/or to the Office of the General Counsel, and will be processed in accordance with Corporate Practice HR–6-4.

703 Alleged victims and/or harassers involved in sexual harassment incidents who are members of the bargaining unit may seek support and assistance from APSA. An APSA representative shall be allowed to be present to represent the bargaining unit member in all meetings, which include the bargaining unit member if requested by the member. The Corporation shall advise any member of the bargaining unit accused of sexual harassment of the member's right to have an APSA representative present whenever the member is requested to attend any meeting regarding the alleged sexual harassment.

704 Once the investigation of an alleged sexual harassment incident has been concluded, the Vice President, Office of Human Resources, the General Counsel, and the Director, D&EEO Office recommend a course of action to the harasser's cognizant level 6 vice president if sexual harassment is found to have occurred. Whether sexual harassment has or has not been found to have occurred, upon request the D&EEO Office shall provide a confidential written statement discussing the findings of the investigation to the alleged harasser and/or harassee.

705 Either party, within ten (10) workdays of receipt of the findings and resolution, may file a Step 3 grievance in accordance with Paragraph 1513 of this Agreement. A second independent investigation may be necessary to resolve any outstanding issues. At the conclusion of the grievance, the Peer Review Board issues a final decision. The parties receive the final decision in writing.

ARTICLE VIII

800 EMPLOYEE BENEFITS

801 The monetary benefits specified within Article VIII, including specific referenced plans with regard to Group Insurance, Retirement and Voluntary Annuity, shall be continued during the term of this Agreement for bargaining unit employees, provided, however, that such benefits may be changed upon notice to and good faith bargaining in an attempt to reach such an agreement. If such bargaining produces an agreement, that agreement shall be reduced to writing. If no agreement is reached, after impasse the Company may implement the change. As additional conditions precedent to such benefit changes, two further provisions apply, i.e., any such reduction in benefits shall also be made applicable to supervisory MTS and be made for reasonable cause.

802 The provisions of the following referenced plans, as they exist at the present time, are described in the attached Appendices and in the Corporation's Summary Plan Descriptions. The cost to the

employee for each of these plans is set forth in Appendix F. Notwithstanding any language in the summary plan or other descriptions to the contrary, changes in such plans to the extent that they affect the bargaining unit may be made during the term of this agreement only in accordance with provisions of Paragraph 801. If any member of the bargaining unit identifies an issue which raises an apparent conflict between the content of a summary plan or other description with the terms of a master policy or membership agreement, the Corporation and APSA shall meet in a good faith attempt to resolve the apparent conflict.

Plan

Group Hospital–Medical Plan
Health Maintenance Organizations (HMOs)
Employee Assistance Program (EAP)
Dental Expense Plan
Prepaid Dental Plan
Vision Care Plan
Flexible Spending Account (FSA)
Temporary Disability Insurance
Long-Term Disability (LTD) Income Benefits Insurance Plan
Life Insurance Plan
Occupational Accident Insurance Plan
Voluntary Personal Accident Insurance Plan
Severance Pay Plan
Aerospace Savings Account Plan (ASAP)
Aerospace Employees' Retirement Plan (AERP) (Includes a description of the Survivors' Income Benefit)
Voluntary Annuity/Account Plan (VA/AP)
Occasional Sick Leave
Retiree Medical Plan

803 The monetary benefits specified by the following Policies and Practices of the Corporation shall be continued during the term of this Agreement for bargaining unit employees, subject to change in accordance with the provisions of Paragraph 801:

Number	**Title (Abstract)**
BO-4-2	Commuter Services
BO-4-4	Mail Services
BO-6-1	Air Travel
BO-6-2	Car Rentals and Ground Transportation
BO-6-3	Lodging, Meals, and Incidentals
BO-6-4	Trip and Expense Approvals
BO-6-5	Charge Cards
BO-6-6	Insurance and Incidents
BO-6-7	Combined Business and Personal Travel
BO-6-8	International Travel
BO-6-9	Travel to Company Offices and Field Locations
CL-1-1	Education Tuition Reimbursement
CL-3-1	Continuing Learning
FI-1-5	Time Recording – Non-Exempt Employees

FI-1-6	Time Recording - Exempt Employees
FI-2-1	Temporary Domestic Assignments
FI-2-2	Permanent Domestic Relocations
FI-2-4	Meal and Mileage Allowances for Exempt Employees
HR-1-1	Employment Status and Categories
HR-1-4	Personnel Folders
HR-1-7	Promotions, Transfers and Reassignments
HR-1-8	Displaced Status
HR-1-10	Termination of Employment
HR-1-11	Equal Employment Opportunity
HR-1-12	Release of Personal Information
HR-2-2	Pay Plans
HR-2-3	Compensation
HR-2-4	Extended Workweek for Exempt Employees
HR-2-5	Job Descriptions
HR-2-6	Job Evaluation
HR-2-7	Career Paths – Nonsupervisory Exempt Employees
HR-3-1	Jury Duty
HR-3-2	Holidays
HR-3-3	Vacation
HR-3-4	Sick Leave
HR-3-5	Military Reserve Active Duty
HR-3-6	Disability Leave – Return to Work
HR-3-7	Absences
HR-3-8	Leave of Absence
HR-3-9	Employee Retirement
HR-3-10	Telecommuting
HR-3-11	Alternate Workweek Program
HR-3-12	Corporate Awards Program
HR-4-1	Performance Management
HR-4-2	Performance Review Procedures
HR-4-3	Corrective Action Procedures
HR-5-1	Education Tuition Reimbursement
HR-5-2	Corporate Study Assistance Program
HR-5-3	Corporate Educational Assignment Program
HR-5-4	Intergroup Rotation Program
HR-6-1	Complaints and Grievance Process
HR-6-2	Substance Abuse in the Workplace
HR-6-3	Smoke-Free Workplace
HR-6-4	Sexual Harassment
HR-6-5	Disabled Employees – Safety Measures
HR-7-1	Short-Term International Assignment
HR-7-2	Long-Term International Assignment
IS-2-1	Electronic Communication Services
SA-1-5	Safety, Health and Environmental Infractions
SA-1-19	Medical Surveillance Program
SE-4-5	Security Incidents – Disciplinary Actions
SE-5-1	Personnel Security Clearances
SE-6-1	Physical Security
SE-6-2	Traffic and Parking
SE-6-3	Threats and Violence

TC-1-2 Patents
TC-1-6 Technical Reports System

804 Any change in a non-monetary benefit specified by any of the above Policies and Practices as they apply to the members of the bargaining unit shall be subject to the provisions of Article II.

ARTICLE IX

900 COMPENSATION

901 During Fiscal Year 2008, the Corporation shall budget, in accordance with past practice, merit salary increases aggregating 4.0% of the bargaining unit payroll as of October 1, 2007. Budgeted increases for the MTS who have been employed for less than one year on October 1, 2007, may be prorated at the discretion of management. Individual increases, less organizational reserves, shall be administered on a common review date of December 8, 2007, subject to approval of the Board of Trustees. There shall also be a separate discretionary reserve for promotional and special salary increases and other contingencies of up to 1.0% computed on the same basis as above. The merit salary increase shall provide for a penetrable floor of $15.00 per week for documented poor performance. A description of the compensation process is provided in Section B, Non-supervisory MTS, Section 3, Compensation.

902 During Fiscal Year 2008, the Corporation shall budget, in accordance with past practice, for a Performance Recognition Payment Program. At least 59.8% of the total program funding shall be distributed to the bargaining unit employees. Total program funding is the amount actually spent on these payments to all eligible employees up to a maximum of $3,439,893 (approximately 0.8% of the gross payroll). A description of the program is provided in Appendix E, Employee Programs, Section 1, Performance Recognition Payment Program.

903 During Fiscal Year 2008, the Corporation shall budget, in accordance with past practice, a Corporate Awards Program aggregating 0.17% of the bargaining unit payroll as of October 1, 2007. A description of the program is provided in Appendix E, Employee Programs, Section 4, Corporate Awards Program.

ARTICLE X

1000 EMPLOYEE PERSONNEL FILES

1001 An employee may inspect his or her official personnel file at reasonable intervals in accordance with rules to be established by the Corporation.

1002 An employee may submit, for insertion into his or her file, additional material that is directly applicable, appropriate, and relevant to his or her proper consideration for promotion, retention, transfer, reclassification, etc. Such material may include evidence of additional experience or training acquired, response to adverse criticism of performance, etc. The Vice President, Office of Human Resources or the Vice President's designee shall have the right to refuse such submissions if the material submitted is deemed to be unsuitable for insertion.

ARTICLE XI

1100 CORPORATE DOCUMENTATION

1101 It is the policy of the Corporation to identify the principal author, or authors, of Corporate publications and reports to the extent practicable and appropriate. Approval signatures, if required, shall appear after the authors' names when permitted by customer requirements. Persons will not be listed as authors solely by virtue of their having reviewed, or approved, a document or report.

ARTICLE XII

1200 STAFF DEVELOPMENT

1201 The Corporation is committed to maintaining the professional excellence of its staff and to providing an environment, which encourages employee development. The Corporation affirms its intent to administer its program of Staff Development activities for its professional employees in a fair and equitable manner.

1202 A description of the corporate continuing learning practice is provided in Appendix E, Employee Programs, Section 5, Continuing Learning.

1203 A description of corporate learning opportunities is provided in Appendix E, Employee Programs, Section 7, Learning Opportunities.

1204 A description of educational assistance programs is provided in Appendix E, Employee Programs, Section 8, Educational Assistance Programs.

1205 A description of the Intergroup Rotation Program is provided in Appendix C, Work Environment, Section 6, Aerospace Rotation Program (ARP).

ARTICLE XIII

1300 TELECOMMUTING

1301 The Corporation has a formal telecommuting program. The Corporation uses telecommuting to provide staffing flexibility and to increase productivity when an employee's assignments are compatible with this method of operation. Telecommuting as part of the normal 40-unit workweek is voluntary, requires management approval, involves a cooperative arrangement between supervisor and employee, is for a specified time period, and is subject to corporate policies and practices.

1302 Workdays and hours do not change due to participation in a telecommuting program, unless an alternative schedule is developed and agreed to by the employee and supervisor. Employees telecommuting during the normal 40-unit workweek and their supervisors will sign a Telecommuting Memorandum of Understanding (MOU) that can be terminated at any time by the Corporation or the employee. Bargaining unit employees are not required to sign an MOU as a condition of participating in the telecommuting program unless such MOU contains the following provision in a prominent location:

> "A non-supervisory MTS, if he or she so chooses, may review this memorandum of understanding with an Aerospace Professional Staff Association (APSA) representative before signing it."

1303 Employees who telecommute are responsible for taking ordinary precautions in protecting against damage to or theft of company-owned equipment and software. Employees are not responsible for normal wear and tear.

ARTICLE XIV

1400 NO STRIKES OR LOCKOUTS

1401 The Corporation agrees that during the life of this Agreement it will not use a lockout as an economic weapon against APSA or the employees represented by APSA.

1402 APSA agrees that during the life of this Agreement it will not engage in, encourage, assist, sanction or sponsor any sit-downs, stay-ins, slow-downs, picketing, boycotts, work stoppages, sympathetic strikes whether by employees in the bargaining unit or others or engage in, encourage, assist, sanction or sponsor any other action which would interrupt or interfere with any of the operations of the Corporation.

1403 The employees in the bargaining unit represented by APSA, by accepting the benefits of this Agreement, agree that during the term of this Agreement they shall not engage in, encourage, assist or participate in any sit-downs, picketing, boycotts, work stoppages, sympathetic strikes or any other action which would interrupt or interfere with any of the operations of the Corporation.

ARTICLE XV

1500 DISPUTES RESOLUTION

1501 Employee Grievances

1502 In the event an employee in the bargaining unit believes that he or she has been dealt with unfairly with regard to any specific employment condition or any perceived violation(s) of Policy or Practice or a specific provision of this Agreement, such as the provisions with regard to determination of performance, salary level or adjustment, discrimination, grievable termination for cause involving whether an employee's job performance is acceptable to the Corporation, termination under a RIF, or a transfer, the subject employee with or without the assistance of APSA is encouraged to discuss his or her dissatisfaction with line supervision up to and including the Division or Operations General Manager, as appropriate, in an effort to resolve the matter.

1503 In addition, the employee has the option of seeking advice and assistance with regard to his or her dissatisfaction from the Employee Relations Department or from APSA.

1504 Step 1 Grievance Resolution

1505 Within twenty (20) working days of the event giving rise thereto, the employee shall initiate the discussion of his or her dissatisfaction

1506 Within twenty (20) working days after the employee has brought the matter to supervision's attention, line supervision up to and including the Division or Operations General Manager shall attempt to resolve the matter.

1507 The employee or the employee's supervision may request the presence of a member of the Human Resources Division, Employee Relations Department, at such discussions, whether or not APSA is assisting. The Employee Relations/Labor Relations Administrator and APSA representative shall meet before the meeting to coordinate the meeting process. An employee may secure the assistance of APSA at any stage of the processing of a grievance, provided, however, any agreements, schedules or conditions established prior to APSA's entry shall not be altered. If APSA is involved, the Employee Relations/Labor Relations Administrator will act as a facilitator and management advocate. If APSA is uninvolved, the Employee Relations/Labor Relations Administrator will act as a facilitator and mediator for corporate management and the grievant.

1508 **Step 2 Grievance Resolution**

1509 Within ten (10) working days of receipt of the final decision of the Division or Operations General Manager or within twenty (20) working days of the expiration of the twenty (20) working day period referred to above, whichever occurs first, if the matter remains unresolved or if the employee remains dissatisfied, the employee may file a formal written grievance with the Employee Relations Department outlining the nature of the grievance and the remedy requested. This formal grievance may be filed with or without the assistance of APSA; however, the procedures outlined in this Agreement will be followed in either case. If the grievance is filed with APSA, APSA shall assist in submitting the written grievance outlining the nature of the grievance and the remedy requested to the Employee Relations/Labor Relations Administrator.

1510 Within twenty (20) working days, the Employee Relations/Labor Relations Administrator shall attempt to resolve the matter by conferring with the appropriate Division or Operations General Manager or his or her designee and with the grieving employee in the case of a grievance filed without the assistance of APSA, or with the employee and APSA in the case of a grievance filed with the assistance of APSA.

1511 Unless waived by the parties, this resolution attempt shall be in the form of a meeting with the employee, Division/Operations General Manager, line supervision, Employee Relations/Labor Relations Administrator and the APSA representative. The Employee Relations/Labor Relations Administrator and APSA representative shall meet before the meeting to coordinate the meeting process. In a grievance filed without the assistance of APSA and unless waived by the parties, the resolution attempt shall be in the form of a meeting with the employee, Division/Operations General Manager, line supervision, and the Employee Relations/Labor Relations Administrator. The meeting shall be chaired by the General Manager.

1512 Independent of APSA's participation, the employee shall receive a written response from management.

1513 **Step 3 Grievance Resolution**

1514 Within ten (10) working days of the receipt of management's written response and if the matter is not resolved to the satisfaction of the employee, it shall be referred for a fair hearing and determination by a Peer Review Board.

1515 The Peer Review Board shall consist of five (5) voting members: a Level 5 or 6 Vice President (technical) selected by the Vice President, Office of Human Resources; a Level 4 or above

Manager (technical) selected by the Principal Director, Human Resources; and three (3) bargaining unit employees selected randomly from a pool of employee peers. None of these five individuals shall be from the grievant's organization or the defending organization. To the extent possible, none of the five individuals shall be from the same organization. The Vice President shall chair the Peer Review Board hearing.

1516 The peer pool shall consist of approximately fifty-two (52) bargaining unit employees. Level 5 management will select two (2) individuals from their area. In organizations consisting of twenty-five (25) or more bargaining unit employees with no Level 5 management, one (1) individual will be selected by Level 6 management. Individuals are selected for a period of up to two (2) years, except that for the first year sixteen (16) individuals shall serve for a period of one (1) year. Any time spent in this activity by bargaining unit employees shall not have to be made up.

1517 The grievant may be accompanied in the hearing by an APSA representative or any other peer of the grievant's choice. The Employee Relations/Labor Relations Administrator and APSA representative shall met before the hearing to coordinate the hearing process. Non-employees may not act in this capacity. Members of corporate management may be assisted by an Employee Relations/Labor Relations Administrator. If APSA is uninvolved, the Employee Relations/Labor Relations Administrator will act as a facilitator and mediator for corporate management and the grievant.

1518 Additional individuals present in the hearing are limited to two recorders (one selected by the grievant and the other selected by the Employee Relations/Labor Relations Administrator), and additional observers agreed upon by APSA and Employee Relations/Labor Relations. These individuals are restricted to the roles of non-participating observers.

1519 The decision of the Peer Review Board shall be final and binding on all parties. Individuals other than the Board members are precluded from participating in the deliberations. An Employee Relations/Labor Relations Administrator shall be present as a recorder. Within twenty (20) working days of the hearing, the Peer Review Board shall submit a written decision to the cognizant Level 6 Vice President. Within another five (5) working days, the cognizant Level 6 Vice President shall submit the written decision to the grievant and participants.

1520 **Termination-Related Grievances**

1521 To the extent practicable, termination-related grievances shall proceed in such a way that the following goals may be achieved: (a) Within twenty (20) working days of receipt of termination notification, the employee shall begin the grievance process at Step 2 by filing a formal written grievance outlining the nature of the grievance and the remedy requested; and (b) The hearing before the Peer Review Board shall be held within forty (40) working days of receipt of the grievance.

1522 **Timeliness**

1523 To the extent practicable, all parties shall comply with established timelines of the Grievance Resolution process. However, if scheduling precludes meeting all timelines, timelines may be extended upon mutual agreement between APSA and the Corporation.

1524 **Other Conditions**

1525 The Chair of APSA Grievance Committee and the Labor Relations Administrator or designee will meet at least once each month to review the status of pending grievances in an effort to expedite their resolution.

1526 No reprisals or retaliation shall be taken against any employee because of the employee's resort to the procedure set forth herein.

1527 Employees, including one (1) APSA representative in case of a grievance filed with the assistance of APSA, whose participation in a meeting with the Corporation after the filing of the written grievance with the Human Resources Division is required to effectuate the purpose of this provision, shall not be required to take unpaid leave or to make up the time spent in any such meeting.

1528 **APSA Grievances and Arbitration**

1529 APSA itself may present grievances on matters that involve the rights of APSA itself specifically set forth in this Agreement in Article I (Paragraph 106 only), III, IV, and VI (Paragraphs 613 and 630 only) and VII (union activity only). Additionally, APSA may invoke the provisions of this paragraph for presentation of a grievance involving termination for cause of a bargaining unit member where termination does not involve whether the employee's job performance is acceptable to the Corporation, and the terminated employee has filed a written grievance with the Vice President, Office of Human Resources or the Vice President's designee within nine (9) working days of his or her discharge.

1530 Any such grievance shall be filed by APSA in writing with the Vice President, Office of Human Resources or the Vice President's designee within twenty (20) days of the event giving rise to the grievance except as specified in Paragraph 1529 above.

1531 In the event the Office of Human Resources is unable to resolve the matter to the satisfaction of the parties, APSA may refer the matter to arbitration, provided that in the case of a dispute concerning an employee's discharge as specified in Paragraph 1529 above, the referral to arbitration must be accompanied by a written demand for arbitration from the discharged employee.

1532 Unless such referral is made within fifteen (15) days of the written response of the Office of Human Resources, the written response of the Office of Human Resources shall be final and binding upon all parties, including the employee(s).

1533 In the event of a timely referral to arbitration, after the exhaustion of Paragraphs 1529 through 1531 of the grievance procedure, the parties shall select an arbitrator within an additional period of ten (10) working days of such a referral to arbitration.

1534 If the Corporation and APSA are unable to agree upon the selection of an impartial arbitrator within such ten (10) working days, they shall then jointly in writing request the American Arbitration Association to submit a panel of seven (7) names of persons residing in Southern California. APSA and the Corporation shall alternately strike names from said panel until there is only one (1) name remaining and such remaining person shall be the impartial arbitrator. If such person selected is not available within a mutually acceptable time, the parties shall request a new panel and repeat the procedure described in this paragraph. The decision of the arbitrator shall be final and binding upon both the Corporation and APSA as to all matters of dispute arising under Paragraph 1529 of this Article provided, however, that the arbitrator shall have no power to add to or subtract from or to change, alter, or modify any of the terms of this Agreement.

1535 All fees and expenses of the arbitration proceeding shall be shared equally between the parties hereto. Each party shall be responsible for all other expenses incurred by it in the presentation of its case, including the compensation and expenses of an employee called by it as a witness or representing or acting on its behalf. The cost of a transcript shall be shared equally when both parties order a copy. Any employee called as a witness by APSA or acting on behalf of APSA during the arbitration shall be given time off without pay to participate in the arbitration. In the event an employee's work assignment is such

that he or she cannot be released to participate as a necessary witness, the arbitration shall be continued or rescheduled to permit such employee to testify

ARTICLE XVI

1600 GENERAL PROVISIONS

1601 Where a provision of this Agreement is in conflict with any applicable valid municipal, state or federal law or regulation or with any order of a court of competent jurisdiction, such provision shall not be given effect. No other provision herein shall be altered or become void thereby.

1602 The waiver of any breach or condition of this Agreement by either party shall not constitute a precedent in the future enforcement of all terms and conditions herein.

1603 This is the sole agreement between the parties and supersedes any prior agreement between them.

1604 The provisions of this Agreement shall be applicable at Corporate locations outside the fifty United States and the District of Columbia only by mutual consent.

1605 The Corporation shall provide to APSA, upon request, and by mutual agreement, such data as is necessary and reasonable to permit APSA to fulfill its responsibilities as the bargaining agent for the employees covered in this Agreement. In the event of a dispute between APSA and the Corporation with regard to the reasonableness, necessity, or format of any APSA request for information, the parties agree to meet in a good faith attempt to determine what information is reasonably needed by APSA and what conditions are reasonably appropriate.

1606 The Corporation shall provide to APSA a quarterly report (Report 022-30, SAP-ZHRRMTSO, MTS Non Supervisory Salaries) in both paper copy and disk format indicating the following information for each bargaining unit member: two-digit cost center code, geographic location, organizational level, position code, employee identification code (EIC) without names, years of experience, highest degree with year and major, EBS, hire date, grade, date of last review, review amount, current weekly salary, and scheduled number of work hours. The data shall be organized by cost center code and position code. Such data shall be provided for all bargaining unit employees as of December 31, 2007, and subsequently for each three- (3-) month period. Additionally, such data shall be provided for all bargaining unit employees as of the first Monday following any general increase in salaries.

1607 Notwithstanding any other provisions of this Agreement, the Corporation may, after notice to APSA, suspend operations in whole or in part or institute a non-pay status program to meet exigencies affecting the Corporation's operations.

1608 Should either party desire to discuss with the other any matter generally affecting the relationship of the parties, a meeting of APSA and Management representatives shall take place at a time mutually convenient to both parties. Any use of Corporate time for attendance at such meetings shall be arranged in advance by mutual agreement. This paragraph is intended to provide a free avenue of communication between APSA and the Corporation, and suggestions, complaints, or other matters may be presented by either party, provided that neither party shall be required to agree upon any item brought up by the other party.

1609 In accordance with the Corporation's past practice and in order to promote efficiency, it is the Corporation's intent to continue to provide parking accommodations to its personnel without charge subject to applicable governmental policy restrictions or regulations.

1610 The Corporation and APSA recognize the importance of a drug-free work place and recognize the Corporation's need to comply with the Federal Drug-Free Work Place Act as well as regulations promulgated by the Department of Defense concerning a drug-free work environment. Prior to implementing any program designed to ensure a drug-free work place, the Corporation shall comply with the provisions of Article II.

1611 The Corporation shall annually provide a description of the funding and status of each of the following benefit plans:

a. Aerospace Employee's Retirement Plan (AERP)

b. Aerospace Savings Account Plan (ASAP)

c. Post-Retirement Hospital/Medical Benefits Plan (Retiree Medical)

The annual description shall be provided as soon as possible after completion of the actuarial valuation for each plan's year-end date (September 30th for each plan).

1612 The Corporation shall provide APSA with quarterly reports in both paper copy and disk format of hiring bonuses given to bargaining unit employees by EIC and 2-digit cost center code. The quarterly report shall also state the number of bonuses given to non-bargaining unit employees and to retirees. Recipients' names shall not be publicized by the Corporation.

1613 An Employee Identification Code (EIC) shall be utilized to maintain the confidentiality of personal data relevant to individual members of the bargaining unit. The EIC shall exist as a substitute for employees' social security numbers. The EIC shall consist of a six digit random code, which is both permanent and unique to each individual employee. The Corporation shall inform employees newly hired into the bargaining unit of their assigned EIC at the beginning of their employment.

1614 The Corporation agrees to continue to distribute an electronic publication, e.g. "Happenings," on the corporate web site providing a variety of general information of interest to the employees as determined by the Corporation, subject to the provisions of Paragraph 201 of this Agreement.

1615 The Corporation has a commuter services program, which includes providing support for a vendor-operated vanpool-only program. A description of the program may be found in Appendix G, Employment-Related Programs, Section 1, Commuter Services.

1616 The Corporation shall establish a Vanpool Transition Steering Team to oversee and coordinate transition to the vendor-operated program. The Team shall consist of representatives from the various administrative organizations responsible for implementing the transition and support services and three (3) participants selected by the Vanpool/Corporate Carpool Council. After the Transition, the Corporation shall continue to coordinate on a quarterly basis with the vanpool ridership concerning potential changes to the Vanpool Program (including changes to ongoing support services). The Corporation agrees to provide APSA with a copy of any minutes and/or written material.

1617 The Corporation shall notify and discuss with APSA regarding any and all positions proposed to be filled by employees selected by the Corporation from the bargaining unit to be categorized as confidential employees.

1618 The Corporation shall provide to APSA, upon verbal request, copies of collective bargaining agreements, side agreements and/or memorandums of agreement between the parties on electronic media. If APSA generated the original document, it shall, in turn, provide to the Corporation, upon verbal request, a copy on electronic media.

1619 The Corporation shall provide APSA with a monthly Performance Recognition Payment report in both paper copy and disk format summarizing all bargaining unit employees by employee identification code (EIC), 2-digit cost center code by Division, the amount of any payment granted, and will note if the payment was granted for non-ceiling work. The monthly report shall include a statement (i.e., quantity and dollar value) of the total payments given to the bargaining unit employees during the fiscal year up to the date of the report. In the event the amount paid to bargaining unit employees is less than $2,057,056 at the end of Fiscal Year 2008, the Corporation shall submit to APSA a statement of the total dollar value of the Performance Recognition Payments distributed to all employees throughout the Corporation as an aggregate amount.

1620 The Corporation shall provide APSA in January 2008 with a report that shall state the total revenue for FY 2007 non-ceiling work, total fee earned, and total fee pool that was distributed to employees.

1621 The Corporation shall provide APSA with quarterly reports in both paper copy and disk format of all corporate awards, except Spot Award luncheons, given to bargaining unit members by name, 4-digit cost center code, award type and dollar amount. Spot Award luncheons shall be reported individually by 4-digit cost center code, award type and total dollar amount only.

1622 All date information shall be provided with the year formatted as four digits (yyyy).

1623 Starting March 1, 2005, the Corporation shall provide APSA with the following information regarding each bargaining unit employee on a monthly basis in electronic format:

a. Employee Identification Code (EIC)
b. Two-digit cost center code
c. Full-time vs. part-time status
d. Work schedule: S1, AWS1, AWS2
e. Number of work hours scheduled, including fixed holidays
f. Number of work hours reported
g. Number of absence hours reported

ARTICLE XVII

1700 DURATION

1701 This Agreement shall be for a term beginning at 12:01 a.m. on August 1, 2007 and expiring at 12:01 a.m. on August 1, 2008.

1702 Not more than ninety (90) days nor less than sixty (60) days prior to its date of expiration, either party may give written notice of its desire to terminate, modify or amend this Agreement. Each party

giving notice to modify or amend this Agreement shall submit with its notice its proposed modifications or amendments in reasonable detail. In the event no agreement has been reached by the expiration date, then either party may at any time hereafter terminate this Agreement by giving ten (10) days' advance written notice to the other. Until the expiration of such ten (10) day period this Agreement shall continue in full force and effect.

1703 Any notice to the Association or to the Corporation required or permitted to be given under this Agreement will be deemed to have been properly given if it shall have been mailed by Certified Mail, return receipt requested, addressed to the party to which such notices are required or permitted to be given as follows:

1704 In the case of notices to the Corporation:

THE AEROSPACE CORPORATION
Attention: Charlotte Lazar-Morrison, General Manager
Office of Human Resources Division
P.O. Box 92957
Los Angeles, California 90009

1705 In the case of notices to the Association:

AEROSPACE PROFESSIONAL STAFF ASSOCIATION
Attention: Mark M. Simpson, President
P.O. Box 248
Hawthorne, California 90250

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective representatives hereunder duly authorized this day of November 7, 2007.

THE AEROSPACE CORPORATION

BY: _____
Gary F. Hawkins
Principal Director
Space Materials Laboratory

_____
C. Gran
Principal Director
Vehicle Performance Subdivision

_____
Charlotte M. Lazar-Morrison
General Manager Human Resources Division

AEROSPACE PROFESSIONAL STAFF ASSOCIATION

BY _____
Anneliese Lilje
2nd Vice President

_____
S. Dawes
Officer At large

_____
Mark M. Simpson
President

ADDENDUM 1

Confidentiality

The Aerospace Corporation ("Aerospace") and the Aerospace Professional Staff Association ("APSA") collectively referred to hereinafter as "the parties," enter into the following agreement ("Agreement") on this 21st day of December, 1998. In order to balance Aerospace's desire to maintain the confidentiality of information it believes is confidential and APSA's desire to obtain information it believes is relevant and necessary to perform its duties as the exclusive collective bargaining representative of Aerospace's non-supervisory Level I, II, and III MTS, the parties agree as follows:

1. For purposes of this Agreement, the terms "Confidential documents" and "High Sensitivity/Aerospace Internal Use Only" shall mean any documents and/or written or electronic data maintained by Aerospace that (i) Aerospace classifies as "High Sensitivity/Aerospace Internal Use Only" (ii) APSA cannot obtain publicly through or from another source, and (iii) Aerospace deems is subject to this agreement.

2. Any High Sensitivity/Aerospace Internal Use Only documents provided by Aerospace to APSA are subject to the following conditions of confidentiality:

    a. Aerospace shall prominently identify with an appropriate stamp or other distinguishing mark any documents it deems as High Sensitivity/Aerospace Internal Use Only before providing such documents to APSA.

    b. APSA, as to any and all Confidential and/or High Sensitivity/Aerospace. Internal Use Only documents provided to it under this Agreement, shall treat such documents with due care and take all reasonably prudent acts to prevent unauthorized disclosure of the same.

    c. With regard to any Confidential and/or High Sensitivity/Aerospace Internal Use Only documents provided to APSA by Aerospace, APSA agrees not to disclose said documents to any third party. This restriction shall not apply to professionals retained by APSA, e.g., attorneys and accountants, who are informed of this Agreement and agree to abide by its terms. Such Confidential and/or High Sensitivity/Aerospace Internal Use Only documents shall not be distributed by APSA to either its membership or the bargaining unit, *provided, however*, that APSA may disclose said documents to those persons who are duly elected/appointed members of its Board of Directors and other persons acting as official representatives and/or agents of APSA.

    d. APSA shall not disclose to any party, other than APSA officers and other persons acting as official representatives and/or agents of APSA who are responsible for collective bargaining negotiations and/or grievance processing, any confidential information of a proprietary, trade secret, or personal nature (i.e., medical information, psychiatric information/reports, and/or disciplinary or counseling notices) relating to any employee of Aerospace, *provided, however*, that APSA shall retain the right to disclose information of a personal nature where such disclosure has been authorized in writing by the affected Aerospace employee(s).

    e. APSA shall not disclose to non-bargaining unit employees or to any other third party, in whole or in part, the results of any analysis APSA may undertake with respect to Confidential and/or High Sensitivity/Aerospace Internal Use Only documents and/or information contained in such documents. Notwithstanding the preceding, APSA shall retain the right to

disclose such analysis and/or documents to the Vice President, Office of Human Resources, to Aerospace-designated participants in Step 2 or Step 3 of the grievance resolution process where the material is relevant to the specific grievance under consideration, and to Aerospace's management negotiating team during contract negotiations, *provided, however*, that such analysis and/or documents shall not include, refer to, relate to, or be derived from, in whole or in part, any confidential information of a proprietary or trade secret nature, and provided, that such material shall be identified by APSA with an appropriate stamp or other distinguishing mark.

f. APSA shall retain the right to disclose to bargaining unit employees the results of any analysis APSA may perform on Confidential and/or High Sensitivity/Aerospace Internal Use Only and/or information contained in such documents, provided, however, that such analysis shall not include, refer to, relate to, or be derived from the class of confidential information referred to in paragraph "2.d" above, and, provided, that utilization of scatter plots shall be limited to employees' ages, years of experience, lengths of Aerospace service, degrees, MTS levels, ladder rankings, salaries, raises, bonuses, and/or other monetary awards.

g. APSA shall retain the right to disclose to the National Labor Relations Board, the Equal Employment Opportunity Commission, the California Department of Fair Employment and Housing, the U.S. Department of Labor, and the California Department of Industrial Relations (or equivalent agencies in states other than California), or their successor agencies, the results of any analysis APSA performs regarding the Confidential and/or High Sensitivity/Aerospace Internal Use Only documents when reasonably necessary to comply with APSA's statutory duty of fair representation, provided, however, that APSA shall give Aerospace advance notice and an opportunity to bargain before such disclosure.

h. Every three (3) years, Aerospace shall remind bargaining unit employees of their assigned Employee Identification Codes ("EICs"). Subsequently thereafter, APSA shall notify bargaining unit employees that they have the right to request of APSA, in writing, that APSA not disclose their individual employment data as part of any analysis that APSA distributes to bargaining unit employees. APSA shall honor any such request, and Aerospace shall refrain from influencing or persuading bargaining unit employees to make such requests. Each party shall notify the other of its compliance with this paragraph.

i. In the event APSA receives a subpoena or other validly issued administrative or judicial process requesting documents or information that is the subject of this Agreement, APSA shall, prior to complying with such subpoena or other process, provide prompt notice to Aerospace. APSA shall retain the right to respond to said subpoena or similar legal instrument in such a manner as to (i) protect its interests as an institution; (ii) comply with its statutory duty of fair representation; and/or (iii) comply with governing legal authority.

3. This Agreement contains the entire agreement between the parties regarding the subject matter hereof and will not be amended, altered, or modified in any way except by written agreement of the parties.

4. This Agreement shall continue in full force and effect unless and until one party provides thirty (30) days written notice to the other of its intent to terminate this Agreement, *provided, however*, that the terms and provisions of paragraphs 1, 2, 3, and 4 as to any and all Confidential and/or High Sensitivity/Aerospace Internal Use Only documents provided to APSA under this Agreement shall survive the termination of this Agreement.

5. Nothing in this Agreement is intended to give or should be construed as giving either party in any way any greater rights to obtain or withhold information than provided under federal law.

6. Nothing in this Agreement is intended to give or should be construed as giving either party in any way any greater or lesser rights than conveyed by Article IV, APSA Communications, of the then-current Collective Bargaining Agreement.

7. This Agreement is non-precedential.

APPENDIX A

DUES DEDUCTION AUTHORIZATION AND ASSIGNMENT

Name:

Last	First	Middle

CCC Employee No.

TO THE AEROSPACE CORPORATION (herein called the Company)

1. You are hereby authorized:
   a. To deduct from my salary each week a sum equivalent to the amount, which shall have been, certified by the Aerospace Professional Staff Association (APSA) as the weekly portion of its regular membership dues.
   b. To remit all sums so deducted to the Treasurer of the Association.
2. This authorization may be revoked by me at any time by giving written notice thereof to the Company and APSA; provided, however, such revocation shall not be effective until the week beginning four (4) weeks after the week in which the Company receives such notice.
3. This authorization revokes any prior authorization.

Date: _____ _____

Employee Signature

APPENDIX B

NONSUPERVISORY MTS

SECTION 1. CAREER PATHS

The Corporation's mission requires highly skilled professional support in technical specialties. The Corporation, therefore, provides a professional nonsupervisory career path for Members of the Technical Staff (MTS). The MTS professional career path consists of four levels of positions, depending upon the employee's functional assignment and responsibilities. Positions, in order of increasing responsibility, are levels 1, 2, 3, and 4 MTS.

a. Level 1 MTS include the subcategories of Associate MTS, MTS, and Senior MTS.

b. Level 2 MTS include engineering specialist, project engineer, research engineer, research scientist and project leader.

c. Level 3 MTS include senior engineering specialist, senior project engineer, senior engineer, senior scientist, and senior project leader.

d. The next step as a nonsupervisory MTS are the level 4 positions of principal engineer and principal scientist. These positions are not included in the bargaining unit represented by APSA.

MTS on the nonsupervisory career path who become available for reassignment due to organizational or programmatic changes may be transferred to other positions on the nonsupervisory career path in accordance with corporate needs and individual interests and if the required position qualifications are met. Such reassignments shall not be made for the purpose of justifying a termination of employment based upon an ostensible lack of work.

SECTION 2. MTS JOB DESCRIPTIONS

LEVEL 1 MTS JOB DESCRIPTIONS

DATE: 01/28/03

TITLE: Advanced Degree Fellowship*	ORG. LEVEL: 1	GRADE: 00**	POS. CODE: 4008
TITLE: Member of the Technical Staff	ORG. LEVEL: 1	GRADE: 81	POS. CODE: 4009
TITLE: Associate MTS	ORG. LEVEL: 1	GRADE: 81	POS. CODE: 4018
TITLE: Senior MTS	ORG. LEVEL: 1	GRADE: 81	POS. CODE: 4019
TITLE: Associate MTS – Rotation Program*	ORG. LEVEL: 1	GRADE: 81	POS. CODE: 4028
TITLE: MTS - Rotation Program*	ORG. LEVEL: 1	GRADE: 81	POS. CODE: 4029
TITLE: Senior MTS - Rotation Program*	ORG. LEVEL: 1	GRADE: 81	POS. CODE: 4039

Purpose

Provides professional engineering/scientific support within (research and development) engineering, systems engineering, project engineering, or technology functions/organizations.

Typical Assignments

Engineering assignments: Performs analytical studies, conducts tests, develops details of specifications, prepares details of analytical report findings, assists in planning and development of studies and design projects.

Systems engineering assignments: Participates in development of program interfaces between hardware and computer systems; diagnoses both hardware and software simulation tool problems; designs improvements to simulation environments; develops and/or revises programs for data reduction and analysis.

Project engineering assignments: Performs analytical studies, conducts integration tests, develops details of acquisition hardware/software and database specifications.

Technology assignments: Assists in technology planning and development; performs testing and evaluation of materials and devices; develops procurement specifications and test procedures; prepares details of analytical reports, including preliminary findings and recommendations.

Characteristics & Capabilities

Associate Member of the Technical Staff: Applies standard techniques, procedures and criteria in carrying out a series of engineering tasks under supervision and guidance. Contacts are primarily with immediate supervisor, project leaders, and/or other MTS professionals in the group. Normally possesses a bachelor's degree in an appropriate technical discipline from a recognized institution (or an equivalent combination of training and experience).

Member of the Technical Staff: Independently evaluates, selects, and applies engineering techniques, procedures and criteria, using judgment in making adaptations and modifications. Assignments typically have specified objectives. Contacts are primarily internal, with infrequent inter-organizational and outside customer contacts on routine matters. Normally possess a bachelor's degree in an appropriate technical discipline from a recognized institution (or an equivalent combination of training and experience) and two or more years of increasingly responsible and related engineering/scientific experience.

Senior Member of the Technical Staff: Plans and conducts work requiring judgment in the independent evaluation, selection and adaptation/modification of a variety of techniques, procedures and criteria. Devises new approaches to problems encountered. Frequent inter-organizational and outside customer contacts on matters of importance. Normally possess a bachelor's degree in an appropriate technical discipline from a recognized institution (or an equivalent combination of training and experience) and five or more years of increasingly responsible and related engineering/scientific experience.

* Designates temporary assignment allowing an employee (normally assigned to an engineering/technology organization) experience in other assignments (frequently in program office environments) in order to expand technical and administrative skills and to enhance career progress.

**Job classification assigned to "ungraded" status (Grade 00) to allow transfer of employees from/to any Pay Grade without need for recording a demotional or promotional transaction.

LEVEL 2 MTS JOB DESCRIPTIONS

DATE: 01/28/03

TITLE: Project Leader	ORG. LEVEL: 2	GRADE: 82	POS. CODE: 4476
TITLE: Engineer - Rotation Program	ORG. LEVEL: 2	GRADE: 82	POS. CODE: 4436
TITLE: Research Scientist	ORG. LEVEL: 2	GRADE: 82	POS. CODE: 4456
TITLE: Research Engineer	ORG. LEVEL: 2	GRADE: 82	POS. CODE: 4466
TITLE: Project Engineer	ORG. LEVEL: 2	GRADE: 82	POS. CODE: 4486
TITLE: Engineering Specialist	ORG. LEVEL: 2	GRADE: 82	POS. CODE: 4496

Purpose

Works independently with both internal and external customers and with technical support, as a technical authority, consultant, primary investigator, or project leader. May lead or organize technical efforts or project teams. Interfaces between customers' and Aerospace technical and management staff. May mentor less experienced MTS and serve as role model.

Characteristics & Capabilities

Project Leader: Serves as integration leader and/or coordinator of a team of technical contributors. Identifies issues, prioritizes tasks, facilitates communications, and acts as spokesperson for the working group to management/customers. Scopes requirements for and initiates acquisition of technical support from appropriate corporate resources. Monitors and may assist in development of budgets and other resource allocations to accomplish tasks, and may be given additional administrative coordination and management liaison responsibilities. Acts as mentor to team members, providing orientation, technical guidance and development insight. May participate in new business and/or technical planning efforts. May bring in tasks and projects beyond personal activities from internal and external sources.

Engineer - Rotation Program: A temporary assignment allowing an employee (normally assigned to an engineering specialist or engineer/scientist role) experience in other assignments (frequently in program office environments) in order to expand technical and coordinative skills and to enhance career progress.

Research Engineer/Scientist: Determines analytical techniques, interpretation of results, and arranges for performance of analyses; assesses associate contractors' technologies, analyzes and resolves proolems, determines associate contractors' technology support needs, and may act as pro tem consultant to associate contractors; assesses suitability of simulation models and results, and verifies results using alternative methods and approaches; devises and recommends improvements in data reduction analysis methods; prepares reports and oral presentations. May lead project teams within a department. Supports multiple programs and/or activities and frequently acts as POC for technical activities. May bring in tasks and projects beyond personal activities from internal and external sources.

Project Engineer: Normally responsible for (a) a specific project element (e.g., a payload, spacecraft subsystem, or software package) and associated interfaces; (b) a specific engineering discipline (e.g., fracture analysis, circuit design); (c) a program of system aspect that crosses technical boundaries (e.g., mission analysis, technical design/evaluation, on-orbit operations). In systems engineering assignments, independently services a number of project segments and/or smaller program/project efforts.

Engineering Specialist: Conducts specialized technical studies and reports findings. Coordinates specific technical assignments for designated discipline or organizations. Provides technical advice to management, customers, and associate contractors. Initiates development of advanced analytical techniques, concepts, and/or design criteria for subsystems. May lead project teams within a department.

Supports multiple programs and/or activities and frequently acts as POC for technical activities. May bring in tasks and projects beyond personal activities from internal and external sources.

Common Knowledge, Experience And Educational Requirements

Normally possess a bachelor's degree in an appropriate technical discipline from a recognized institution (or an equivalent combination of training and experience) and eight or more years of increasingly responsible and related engineering/scientific experience, preferably including experience in a systems engineering and/or program management environment. Exhibits high level of innovation, creativeness, and initiative. Demonstrated ability to establish and maintain effective working relationships with customers. Broad internal recognition from peers and Aerospace program office. Broad technical/programmatics impact inside and outside of Aerospace.

LEVEL 3 MTS JOB DESCRIPTIONS

DATE: 01/28/03

TITLE: Senior Project Leader	ORG. LEVEL: 3	GRADE: 83	POS. CODE: 4527
TITLE: Sr. Engineer - Rotation Prgm.	ORG. LEVEL: 3	GRADE: 83	POS. CODE: 4557
TITLE: Senior Scientist	ORG. LEVEL: 3	GRADE: 83	POS. CODE: 4567
TITLE: Senior Engineer	ORG. LEVEL: 3	GRADE: 83	POS. CODE: 4577
TITLE: Senior Engineering Specialist	ORG. LEVEL: 3	GRADE: 83	POS. CODE: 4587
TITLE: Senior Project Engineer	ORG. LEVEL: 3	GRADE: 83	POS. CODE: 4597

Purpose

Acts as senior technical authority, consultant, primary investigator, or team leader. May lead or organize interfaces between customers' and Aerospace technical and management staff. Coordinates large-scale technical efforts across program/project lines. Mentors less experienced MTS and serves as role model.

Characteristics & Capabilities

Senior Project Leader: Serves as the integration leader and/or coordinator of a team of technical contributors which may include advanced or senior level technical/project specialists, or may serve as principal technical representative to customer, coordinating efforts on several smaller projects in concurrent operation or on portions of larger multi-phase/multi-disciplinary project. Identifies issues, prioritizes tasks, facilitates communications, and acts as spokesperson for the working group to management/ customers. Scopes requirements for and initiates acquisition of technical support from appropriate corporate resources including cost and economic or market analysis specialists, as appropriate. Monitors and may assist in development of budgets and other resource allocations to accomplish tasks, and may be given additional administrative coordination and management liaison responsibilities. Acts as senior mentor to team members, providing orientation, technical guidance and development insight. May participate in new business and/or technical planning efforts. May bring in tasks and projects beyond personal activities from internal and external sources.

Sr. Engineer - Rotation Program: A temporary assignment allowing an employee (normally assigned to a senior engineering specialist or senior engineer/scientist role) experience in other assignments (frequently in program office environments) in order to expand technical and coordinative skills and to enhance career progress.

Sr. Engineer/Scientist: Provides technical authority and leadership in conducting studies; provides technical guidance to associate contractors and government agencies in formulating systems criteria/requirements; prepares technical proposals to obtain internal/external funding for research and

development efforts; maintains authoritative liaison with national laboratories and technical centers. May lead cross-organizational teams and organizes interfaces with customer and/or Aerospace program offices. May bring in tasks and projects beyond personal activities from internal and external sources.

Sr. Engineering Specialist: Independently conducts long-range technical studies and reports findings. Initiates studies designed to solve new technical problems and provide new technical solutions within area of expertise. Provides ongoing technical consultation and advice to management, customers, and contractors in area of specialization. Takes initiative to inform management of perceived technical problems and recommends courses of action. May lead cross-organizational teams and organizes interfaces with customer and/or Aerospace program offices. May bring in tasks and projects beyond personal activities from internal and external sources. Acts as organization's designated representative at technical meetings, presentations, and symposia.

Sr. Project Engineer: May undertake a major program segment such as system-level architectural analysis, conceptual design of a new vehicle or major payload. May be required to investigate urgent technical problems or assemble a major briefing or report. As Aerospace representative in customer's or contractor's environment, provides nondirective advice, accepts action items and may coordinate pertinent budgets, tasks, and priorities. In systems engineering assignments, generally leads/coordinates team comprised of diversely skilled engineers servicing a major portion of a large project or working across projects, and interfaces regularly with customer and contractor program management.

Common Knowledge, Experience And Educational Requirements

Normally possess a bachelor's degree in an appropriate technical discipline from a recognized institution (or an equivalent combination of training and experience) and twelve or more years of increasingly responsible and related engineering/scientific experience, preferably including multi-disciplinary systems engineering and/or program management environments. Exhibits exceptionally high level of innovation, creativeness, and initiative. Demonstrated ability to establish and maintain effective working relationships with customers. Widely recognized internally and externally by peers, management, program office, Air Force, and contractors.

SECTION 3. MTS COMPENSATION

GENERAL

Compensation budgets and salary/merit review procedures are established for effective and consistent salary administration. Base-pay salary adjustments are made to reflect changes in job responsibilities, individual performance, career growth within job assignments, and improvement of internal salary equity.

A variable pay program has been established as an integral part of the compensation system for regular employees. Variable pay is a form of compensation tied to the strategic mission that encourages the achievement of corporate goals. The variable pay program complements the annual merit review program and rewards employees for exceptional performance and accomplishments with a lump-sum cash award, without increasing the employee's base pay or affecting employee benefits.

The variable pay program includes hiring incentives, as appropriate, to acquire critical skills.

PROCESS

Promotional Increases

A promotional increase reflects an employee's movement to a position in a higher salary grade. It recognizes a major change in job assignment, usually occurring through the transfer process, such as from Member of the Technical Staff (MTS) to Manager, or an employee's growth in capability and job responsibilities, such as a reclassification to a higher-graded position within the same job family, e.g., Budget Analyst to Senior Budget Analyst.

A nonexempt employee may be promoted to an exempt position by progressing through more responsible jobs in a job family, gradually acquiring an applicable degree or comparable education and experience, and performing exempt-level duties; e.g., Laboratory Technician (nonexempt) to Research Assistant (nonexempt) to Research Specialist (exempt).

A position is exempt from the provisions of the Federal Fair Labor Standards Act and the California Wage Orders if it meets the criteria for exemption as defined by state and federal statutes (see Practice HR-1-1).

A nonexempt employee may also be approved for promotion to an exempt classification upon demonstrating ability to perform exempt-level work as defined by state and federal exemption tests.

The supervisor normally consults Compensation and initiates the promotion when the employee's demonstrated level of work qualifies for exempt status. Compensation may conduct a job audit to determine if the employee is performing exempt-level work as defined by state and federal statutes.

An employee selected for an exempt position who does not clearly possess the minimum education and experience qualifications may be placed in a lower-grade (trainee) classification for a period, normally of six to 12 months.

Reclassification

Reclassification involves the movement of a job classification to a higher or lower salary grade and usually results from a determination based on job evaluation or an industry/labor market salary survey. An employee in an upgraded classification may be given a salary increase to achieve an equitable position relative to the new peer group. The salary of an employee in a downgraded classification may be adjusted to reflect decreased responsibilities and should fall within the lower salary grade parameters.

When reclassifying to MTS, the Staffing Resources Department and the Compensation Department evaluate the employee's education and work history, agree on the equivalent years of MTS experience, and establish the appropriate salary along with any required salary adjustment.

Salary Inequities

A salary adjustment may be recommended at any time by Compensation and management to correct a salary inequity based on evaluation of an employee's salary, performance level, and both internal and external salary relationships.

Over 15 Percent Salary Increases

A salary increase over 15 percent must be justified and documented. When such an increase is contemplated, the supervisor should contact the appropriate Compensation Representative for assistance in preparing the required documentation as well as for concurrence with this action.

A salary increase totaling more than 15 percent within a 12-month period requires the approval of the appropriate Level 6 Vice President.

The time period for calculating the 15 percent limitation is the 12 months preceding the proposed increase. For example, if an employee is to be given a salary adjustment on August 28, that increase, when combined with all other increases received since the previous August 28, cannot exceed 15 percent without special approval.

Salary/Merit Reviews

Salaries of all regular employees are reviewed in the fall of each year. Salary increase forecasts are prepared for merit reviews, which usually become effective in mid-December or as authorized by the Board of Trustees.

Annual salary/merit reviews are intended to improve corporate-wide salary and employee performance relationships and provide incentive for meeting and exceeding performance expectations.

Properly administered annual salary budgets maintain overall salary levels that are competitive in the external marketplace. Within the merit budget, line managers have flexibility to adjust individual salaries according to their evaluation of salary equity compared with contributions and performance.

Variable Pay

As funding permits, a sum of money for employee incentive programs is allocated along with the merit budget.

Division general managers approve the distribution of individual payments to employees at level 4 and below based on criteria including, but not limited to, exceptional performance, critical skills or capability, technical contributions, team leadership or team contributions, cost savings, support contributions, or significant employee accomplishments.

Individual awards of more than $10,000 require approval of the Executive Council.

The Board of Trustees approves the distribution of funds to management employees above level 4 to recognize exceptional job performance in advancement of corporate goals.

Lump-sum payments do not become part of an employee's base salary; however, payments are taxable and reported to Internal Revenue as income earned.

Hiring Incentives

Any employee who voluntary terminates employment or is terminated for cause within 12 months of the date of hire after receiving a hiring bonus is obligated to repay the bonus upon termination of employment.

Compensation Budgets

The Compensation Department recommends annual compensation budgets based on compensation survey data and goals defined by the Executive Council. The budgets are approved by the Board of Trustees and allocated to the Executive Offices and the Groups by the Compensation Department.

A corporate reserve is established for promotions, defined inequities, and exceptional salary adjustment requirements occurring throughout the year. This reserve is distributed based on a collaborative decision process normally involving the Business Directors and the Compensation Department.

The Compensation Department develops and, with Executive Council approval, communicates instructions each year for the allocation and administration of salary adjustment budgets.

Compensation budgets for bargaining unit employees are negotiated annually with the Aerospace Professional Staff Association.

SECTION 4. MTS PAY PLAN STRUCTURE

The Aerospace Corporation and the Aerospace Professional Staff Association agree that the MTS Pay Plan will be conducted in conformity with the following description and guidelines:

OBJECTIVE OF PROPOSED STRUCTURE

The objective of the MTS structure is to provide the organization with a structure that reflects internal pay practices and one that is representative of the external marketplace. The proposed structure does both. In addition, it provides a clear, defensible guideline that meets the requirements of our customers and of our auditing agencies.

OVERVIEW OF NEW STRUCTURE

The proposed MTS structure will recognize pay differences related to job roles, that is, by organizational level (levels 1 – 4). Bargaining unit employees will be found in the first three levels, in the same manner that they are currently classified by organizational level. Level 1 will be defined for all EBS increments; however, level 2 will be defined with a "typical entry point" of 8 years, and level 3 will be defined with a "typical entry point" of 12 years. This is consistent with the current published guidelines found in the Aerospace Professional Career Path booklet.

Each of the three bargaining unit organizational levels will be defined by a minimum and a maximum rate of pay. The minimums and maximums reflect market pay for comparable work in competitive organizations.

CURVE DEVELOPMENT

Within organizational levels 1 and 2, five relative percentiles for each year of experience will be identified, P10, P25, P50, P75, P90. For level 3, three relative percentiles for each year of experience will

be identified, P25, P50, P75. The relative percentiles will reflect the projected distribution of actual employee salaries by EBS for the effective year. The actual plotted percentile curves will be smoothed.

The relative percentile curves will be updated on an annual basis effective mid-December to reflect the actual population's new distribution. At that time, the minimums and the maximums will be evaluated and adjusted to the extent necessary. Except in exceptional circumstances, the new minimums will not be greater than any individual minimum and the new maximums will not be less than any individual maximum.

USE OF THE PROPOSED STRUCTURE

The proposed structure will be used internally in the following way:

To provide an administrative guideline for salary determination for newly-hired or recently-promoted employees, to establish minimum and maximum rates of pay as required by our customer(s), and to meet the requirements of external auditing agencies.

The proposed structure will be utilized primarily by the compensation and employment departments and by administrators in the technical groups.

SPECIFIC ADMINISTRATIVE ISSUES

Comparing today's actual internal population with the proposed structure, we see that essentially all of the current population fits within the proposed minimum and maximum rates of pay by organizational level. However, over time, as salaries and job assignments change, that may not be the case. Salaries falling outside the proposed ranges of pay will be addressed in the same manner as they are today. In general, guidelines for such situations are as follows:

a. Promotion for an employee whose current salary is less than the minimum of the new organizational level: If the employee's EBS is at or above the "typical entry point" for the new organizational level, the employee will be automatically moved (i.e., non-budgeted increase) to the minimum of the new organizational level, and then promotional dollars will be applied to bring the salary into an equitable relationship with those of peers. This reflects the current practice for promotions of this type. Instances where an employee's EBS is less than the "typical entry point" will be handled on an exception basis to ensure equity among other employees at or above the "typical entry point."

b. Voluntary demotion for an employee whose higher-level job is eliminated: As per practice HR-2-3 Compensation, when an employee is reclassified to a lower-graded position, the employee's salary should be adjusted to reflect a decrease in responsibility and should not exceed the current maximum of the lower-grade rate range.

c. Salary movement for an employee whose salary falls beneath the minimum of the organizational level after the (annual) structure adjustment takes place: Compensation will continue to notify management whenever this occurs. In almost all instances, a non-budgeted increase is given to bring that employee to the minimum of the new organizational level. However, management maintains the final decision for determining whether an increase to the minimum of the new rate will be given. Instances in which the rate is not adjusted include an employee who entered an organizational level two or three position earlier than at the "typical entry point" OR an individual whose overall level of contribution or utility is ranked very low relative to those of their peers.

d. Salary movement for an employee whose salary is at the maximum of the organizational level: Increases in pay will not occur until the maximum rate for the organizational level increases, which occurs whenever the structure is adjusted (usually on an annual basis).

STRUCTURE

The following curves will be available:

a. A smoothed percentile plot of all bargaining unit employees from year 0 to year 43 for current employees as of December 15, 1997.

b. A smoothed percentile plot of all LEVEL 1 bargaining unit employees from year 0 to year 43 for current employees as of December 15, 1997.

c. A smoothed percentile plot of all LEVEL 2 bargaining unit employees from year 8 to year 43 for current employees as of December 15, 1997.

d. A smoothed percentile plot of all LEVEL 3 bargaining unit employees from year 12 to year 43 for current employees as of December 15, 1997.

These curves will be updated each year with an effective date of mid-December. The first update will reflect an effective date of December 15, 1998.

OTHER ISSUES

In the HRMIS/SAP system, the EBS field will be updated to reflect only whole numbers effective October 4, 1993. Employees whose EBS now reflects one-half years will be rounded up to the next whole number, i.e., EBSs will be rounded off to the nearest integer. On December 12, 1993, all MTS will be credited with an additional year of experience to reflect the end of another year.

The following changes will also be reflected in HRMIS/SAP December 9, 2006:

a. Grade 99, level 0 MTS, will no longer be active. All current MTS in level 0 will be changed to level 1.

b. Level 1 MTS will be classified in grade 81.
Level 2 MTS will be classified in grade 82.
Level 3 MTS will be classified in grade 83.

c. The minimum and maximum for grade 81 will be $1,086 and $2,478 per week.
The minimum and maximum for grade 82 will be $1,448 and $3,198 per week.
The minimum and maximum for grade 83 will be $1,690 and $3,788 per week.
The minimum and maximum for grade 84 will be $2,009 and $4,495 per week.

APPENDIX C

WORK ENVIRONMENT

SECTION 1. PERFORMANCE MANAGEMENT PROCESS

EMPLOYEE VALUE

The employee's value to the Corporation is a major consideration in the following situations:

a. Salary management

b. Reduction-in-force

c. Promotion

d. Transfers

e. Job assignments

The parties agree that an employee's value is composed of two major categories: individual performance and other factors. These are listed below with their agreed-to components, which are not intended to be all-inclusive. Each organization should tailor the guidelines to its requirements/needs for communicating organizational value.

Individual Performance

Job Knowledge: The degree of demonstrated understanding of the skills, principles, techniques, and procedures necessary to perform all phases of the position. Does the employee have both diversity and depth of required skills to perform both fundamental and specialized tasks, maintain currency in the field, exhibit creativity, and incorporate innovative techniques and procedures into their work?

Productivity: Demonstrate utilization of job knowledge and skills to produce work of quantity and quality meeting the professional standards of the organization. Does the employee set goals and objectives, consistently complete tasks on schedule, and provide accurate results requiring a minimum of correction and amplification?

Dependability: The demonstrated commitment to complete assignments reliably with minimal supervision. Does the employee make a commitment, meet deadlines, and follow work rules and procedures? Does the employee comply with and maintain a safe, healthy, and injury-free work environment? Can the employee be relied on during times of crisis?

Corporate and Organizational Perspective: The degree of demonstrated commitment to the corporate and organizational mission. Does the employee participate as a team member and develop effective teams? Does performance reflect an emphasis on customer focus, mission impact, and value to the Corporation? Is the employee cost conscious?

Adaptability: The degree of demonstrated flexibility to assess and adjust to changing work conditions precipitated by new corporate strategies and priorities, programmatic constraints, and/or unexpected changes in requirements. Does the employee demonstrate ability to undertake a variety of assignments, develop alternative courses of action, and apply knowledge/skills to new areas?

Leadership: The degree of demonstrated ability to achieve customer satisfaction through inspiring, mentoring, coaching, and empowering. Does employee take initiative, exhibit persistence and enthusiasm, assume risks, anticipate and meet others' needs?

Communication: The demonstrated ability to express ideas clearly, listens effectively, and fosters an exchange of information with all personnel. Does the employee create clear, relevant, and effective communications; express verbal communication that is clear, articulate, responsive, and sensitive to the audience?

Interpersonal Skills: The degree of demonstrated ability to interact with others in an effective manner, which promotes attainment of goals. Does the employee relate well to others, encourage communication, cooperate in problem solving and strive to maintain a harmonious environment, respond well to direction and training, and respond to criticism and praise?

Other Factors

a. Experience and Training

1. Proven skills and talents
2. Competency stage
3. Credentials

b. Organizational and Corporate Needs

1. Level of responsibility
2. Importance and difficulty of assignments
3. Impact of current contributions
4. Likely future contributions
5. Degree of job match
6. Degree of geographic match
7. Has useful contacts
8. Criticality of customers supported

c. Latent Skills and Talents

1. Potential
2. Marketable unused qualities and traits

d. Marketplace

1. Value of employee's products and contributions relative to the marketplace
2. Constraints placed on Aerospace by external policy-makers

SALARY MANAGEMENT PROCESS

Generally, an employee's salary is based on the value of the employee's contributions to the Corporation. The employee's value is expressed as a ranking relative to the other employees in the same organization. The ranking process may be a linear ranking in the form of a ladder with the highest-ranked individual being at the top of the ladder and the lowest-ranked individual being at the bottom of the ladder.

The parties agree that either linear ranking or natural grouping may be utilized by management for the purpose of value ranking. For reduction-in-force, ranking will be linear. Natural grouping implies that under ideal conditions the individual employees in the same group would receive the same salary. Linear ranking simply means that each group is composed of only one individual.

The parties agree that, for the purpose of salary management, preliminary ranking of employees shall be performed after the manager receives and reviews the Performance Evaluation Forms' ("PEFs") Part I.A from the employees. It is acknowledged that ranking is an iterative process.

Generally, an employee's merit increase is a direct function of the individual's rank, present salary relative to the other employees in the same organization, performance and other factors, and the Corporation's merit review budget.

REPORTING TO EMPLOYEES

The employees receive annual performance evaluations in accordance with Article VI of the current collective bargaining agreement.

The parties agree that written comments shall be provided for one of the eight (8) performance components that is an area of strength and one of the eight (8) performance components that is an area to strengthen. Written comments regarding the individual's general performance shall be provided. The comments on the "area to strengthen" shall be in most cases a "future development need" which shall not be discussed in the general performance. In a few cases the "area to strengthen" shall be a "needs improvement". This shall only be used when the MTS is told that a failure to improve shall be documented on PEF/APIP and that the MTS was given adequate time to improve. The manager shall be prepared to discuss all eight performance components.

The parties agree that management expectations for the forthcoming year are an appropriate subject of discussion between the manager and the employee, but shall not be incorporated into the documentation of the current annual performance evaluation.

REPORTING TO APSA

Employee salaries are provided to APSA pursuant to Paragraph 1606 of the collective bargaining agreement.

The parties agree that bargaining unit ladder/ranking data as provided by the Corporation to APSA pursuant to a lawful request by APSA shall be provided in both hard copy form and as a single file on magnetic media.

SECTION 2. CORRECTIVE ACTION

GENERAL

The corporation has a three-step formal corrective action process for managing unsatisfactory performance and/or unacceptable conduct. The process consists of progressive steps taken by management in an effort to resolve the problem. This practice is intended for supervisors to use to correct an employee's unsatisfactory performance and/or unacceptable conduct.

Prior to initiating formal corrective action, supervisors informally coach and counsel employees in a continuous process to establish and maintain expectations of performance, conduct, and productivity as

detailed in the Performance Management Practice (see Practice HR-4-1). Employees are given the opportunity to improve their unsatisfactory performance and/or unacceptable conduct before notation is made on the annual Performance Review Evaluation Form or the formal corrective action process is initiated. When supervision's coaching and counseling fail to correct the problem or do not result in improved performance or conduct, supervisors may promptly initiate the formal corrective action process by contacting Employee Relations (ER).

Supervisors document performance and conduct on a continuous performance management basis. This documentation is required for events leading to the corrective action process and is reviewed by ER when corrective action is initiated.

ER assists both the supervisor and employee in the corrective action process. ER involvement is required at each step of the formal corrective action process to preserve a balance between the rights of the employee and the interests of the corporation.

Management, with the assistance of ER, may intervene immediately in the event of gross misconduct or extreme circumstances without following the corrective action process.

ER initiates actions or investigations related to problems of performance or conduct that may adversely affect an employee's status. Such actions include, but are not limited to, formal corrective action, suspension, termination, demotion, reassignment, or displacement. Cases involving serious breaches of security, possible illegal activity, fraud, waste and abuse, or situations where it is appropriate, an investigation will be coordinated with the Director of Security and Safety, the Director of Internal Audits, or the Office of the General Counsel.

The Vice President, Office of Human Resources, will ensure the proper coordination of activities in situations requiring the correlation of investigative efforts among ER, Security and Safety, Internal Audits, and the Office of the General Counsel so that the rights of the employee are properly balanced with the corporation's interests and its responsibility to conduct a fair, impartial, and effective investigation.

Supervisors are responsible for promptly addressing unsatisfactory performance or conduct of subordinate supervisory personnel up to and including corrective action and/or immediate reassignment if the situation warrants and if an appropriate opening is available, with the concurrence of the Vice President, Office of Human Resources, and the organization's level 6 vice president.

PROCESS

Managing an employee's unsatisfactory performance or conduct may require taking one or more of three corrective action steps: Informal Counseling, Formal Counseling and Formal Written Plan.

Options resulting from the process include deactivating the corrective action when performance or conduct improves, proceeding to the next step when performance or conduct does not improve, or extending the process to permit further evaluation of improvement or accommodate extenuating circumstances. Supervisors may escalate the corrective action process at any time. The corrective action process may result in termination of employment if performance or conduct does not improve.

Scheduled merit reviews and promotions for employees at Step 2 or 3 of the formal corrective action process are deferred or omitted until conclusion of corrective action; increases, if subsequently granted, are not retroactive. Transfers for employees in the formal corrective action process are permitted.

Step 1 – Informal Counseling

Informal Counseling is normally the next step when Performance Management coaching and counseling with the employee has failed to correct unsatisfactory performance or conduct (see Practice HR-4-1, Performance Management). Although the supervisor and employee may seek assistance and counseling from ER, this Informal Counseling session is only between the supervisor and the employee.

The supervisor immediately meets with the employee in a Step 1 – Informal Counseling session to address the continuing unsatisfactory performance and/or unacceptable conduct. This meeting includes the following:

a. A thorough review of the supervisor's expectations of the employee's performance and conduct.

b. Specific identification of the perceived unsatisfactory performance and/or unacceptable conduct.

c. Consideration of the employee's response to the identified problem(s).

d. Action necessary to bring employee's unsatisfactory performance and/or unacceptable conduct up to standard, including a time frame for correction.

e. An explanation of the consequences of failure to meet the expected standards, including progression to the next step of Corrective Action. If the unsatisfactory performance and/or unacceptable conduct is not corrected, the employee should be advised they are in Step 1 – Informal Counseling before management proceeds to Step 2 – Formal Counseling.

The employee is provided the opportunity to respond to the identified problem(s) in the corrective action meeting.

No formal documentation of this Step 1 - Informal Counseling meeting is required other than informal notes in the supervisor's file. No documentation is placed in the employee's personnel file.

Step 2 – Formal Counseling

Step 2 - Formal Counseling is normally the next step when Step 1 – Informal Counseling has failed to correct the unsatisfactory performance and/or conduct.

The supervisor confers with the next level of management and ER. The supervisor advises the employee of possible escalated corrective action.

ER reviews the supervisor's documentation to verify the employee was coached and counseled informally on unsatisfactory performance or conduct in Step 1 – Informal Counseling and was given the opportunity to correct the problem.

ER meets with the employee to provide an opportunity for questions and verifies understanding of the corrective action process. ER provides copies of corporate practices HR-4-1, Performance Management; HR-4-3, Corrective Action Procedures; HR-6-1, Complaints and Grievance Procedures; and any other relevant practices.

ER coordinates a meeting with the employee and the supervisor to discuss the unsatisfactory performance and/or conduct. ER advises the employee of the right to request attendance of a peer (coworker) as an observer. If the employee is a member of the bargaining unit, the employee may invite an Aerospace

Professional Staff Association (APSA) representative in accordance with the APSA Collective Bargaining Agreement.

The supervisor and the ER administrator meet with the employee to discuss and clarify the possible consequences of continued unsatisfactory performance or conduct. The items discussed in previous coaching and Step 1 – Informal Counseling meetings are restated per corporate practice (see Practice HR-4-1). Both the employee and the supervisor should clearly understand the points covered and the conditions set during this Step 2 - Formal Counseling meeting, including a clearly specified time period for improving performance or conduct, commensurate with the problem. The employee is informed of the time period specified for showing improvement in performance or conduct during Step 2.

If performance or conduct continue to deteriorate, or do not improve sufficiently, the corrective action process may be accelerated to Step 3 – Formal Written Plan.

The supervisor prepares a written summary of this meeting and the points that were covered. A copy of this memorandum is given to the employee and ER. This memorandum is not placed in the employee's personnel file and contains a statement to that effect.

The employee is provided the opportunity to respond to the identified problem(s) in the corrective action meeting. The employee may also submit comments regarding the corrective action process to ER within two workdays after the meeting. A copy of the employee's comments will be given to the supervisor.

The supervisor confers with ER and may decide to deactivate Step 2 - Formal Counseling, extend the specified time period, or proceed to Step 3 – Formal Written Plan.

If there is an extension, ER coordinates a meeting with the supervisor and employee to review the employee's progress. ER advises the employee of the right to request attendance of a peer (coworker) as an observer. If the employee is a member of the bargaining unit, the employee may invite an APSA representative in accordance with the APSA Collective Bargaining Agreement. The supervisor summarizes the meeting in a memorandum to the employee with a copy to ER.

Step 3 - Formal Written Plan

A Step 3 - Formal Written Corrective Action Plan is normally the next step when an employee has failed to correct the unsatisfactory performance or conduct during Step 2 – Formal Counseling.

The supervisor confers with the next level of management, the cognizant general manager, and ER. The supervisor advises the employee of possible escalation of corrective action.

ER reviews management's documentation to verify the employee was coached and counseled in Step 2 – Formal Counseling on unsatisfactory performance or conduct and was given the opportunity to correct the problem.

ER meets with the employee to provide an opportunity for questions and verifies understanding of the corrective action process. ER provides copies of corporate practices HR-4-1, Performance Management; HR-4-3, Corrective Action Procedures; HR-6-1, Complaints and Grievance Procedures; and any other relevant practices.

The supervisor prepares a Formal Written Plan with the assistance of ER. This plan is approved by the next level of management and the organization's general manager. The plan includes:

a. Explicit description of the unsatisfactory performance or conduct, including frequency, duration, and dates of occurrence, if pertinent.

b. Previous efforts to assist the employee in the correction of the problem through Performance Management informal coaching and counseling, Step 2 - Formal Counseling, and performance review discussions.

c. Explicit guidelines for performance or conduct required of the employee to correct the problem, and explanation of consequences of failure to meet the expected standards

d. The specified time period for the employee to correct the problem. The process will be accelerated if unsatisfactory performance or conduct continues

e. Provision for immediate termination if the problem is not corrected.

ER coordinates a meeting with the employee and the supervisor. ER advises the employee of the right to request attendance of a peer (coworker) as an observer. If the employee is a member of the bargaining unit, the employee may invite an APSA representative in accordance with the APSA Collective Bargaining Agreement.

The supervisor and the ER administrator meet with the employee and present the Formal Written Plan. Each item on the plan is discussed, and the employee is encouraged to respond. The employee signs the plan and receives the original. Copies go to the employee's personnel file, the supervisor, and ER.

After two years of satisfactory performance and conduct, the Formal Written Plan is removed from the employee's personnel file.

The employee will be provided the opportunity to respond to the identified problem(s) in the corrective action meeting. The employee may also submit comments regarding the corrective action process to ER within two workdays after the meeting. A copy of the employee's comments will be given to the supervisor.

The supervisor, at any time during or at the completion of the Step 3 –Formal Written Plan phase, and after conferring with ER, may decide to deactivate Step 3, extend the specified time period, or proceed with termination of employment (see Practice HR-1-10). The supervisor may extend the time period of the current Formal Written Plan or prepare a new Plan.

If there is an extension, ER coordinates a meeting with the supervisor and employee to review the employee's progress and present the new, written Plan. A peer may attend as an observer. If the employee is a member of the bargaining unit, the employee may invite an Aerospace Professional Staff Association (APSA) representative in accordance with the APSA Collective Bargaining Agreement.

Recurrence of Unsatisfactory Performance or Conduct

The supervisor, after conferring with ER, may initiate a corrective action step up to and including termination when an employee, having been in any step of the corrective action process, has had the step deactivated by improved performance or conduct, but again exhibits unsatisfactory performance or conduct. The supervisor need not start the corrective action process from the beginning, even if the unsatisfactory performance or conduct is different than previously exhibited by the employee. ER assists the supervisor in determining which step of corrective action is appropriate for the circumstances.

Immediate Management Intervention

Gross misconduct or extreme circumstances may necessitate immediate suspension or termination.

Employees immediately report to line management any incident of gross misconduct or extreme circumstances. ER must be notified for assistance.

When misconduct or extreme circumstances warrant, the supervisor with the assistance of ER may take immediate action to have an employee immediately relieved of duty and removed from the premises, pending further investigation. While the employee is suspended, ER conducts an investigation of the circumstances and coordinates with line management, Security and Safety, the Office of the General Counsel, and Internal Audits, as required.

ER notifies management of the findings of the investigation and makes a recommendation to management based on corporate policy and practice. ER notifies the employee of the findings and resultant decision of management, which may include termination or reinstatement. ER assists management in finalizing this process.

APSA is notified as soon as possible when a bargaining unit Member of the Technical Staff (MTS) is involved.

Exempt employees may only be suspended without pay in full week increments. An exempt employee suspended during a week in which the employee has performed any work will be paid in full for that week.

Situations requiring immediate management intervention include, but are not limited to, the following:

a. Drug-free workplace violations (see Practice HR-6-2)

b. Conflict-of-Interest violations (see Practice ST-1-2).

c. Gross negligence or intentional actions resulting in damage to corporate property or interests (see Practice PR-3-1).

d. Discrimination against or harassment of any employee; sexual harassment violations (see Practice HR-6-4).

e. Failure to comply with information systems security procedures.

f. Embezzlement or theft of corporate or employee property.

g. Security clearance denied or revoked.

h. Possession of a dangerous weapon on the premises unless specifically authorized by the corporation (see Practice SE-6-1).

i.. Falsification or misrepresentation of information on timecards or employment applications.

j. Insubordination, e.g., refusal to comply with reasonable, job-related instructions from the supervisor.

k. Job abandonment (includes unauthorized departure from job, department, or premises; failure to return to work upon expiration of a Leave of Absence; and failure to report to work and notify supervisor of absence).

l. Working at another company while on medical disability

m. Unavailability to perform job, e.g., excessive absences.

n. Divulging information of a proprietary or sensitive nature.

o. Using The Aerospace Corporation's time, equipment and premises to perform work for another company and/or illegal activities

p. Violations of the Fraud, Waste and Abuse Awareness Program (see Practice ST-1-1).

q. Violent, threatening, or abusive behavior, and/or physical assault (see Practice SE-6-3)

r. Gambling in the workplace.

SECTION 3. ALTERNATE WORKWEEK PROGRAM

The corporation provides a voluntary Alternate Workweek Program designed to increase flexibility in scheduled work hours and workdays for regular full-time employees. Part-time, casual, and temporary employees are not eligible to participate in this program.

Regular full-time employees may choose to work a standard 5/40 workweek (five 8-hour workdays, Monday through Friday) or may choose to work one of two Alternate Work Schedules (AWS) that allow for a day off every other Friday. This is referred to as a 9/80 workweek.

The standard Monday-through-Friday workday at El Segundo offices is scheduled from 7:15 a.m. to 4 p.m., with a 45-minute lunch period. Regional offices may utilize different workday schedules. Schedules that vary from the normal start and stop times or lunch periods require management approval.

The Monday-through-Thursday workday for employees on AWS is from 7:00 a.m. to 4.45 p.m., with a 45-minute lunch period. Schedules that vary from the normal start and stop times or lunch periods require management approval. The employee works 7:00 a.m. to 3.45 p.m. the first Friday of each AWS two-week cycle (work hours are divided, for time recording purposes, into four hours/units in the morning for the first week and four hours/units in the afternoon for the second week). Regional offices may utilize different AWS workday schedules. Each payroll week is 40 hours/units.

The second Friday of each AWS two-week cycle is the employee's regular day off (RDO). The RDO is treated the same as a weekend day with regard to paid absences. Any employee who works on his/her assigned RDO reports, for time recording purposes, the work hours in the morning as part of the current week's effort and the work hours in the afternoon as part of the subsequent week's effort.

Newly hired, regular full-time employees begin working on the standard 5/40 workweek schedule, unless otherwise agreed by the new employee and their manager. New hires choosing to work on an alternate workweek schedule may go on AWS at the beginning of the earliest applicable schedule cycle.

Two calendars indicating Alternate Schedule 1 and Alternate Schedule 2 are provided to employees on a yearly basis. Employee selection of an individual schedule will be subject to approval by immediate management.

Alternative workweek participation and assigned work days and hours for individual employees are subject to internal and external corporate needs as determined by management. Employees in certain positions may not be eligible for desired schedules due to the nature of the job or customer requirements.

AWS will have no impact on employee benefits such as sick leave and vacation accrual, medical, dental, vision, life insurance, voluntary personal accident insurance, retirement, disability, or flexible spending accounts.

Regular full-time employees submit an Alternate Work Schedule Request and Change Form (Form 470) to immediate management. Management attempts to accommodate an employee's choice of work schedule and approves Form 470 when appropriate. The approved form is sent to Payroll two weeks prior to the start date of the new work schedule. For new hires, management submits an approved Form 470 to Payroll at the beginning of employment.

A three-month commitment should be made to the new schedule to minimize frequent schedule changes while still allowing flexibility. Employees on AWS may elect to return to the 5/40 workweek at the end of any 9/80-workweek cycle (two weeks), subject to management coordination and approval. An employee who voluntarily terminates participation in the 9/80 workweek would normally have to wait three months before requesting to return to the 9/80 workweek.

Employees on AWS charge actual hours for vacation, sick time, holidays, jury duty, legal absence, bereavement, and extended workweek.

When a holiday falls on a Friday and it is a RDO for employees on AWS, employees take the preceding Thursday as the holiday. When a holiday falls on a nine-hour workday (Monday through Thursday), employees on AWS charge the additional hour to personal holiday or vacation, or may make up the additional hour in the same workweek.

Exempt employees on AWS and extended workweek have the option of working on the preceding Thursday and receiving pay for the holiday and the extra day off (see Practice HR-2-4).

Employees are paid a maximum of 40 hours per week for jury service. The Friday RDO is treated like a weekend day. No additional compensation will be paid to employees asked to appear for jury duty on their RDO.

SECTION 4. EXTENDED WORKWEEK (EWW)

Extended workweek (EWW) is a workweek that exceeds the standard 40-unit workweek for full-time employees or the regular work schedule for part-time employees. EWW is an expedient measure for extraordinary situations that require additional specific effort over a designated limited period for the timely accomplishment of program or project objectives within the funding level. EWW may be authorized in increments of up to three months.

Exempt employees through level 4 are eligible to receive temporary, added compensation when an EWW is specifically tasked and authorized in advance by the level 5 manager with program or project budget authority. The cognizant level 5 manager may authorize emergency extended workweeks after the fact.

Compensation for EWW is paid only for a week during which a full-time employee works the equivalent of at least six standard workdays (48 units), and includes an employee's base 40-unit weekly salary and the equivalent hourly rate for the additional units worked beyond 40 in the week. After the weekly minimum of 48 units has been met, EWW may be charged in one-unit increments.

Part-time employees receive EWW compensation only for a week during which the employee works at least 8 units over the regular work schedule, and includes an employee's base weekly salary and the equivalent hourly rate for the additional units worked beyond the regular work schedule. After the weekly minimum of 8 units over the regular work schedule has been met, EWW may be charged in one-unit increments.

Employees on an alternate work schedule may be authorized EWW compensation for work on a Friday regular day off (RDO). The RDO is treated the same as a weekend day. When a scheduled holiday falls on a RDO, the employee takes the preceding Thursday as the holiday. An employee on an alternative work schedule and EWW has the option of working on the preceding Thursday and receiving pay for the holiday and the extra day of work.

Holidays, bereavement, jury duty, vacation approved in advance, and paid sick leave, up to five consecutive days, are considered standard workdays. Employees who take vacation while on EWW shall not be denied credit for work associated with a scheduled EWW provided the vacation was approved in advance by the cognizant level 5 manager.

An employee's EWW compensation may not exceed 20 units in a workweek or 400 units in a fiscal year. Line management may approve an exception to the EWW 20-unit workweek maximum only when an employee is directed to work on holidays while on EWW and is required to work additional EWW units in that week. Employees directed to work on holidays when on EWW will receive EWW pay for the units worked in addition to the normal holiday compensation (see Practice HR-3-2).

A Vacation Accrual Limitation Waiver Request (Form 34), approved by the employee's level 5 manager, must be submitted to Payroll when an employee reaches the maximum vacation accrual while on EWW or following termination of the scheduled EWW.

SECTION 5. HIRING, PROMOTIONS, TRANSFERS & REASSIGNMENTS

HIRING

Posted positions are not offered to external applicants until full consideration has been given to all suitably qualified internal applicants, i.e., employees who have applied during the first two weeks of a position posting in the Position Vacancy Listing.

The corporation's policy is not to place a new employee in an organization where the employee would be reporting to the same manager/supervisor as a family member or domestic partner. Family members and domestic partners may not be in a supervisory relationship.

GENERAL

The corporation promotes from within when qualified applicants are available. Promotion is based on job understanding, experience, demonstrated competence, and ability to assume added responsibility and authority.

Employees are encouraged to apply for transfers and reassignments that are beneficial to the employee and to corporate interests. Applicants receive equitable and consistent treatment when applying for posted position vacancies.

The corporation's policy is not to transfer an employee into an organization where the employee would be reporting to the same manager/supervisor as a family member or domestic partner. Family members and domestic partners may not be in a supervisory relationship.

Employees may apply for any posted position for which their qualifications meet the minimum requirements. However, employees cannot have more than three active applications under consideration at the same time. Employees in a position for fewer than six months must have their supervisor's approval on the transfer application.

Vacant positions through level 4 are posted; however, a level 6 vice president can withhold from posting a vacancy below level 4. Executive Council approval is required to withhold posting at level 4.

Posted position vacancies are not offered to external applicants until consideration is given to all qualified employees who applied during the first two weeks of posting. The level 6 vice president, or designee, may elect to post a vacancy with the notation "Strong Candidate Identified," if a highly qualified candidate has been identified.

Managers are strongly encouraged to interview employees displaced by organizational changes or personnel requirements. The corporation expedites the review of transfer applications of employees on notice for a reduction in force (RIF) when the corporation believes transfers may be warranted. In RIF and displacement cases, there are no restrictions on the number of applications an employee may have active at the same time nor must such applicants have been in the previous position for a minimum of six months. Normally, all qualified applicants for a vacancy are interviewed. If more than six applicants apply, only the six best-qualified need to be interviewed, provided that qualified applicants on RIF notice are interviewed.

The employment representative facilitates the expeditious accomplishment of these processes on behalf of the applicant and hiring supervisor.

SECTION 6. AEROSPACE ROTATION PROGRAM (ARP)

The Aerospace Rotation Program provides selected Members of the Technical Staff (MTS) the opportunity to broaden their perspective and knowledge of company and customer operations by accepting temporary assignments in the technical organizations. Long-term goals of the ARP are to foster closer communication among the technical groups, to develop leadership skills in program participants, and to enhance the staff's experience base and career development options.

The ARP facilitates mobility of MTS between groups by creating special temporary positions in all three technical groups. MTS may apply for, on a completely voluntary basis, an assignment for up to 12 months to a position in another group with the understanding and full assurance that, upon completion of the assignment, they may return to their originating organization and level. The appropriateness of a proposed assignment is explored thoroughly by the involved line management of the originating and host organizations and the applicants before a final agreement is reached.

MTS participating in the program are retained as members of their current cost center; however, management of their activities is transferred to the host organization for the duration of the assignment. Changes to the terms of the rotation assignment agreement may be made with the concurrence of the management of both the originating and host organizations and the participating MTS.

The corporation provides assistance and allowances to minimize the disruptive and economic impact on a regular employee who accepts a position in the ARP that results in relocation. Please refer to Practice FI-2-1, Temporary Domestic Assignment for specifics. The ARP is intended to be as flexible as possible in meeting its objectives. The following ground rules should be interpreted accordingly:

a. MTS participation in the plan will be voluntary.

b. Candidates for inclusion in this program shall be MTS with a minimum of 5 years total experience, at least 2 of which shall have been at The Aerospace Corporation. It is expected that the majority of candidates will hold technical staff positions.

c. All levels of management will support the plan and stress its career benefits when counseling MTS.

d. Host/originating group management at both Level 4 and 5 will approve all participants after consultation with Level 2 and 3 management. Evaluation criteria will stress participant's ability to learn in and adapt to the new environment as well as to contribute to the host organization.

e. Return of a selected candidate to his or her original organization and level will be guaranteed for up to 12 months, or longer if acceptable to all parties.

f. Selected MTS from ETG will not limit their activities to their technical specialties, but will be expected to actively participate in the core task of their host organization. They will be placed in positions with good customer/contractor exposure and be given a variety of assignments.

g. Rotation of Program Office candidates to ETG will be encouraged by the creation of appropriate informal positions such as lead engineers, commensurate with candidates' experience/interests.

h. Promotions of plan participants will be pre-coordinated between originating and host management. Only such pre-coordinated promotions will be retained when the participant returns to the originating organization.

i. Participants may withdraw from the program to accept other assignments, including promotion or permanent transfer.

j. Host management will provide a written performance appraisal and associated performance appraisal interview record for inclusion in the annual Performance Evaluation Form (PEF).

k. Originating management will coordinate and complete the annual PEF for the participating MTS, including the performance appraisal documentation and associated interview results provided by the host organization.

l. Originating management will forecast the participating MTS's annual merit review based on the previous year's performance evaluation combined with the performance appraisal provided by the host organization. It is expected that participation in the program will enhance the careers of participating MTS. Consequently the MTS's ranking in the originating organization will not normally be lowered by participation in the program.

Additional information on the ARP can be obtained from the ARP Handbook. This handbook and additional information can be obtained through the ARP website http://info.aero.org/hr/ARP.

SECTION 7. EXEMPT EMPLOYEES – DISTRIBUTION OF EFFORT

GENERAL

The corporation's contracts with the Air Force and other customers describe technical tasks to be carried out and require that work performed on the various tasks be reported accurately. Exempt employees report such work in terms of hours of effort.

Hours of effort include all time during which an employee is directly subject to the control of the corporation. Time spent in work-related travel is also included in hours of effort subject to the control of the corporation. Time spent in traveling from home to and from the usual work place is not included.

The standard Monday-through-Friday workday at El Segundo offices is scheduled from 7:15 a.m. to 4 p.m., with a 45-minute lunch period. Schedules that vary from the normal start and stop times or lunch periods require management approval. Regional offices may utilize different workday schedules.

The Monday-through-Thursday workday for employees on alternate work schedules (AWS) is from 7:00 a.m. to 4:45 p.m., with a 45-minute lunch period. Schedules that vary from the normal start and stop times or lunch periods require management approval. The employee works 7:00 a.m. to 3:45 p.m. the first Friday of each AWS two-week cycle; the second Friday is the employee's regular day off (RDO). The RDO is treated the same as a weekend day.

PROCESS

Distribution of effort is documented by employees on a daily basis. For accounting and compensation purposes, the payroll week begins on Saturday at 12:01 a.m. and ends at midnight Friday for employees on the standard work schedule. For employees on an alternate work schedule, the payroll week begins mid-day on Friday and ends mid-day the following Friday. Any employee who works on his/her assigned RDO reports, for time recording purposes, the work hours in the morning as part of the current week's effort and the work hours in the afternoon as part of the subsequent week's effort.

Distribution of effort and absences are recorded in the e-time Collection system. Exempt employees use actual hours in reporting their work effort. Full-time exempt employees are expected to account for a total of 40 or more hours of effort per workweek. E-time automatically prorates the reported work hours, except Extended Work Week hours, to a maximum of 40 units.

Voluntary absences, necessitated by personal reasons in which an employee is not ready, willing and able to work, are accounted for when 40 hours of effort are not expended on corporate work. An exempt employee is expected to account for the difference between reported hours worked and the scheduled hours of effort using paid sick leave, vacation or other absence, as appropriate, to the nearest whole hour, or "no pay" in whole-day increments. "Whole-day" refers to the total number of hours scheduled for individual workdays.

An exception to the whole day, no pay minimum is made for part-time employees. Otherwise, use of no pay is not permitted for partial-day absences.

Absences in whole-day increments for personal reasons (i.e., other than approved absences) may result in the exempt employee's pay for the reported workweek being reduced in the event that the employee has exhausted all paid vacation benefit.

Exempt employees are not required to account for the difference between time actually worked and the scheduled hours of effort due to insufficient work assignments. The difference is charged to an overhead account, subject to review and approval by the employee's supervisor.

The following absence codes must be recorded and approved on timecards:

D Death or Funeral in Family (Relationship of deceased is written on the back of the timecard)

E Emergency Shutdown

F Family Care and Medical Leave

H Holiday

I Industrial Injury Time Loss

J Jury Duty

L Legally Required Court Appearance

M Military Reserve Duty

N No Pay

O Other Paid Absences

P Personal Holiday

R Rehabilitation

S Sick Leave

V Vacation

The hours reported by the employee using the above absence codes are not prorated by the e-time Collection system.

A holiday must be recorded as 8 hours (4 hours for part-time employees) of absence. When a holiday falls on a 9-hour workday (Monday through Thursday), employees on an alternate work schedule charge the additional hour to personal holiday or vacation, or may make up the additional hour in the same workweek.

The corporation provides for up to two hours of paid absence if an employee would not otherwise be able to vote in an election. Such absence is reported as Other Paid Absences.

An exempt employee who works 40 or more hours and takes one or more authorized hours of Emergency Shutdown ("E") may record it on their timecard that way. Management may not require employees to not record "E" on their timecards if it was approved and the employees took the time off. On the other hand, the same approved hours of Emergency Shutdown may be used to complete a 40-hour workweek.

This approach would not apply to recording sick time, vacation, or any other absences. In such situations, employees may reduce the reported hours of absence provided that they end up reporting the minimum 40-hour workweek. Retroactive adjustments may be made to scheduled vacation taken during a given week because of subsequent effort performed later in the week. Retroactive adjustments may not be made to scheduled vacation taken during an Emergency Shutdown.

Each exempt employee signs a completed timekeeping form at the end of each week. The employee's signature certifies that, to the best of their knowledge, the recorded hours are true and correct. Management's signature on the timekeeping form certifies the reasonableness of the application and distribution of effort and the validity of absences recorded.

The employee is notified of any subsequent correction and/or change to the employee's entries to the e-time Collection system.

Payment for Unused Personal Holiday Hours – Personal Holiday hours are not cumulative from year to year. At the end of the fiscal year, if an employee has not taken their personal holiday hours, they will be paid for the unused portion.

Emergency Shutdown Hours

An exempt employee who works 40 or more hours and takes one or more authorized hours of Emergency Shutdown ("E") may record it on their timecard that way. The "E" time does not have to be left off the timecard even though it may not be needed to satisfy the minimum 40-hour workweek. The most accurate action for the employee is to record the actual hours worked and any authorized hours of Emergency Shutdown, if used. Management may not require employees to leave "E" off their timecards if it was approved and the employees took the time off.

On the other hand, the same approved hours of Emergency Shutdown may be used to complete a 40-hour workweek.

This approach would not apply to recording sick time, vacation, or any other absences. In such situations, employees may reduce the reported hours of absence as long as they end up reporting the minimum 40-hour workweek.

SECTION 8. EXEMPT EMPLOYEES - PART-TIME EMPLOYMENT

GENERAL

The following terms and conditions of employment for part-time exempt employees are modeled, with limited exceptions, on the terms and conditions applicable to full-time exempt employees. The goal is to maintain the maximum flexibility possible for part-time exempt employees while complying with federal and state laws.

SCHEDULE

The part-time employee chooses from the following list of scheduled work hours per week: 20, 24, 25, 28, 30, 32, 35, and 36. Based on the scheduled work hours, a "nominal work schedule" is established, in writing, by the employee and the manager. The "nominal schedule" shall state the number of hours to be worked by the employee on each workday.

Daily work schedules may be varied on a week-to-week basis, in writing, subject to management discretion. The goal is to recognize the inherent flexibility allowed for exempt employees in complying with management direction while establishing a basis by which paid absences are determined. This schedule is referred to as the employee's "current work schedule" or "current schedule." The number of scheduled work hours per week will be identical in both nominal and current schedules.

Changes to the number of scheduled work hours per week and the resultant weekly salary must be submitted using a Personnel Status Change (PSC).

Part-time employees are eligible for Extended Work Week (EWW).

COMPENSATION

Weekly compensation is computed on the basis of the number of scheduled work hours per week. An exempt employee is not paid for work hours exceeding his/her scheduled work hours per week, except as authorized for EWW.

No pay may be utilized in whole-day increments (not necessarily 8 hours) based on the "current work schedule" established for the employee. There is no prescribed limit, subject to management discretion, on the voluntary utilization of no pay by part-time exempt employees.

ABSENCES

Holidays are defined as seven fixed holidays and a personal holiday that is scheduled by the employee. Four hours of holiday pay are provided for each holiday, including the personal holiday. The personal holiday may be used as a (partial) day off or in one-hour increments.

If a holiday falls on a scheduled workday and is less than the scheduled hours for the day, the employee is expected either to use vacation to make up the rest of the day or to make up the time during the then-current workweek. If an employee has inadequate accrued vacation and needs an extra vacation hour(s) to complete a holiday absence, the employee is allowed to borrow the necessary vacation.

The actual hours based on the employee's "current work schedule" are applicable to the following paid absences:

Death or Funeral in Family
Emergency Shutdown
Industrial Injury Time Loss
Jury Duty
Legally Required Court Appearance
Military Reserve Duty
Rehabilitation
Sick Leave
Vacation

PAYMENT FOR UNUSED PERSONAL HOLIDAY HOURS

Personal Holiday hours are not cumulative from year to year. At the end of the fiscal year, if an employee has not taken their personal holiday hours, they will be paid for the unused portion.

BENEFITS

Full-time benefits" for part-time employees refers to the individual employee's benefits if he/she were a full-time employee working 40 hours per week. The "part-time benefits" for employees are prorated as described below relative to the same employee working full-time.

"Weekly salary" refers to the weekly salary paid to the individual employee while working part-time. Full-time salary" refers to the weekly salary that the individual employee would earn if working full-time and drawing a salary based on 40 hours/units of work.

Part-time employees are eligible for, but are not limited to, the following benefits:

Vacation Accrual – The part-time benefit uses the same hourly relationship as is applicable to full-time employees.

Severance Pay if RIF'd – Half credit is given for part-time service; pay is based on the eligible weeks of severance pay multiplied by the current full-time salary.

Life Insurance (Company Paid) – The part-time benefit is based on half of the full-time annual salary, rounded to the nearest $1,000.

Life Insurance (Employee Paid) – The part-time benefit is based on half of the full-time annual salary, rounded to the nearest $1,000.

Medical Insurance – Full-time benefit.

Dental Insurance – Full-time benefit.

Vision Coverage – Full-time benefit.

STD/SDI – The part-time benefit is based on the most recent 12 months of salary.

Long-Term Disability – The part-time benefit is based on the most recent 12 months of salary.
Occupational Accident (Company Paid) – Full-time benefit.

Voluntary Personal Accident (Employee Paid) – Full-time benefit.

Flexible Spending Account – Full-time benefit.

VA/AP – Full-time benefit.

Aerospace Employees' Retirement Plan (AERP) - Employees who were hired prior to 1/1/93 are covered under AERP. The part-time benefit is based on a "blended" salary during each fiscal year after meeting the 1000-hour requirement. The "blended" salary assumes that the annual raise goes into effect on January 1st of the fiscal year.

Aerospace Savings Account Plan (ASAP) - Employees who hired on or after 1/1/93. The part-time benefit is based on the weekly salary after meeting the 1000-hour requirement.

Retiree Medical – Full-time benefit.

OTHER PROVISIONS

The Alternate Workweek Schedule (AWS) is not applicable to part-time employees, although part-time employees may schedule up to nine hours a day in their "nominal" and/or "current work schedules."

No changes to Telecommuting are identified since the assigned workdays and hours are set by mutual agreement between the employee and his/her manager.

SECTION 9. NONEXEMPT EMPLOYEES – DISTRIBUTION OF EFFORT

GENERAL

The corporation regulates work schedules of nonexempt employees in a manner consistent with good business practices and the requirements of applicable federal and state laws.

The workweek is a regularly recurring 168-hour period of seven consecutive 24-hour workdays. The standard workweek at The Aerospace Corporation commences with the First Shift on Saturday. The Alternate Work Schedule (AWS) workweek commences mid-shift on Friday. Full-time employees are usually assigned a 40-hour schedule.

Scheduled Work Hours

The principal work shift (Day Shift) at El Segundo corporate offices is 7:15 a.m. to 4 p.m., with a 45-minute lunch period. Schedules that vary from the normal start and stop times or lunch periods require management approval. The principal work shift at regional offices begins between 6:15- 8:15 a.m. depending on location. Employees assigned to work the Second or Third Shift may be given a 30-minute meal period, which must be shown on the weekly timecard.

The Monday-through-Thursday workday for nonexempt employees on AWS is from 7:00 a.m. to 4:45 p.m., with a 45-minute lunch period. Schedules that vary from the normal start and stop times or lunch periods require management approval. The employee works 7:00 a.m. to 3:45 p.m. the first Friday of each AWS two-week cycle; the second Friday is the employee's regular day off (RDO).

Time Recording

All hours worked by nonexempt employees must be reported on the timecard as they were actually worked and must be reported for the day on which the work commenced. Nonexempt employees record each job order number and absence code and must account for a minimum of 40 hours per week, including employees who regularly work less than full time.

Paid time (elapsed time) must be recorded daily. Paid time (elapsed time) and paid absence time (elapsed time) must be recorded in the daily detail, as well as in the "total hours pay" column. The following absence codes must be recorded and approved on timecards:

Call-In Pay
Death or Funeral in Family
Emergency Shutdown
Family Care and Medical Leave
Holiday

Industrial Injury Time Loss
Jury Duty
Military Reserve Duty
Other Paid Absences
Personal Holiday
Rehabilitation
Sick Leave
Vacation

"No pay" hours (elapsed time) must also be recorded in the daily detail as well as in the "no pay" column. Time less than 40 hours not accounted for in a given workweek must be recorded as "no pay."

Elapsed time is recorded to the nearest tenth-of-an-hour, except for holidays that must be recorded as 8 hours of absence. When holidays fall on a 9-hour workday, employees on an alternate work schedule charge the additional hour to personal holiday, vacation, or "no pay." For part-time employees, holiday time would be recorded as 4 hours of holiday pay and 4 hours of personal holiday, vacation or "no pay."

Deviations from an employee's established work schedule may occasionally be authorized by management.

Overtime Compensation

The corporation, in conformance with applicable laws, provides appropriate overtime pay for all hours worked in excess of eight hours per day for employees on the standard work schedule or nine hours per day (Monday through Thursday) for employees on an alternate work schedule and 40 hours in the workweek.

Work in excess of 8 hours in one day for nonexempt employees on the standard work schedule (5 days/40 hours) and in excess of 40 hours in any week must be approved by a member of line management and compensated as overtime. Work in excess of 9 hours in one day (Monday through Thursday) for nonexempt employees on an alternate work schedule (9 days/80 hours) and in excess of 40 hours in any week must be approved by a member of line management and compensated as overtime. Overtime worked is identified separately as "Premium Hours" on the timecard.

The Friday Regular Day Off is treated like a weekend day for employees on an alternate work schedule. Overtime is paid at one and one-half the base hourly rate for the first twelve hours and at double the base hourly rate for all hours worked in excess of twelve.

A paid absence is counted as hours worked for the purpose of computing a 40-hour workweek and for computing overtime hours for the week in which it occurred.

Time off during a workweek may be made up during the same workweek, with supervisor approval, by working over eight hours a day for employees on the standard work schedule or over nine hours a day (Monday through Thursday) for employees on an alternate work schedule, up to a maximum of 11 hours, at the straight-time rate of pay.

Travel Time on Company Business

When management requests a nonexempt employee to travel on company business, the travel time is considered to be hours worked for compensation purposes. Employees are not compensated for time spent on meal periods, sleeping, or recreation.

On regularly scheduled workdays, the normal commute to and from work is not compensable. Nonexempt employees are compensated for airport commute time in excess of the normal commute time to Aerospace, airport waiting time, and travel time. Compensation for travel time stops when the employee has checked into the hotel. On the return date, compensable travel time stops when the employee has returned to the home airport or back to Aerospace.

On non-regular workdays, the employee's entire travel time is compensable. On arrival, the compensable travel time stops when the employee has checked into the hotel. On the return date, the compensable travel time stops when the employee has returned to their residence.

SECTION 10. NONEXEMPT EMPLOYEES – BENEFITS

Benefits for part-time nonexempt employees are identical to the benefits for part-time exempt employees with the exceptions of holidays, occasional sick leave, and legally required court appearances.

Holidays (General)

Holidays are defined as seven fixed holidays and a personal holiday that is scheduled by the employee. Four hours of holiday pay are provided for each holiday, including the personal holiday. The personal holiday may be used as a (partial) day off or in one-hour increments.

The Corporate Study Assistance Program provides that participants receive full holiday pay during weeks of full-time work and partial holiday pay during weeks of part-time work.

If a holiday falls on a scheduled workday and is less than the scheduled hours for the day, the nonexempt employee is expected either to use personal holiday, vacation or "no pay" to make up the rest of the day. If an employee has inadequate accrued vacation and needs an extra vacation hour(s) to complete a holiday absence, the employee is allowed to borrow the necessary vacation.

Occasional Sick Leave

Occasional sick leave payments are based upon the employee's basic rate of pay, excluding overtime, shift differential, extended workweek pay, or other additional compensation. Regular part-time employees accumulate and receive paid occasional sick leave at half the rate of regular full-time employees.

A full-time, nonexempt employee is credited with an occasional sick leave allowance of 80 hours at the beginning of each fiscal year. Unused allowance accumulates from year to year to a maximum of 999 hours. The maximum occasional sick leave payable to a full-time nonexempt employee in any single fiscal year is 160 hours (80 hours for part-time employees). The nonexempt employee's allowance is prorated during the first year of employment and when returning from a leave of absence or long-term disability. A part-time employee is credited with half the rate of a full-time employee.

When a nonexempt employee's status changes between full-time and part-time, the fiscal year allowance for the new category becomes effective for the entire current year. A full-time employee who used more than 40 hours of occasional sick leave during the current fiscal year and goes to part-time status will not be paid further occasional sick leave during the fiscal year, unless the employee has an unused accumulated balance.

When an exempt employee's status changes to nonexempt, the employee is credited with the prorated fiscal year allowance for the new category.

A paid occasional sick leave absence is counted as hours worked for the purpose of computing a 40-hour workweek and for computing overtime hours for nonexempt employees for the week in which it occurred. A nonexempt employee's cumulative occasional sick leave charges are recorded in tenth-of-hour increments up to the maximum allowance and approved by the employee's direct supervisor.

Legally Required Court Appearance

Nonexempt employees are not eligible for paid time off in response to legally required court appearances.

SECTION 11. BUSINESS TRAVEL

SECTION 11.1 AIR TRAVEL

GENERAL

The nature of Aerospace business makes domestic and international travel a major job requirement. The volume of travel required makes it a major cost of doing business. Therefore, the corporation endeavors to use every available means to ensure that actual travel costs incurred are the lowest practical available. Travel costs are eligible for reimbursement only if they are reasonable and necessary actual expenditures.

TRAVEL ARRANGEMENTS

All travel arrangements are made through the corporate travel agency. This includes electronic tools (Web based) supported by such agency. Travel Services and the Chief Financial Officer must approve any exceptions to booking travel through the corporate travel agency.

Airline accommodations are limited to the lowest available coach or equivalent airfare, based on rates negotiated with the airlines. This may preclude choice of carrier or airport, require a stop enroute, or a change of plane. The Corporate travel agency must make every effort to accommodate traveler's requested arrival times and to minimize the number of plane changes and the length of time for any layovers.

First Class airfare is not reimbursable on Government contracts and every attempt should be made to use U.S. flag carriers.

Use of air transportation other than scheduled commercial airlines and company-approved charter flights must be authorized by the cognizant vice president and coordinated in advance with the Risk Management Office.

Use of a personal aircraft on company business is prohibited.

A traveler's departure airport is considered to be the airport closest to the employee's work base (e.g., El Segundo travelers use Los Angeles International Airport, Chantilly travelers use Dulles International Airport). Utilization of alternate departure airports is subject to approval of cognizant management level 4 or above.

Cost in excess of the lowest available standard coach airfare provided by the corporate travel agency or its equivalent is not reimbursable, except when valid requirements are established, such as: when such accommodations prolong travel or result in increased costs offsetting the transportation savings; when customer support requires a specific travel itinerary; or when the traveler has a disability certified within the past year by a physician and approved by the cognizant vice president and the Chief Financial Officer.

A disability is defined by the corporation as an impairment or medical condition that substantially limits one or more major life activities, the nature of which would cause excessive pain or discomfort to the traveler when seated in coach accommodations.

Make travel arrangements with the corporate travel agency as far in advance as possible to maximize savings. The travel agency will provide information required to secure airline reservations, including changes and cancellations.

Cancel unused air reservations through the corporate travel agency, then immediately notify Travel Accounting, providing them with the "Cancellation Number."

Return unused ticket coupons or electronic ticket airline passenger receipts.

Return unused non-refundable tickets to Travel Accounting to report and track further ticket usage. If using a non-refundable ticket, immediately advise the travel agency of itinerary changes to maximize ability to reuse the ticket.

File a "lost ticket application" with the appropriate airline when paper tickets are lost and forward a copy of the lost ticket application to Travel Accounting.

Use the corporate charge card for airline ticket purchases.

REQUEST FOR A DISABILITY OR MEDICAL EXCEPTION

A request for a disability or medical exception begins with a letter from the employee's doctor describing the medical reason the employee cannot fly coach. The letter should contain the employee's physical limitations and restrictions, medications, and conditions or other reasons for the disability. The letter from the employee's doctor is attached to an Authorization to Upgrade Air Travel to Accommodate Disability form (Form 58) and forwarded to Health Services. The employee indicates on Form 58 how often he or she flies annually.

Health Services forwards Form 58 and the medical letter to the corporation's medical director who may confer with the employee's physician and/or the employee, if necessary. If the medical director recommends approval of the request, Health Services retains the medical letter in a confidential medical record for the employee and forwards Form 58 to the employee' supervisor for approval. The supervisor forwards the approved Form 58 to the cognizant vice president for approval or rejection. The vice president forwards the form to the Chief Financial Officer.

The Chief Financial Officer has final approval on a disability or medical exception request, which is then sent to Travel Services with a copy to Travel Accounting to document reimbursement claims. Travel Services will notify the corporate travel agency that the employee is allowed business or first class accommodations.

The approval process for disability and medical exceptions may be reviewed prior to subsequent trips, but in any case, must be renewed annually. Annual renewals require an updated letter from the employee's doctor and an updated, approved Form 58

TERS

Submit, within seven days after return from travel, a TER with original passenger receipts to support reimbursement claims for airline tickets.

SECURITY AND SAFETY REQUIREMENTS

Comply with corporate security practices when on classified domestic travel (see Practice SE-5-3, Practice SE-1-4, and Practice SE-5-2).

Obtain approval from the cognizant vice president for international travel on the Electronic Travel Request or manual Travel Request (TR) (Form 60) in advance, and contact the authorized travel agency for passport, inoculation, applicability of international driver's license requirements, and ticket information 60 days prior to departure. Detailed approval requirements for international travel are contained in another corporate practice (see Practice BO-6-8).

Report all international travel (business and personal) to Security using a Foreign Business/Personal Travel form (Form 5575). (See Practice SE-4-3.)

FREQUENT FLIER MILES AND AIRLINE CLUB MEMBERSHIPS

Frequent flyer miles earned by the traveler can be used for personal trips. Travelers who use frequent flyer miles for business trips are not reimbursed for the value of the frequent flyer miles; however, the traveler will be reimbursed for any fees associated with the use of frequent flyer miles for company business.

Annual Airline Club Memberships in various airline clubs are available to assist travelers in accomplishing their travel in support of our customers. Memberships may be purchased through the company-established program. Travel Services administers the program, providing enrollment information and procedures.

COMBINED PERSONAL AND BUSINESS AIRLINE TICKETS

Combined personal and business airline tickets must be approved in advance by management level 4 or above. When applicable, the traveler is responsible for the cost difference between the amount the corporation would normally pay for business-related air travel and the total amount of the ticket charged to the company.

Use of personal motor vehicles in lieu of air travel is reimbursed at the lower cost of miles driven times the current allowable IRS mileage rate (as published in the annual bulletin from the Principal Director of Finance) or the lowest available coach fare for the trip based on information provided by the corporation's travel agency.

If a personal motor vehicle is used in lieu of air travel, company travel time will be limited to normal flight time plus four hours, except for relocations. Excess time will be charged to vacation.

SECTION 11.2 CAR RENTALS AND GROUND TRANSPORTATION

Employees on travel may require use of a rental car, personal vehicle, or public transportation for business purposes. The corporation recognizes distinct categories of travel for the purposes of determining what expenses are reimbursable.. The travel categories are:

Local travel - Trips that do not require purchased transportation and are normally within 100 miles of the employee's assigned location.

Domestic travel - Trips that include purchased transportation or lodging, and are within the 50 United States and its possessions in the Caribbean.

International travel - Trips that include purchased transportation or lodging that are outside the limits of domestic travel.

Local Travel during regular workdays

Employees required to commute occasionally to off-site locations in personal motor vehicles on regular workdays, including assigned workdays in Extended Workweek should utilize company-provided virtual fleet vehicles (where available), public transportation (where available), or personal automobiles. Employees are reimbursed costs in excess of the normal cost of commuting to and from work. Total mileage is reimbursed to employees required to commute occasionally to off-site locations on a Saturday, Sunday, or regular day off (RDO).

Any personal vehicle used for local transportation must be insured in compliance with corporate practice (see Practice BO-6-6).

Use of a personal motor vehicle for company travel is reimbursed at the cost of miles driven times the current allowable Internal Revenue Service (IRS) mileage rate (as published in the annual bulletin from the Principal Director of Finance).

Employees who commute to work by commuter bus, vanpool, or commercial transportation and pay a monthly fee where they are charged whether or not they ride are reimbursed for the total number of miles driven for local travel on company business when a personal vehicle is used. Any credit or expected refund received by the employee must be deducted from the amount reimbursed for mileage.

Total mileage for an employee using a personal motor vehicle is reimbursed when an employee works on a paid holiday, on a RDO, on the 6^{th} or 7^{th} day of the workweek, or is called back to work after completing a normal work shift.

Local Travel to and from Airport for Domestic or International Business Travel

Whenever practical, the employee should use the corporation's intra-facility and airport bus service for travel between Aerospace and the airport and between facilities at corporate offices.

If an employee uses a personal vehicle for local travel to and from the airport, the corporation will reimburses the employee for these miles only when they are in excess of their normal commuting miles to and from work (Monday - Friday, except on a RDO). Travelers are reimbursed for the total mileage to the airport when travel begins on Saturday, Sunday, or RDO. Travelers are reimbursed for total mileage from the airport when business necessitates return on a Saturday, Sunday, or RDO.

Car Rentals and Ground Transportation Used for Domestic and International Travel

Employees should rent compact or intermediate-size automobiles, and share cars when practical. Excess costs for upgraded models or luxury car rentals are not reimbursed. The corporate travel agency makes car rental reservations. The corporate rate or discount extended to the corporation by agreement with a designated rental agency should be requested.

Reserve car rentals for domestic and international travel through the corporate travel agency with the corporate preferred car rental agency, which is currently Avis. Employees should not purchase Loss Damage Waiver (LDW) or Collision Damage Waiver (CDW) when renting from Avis for domestic travel, except in Alaska and Hawaii. For international travel, Purchase full liability, comprehensive, and collision coverage when a car is rented for international travel. If a collision deductible is required, purchase LDW or CDW to eliminate legal complications in a foreign country. Finally, always purchase LDW or CDW when a car is rented from a car rental agency other than Avis or is rented in Alaska or Hawaii.

The employee must comply with all car rental insurance requirements.

Rental car insurance on personal portions of travel is the responsibility of the traveler. When an auto rental includes both business and personal portions of travel, the traveler provides rental car insurance for the personal days when the liability waiver is not included in the rate.

Corporate charge cards are used in lieu of cash for car rentals or ground transportation related to travel expenses while on domestic and international travel.

If a taxi, bus or train is used in lieu of a rental car, travelers will be reimbursed for the actual cost of transportation.

Retain all original receipts that are required to support reimbursement claims for charges billed to the corporation or the traveler in excess of $15 for car rental and ground transportation.

Parking costs are reimbursable but parking tickets, traffic citations, or other preventable expenses are not.

Cancel all unused car reservations and record the "Cancellation Number" provided by the car rental or travel agency.

Return rental cars must be returned to the appropriate rental agency or authorized representative and if practical, the vehicle should be refueled before it is returned.

Personal Vehicles used for Domestic Travel and Rental Cars used for Personal Travel Overlapping Business Travel

The employee may, in some cases, use a personal vehicle for domestic travel. Use of personal motor vehicles in lieu of air travel is reimbursed at the lower cost of miles driven times the current allowable IRS mileage rate or the lowest available coach airfare for the trip based on information provided by the corporate travel agency. If a personal motor vehicle is used in lieu of air travel, company travel time will be limited to normal flight time plus four hours, except for relocations. Excess time will be charged to vacation.

Personal motor vehicles used for domestic travel must comply with corporate practice on insurance liability levels.(see Practice BO-6-6).

When an auto rental includes both business and personal portions of travel, the traveler's cost is determined on the basis of the average daily cost of the rental period.

Accidents Involving Personal, Rental, or Leased Vehicles Used on Company Business

Report promptly any auto accident involving personal, rental, or leased vehicles used on company business, including property damage or bodily injury, to local law enforcement agencies, the Security Control Center, the Risk Management Office, and the car rental agency, when applicable. Invoices received by travelers for damage to rented cars must be forwarded to Risk Management for processing.

SECTION 11.3 LODGING, MEALS, AND INCIDENTALS

GENERAL

The corporation is required, in compliance with our U.S. Government contracts, to provide written justification for lodging, meals, and incidental expenses incurred during business travel that exceed the allowed maximums. Reimbursement of actual meals, incidental expenses, and lodging up to 300% of established Federal per diem guidelines is allowed on travel within the contiguous United States when the business travel meets specific criteria. Allowable per diem rates are available in the Aerospace Hotel Guide and electronically at http://info.aero.org/corpserv/travelacct/.

Expenditures for meals and incidentals on local travel will be reimbursed only if the employee travels beyond the 100-mile radius (e.g., from El Segundo to Santa Barbara, San Diego, Edwards Air Force Base, and Vandenberg Air Force Base) or is required to purchase a meal in conjunction with a contractor meeting or seminar.

Host gifts in lieu of lodging costs may be reimbursed at the rate of $25 per night but not for more than $75 per each seven-day period. The cost of host gifts is reimbursed from corporate resources.

Lodging Arrangements and Meals

Lodging arrangements should be made as far in advance as possible using the corporate travel agency. This includes lodging cancellations and changes. Lodging accommodations are selected from the Aerospace Hotel Guide.

Cancel unused lodging reservations and record the "Cancellation Number" provided by the hotel or travel agency to avoid a no-show billing.

Use a corporate charge card in lieu of cash for travel expenses such as lodging and meals (when practical). The traveler is responsible for payment to the issuing charge card company for expenses not direct-billed and is reimbursed through the travel reimbursement process.

Timely Submittal of a Trip Expense Report (TER)

Promptly submit a TER with original receipts to support reimbursement claims for: lodging expenses; valet and laundry services, which are reimbursable only for trips lasting longer than four days (clothing purchases are not reimbursed); other reasonable and necessary travel expenses of $25 or more; and expenses unusual in nature, which must be explained and justified.

Corporate 800 Number and Corporate Calling Card

Use the corporate 800 number or corporate calling card for long distance telephone calls when practical. Business and essential family-related telephone calls, including safe-arrival calls, are reimbursable or chargeable to the 800 number. Telephone calls with a unit cost in excess of $15 are explained on the TER, to include the person called and the purpose of the call.

Reimbursement for Proceeding, Preprints, Publications and Abstracts

The Library and Information Resources Center reimburses expenditures for proceedings, preprints, publications, and abstracts upon submission of a Library Request form (Form 327) and the original receipt.

SECTION 11.4 TRIP AND EXPENSE APPROVALS

GENERAL

The nature of corporate business makes travel a major job requirement and therefore a major cost of doing business.

Electronic Travel Requests, Travel Requests, and Travel Expense Reports

All domestic and international travel must be authorized by submission of a Travel Request (TR) (Form 60) that has been approved in advance of departure with the exception of business travel arranged through the corporate travel agency. In this case an Electronic Travel Request (ETR) can be substituted for a TR.

Business expenses for trips requiring an ETR or TR must be documented and approved on a Travel Expense Report (TER). The TER must be submitted to Travel Accounting within seven days after return from travel. The purpose and justification for the trip must be recorded on the TER and approved by the appropriate line management (Level 3 an above with the exception of some exceptions at regional offices). In addition, the traveler's name, title (or relationship to the contractor), dates and places of expenses must be documented on the TER. Money due to the company from personal expenses charged to the company for air or car rental or for repayment of cash advances is payable with the submission of the TER.

If the trip was a multipurpose trip, the percentage of cost to each program must be identified.

Travel must never be charged to job orders 86XX and 97XX. Any travel related to labor under these job orders must be charged to 9990.

Travel Approval for Recruitment Purposes and at the Request of a Formally Constituted Government-Sponsored Group

Approval from the Vice-President of Human Resources must be obtained when travel is for recruitment purposes.

Travel, for the purpose of participation, at the request of a formally constituted Government-sponsored group is normally reimbursed by that group. When not so reimbursed, approval must be obtained by management level 5 or above.

Frequent Flyer Miles

Frequent flyer miles earned from air carriers, and points earned from hotel and car rental membership programs, or other travel suppliers as a result of travel purchased by the corporation are considered

corporate property. Aerospace has elected to permit travelers to use these benefits for personal use as long as such use does not increase the cost of business travel to the corporation.

Travel Advances

Travelers can obtain travel advances through the use of their corporate charge cards via ATM withdrawal. Employees who do not have a corporate card may request a travel advance by submitting an approved Check Request (Form 24) to Disbursements for processing. If an employee is on international travel to a location where ATM cash withdrawals using the corporate card are not feasible, they should submit an approved Check Request for the advance to Disbursements at least one week prior to departure.

SECTION 11.5 CHARGE CARDS

GENERAL

Corporate charge cards (American Express and Telephone Calling Cards) are issued to full-time employees in the name of the corporation for use in conducting company business. Employees who travel at least twice a year on company business are encouraged to obtain and use corporate charge cards to take advantage of cost-saving benefits.

To obtain an American Express card, a Charge/Telephone Card Request (Form 139) is submitted by line management at level 4 or above to Travel Accounting. To obtain a Telephone Calling Card, Form 139 is submitted by line management at level 4 or above to Voice Systems.

Employees are encouraged to use the corporation's 800 number for placing business calls while on domestic travel. Employees who travel to international destinations on company business should request a Telephone Calling Card.

At El Segundo offices, gasoline charge cards are available on loan for corporate vehicles from the Motor Pool Dispatcher; the card and charge receipts are returned with the vehicle according to corporate practice (see Practice BO-6-2).

Employees who misuse corporate charge cards are subject to disciplinary action, up to and including termination.

RESPONSIBILITIES

Employees use a corporate American Express card for such travel expenses as ATM cash withdrawals, hotels, car rentals, meals (when practical), and transportation purchases. A Telephone Calling Card is used for business-related telephone calls.

The employee verifies airfare and auto rental charges indicated on the American Express statement, which are directly billed to corporate central billing accounts.

The employee is responsible for payment to the issuing charge card company for expenses not direct billed and is reimbursed through the Travel Expense Report (TER) process. Charge card expenses for conference registration or other business-related expenses are reimbursed using a Check Request (Form 24).

Employees should not use corporate charge cards for the purchase of personal items or for personal calls. Money due the corporation from unauthorized charge card expenditures (including direct-billed airfare,

auto rental, and personal phone calls) must be paid immediately to the corporation by submitting a personal check to Travel Accounting.

Expenditures made for corporate business on personal credit cards are reimbursed through the TER process. The employee is responsible for payment to the issuing credit card company.

Travel Accounting assists in resolving disputes between employees and American Express. Retrieval of charge cards before employees are cleared for termination is accomplished in accordance with corporate practice (see Practice HR-1-10).

Retrieval of Telephone Calling Cards before employees are cleared for termination is accomplished in accordance with corporate practice (see Practice HR-1-10).

SECTION 11.6 INSURANCE AND INCIDENTS

GENERAL

The corporation insures employees on company travel status (including authorized local travel) for four times their annual salary, but not for less than $50,000 nor more than $250,000 for loss of life or two members (hands, feet, or eyes); or for 50 percent of the principal amount for loss of one member, subject to exclusions and limitations set forth in the insurance contract.

Employees are not reimbursed for the cost of trip or personal accident insurance they purchase to cover travel on either a commercial or private carrier (motor vehicle or chartered aircraft) since it duplicates coverage already provided.

When a personal vehicle (does not include a two-wheel vehicle) is stolen or damaged during its authorized use for company business and the deductible amount, damage, or temporary car rental expenses are not recoverable from any other party, the corporation will reimburse the employee, up to a combined maximum reimbursement of $250, for: (a) the deductible portion of collision or comprehensive coverage, or for the actual damage; and (b) car rental expenses in excess of the amount covered under the employee's personal auto policy.

When car rentals are required for corporate business during international travel, the traveler must purchase full liability, comprehensive and collision coverage. If a collision deductible is required, purchase the Loss Damage Waiver (LDW) or Collision Damage Waiver (CDW) to eliminate legal complication in a foreign country. This expense is reimbursable to the traveler.

When a car is rented with any rental agency other than Avis for domestic business travel, the traveler must purchase LDW or CDW. This expense is reimbursable to the traveler. An employee who does not purchase LDW or CDW may be responsible for loss or damage to the rental vehicle. On Avis rentals, LDW or CDW must be purchased in Hawaii and Alaska.

When an auto rental includes both business and personal portions of travel, the traveler is responsible for damage to the rental vehicle that occurs during the personal portion of travel and is not otherwise covered under his or her personal auto insurance or through the purchase of LDW or CDW.

When an employee becomes ill or injured while on authorized travel status, the Security Control Center is notified as soon as possible. If the employee's illness or injury is critical, the Director, Human Resources Operations, may authorize the use of corporate funds for returning the employee home or sending a member of the employee's immediate family to the employee's location, or both.

RESPONSIBILITIES

Employees:

a. Certify on the Travel Expense Report (Form 18) or Check Request (Form 24) that the personal motor vehicle used for company travel is covered with liability insurance to meet at least the minimum amounts required to establish financial responsibility in their state.

b. Report accidents or illnesses while on authorized travel status to the Security Control Center.

The Corporate Insurance Office provides information and assistance to employees on insurance matters.

The Security and Safety Directorate notifies the employee's supervisor, the Director, Human Resources Operations, the Corporate Insurance Office, and other appropriate management personnel when an employee becomes ill or is injured on authorized travel status.

SECTION 11.7 COMBINED BUSINESS AND PERSONAL TRAVEL

GENERAL

Personal travel in conjunction with business travel requires prior authorization at level 4 or above. It must not conflict with nor delay the accomplishment of business objectives.

When business travel interrupts pre-existing vacation travel, the corporation pays for the cost of travel from the vacation point to the business destination and return to vacation point or home office work location. Government fares may be used, if applicable for corporate use.

If surface transportation is used for any segment of the business trip, the corporation pays an amount for that segment equal to the lowest available coach fare or actual mileage, based on current reimbursement rates, whichever is lower.

Use of a cancellation penalty or nonrefundable fare must be approved in advance by management level 4 for cost savings versus company risk. The traveler is responsible for the cost difference between the amount the corporation would normally pay for business-related air travel and the total amount of the ticket charged to the company.

If an employee elects to combine business and personal travel, the employee is responsible for costs related to cancellation or change on a non-refundable ticket or a ticket carrying a penalty for cancellation or change, whenever any portion of the trip is canceled or rescheduled.

Payments for personal portions of air travel and automobile rental are due upon submission of the Travel Expense Report (Form 18). The traveler may submit a check for the personal portion of travel with the TER or choose to have the personal travel portion deducted from the TER reimbursement.

Timecards must reflect personal travel (i.e., vacation time).

When an auto rental includes both business and personal portions of travel, the traveler's cost is determined on the basis of the average daily cost of the rental period. Additionally, the traveler is responsible for damage to the rental vehicle that is not otherwise covered under his or her personal auto insurance or through the purchase of Loss Damage Waiver or Collision Damage Waiver.

Employees should exercise caution when using an Avis Wizard number to rent a car for personal use. Verify that your personal credit card is being charged. In many cases, when personal credit cards are submitted for payment, the charges are being billed to the corporation because the information in the Wizard profile is connected to the corporate card.

SECTION 11.8 INTERNATIONAL TRAVEL

GENERAL

Trips that include purchased transportation or lodging outside of the 50 United States and its possessions in the Caribbean are considered international travel

Travel Requests (TR) (Form 60) for international travel are approved in advance by cognizant management level 4 or above.

Cognizant level 5 management, responsible for the traveler's job order, authorizes Business Class airfare for international flights that meet the following criteria: the purpose of the trip provides benefit to the Government; the flight is the most direct and logical between origin and destination points; and the scheduled flight time, including stopover time for connections, is in excess of 14 hours. Cognizant level 6 management, responsible for the traveler's job order, approves exceptions.

Trips supporting civil and commercial business must meet the travel criteria in paragraph 3 and must be approved by the General Manager, Civil and Commercial Division.

Requests to participate in corporate-supported meetings are processed in accordance with corporate practices (see Practice SE-5-3 and Practice SE-4-2) and documents related thereto.

When an individual interrupts international personal travel to attend an authorized corporate activity, the staff member will be in work status for the normal workdays involved with the meeting(s) and will be reimbursed for the reasonable and necessary expenses associated specifically with that period.

Security requirements for individuals on international travel (including personal international travel) are established in a corporate practice (see Practice SE-4-3).

Passport, visa and inoculation costs are reimbursed on an authorized Check Request (Form 24).

Employees on international travel are reimbursed for taxis or other airport ground transportation.

U.S. flag carriers are preferred for international travel.

When car rentals are required for corporate business during international travel, the traveler must purchase full liability, comprehensive and collision coverage. If a collision deductible is required, purchase the Loss Damage Waiver (LDW) or Collision Damage Waiver (CDW) to eliminate legal complication in a foreign country. This expense is reimbursable to the traveler.

RESPONSIBILITIES

The traveler contacts the corporate travel agent for passport, inoculation, applicability of international driver's license requirements, and ticket information 60 days prior to departure and complies with all corporate practices, especially those related to international travel, trip and expense approvals (see Practice BO-6-4), and associated security requirements as shown above.

SECTION 11.9 TRAVEL TO COMPANY OFFICES AND FIELD LOCATIONS

GENERAL

Employees traveling to company offices and field locations on corporate business should coordinate in advance with the office or location to be visited to arrange meetings, transportation, office facilities, and other services. Should advance coordination be inappropriate, the traveler's in-line management contacts the general manager responsible for the facility to be visited.

Travelers comply with visit control security requirements (see Practice SE-5-3) and notify the facility to be visited in advance. Travel need not be coordinated to a destination within the geographical area serviced by the company office or location, if such travel is to a subcontractor or a specific company or meeting not directly related to an office or location.

Personnel at the office or location being visited assist the traveler in accomplishing the aims and purposes of the visit, including changes in travel arrangements and other needs.

Travelers check with the office or location for messages, information, and other data germane to the visit upon arrival. Coordination should be maintained with the office or location throughout the visit, including communication of results, prior to departure.

SECTION 12. MEAL AND MILEAGE ALLOWANCES

Exempt employees required to work beyond the normal workday, on a Regular Day Off (RDO), on a holiday, or other unscheduled workday are eligible for meal and mileage allowances.

A meal allowance of $8 is provided when two or more hours are worked beyond the end of the normal workday shift or when five or more but less than ten hours are worked on the RDO, on the 6th or 7th day of the workweek, or on a paid holiday.

A meal allowance of $13 is provided when ten or more hours are worked on the RDO, on the 6th or 7th day of the workweek, or on a paid holiday.

Mileage is allowed at the current rate per mile for the use of a personal vehicle in making a normal round trip from home to the assigned work location when the employee is required to work on the RDO, on the 6th or 7th day of the workweek, on a paid holiday, or return to an assigned work location after completing a normal shift.

Exempt employees on an Extended Work Week (EWW) are not eligible for overtime meal and mileage allowances.

SECTION 13. TRAFFIC AND PARKING

Regulations are established and enforced to ensure orderly traffic management safety at Aerospace General Offices (AGO) and Los Angeles Air Force Base (LAAFB) facilities. Parking lots are provided at corporate offices for corporate employees, Air Force and government personnel, and visitors.

All employees, contractors, and visitors driving on corporate property must comply with all traffic controls, posted traffic and parking signs, and roadway markings. The maximum speed limit is 15 miles per hour on roadways and 5 miles per hour in parking areas.

Employees who use AGO and LAAFB facilities must register their vehicle(s) with Traffic and Parking and display a current decal. Users assume responsibility for damage or loss to their motor vehicles, motorcycles, bicycles, and personal property.

Employees using Enterprise fleet vehicles are issued a pass for each leased vehicle by the Enterprise agent at the motor-pool trailer. These passes, which bear no Aerospace markings and are serially numbered, serve only as temporary decals for gate access to Aerospace property and must be returned with the vehicle. Employees driving fleet vehicles must show Aerospace identification and their lease agreement to enter LAAFB.

Air Force personnel must register their vehicles in accordance with LAAFB regulations and display a current Registered Vehicle Decal (DD Form 2220) to park on corporate premises. Systems Program Directors must obtain a burgundy decal to park in reserved level 5 and 6 spaces.

Air Force contract personnel must register their vehicles in accordance with LAAFB regulations and display a current laminated Temporary Vehicle Pass, AF Form 75, to park on corporate premises. Air Force contract personnel and contract personnel with an Aerospace-issued picture badge are issued an Aerospace parking decal by Traffic and Parking.

The parking decal is removed from the vehicle and the remnants returned to Traffic and Parking when ownership of the vehicle is transferred. The parking decal is returned to Personnel Security on or before the last workday upon termination or transfer to another corporate facility.

Vehicles may not be parked in crosswalks, walkways, roadways, or fire lanes. Vehicles may not be backed into diagonal parking spaces.

Employees located on the LAAFB are guests of the Base Commander and must comply with LAAFB regulations applicable to resident contract personnel. Air Force, government, and contract personnel are subject to the current Memorandum of Agreement between the Corporation and LAAFB.

Traffic rules and regulations are enforced seven days a week, 24 hours a day. Citations are issued to violators on a Notice of Traffic or Parking Violation (Form 5390). The administrative action taken on citations is as follows:

a. First Traffic Citation Within a 12-Month Period - The Physical Security Manager informs the employee in writing of the violation and details possible action if further violations occur.

b. Second Traffic Citation Within a 12-Month Period - The Director, Physical Security Department, informs the immediate supervisor in writing of the violation and copies the employee. The supervisor responds in writing, describing the action taken to prevent recurrence.

c. Third Traffic Citation in a 12-Month Period - The Director, Physical Security Department, notifies the employee's level 5 manager. The employee may have parking privileges revoked for a 3-month period.

d. Employees may request a copy of their traffic and parking record from Traffic and Parking.

Employees who park their vehicles on corporate premises must remove them within 24 hours, except for vehicles in the long-term travel parking area. Traffic and Parking must be notified of extenuating circumstances. Towing at the owner's expense may result if unauthorized or non-operational vehicles are not removed after reasonable requests to do so.

Long-term travel parking is south of Building A6 near the motor pool. Employees who use long-term parking must provide their vehicle's description, license plate number, and projected date of return to Security. This parking area is served by corporate and private shuttles operating to and from the Los Angeles International Airport.

The administrative point of contact is responsible for traffic and parking at other corporate and regional offices.

SECTION 14. SECURITY PROGRAM

SECTION 14.1 SECURITY INCIDENTS – (VIOLATIONS AND INFRACTIONS) - DISCIPLINARY ACTIONS

Employees must comply with corporate practices and Government security regulations. Failure to do so may result in the employee being charged with a security incident (violation or infraction) and disciplinary action being applied by management, up to and including termination. The Government requires the establishment and application of disciplinary actions when security incidents are committed, as stipulated in the National Industrial Security Program Operating Manual.

SECURITY VIOLATIONS

A security violation is a charge issued for any incident concerning classified material that involves the loss, compromise, or suspected compromise of classified information; gross negligence in the handling of classified material; the deliberate disregard of security requirements; or incidents that are not deliberate in nature but involve a pattern of negligence or carelessness.

Security violations are reported to the cognizant security agency (CSA) and other U.S. Government agencies as applicable (Defense Industrial Security Clearance Office, Department of State, National Reconnaissance Organization, etc.).

SECURITY INFRACTIONS

A security infraction is a charge issued for failure to comply with established security requirements or controls that does not result in the compromise or possible compromise of classified information or for a breach or blatant disregard of established security procedures related to the protection of all corporate assets that places information, personnel, or property in jeopardy or results in damage or loss of such assets.

Security infractions may be reported to the CSA and other U.S. Government agencies as applicable.

SECURITY INCIDENTS RELATED TO NON-EMPLOYEES

An incident attributed to a non-employee must be reported immediately to the Principal Director, Security and Safety Directorate.

SELF REPORTING

Employees are encouraged to self-report all security incidents by contacting Government Security. After hours, notify the Security Control Center.

WHEN AN INCIDENT OCCURS

Upon notification of an incident involving an employee, line management reviews the incident with the employee and notifies them that administrative or disciplinary action will be taken. A Security representative will interview and request written statements from the employee and all affected individuals as part of the internal investigation.

FIRST VIOLATION

A first violation requires a written reprimand from cognizant management at level 5 or above. The employee is required to prepare a written reply, indicating the self-imposed corrective action taken to prevent a recurrence. This is the minimum disciplinary action. Security incidents that occurred more than ten years prior to the date of a current incident are not considered in applying disciplinary action. The existence of such incidents is considered in the employee's annual performance review

FIRST INFRACTION

A first infraction requires an oral or written reprimand from the employee's line management. The employee is required to prepare a written reply, indicating the self-imposed corrective action taken to prevent a recurrence. This is the minimum disciplinary action. Security incidents that occurred more than ten years prior to the date of a current incident are not considered in applying disciplinary action. The existence of such incidents is considered in the employee's annual performance review

SECOND AND SUBSEQUENT VIOLATIONS

Second and subsequent violations require cognizant management at level 6 to review and discuss the incident with the employee. As a part of the review, the employee's past security record is considered. The review may result in the initiation of suspension or termination proceedings. If the review does not result in suspension or termination, another written reprimand is issued to the employee. This is the minimum disciplinary action. Security incidents that occurred more than ten years prior to the date of a current incident are not considered in applying disciplinary action. The existence of such incidents is considered in the employee's annual performance review

SECOND AND SUBSEQUENT INFRACTIONS

Second or subsequent infractions require cognizant management at level 5 or above to review and discuss the incident with the employee. The employee is required to prepare a written reply, indicating the self-imposed corrective action taken to prevent a recurrence. As part of the review, the employee's past security record is considered. If the review does not result in suspension or termination, another written reprimand is issued to the employee. The review may result in the initiation of suspension or termination proceedings. Security incidents that occurred more than ten years prior to the date of a current incident are not considered in applying disciplinary action. The existence of such incidents is considered in the employee's annual performance review

SECTION 14.2 PERSONNEL SECURITY CLEARANCES

GENERAL

Department of Defense (DOD) regulations and corporate policy require that individuals with access to classified material have personnel clearances issued under government regulations.

Individuals are permitted access to classified material only when properly cleared and when management determines that access is necessary for the performance of contractually obligated tasks.

The corporation processes the minimum number of personnel clearances required for contractual obligations. Personnel clearances are granted by the appropriate government agency after successful completion of a background check.

Personnel clearances for employees and consultants are requested through Personnel Security.

SECTION 14.3 PHYSICAL SECURITY

GENERAL

The corporation is committed to providing a safe and secure work environment for all employees. Physical barriers, security officer patrols, inspections, administrative procedures, and court orders are used to prevent unauthorized access. Employees are assigned a specific authorization access and are responsible for observing guidance from the security staff and immediately reporting any suspicious activity or security deviations to security management. Cognizant management establishes and maintains physical security controls at regional offices. The Principal Director, Security and Safety Directorate, or designee, is the point of contact for review and guidance for regional offices.

The corporation will not tolerate: (a) threats or violence against persons or property; (b) theft or misuse of corporate, government, or personal property; or (c) possession of illegal substances or unauthorized weapons on corporate premises. Violations will lead to disciplinary action up to and including termination, and may also result in arrest, prosecution, or other legal action.

PROCESS

Clearance of Employees - Requests for Confidential, Secret, and Top Secret clearances are justified in writing by line management before submission to Personnel Security. The justification includes specific need-to-know and identification of the project, program, or task requiring Confidential, Secret, or Top Secret access.

Requests for upgrading or reinstating a Confidential, Secret, or Top Secret clearance are justified in writing by line management. This also applies to new employees with transferable clearances.

Cleared employees receive a security briefing and complete Classified Information Nondisclosure Agreement (Form 312) prior to being granted access to classified material.

Clearance of Intending Citizens and Foreign Nationals - Generally, only U.S. citizens are eligible for personnel clearances. However, an intending citizen or foreign national may be granted a Limited Access Authorization at the Confidential or Secret level when in the national interest, and when specific requirements outlined in the DOD National Industrial Security Program Operating Manual (NISPOM) are met. Such cases are referred to Personnel Security.

Adverse Information - Employees immediately report to the Principal Director, Security and Safety, any information indicating that access to classified material by an individual cleared, or in the process of being cleared for such access, may not be consistent with the national interest. Other corporate and regional office employees report adverse information to the on-site security representative. Examples of adverse information include, but are not limited to, illegal activity, drug or alcohol abuse, or excessive debt.

Notification to Employee Relations and Services, the General Counsel's office, and the employee's management at level 4 or above is made as required. Copies of required reports are submitted to the cognizant security agency and other government agencies. The employee also receives copies of these reports.

Suspicious Contact - Employees report: (a) any efforts by any individual, regardless of nationality, to obtain illegal or unauthorized access to classified or sensitive unclassified information; (b) any efforts to compromise a cleared employee; and (c) all contacts by cleared employees with known or suspected intelligence officers from any country, or any contact that suggests the employee concerned may be the target of an attempted exploitation by the intelligence services of another country to the Principal Director, Security and Safety, using a Suspicious Contact Report (Form 5559). Regional office employees report suspicious contact by submitting Form 5559 to the on-site security representative.

Personnel Changes - Personnel Security, upon notification from the employee or Human Resources, reports any name change, death, termination, or change in citizenship to the appropriate government agency. The appropriate government agency is also notified when employees who have been cleared, or are in the process of being cleared, no longer require access to classified material.

Employees cleared at the Top Secret level must report a change in marital status to Personnel Security.

Representatives of a Foreign Interest - Employees notify Personnel Security when they become representatives of a foreign interest, which is reported to the government in accordance with DOD regulations. A representative of a foreign interest, as defined by the NISPOM, is "a U.S. citizen or national who is acting as a representative of a foreign interest."

Administrative Downgrade or Termination of Personnel Clearances - A personnel clearance is administratively downgraded without prejudice to a lower level (e.g., Top Secret to Secret or Secret to Confidential) when a cleared employee or consultant no longer requires access to the level cleared and when a future requirement for such access is not anticipated. Personnel clearances for employees on leave of absence or long-term disability are reviewed by management and Personnel Security to determine if they should be administratively terminated.

Management periodically reviews the clearance levels and requirements of subordinates. Personnel Security is notified when it is determined that an employee has not had access to the previously required level of classified material for a prolonged period of time, and initiates administrative downgrading.

DOD has authority to administratively terminate or downgrade personnel clearances, if it determines that clearances were granted in error or are not required.

Actions are taken without prejudice to the employee or the corporation; they do not reflect adversely on the employee's present or future personnel clearance eligibility. Individual personnel clearance files are noted.

Reinstatement of Personnel Clearances - Reinstatement actions are initiated by Personnel Security if an employee needs to have access to classified material subsequent to the administrative termination of the personnel clearance and such need occurs within two years from the date the government was notified of the administrative termination.

Clearance Denials, Suspensions, or Revocations for Cause - The personnel clearance or access authorization of an employee may be denied, suspended, or revoked only by written authority of the DOD or other appropriate government agency. Employees whose access authorization or personnel clearance has been denied, suspended, or revoked are removed immediately from access to classified material and may be considered for immediate termination.

SECTION 14.3 PHYSICAL SECURITY

PROCESS

Access Control: Access to corporate facilities is controlled by gates, staffed lobbies, and automated (card reader) portals.

Visitor processing is performed at staffed lobbies.

Multiple entries (piggybacking) on a single card reader is authorized, but the individual activating the portal is responsible for verifying that others have authorized access.

Coordination for card reader installation, modification, or removal must be made in advance with the Manager, Technical Security.

Container and vehicle inspections may be performed in accordance with contractual requirements or at the discretion of the Principal Director, Security and Safety Directorate. Inspections detect the unauthorized movement of property, classified or sensitive unclassified material, and the presence of unauthorized or illegal materials, such as weapons, drugs, and hazardous materials.

Patrol and Emergency/Alarm Response: Patrols of corporate facilities are established and tracked by Physical Security in accordance with contractual and insurance requirements. Emergency and safety alarm responses are coordinated with Environmental Safety, and controlled and monitored by the Security Control Center (SCC) and Physical Security.

Alarm Systems: Security and safety alarm systems report to the SCC. The SCC may monitor Facilities Department alarms when authorized by the Director, Physical Security. Installation, modification, or removal of alarms must be coordinated with the Manager, Technical Security.

Investigations: Employees report to line management any incident that may require a security

investigation. Line management, in turn, notifies Security and Safety of all reports received.

Security and Safety initiates investigations related to situations that involve serious breaches of security or have corporate security implication or effect. Examples include subversive acts; theft, loss, damage, or misappropriation of property; compromise or suspected compromise of classified or sensitive unclassified material; threatening behavior in the workplace; or possible illegal activity. Security and Safety maintains cognizance over security investigations and, where appropriate, coordinates the investigation with Human Resources (HR), the Office of the General Counsel, and Internal Audit, as required.

Except for allegations of illegal activity, the accused employee is notified of the allegations and given an opportunity to respond. The employee also receives a written summary of the findings.

The Vice President, Office of Human Resources, will ensure the proper coordination of activities in situations requiring the correlation of investigative efforts among HR, Security and Safety, Internal Audit, and the Office of the General Counsel so that the rights of the employee are properly balanced with the corporation's interests and its responsibility to conduct a fair, impartial, and effective investigation.

Security investigations are considered High Sensitivity/Aerospace Internal Use Only and privileged information; access and distribution are kept to a minimum.

SECTION 14.4 DOD SECURITY CLEARANCE INVESTIGATIONS

The Corporation takes a proactive role in informing job applicants of the eventual need for security clearances and in assisting employees in obtaining security clearances. The Corporation makes the following efforts to assist bargaining unit employees in the DOD Security Clearance process:

1. Employees being requested to complete and return a security clearance investigation information form, including those applying for a security update, shall be made aware of the following:

    a. Areas of special interest in any security clearance investigation,

    b. DOD's adjudicative guidelines, and that

    c. Aerospace Security is available to provide limited information and advice in the event of perceived problems with the employee's background, and if and only if requested by the employee.

    d. If requested by the employee, an Aerospace Security representative shall analyze the employee's background for the purpose of identifying mitigating circumstances applicable to any "problem" area.

2. Employees who have been notified that the preliminary investigation has resulted in a denial of the security clearance request shall receive assistance in the appeal process, if and only if requested by the employee.

    a. If requested by the employee, an Aerospace Security representative shall analyze the employee's background for the purpose of identifying mitigating circumstances applicable to any "problem" area.

    b. Aerospace Security shall identify those Internet web sites that may provide applicable and helpful information.

3. Employees who have been notified that the preliminary investigation has resulted in the inability of the DOD agency to find that it is clearly consistent with the national interest to grant a security clearance and who decide not to appeal may request for the corporation to submit Form 562 on their behalf to DOHA and cancel any further security clearance processing by that agency. Such request shall be granted by the corporation and shall result in the following consequences for the employee:

   a. Displaced status for a minimum of 91 days, including assistance in preparing to seek another job, as opposed to discharge for cause.

   b. If requested by the employee, a careful and comprehensive review of their suitability to work in the Civil & Commercial Division.

4. Employees who have received a final denial of their security clearance request shall receive assistance from the Corporation, including:

   a. Displaced status for a minimum of 91 days, including assistance in preparing to seek another job, as opposed to discharge for cause.

   b. If requested by the employee, a careful and comprehensive review of their suitability to work in the Civil & Commercial Division.

5. The corporation shall not require employees affected by the new security policy to waive any of their legal rights to challenge policy DD 254 in a court of law or to file an EEO complaint.

SECTION 15. PROPRIETARY INFORMATION

GENERAL

The corporation originates proprietary information in addition to what it receives from outside sources. Outside sources of proprietary information may include the U.S. government as well as contractors, subcontractors, and suppliers performing government and commercial contracts. All proprietary information is safeguarded as controlled access (see practice SE-4 1).

Employees safeguard, and assist the corporation in safeguarding, all such proprietary information. Employees are expected not to misuse, misappropriate, or disclose such proprietary information to persons or companies outside of the corporation, except as required in the course of their employment or with the corporation's prior written consent.

The Office of the General Counsel establishes requirements and administers matters relating to proprietary information.

DEFINITIONS

Proprietary Information is any scientific, engineering, technical, business, and trade-secret information deemed exceptional and distinctive that warrants special controls, handling, or processing. Proprietary concepts may include patentable ideas, new discoveries, new processes, business methods, computer software, cost and pricing data, or other trade secrets and may be included in notebooks, engineering drawings, technical documents, and other items disclosing original work..

PROCESS

All employees complete an "Employee Confidentiality and Assignment Agreement" (Form 2080) at the time of employment. This agreement addresses intellectual property and the employees' obligation to protect proprietary information.

The Staffing Department ensures that Form 2080 is executed by employees.

Management determine whether information originated within their areas is proprietary in nature. The Office of the General Counsel provides guidance and assistance.

Internally Generated Proprietary Information:

Employees mark internally generated proprietary information with a Controlled Access designation and include, as a minimum, the following restrictive legend on documents to provide necessary notice of its proprietary nature:

> "Proprietary information of The Aerospace Corporation."
>
> The restrictive legend is applied to the title page and each page containing proprietary information. Bound documents are marked on the outside of the front and back covers.

Externally Originated Proprietary Information:

The Office of the General Counsel or level 5 management may sign "non-disclosure" or other written agreements with non-government third parties regarding the protection of their proprietary information. Such information normally is not accepted from or exchanged with non-government sources until a written agreement governing its use is completed. However, proprietary information may be accepted from associate contractors working on government programs without a written agreement, and the corporation and its employees will apply the same safeguards afforded Controlled Access information.

The Office of the General Counsel prepares or processes written agreements when required. After acceptance, each document containing proprietary information is marked and recorded in accordance with the agreement.

In addition to any legends placed on proprietary information by the submitter, when received by the corporation, it should also be imprinted with a "CONTROLLED ACCESS" legend.

Employees safeguard externally originated proprietary information from unauthorized use, disclosure, or reproduction while the information is used for the purposes submitted. Externally originated proprietary material is destroyed as Controlled Access information.

Employees receiving unsolicited submissions of concepts, ideas, or other materials from individuals outside the corporation, whether such submissions are designated confidential or proprietary, shall forward such submissions to the Office of the General Counsel.

The Office of the General Counsel acknowledges receipt of the submissions, requests that the submitter complete a "Submitted Idea Agreement" (Form 2084), and informs the submitter that consideration will not be afforded the idea or proposal pending receipt of the completed form. The Form 2084 is reviewed and with the advice of cognizant technical personnel, an appropriate response is prepared and transmitted to the submitter.

Technical data, proposals, or other information submitted by a government agency and designated as proprietary or bearing a restrictive legend are treated as Controlled Access. Proprietary information that bears a government security classification is treated in accordance with the indicated level of classification and appropriate security practices.

The Security and Safety Directorate conducts periodic inspections of unclassified sensitive and classified material and verifies proprietary information is properly marked and stored.

SECTION 16. ELECTRONIC COMMUNICATION SERVICES

GENERAL

Employees are provided with electronic communication services and equipment including Internet and World Wide Web access, an internal network, electronic mail (e-mail), voicemail, computers, telephones, and fax machines to facilitate the conduct of business-related duties. The corporation relies on the professionalism, good judgment, and discretion of employees in the use of these communication resources and in the dissemination of information.

The corporation has the legal right to monitor, intercept, and track the use of electronic communication resources as part of its normal business practices; these activities are not private.

In general, the corporation does not screen or monitor telephone records, voicemail, e-mail, Internet activity, or other communications, but reserves the right to monitor such communications or enter an employee's electronic data files when, at the discretion of management, there is a legitimate business or security reason to do so.

Personal use of communication resources is a privilege, which depends on the professional integrity of each employee. The corporation may be held responsible for inappropriate operation of corporate resources provided for employee use. Employees who utilize these resources inappropriately may be subject to disciplinary action, up to and including termination.

The use of electronic communication resources, as well as photocopiers and printers, for inappropriate activities such as commercial or political activities, adult material, chain letters, or any other use that may reflect adversely on the corporation is prohibited.

Internet access is provided for the conduct of company business. The corporation may restrict access to specific sites judged inappropriate for corporate use; however, the corporation relies on the maturity and good judgment of employees to refrain from accessing inappropriate sites and information.

RESPONSIBILITIES

Employees demonstrate professionalism and ethical conduct in the use of corporate resources, comply with network and security procedures, adhere to corporate practices, and protect corporate information.

SECTION 17. TEMPORARY DOMESTIC ASSIGNMENTS

GENERAL

The Corporation provides assistance and allowances to minimize the disruptive and economic impact on a regular employee who accepts a temporary domestic assignment necessitated by corporate requirements.

An employee on temporary domestic assignment is provided temporary living within commuting distance of the temporary work assignment.

Expenses normally reimbursed are normally allowable under applicable Federal Acquisition Regulations.

Exceptions may be made but must be requested in writing by the employee and be approved in writing by the cognizant level 5 or higher and the Chief Financial Officer.

DEFINITIONS

Temporary Domestic Assignment is defined as an assignment to a work location within the United States other than the employee's regular work location where such location is far enough from the employee's residence to make daily commuting impractical and where the assignment is expected to be for more than 30 days but less than one year. For assignments of less than 30 days, normal travel practices apply (see Corporate Practice BO-6-1, BO-6-2, BO-6-3 BO-6-4, BO-6-5 and BO-6-6). For assignments that are expected to be more than one year or become assignments of more than one year, permanent domestic relocation practices apply (Corporate Practice FI-2-2).

Dependents are the employee's spouse, same-sex domestic partner, and all persons who would qualify as dependents of either the employee or the employee's spouse or same-sex domestic partner for federal income tax purposes. Same-sex domestic partners are only eligible if the employee has filed a Declaration of Domestic Partnership with the Secretary of State in California or an Affidavit of Domestic Partnership outside California with the Benefits Department.

PROCESS

Reimbursement of Expenses

The employee submits claims for reimbursement of expenses to the Travel Accounting Department, Finance Directorate, on a Check Request (Corporate Form 24). Reimbursable expenses for employee and dependents include:

Travel for One Trip to Find Temporary Living Quarters – The employee and spouse (or same-sex domestic partner) as well as dependents under 18 years old, are allowed one trip to find temporary living quarters. The corporation will reimburse transportation costs associate with this trip (mileage if the employee's automobile is driven) as well as costs for lodging, meals, and rental car (see paragraph 10 for tax information). Should an additional trip be necessary, it may be requested in writing by the employee and approved by cognizant management level 5 or higher and the Chief Financial Officer.

Travel to New Assignment – When traveling by automobile, an employee must drive a reasonable number of miles per day, weather permitting. The maximum number of days reimbursed for such travel is eight. Additional expenses resulting from the use of longer alternate routes are the responsibility of the employee.

Transportation at Place of Assignment – An employee may use their personal automobile or rent or lease an automobile for transportation at the place of assignment. Mileage expenses will not be paid for commuting to and from work, pleasure, or personal business.

If an employee chooses to use their personal automobile at the temporary assignment, mileage allowance or shipping costs of the personal automobile to and from the place of assignment is paid. Under certain circumstances, shipment of a second automobile may be authorized when a spouse, same-sex domestic partner, and/or dependents accompany the employee.

Reimbursement for the cost of renting or leasing an automobile may be authorized, provided automobile transportation is essential to the relocation and neither the employee's personal automobile, a corporate vehicle, or adequate public transportation is available. Reimbursement does not include the cost of fuel used for commuting or non-business purposes.

Shipment of Personal Effects -- The cost of shipping personal effects, not including household furnishings, is authorized up to 1,000 pounds per person. It is the employee's responsibility to arrange for this shipping, which will be reimbursed by the Corporation for actual out-of-pocket costs supported by a receipt(s) for amounts paid to a third party. The Corporation also reimburses actual out-of-pocket costs (receipts required) to ship personal effects back to the original location at the completion of the assignment.

Onsite Rental Expenses -- The corporation will help defray temporary housing costs by reimbursing the employee for actual out-of-pocket rental expenses paid to a third party at the temporary location, not to exceed the following: $1,200 per month) (prorated $40/day) for an employee not accompanied by spouse, same-sex domestic partner, and/or dependents; $1,350 per month (prorated $45/day) for an employee accompanied by spouse, same-sex domestic partner, and/or dependent; or $1,500 per month (prorated $50/day) for an employee accompanied by spouse, same-sex domestic partner, and/or two or more dependents. In areas where housing rental costs are higher or there is limited rental property available, exceptions to the onsite rental maximums may be made on a case-by-case basis. The Principal Director, Finance Directorate, approves these exceptions

The actual cost of renting essential furnishings is allowable if suitable furnished quarters are not readily available at the site of the temporary assignment.

Offset of Maintenance Cost for Vacated Residence Up to $100 per month is allowed for maintenance of the employee's vacated residence. Receipts are required.

Home Visits -- Monthly home visits are authorized when the employee is not accompanied by spouse, same-sex domestic partner or legal dependents. If the employee is unable to return home within a six-month period, the spouse, same-sex domestic partner or legal dependents may be authorized to visit by round-trip coach airfare. The spouse, same-sex domestic partner or dependents are not eligible for other allowances, including per diem.

Advance For Expenses -- An employee on temporary assignment may receive an advance of funds for such immediate expenses as travel, lodging, and meals while locating suitable quarters, shipping costs, and settling-in costs on an as-required basis. Expense advances should be requested on a Check Request (Form 24) submitted to Travel Accounting.

Reporting and Withholding Federal and State Income Taxes

The Internal Revenue Service (IRS) requires that all allowances, airfare, and any other reimbursement provided for dependent travel and relocation are to be considered additional income and are subject to income taxes, which are reported on the employee's W-2 as taxable income.

Many states require that employers withhold taxes from employees for wages earned in the state where the employee is working, whether or not the employee is a resident of the state. If an employee is a

resident of one state and will be working for a period of time in another state, state income taxes may be withheld in the state where the employee is working or in both the resident state and the state where the employee is working.

The Corporation reimburses the employee (also known as "grossing up for tax") for taxes associated with federal income tax, state-of-residence income tax, and the Medicare portion of FICA tax applicable to reimbursable relocation expenses. Tax reimbursement is based on fixed nominal tax rates, which are not necessarily the employee's actual tax rates.

Temporary assignments extending beyond one year are not considered temporary travel by IRS. Expenses for temporary assignments beyond one year are reimbursed only upon written approval of the cognizant level 5 or above and the Chief Financial Officer. Any expenses so approved will be taxable income to the employee subject to withholding tax and will not be "grossed up for tax". Such expenses will be reported on the employee's W-2 as taxable income.

Employee's Tax Liability -- The Corporation's withholding of Federal and, in certain cases, state income taxes, does not represent a final determination of tax liability. Tax liability is determined by individual circumstances surrounding the relocation and is a matter between the employee and the IRS or the appropriate state agency. Accordingly, an employee who receives allowances is advised to consult tax counsel when preparing individual income tax returns.

Expenses involving same-sex domestic partners may be subject to Federal income taxes and certain state taxes.

SECTION 18. PERMANENT DOMESTIC RELOCATION

Introduction

The Corporation reimburses eligible employee and dependents for expenses incurred in permanent relocation to another domestic site when it is determined to be a benefit to the employer. Employees are encouraged to relocate as promptly and economically as feasible.

The length of the employee's assignment must exceed 12 months. The distance between the employee's new workplace and the former residence must be at least 50 miles farther than the distance between the previous workplace and the former residence, and the move must meet the test of reasonableness as determined by the Corporation.

Allowed expenses fall under the corporation's contracts with Federal Government agencies, pursuant to the Federal Acquisition Regulations (FAR).

Relocation of a new employee from a foreign country is provided only from an appropriate continental United States port of entry.

When a current employee accepts a transfer to a new position, management and the employee negotiate and agree on the effective date of transfer to the new Cost Center, which begins the effective date of relocation process. Excluding travel for house hunting and relocation, travel between an employee's old business location and new business location after the Personnel Status Change (PSC) effective date to the new cost center is considered commuting, and costs such as airfare, mileage, hotels and meals will not be reimbursed. The cognizant vice president and Chief Financial Officer may grant exceptions to this provision.

The transferring employee charges time for house hunting and travel to the new location to the transferring Cost Center and Job Order 9990. The employee is allowed four additional transition days that are also charged to Job Order 9990.

The Corporation may make exceptions in special cases. Exceptions must be fully documented and require the approval of cognizant level 5 line management and the Chief Financial Officer.

DEFINITIONS

An eligible employee is a newly hired or existing full-time, Member of the Technical Staff.

Dependents are the employee's spouse, same-sex domestic partner, and all persons who would qualify as dependents of either the employee or the employee's spouse or same-sex domestic partner for federal income tax purposes. Same-sex domestic partners are only eligible if the employee has filed a Declaration of Domestic Partnership with the Secretary of State in California or an Affidavit of Domestic Partnership outside California with the Aerospace Corporation's Benefits Department

The 60/45 maximum is the maximum number of days authorized for relocation travel, which includes a house-hunting trip and temporary living as well as travel time from old to new destination. This translates to 60 days for the employee and 45 days for the employee's spouse, same-sex domestic partner and other dependents.

PROCESS

Relocation Completion Period

Relocation begins on the new hire's start date and on the transferring employee's PSC effective date. The employee has one year to complete the relocation process, which includes submission of all expenses. Should the employee terminate within one year, the employee will be responsible for repaying the corporation the full amount of the relocation reimbursement as described in corporate Practice FI-2-2, paragraph 15.

The relocating employee must complete a Relocation Worksheet. This worksheet is available from Staffing Resources. Any known exceptions to corporate policy must be listed and pre-approved on this worksheet.

The relocating employee meets with a representative from Human Resources and Finance to reach agreement on items to be reimbursed as listed on the Relocation Worksheet. The employee, Human Resources and Finance management, and the employee's level 5 management sign the Relocation Worksheet as evidence of the agreements reached.

An extension of the completion period may be requested, at least three weeks prior to the end of the one-year period, by submitting a written, reasonable justification to Staffing Resources for review. Such extensions must be approved in writing by cognizant level 5 management and the Chief Financial Officer.

Reimbursement of Expenses

Claims for reimbursement of authorized expenses must include receipt. The only exception is for meal expenses. The corporation normally provides airline tickets for the relocating employee and dependents.

Taxes

The corporation reports reimbursement of relocation expenses to the Internal Revenue Service. Some reimbursed expenses may be treated as taxable income to the employee. The corporation is required to withhold applicable taxes on those reimbursed expenses treated as taxable income at the time the reimbursement is made.
The corporation reimburses an eligible employee, based on fixed nominal tax rates, for federal income tax, state-of-residence income tax, and the Medicare portion of FICA tax applicable to taxable, reimbursed relocation expenses. Certain taxable expenses that are allowed to be taken on the employee's tax return as an itemized deduction, whether actually taken as an itemized deduction or not, will not be included in expenses for which taxes are reimbursed. Examples of these types of deductions are loan origination fees, dual residence interest, property tax allowances, and mortgage differential interest.

Relocation Cost Agreement

The transferring employee will be required to read and sign a Relocation Cost Agreement (Corporate Form 146). A new hire must read and sign the Offer Attachment with Relocation (Corporate For 3686-A). The corporation requires the employee to refund all payments that were made for the employee's relocation if the Vice President, Human Resources, determines that an employee's resignation within 12 months after being hired or transferred is within the employee's control.

Relocation Provisions - Reimbursement of relocation expenses may include some or all of the expenses discussed in the following paragraphs:

House-Hunting Trip - The employee and spouse (or same-sex domestic partner), as well as dependents under 18 years old, are allowed one pre-move visit to the locale of the new assignment. The Principal Director, Finance, or the Chief Financial Officer may authorize a second pre-move visit. The number of days used as part of this allowance is counted toward the maximum 60/45 days authorized for relocation. The corporation will reimburse transportation costs associated with the pre-move visit (mileage if the employee's automobile is driven), as well as costs for lodging, meals and rental car. Reimbursement will not be made for dependent-care expenses or other personal-type expenses.

Relocation Travel - The Corporation reimburses air or automobile travel and meal allowances as follows:

The actual cost of the lowest available customary standard coach or equivalent airfare and reasonable cost of baggage handling and taxi fares during travel are reimbursed. First-class or business class airfares are not authorized.

When traveling by automobile, an employee must drive a reasonable number of miles per day, weather permitting. The maximum number of days reimbursed for such travel is eight. Additional expenses resulting from the use of longer alternate routes are the responsibility of the employee. The number of days used as part of this allowance is counted toward the maximum 60/45 days authorized for relocation.

Meal allowances for the employee and dependents are reimbursed at the standard rate published in the Federal Travel Regulation.

Actual lodging costs are reimbursed.

Temporary Living - Actual and reasonable expenses for temporary lodging are reimbursed; receipts are required. This allowance is discontinued when an employee moves or changes from

such temporary quarters into the new, permanent place of residence. The number of days used as part of this allowance is counted toward the maximum 60/45 days authorized for relocation

> Meals are not reimbursed once the employee and dependents are at the new location because the employee is no longer considered on travel status.

Home Purchase -- The Corporation reimburses the reasonable costs incurred in connection with the purchase of a new, principal residence. The employee must be a resident homeowner immediately preceding the time the employment offer or transfer is accepted to qualify for home purchase assistance. Total costs may not exceed 5 percent of the purchase price of the new home.

Allowable costs typically include: owner's title policy (if carried on previous residence); closing costs; loan origination fees (determined by market conditions, but not to exceed the amount deemed reasonable by the Corporation, and not including any amount paid to obtain a lower or more favorable mortgage interest rate); application fees; tax stamps; recording fees; mortgage title policy; appraisal fees; credit reports; notary fees; survey fees (to ascertain a description of the property); transfer fees; reasonable legal fees for document review; and escrow or service fees.

Non-allowable costs typically include: real estate brokers' fees and commissions; amounts paid to obtain a lower or more favorable mortgage interest rate; geological survey fees, building inspection fees; costs of litigation/arbitration; real and personal property insurance against loss or damage; mortgage life insurance; property taxes; and operating and maintenance costs.

Swing-Loan Interest -- An employee may lack sufficient cash for a down payment on a new home while the former residence remains unsold. In such case, the employee is eligible for reimbursement of interest on a swing loan in the amount necessary for a down payment on a new residence. Payments of this type are included in the 14 percent sale price reimbursement of the property as described in Corporate Practice FI-2-2, paragraph 16.7.1. The exact terms and conditions of a swing loan are a matter between an employee and the federal or state-chartered lending institution of choice. The loan period may not exceed 90 days. Interest is reimbursed at the leading institution's lowest available rate.

Dual Residence -- Reimbursement is made for certain continuing costs of ownership incurred when the former principal residence remains unsold after a residence at the new location has been occupied. The aforementioned costs, when added to the closing costs described under Home Sale as described in paragraph 14.7 and costs attributed to swing-loan interest, must not exceed 14 percent of the sale price of the property when sold. Dual residence payments are subject to the one-year limit set forth in paragraph 12.1. The employee must submit documentation indicating that the unsold residence is on the market and available for sale at a reasonable price and that it is not leased or rented.

> Reimbursable dual residence costs on the former principal residence include: maintenance of building and grounds (exclusive of fixing-up expenses) not to exceed $100 per month; utilities; taxes; property insurance; and mortgage interest costs after settlement date or lease date of the new permanent residence.
>
> The portion of mortgage payments to be credited toward the principal balance is not reimbursed.

Home Sale -- The Corporation reimburses the reasonable costs incurred in connection with the disposition of the principal residence owned by an employee immediately prior to the time the employment offer or transfer is accepted. When the principal residence is a multiple-dwelling unit

or includes more than a residential lot, the reimbursable selling costs are apportioned according to the percentage of the actual living area (e.g., house and yard) as compared to the total property.

Allowable costs typically include: real estate commissions; closing costs; escrow fees; tax stamps; recording fees; reasonable legal fees for document review; appraisal fees; termite inspection; and reasonable prepayment loan penalties. These costs, when added to the continuing costs associated with the ownership of the vacant former principal residence being sold (dual residence costs), will not exceed 14 percent of the sale price of the property sold.

Non-allowable costs typically include: home warranty policy; fire insurance, property taxes; fumigation services; costs of litigation or arbitration; repairs or refurbishments; and cleaning services.

The corporation provides a bonus for relocating employees who sell their homes within a 180-day period. If the home is sold within the 180-day period, the amount reimbursed to the employee is 1.5% of the home sale prices, less any dual-residence costs incurred. The 180-day period begins on the new hire's start date or the relocating employee's PSC effective date. Money paid to the employee is taxable and will not be grossed up. Withholding and payroll taxes will be withheld from the payment.

Mortgage Differential -- The Corporation provides a mortgage assistance allowance to a relocating employee if the first mortgage on the new home bears a higher contract interest rate than the first mortgage contract interest rate on the old residence. This assistance continues over a three-year period. These costs are not allowable for a relocating employee who was not a homeowner immediately prior to the time the employment offer or transfer is accepted. The formula used in calculating this allowance is: the difference between the mortgage interest rates of the old and new residence times the current balance of the old mortgage times three years. The mortgage balance on the old residence is the actual balance outstanding on the date the home is sold. An employee must provide documentation supporting the mortgage balance and interest rates from the lending institutions involved.

Payment of the mortgage differential allowance is made annually, not to exceed three annual payments. The first installment is paid upon completion of sale of the old home and purchase of the new home. The next installment is paid one year later, and the last installment is paid one year after the second. Prior to receiving approval for the second and third installments, the employee submits a written request for the mortgage differential payment and provides documentation to verify that the mortgage has or has not been refinanced at a lower rate, including any change based on an adjustable-rate mortgage (if so, payment will be adjusted accordingly) and the home is not sold, leased, or currently used as rental property.

An employee is eligible for mortgage differential allowance only as long as employment with the Corporation is continued. Should the employee voluntarily terminate between annual payments of the mortgage differential allowance, the employee is required to refund to the Corporation a prorated portion of the most recent mortgage differential allowance.

Rental Differential -- An employee who retains ownership of a vacated home in the old location and rents at the new work location is eligible for a rental differential allowance, provided the rental quarters at the new location are comparable in size and style to those vacated.

Payments are computed on the annualized difference between the actual rental costs of the new home and the actual rental amount received for the vacated home (if rented or leased) or the fair market rental value (if unoccupied), based on an appraisal. Example: $1,200 (new monthly rent) minus $1,000 (fair market monthly rent of vacated home) equals $200 monthly rental difference or $2,400 annualized rental differential allowance. The annual rental differential allowance will not exceed $8,400.

Payment of the rental differential allowance is made annually, not to exceed three annual payments. The first payment is made at the time of relocation, when the employee moves into the new rental home, or as soon thereafter as practical. Subsequent payments, as determined and approved, are paid on the anniversary date(s) of occupancy, provided the employee submits a written request and verifies the continuous rental of the same residence at the new location (including any change in rent), as well as retention of ownership of the vacated residence.

An employee is eligible for rental differential allowance only as long as employment is continued. Should the employee voluntarily terminate between annual payments of the rental differential, the employee is required to refund to the Corporation a prorated portion of the most recent rental differential allowance.

Lease Cancellation -- Reimbursement is provided for the costs actually incurred in the cancellation of a lease agreement on an employee's former principal residence. The employee provides the landlord with notice to vacate the leased residence as soon as possible upon accepting relocation. Documentation must be provided evidencing the requirement for a cancellation fee as well as the actual payment.

Transportation of Household Goods and Personal Effects -- The Corporation pays for the reasonable costs associated with shipment of the employee's household goods and personal effects from the current residence to the residence at the new location. Included are split shipments (two pickups and deliveries at separate origins and destinations), packing or crating required by the moving firm, unpacking, temporary storage for up to 60 days including warehouse and handling charges, insurance (reasonable and customary charges), and delivery from warehouse to residence. The IRS recognizes anything beyond the first 30 days of storage to be taxable on the employee's W-2. Mileage or shipping costs, or a combination thereof, is paid for transporting up to two automobiles; shipping costs are not allowed when the relocation distance is 500 miles or less. In lieu of a second automobile, mileage only is reimbursed for one motor home, when authorized by the Chief Financial Officer. The cost of shipping pets by air, including the required pet services container, is allowable, but not the kennel fees, inoculations, or other veterinary care or services. This provision does not include the cost of shipping items such as boats, aircraft, livestock, toxic or flammable materials, guns or ammunition, or items outside the normal consideration of household goods.

Miscellaneous Relocation Allowance -- An employee eligible to relocate receives, in lieu of actual costs, a flat amount not to exceed $1,000 for the following: disconnecting and connecting household appliances; automobile registration and required related fees such as smog impact fees, driver's license and use taxes; cutting and fitting rugs, draperies and curtains; forfeited utility fees, and deposits, and cable TV fees; and the purchases of insurance against damage to or loss of personal property while in transit; etc. Receipts are required for reimbursement of actual costs if they exceed the $1,000 limit.

SECTION 19. SHORT-TERM INTERNATIONAL ASSIGNMENT

GENERAL

The business requirements of the corporation sometimes dictate the need for employees to accomplish particular tasks or objectives at international locations, including specific meetings, project management tasks or technical consultation.

The Human Resources Directorate and the appropriate division administer the provisions of this practice. It is essential that the guidelines as applied to a specific individual be discussed with the Principal Director, Human Resources Directorate, and approved by the appropriate level 6 management prior to initiating an assignment.

Exceptions to compensation guidelines for each assignment type must be discussed with the Principal Director, Human Resources Directorate, and approved by the appropriate level 6 management. Exceptions to this practice may be approved in specific instances for good cause. Such exceptions must be fully documented and approved by the appropriate level 6 management.

DEFINITIONS

Short-term International Assignment: An assignment to a host country for 12 or fewer uninterrupted months, exclusive of the home leave visit, as defined at the time of the assignment offer. These types of assignments are further defined in this practice as business trips and extended business trips

Business Trip: An assignment generally less than 14 days in duration that is not treated as an international assignment for compensation purposes. No special provisions apply and the employee will be reimbursed for incurred expenses in accordance with corporate practice.

Extended Business Trip: An assignment from 14 days to six uninterrupted months, exclusive of the home leave visit described later in this section. Employees are expected to complete such assignments on a single or unaccompanied basis, and no provisions are made for spousal or dependent costs.

Long-term International Assignment: An assignment that is in excess of 12 months in duration but does not exceed five years.

Permanent International Assignment: An assignment of greater than five years.

Expatriate: An employee transferred, at the company's request, to a location outside of the employee's home country other than for a business trip or an extended business trip.

Dependents: An employee's spouse and children, who qualify as dependents of either the employee or the employee's spouse for Federal income tax preparation. This includes unmarried children through age 23 for full-time students, and age 19 for other children.

Base Salary: Regular home country salary excluding incentives, bonuses, and any assignment allowances or deductions.

Goods & Services (G&S) Allowance: An allowance paid to the employee to cover the cost of goods and services (e.g., meals, parking, etc.) during an international assignment.

Housing Assistance: The company provides furnished housing and/or other living arrangements at the assignment location.

Hypothetical Tax: A theoretical federal and (where appropriate) state/provincial income tax liability designed to approximate the home country tax burden which would have been incurred by the employee if the employee remained in the home country.

Tax Equalization: Company practice whereby the employee pays no more and no less taxes than would have been paid had the employee remained in the home country.

Tax Protection: Process whereby the company pays any tax resulting from certain income, whether host country tax or home country tax (Federal, State, and Social Security).

PROCESS

Selection for an international assignment: may be made on the basis of critical skills, educational requirements, and factors associated with the particular assignment, including family size and medical requirements of the employee and/or dependent(s).

A Letter of Understanding outlines the terms and conditions of the assignment. Questions regarding the Letter of Understanding should be addressed to the appropriate business manager or the Principal Director, Human Resources Directorate.

Extended business trips are treated the same as business trips with the following exceptions: 1) An employee may be given a performance incentive for successful assignment completion, depending on the nature and/or location of the assignment; 2) In some cases, the employee may receive a G&S allowance or a per diem for living expenses instead of actual expense reimbursement; and 3) The employee may be required to stay shorter than originally anticipated.

Base Salary: The employee's base salary is determined by management, according to the employee's sustained performance and current home country position level. Base salary will be adjusted by the appropriate premiums and allowances. Salary increases are effective at the same time such increases would be effective in the home country following the employee's performance appraisal and salary review. The employee's compensation will be delivered in home country currency and deposited into the employee's home country bank.

Expatriate Incentive: The company may pay a non-tax protected expatriate incentive based on a percentage of base salary in recognition of the challenge of leaving current living and working conditions and adapting to a new host country environment.

Hardship Premium: The employee may be eligible for a hardship premium if the host country in which the assignment is located is designated to be a hardship area. Hardship area is a term applied to certain locations having conditions that are particularly difficult, such as physical hardship, poor environment, or cultural isolation.

Host Country Housing Assistance: The company will provide housing assistance for furnished housing and/or other living arrangements at the assignment location

Goods & Services (G&S) Allowance: A G&S allowance has been designed to allow the employee to maintain purchasing power at the approximate level that the employee enjoyed in the home country. The allowance will vary with salary and family size and will be reviewed and adjusted quarterly, where necessary, to reflect significant exchange rate fluctuations.

Company Provided Automobile: At the discretion of management, the company may provide the employee with a company-leased car (and driver in certain cases if deemed appropriate by the company) during the employee's assignment.

Home Country Benefit Plans: With minor exceptions, the employee will continue to be covered under the benefit plans in which the employee participated while working at the home country business unit whenever legally possible and practical. For the purpose of life insurance and short-term disability coverage, only the employee's base salary is used for determining the amount of coverage and premium.

Host Country Benefit Plans: In some countries the company provides certain payments to employees that are in addition to regular employee benefits and compensation. These payments are often made to all employees in the country and generally occur due to the application of local labor laws.

Medical and Dental Coverage: The employee and any eligible dependent(s) are enrolled in the indemnity plans for medical and dental insurance. The employee should contact the Employee Benefits Department to initiate a change in the indemnity medical and dental plans if not already enrolled.

Social Benefit Plans: The employee may be required by law to contribute to certain social benefit plans in the host country. The employee will be reimbursed for any required expenses incurred in contributing to such plans.

Social Security: The employee's home country often has reciprocal social security agreements with other countries. Such agreements generally eliminate the requirement to contribute to both countries' social security systems.

Tax Equalization: The company will utilize a procedure called Tax Equalization to ensure that the employee's relative home country tax burden will be maintained during the period of the assignment.

Relocation Assistance: Relocation assistance is limited to an airfreight shipment of goods, not to exceed 500 pounds per person relocating.

Educational Assistance: If the employee's dependent children accompany the employee to the host country, the employee will be eligible for educational assistance.

Medical Requirements: Pre-assignment physical examinations are required and immunizations are highly encouraged and may be required. The company will reimburse the cost of these examinations and immunizations prior to departure.

Vacation: The employee will continue to be eligible for vacation in accordance with corporate practice.

Home Leave: An interim home leave visit of one week (exclusive of travel and business days) to the employee's city of origin may be provided approximately every six months for employees on unaccompanied status. Home leave visits will be treated as company business trips and may require the employee to report to a company business location. Under certain circumstances, additional home leave may be provided at management's discretion.

Transition from Short-term to Long-term Assignment: Extension of an employee's assignment beyond 12 months requires the approval of the responsible company officer. When approved and after notifying the Principal Director, Human Resources Directorate, the employee on short-term assignment becomes eligible for long-term assignment status and coverage under corporate practice.

Emergency Provisions: If adequate and necessary medical care is not available in the host country, the company will pay transportation and other reasonable costs to the nearest approved medical facility for the employee or family member. Where possible, concurrence should be obtained from the responsible level 6 management.

Compassionate leave may be granted by management in the event of death or serious illness of a member of the employee's or spouse's immediate family during the international assignment. If granted, the company provides the most economical round trip transportation for the employee and the employee's family to attend the funeral. In the event of serious illness, the employee and spouse will be provided the most economical round trip transportation.

In the event of the death of the employee or a family member in the host country, the company will pay for the necessary services to return the deceased to the home country and will reimburse the cost of reasonable and necessary host country legal and tax advice required by the death. In addition, the entire family will be entitled to round trip travel and in-transit expenses to the home country. The employee or employee's family is responsible for all other expenses.

SECTION 20. LONG-TERM INTERNATIONAL ASSIGNMENT

GENERAL

The business requirements of the corporation sometimes dictate the need for employees to accomplish particular tasks or objectives at international locations, including specific meetings, project management tasks or technical consultation.

The Human Resources Directorate and the appropriate division administer the provisions of this practice. It is essential that the guidelines as applied to a specific individual be discussed with the Principal Director, Human Resources Directorate, and approved by the appropriate level 6 management prior to offering the conditions of an international assignment to an employee.

Exceptions to compensation guidelines for each assignment type must be discussed with the Principal Director, Human Resources Directorate, and approved by the appropriate level 6 management. Exceptions to this practice may be approved in specific instances for good cause. Such exceptions must be fully documented and approved by the appropriate level 6 management.

DEFINITIONS

Long-Term Assignment – An assignment that is in excess of 12 months but does not exceed five years in duration

Short-Term Assignment – An assignment that is 12 months or less in duration, as defined at the time of the assignment offer. Short-term assignments are generally longer than business trips, but shorter than long-term assignments.

Base Salary – Regular home country salary excluding incentives, bonuses, and any assignment allowances or deductions.

Dependents – An employee's spouse, unmarried children through age 23 for full-time students and age 19 for other children.

Expatriate - An employee transferred at the company's request to a location outside of the home country other than for an extended business trip.

Goods & Services (G&S) Allowance – A payment designed to adjust the employee's spendable income to account for any differences in the employee's purchasing power in the host versus home country, taking into consideration the difference in the costs of goods and services between the host and home countries and exchange rate variances.

Housing Contribution – The amount the employee contributes toward housing costs in the host country based on a housing norm. This amount is deducted from the employee's base salary to offset the total housing costs paid directly by the company.

Housing Norm – A statistical average based on government or consultant's data for housing and utility expenditures of the employee's pre-assignment home country location.

Hypothetical Tax – A theoretical federal and (where appropriate) state/provincial income tax liability designed to approximate the home country tax burden which would have been incurred by the employee had the employee remained in the home country.

Spendable Income – That portion of salary an employee is presumed to use in his or her home country to purchase goods and services, such as all costs for food at home, food away from home, clothing, medical expenses, recreation, personal care, household furnishings and operations, etc. It does not include transportation costs, housing costs, income and social security taxes or savings/investments.

Tax Equalization – Company practice whereby the employee pays no more or less taxes than would have been paid had the employee remained in the home country.

Tax Protection – Process whereby the company pays any tax resulting from certain income, whether host country tax or home country tax (Federal, State, and Social Security).

Transportation Allowance – A payment in addition to the periodic compensation to offset the added cost of a car in the host country.

PROCESS

Selection for an international assignment may be made on the basis of critical skills, educational requirements, and other factors associated with the particular assignment, including family size and medical requirements of the employee and/or dependents.

A Letter of Understanding outlines the terms and conditions of the assignment. Employee questions regarding the Letter of Understanding or this practice should be addressed to relevant management or to the Principal Director, Human Resources Directorate.

Home Country Administrative Practices: While on international assignment, the employee will be maintained under the company's standard domestic compensation and benefits programs.

Extended Assignments: In the event the employee elects to continue working in the host country beyond the end of the assignment, or if the assignment continues beyond five years, the special benefits detailed in this document will end.

Expatriate Compensation: The company's expatriate compensation program is based on the balanced equity principal and is designed to approximate the employee's income and expenditure levels in the host country, based on those levels the employee would have in the home country, by taking into consideration the differences in host country costs and taxes.

Base Salary: The employee's base salary is determined by management according to the employee's sustained performance and current home country position level. Base salary will be adjusted by the appropriate premiums, allowances, and deductions. Salary increases are effective at the same time such increases would be effective in the home country following the employee's performance appraisal and salary review. The employee's compensation will be delivered in the employee's home country currency and deposited into the home country bank.

Expatriate Incentive: The company may pay a non-tax protected expatriate incentive, based on a percentage of base salary, in recognition of the challenge of leaving current living and working conditions and adapting to a new host country environment.

Hardship Premium: The employee may be eligible for a hardship premium if the host country in which the assignment is located is designated to be a hardship area. Hardship area is a term applied to certain locations having conditions, which are particularly difficult, such as physical hardship, poor environment, and cultural isolation.

Goods & Services (G&S) Allowance: A G&S allowance has been designed to permit the employee to maintain purchasing power at the approximate level that the employee enjoyed in the home country. The allowance will vary with salary and family size and will be paid once the employee has moved into permanent quarters and is no longer covered under the host country temporary living differential. The allowance will be reviewed and adjusted quarterly, where necessary, to reflect significant exchange rate fluctuations.

Company Provided Automobile: The company may provide the employee with one leased host country mid-size (as defined in the host country) car (and driver in certain cases if deemed appropriate by the company) during the assignment.

Housing Contribution: The employee may be provided with housing assistance at the assignment location in order to offset any additional costs between the home and host country rental and utility expenses. The employee's housing contribution is based on the concept of a housing norm for the home country.

Owned Housing in Host Location: There are significant tax consequences associated with host country home ownership in several international locations. In general, home ownership may cause an employee to be considered a resident and thus preclude implementation of tax planning strategies.

Home Country Benefit Plans: With minor exceptions, the employee will continue to be covered under the benefit plans the employee participated in while working at the home country business unit whenever legally possible and practical.

Host Country Benefit Plans: In some countries the company provides certain payments to employees that are in addition to regular employee benefits and compensation. These payments are often made to all employees in the country and generally occur due to the application of local labor laws.

Medical and Dental Coverage: The employee and any eligible dependent(s) are enrolled in the indemnity plans for medical and dental insurance. The employee should contact the Employee Benefits Department to initiate a change in the indemnity medical and dental plans if not already enrolled.

Social Benefit Plans: The employee may be required by law to contribute to certain social benefit plans in the host country. The employee will be reimbursed for any required expenses incurred in contributing to such plans.

Social Security: The employee's home country often has reciprocal social security agreements with other countries. Such agreements generally eliminate the requirement to contribute to both countries' social security systems.

Tax Equalization: A procedure called tax equalization will be utilized to ensure that the employee's relative home country tax burden will be maintained during the period of international assignment.

Relocation Allowance: A relocation allowance will be provided at the time of relocation to assist the employee with the cost of establishing a residence in the host country. This payment is intended to cover, but is not limited to, the following expenses: cost of selling household goods; costs related to old or new residence; purchase of curtains, drapes, blinds, or cleaning and altering of currently installed drapes, etc.; purchase of small household items such as linens, kitchen utensils, lamps and/or lighting fixtures; costs related to shipping of household pets to the host location; and costs related to preparing a will, which has a multiple jurisdiction clause, to ensure the will is probated in the home country.

Appliance Allowance: The company will provide a one-time, tax-protected reimbursement of up to U.S. $3,000 to assist the employee in the purchase and installation of appliances, televisions, VCRs, and voltage transformers to convert small appliances to the local electric cycle.

Home Country Auto Allowance: To offset the cost of selling or storing one or more personal automobiles at the time of relocation, a tax-protected allowance of U.S. $2,000 will be provided. The company will not ship personal cars to the host country.

Host Location Pre-Assignment Trip: An exploratory trip for up to seven days (exclusive of travel) may be authorized by management for the employee and spouse for familiarization with the assignment location and to aid in the decisions to be made regarding assignment acceptance.

Home Retention Assistance: Many international service employees who own a home decide to rent it while they are on international assignment. To assist the employee in maintaining the home country principal residence, the Rental Assistance Program or the Property Management Program may be utilized.

Home Country Rental Housing Assistance: If the employee is renting or leasing housing when transferred to the host country, the company may provide assistance in meeting costs associated with lease cancellation. Costs considered for reimbursement include securities or deposits forfeited under the lease terms, additional rental payments required to effect cancellation, and necessary legal fees.

Home Country Residence Sales Assistance: In general, it is expected that the employee will be responsible for the home country residence. Where there is a good possibility that the employee will not return to the original place of work, or where the employee will be on assignment for 24 months or longer and chooses to sell the home country principal residence, the company will reimburse the employee for the actual and reasonable following home sale expenses, limited to 14% of the applicable sales price: real estate agents' fees; normal and reasonable closing costs; mortgage prepayment penalty, if any (first mortgage only); usual and reasonable attorney fees or escrow company fees; disbursements for documentary stamps on deeds only; title fees and survey costs; and inspection fees, if customarily paid by the seller

Shipment of Household Goods: The company shipment policies recognize that the employee may wish to establish his/her household in the host country on a scale which satisfactorily meets his/her personal

standards and family needs. The amount of household goods that can be shipped, however, is generally affected by the length of the assignment, availability and suitability of furnished accommodations, or excessive time and cost to transport the household goods. Normally, for an assignment of less than 24 months, a complete household of goods will not be shipped.

Limited Air Shipment Guidelines: Generally, the employee's household goods will be shipped by surface transportation. Limited air shipment may be authorized to include items such as clothing and other immediate needs. Where applicable, the guideline for air shipment is 500 pounds per family member. The employee's combined shipments will be insured by the company for replacement cost up to U.S. $75,000.

Surface Shipment Guidelines: The company will arrange to pack, load, insure, and ship the employee's personal and household goods to the host country up to the following specified limits: employee only or employee and spouse - 20-foot container; employee and dependents - 40-foot container. The company will also provide for the packing, transporting, insuring, and storing of household goods not shipped to the host location for the duration of the assignment.

Customs, Duties and Fees: Ordinarily, the importation of currently used household goods is allowed on a duty-free basis. The employee may, with approval, ship new appliances and related items more suitable for operation on the available electrical system in the host country. When approval for such shipment has been granted, the company will reimburse any duty or customs fees imposed upon the newly acquired belongings.

In Lieu of Surface Shipment: Depending on the specific circumstances of the relocation, it may be impractical and/or too costly to ship the employee's household goods to the host country. Where it is not practical or advantageous to surface ship all of the employee's household goods, a reasonable amount of personal effects and supplemental furnishings may be air shipped.

Travel Expenses To Host Location: The employee will be reimbursed for travel expenses incurred by the employee and the employee's dependents when traveling to the host country by direct route in accordance with the corporate international airfare practice.

Pre-Departure Temporary Living Expenses: If the employee and the employee's family are required to vacate their regular housing in the home country and make temporary arrangements while preparing to depart, the company will reimburse the employee for actual and reasonable living expenses for the period between pick-up of household goods and departure, up to two weeks. Living expenses include temporary lodging, laundry (excluding dry cleaning), meals, and incidental expenses.

Host Country Temporary Living: Upon arrival in the host country, actual and reasonable temporary living expenses will be available for the employee and the employee's dependents until the delivery of household goods, or until furnished housing is available for occupancy.

Passports, Visas, Work Permits: Persons traveling outside their home country normally require passports and, in some cases, visas in order to enter the countries they wish to visit. The company will normally assist the employee in obtaining these documents.

Legal Expenses: The company will reimburse reasonable costs incurred to empower someone to act on the employee's behalf while the employee is on international assignment. It is important to note that although the company reimburses the initial costs incurred in empowering an individual to act, it does not reimburse, under this provision, the ongoing time and/or fees charged by the individual who has been empowered by the employee.

Cross-Cultural Preparation: Proper preparation in cross-cultural knowledge, insights and skills is a key factor in the success of an international assignment. Based on the assignment location, length and objective, the company may identify the type of cross-cultural materials and training, including language training, best suited for the employee and employee's family in order to make the international assignment a rewarding experience.

Dual Career Program: When a spouse is employed by The Aerospace Corporation and the employee and the employee's spouse are both transferred to the same host country, only one transferee will be considered the expatriate or primary transferee, for which this practice applies. The base salary of the primary transferee will be used for determining allowance amounts, where applicable. Tax equalization will be based on the combined primary transferee/spouse's income using the most tax-effective home country filing status.

Non-Company Employed Spouse: A spouse of an expatriate who is also employed by The Aerospace Corporation but who is not transferring to the host country as an employee (i.e. will not be working in the host country) will be treated as a non-company employed spouse under the provision below.

Educational Assistance: The company will determine the closest locally available, suitable school or schools for grades kindergarten through 12 which will allow the employee's child to be able to transfer back to the home country school without loss of credit. If it is determined that the employee's child is able to attend an adequate local public school (kindergarten through grade 12) in the host country, no school allowance is provided.

Non-Resident University Fees: Generally, the employee is responsible for the costs of a college or university education. However, should one of the employee's children be charged higher tuition in his/her university within the jurisdiction of the employee's point of origin because the employee and family are not current residents, the company will reimburse the excess fee for undergraduate studies.

Non-Host Country Dependent Visits: If the employee has children under age 23 attending a primary school, secondary school, or university for undergraduate studies at a location away from the host country, the company will reimburse the employee for two economy class round trip airfares per year (plus incidental travel expenses) to the host country. A child attending a university in undergraduate studies must be a full-time student and financially solely dependent on the employee to be eligible for this program.

Host Country Transportation Allowance (Personal Automobile): In locations where additional transportation is required for a spouse, a host country transportation allowance may be granted. This allowance is intended to provide financial assistance so the cost of leasing a "standard personal auto" in the host location will approximate the cost of a "standard personal auto" in the home country, as determined by the company.

Medical Requirements: The company requires the employee and accompanying dependents to have complete medical examinations 60 days prior to leaving for the host country in order to identify potential or existing medical problems for which adequate care may not be available in the host country location and possibly for obtaining a work permit. Immunizations for the employee and accompanying dependents are highly encouraged and may also be required prior to leaving for the host country. The company will reimburse the employee for all reasonable expenses associated with obtaining the required medical examinations and immunizations.

Home Leave: Home leave is intended to provide the employee and the employee's dependents with the opportunity to take vacation in the home country to renew contacts, visit relatives and friends, take care of personal business, and get reacquainted with home country conditions. The employee and dependent

family members residing in the host country are each entitled to one home leave after every 12-month period the employee is on international assignment.

Holidays: The holidays recognized in the host country are those which will be provided to the employee. The employee may take any home country holidays not observed in the host country as vacation days.

Vacation: The employee will continue to be eligible for vacation while on an expatriate assignment. The employee will be eligible for the greater of 20 workdays or the standard home country vacation days. Additionally, one travel day each way will be added to the eligible vacation time.

Family Emergencies: If an emergency occurs in the employee's family while stationed in the host country, management should be advised as soon as possible. If air transportation is required, the class of airfare may be as authorized by the business travel policy. Unless otherwise provided, the length of the leave will be subject to home country policy.

If adequate medical care is not available in the host country and the employee or the employee's dependent requires treatment away from the assignment location, the company may pay transportation and in-transit travel expenses for the sick person, plus one accompanying family member, in order to obtain treatment at the nearest suitable medical facility.

Compassionate leave may be granted in the event of death or serious illness of a member of the employee's or spouse's immediate family during the overseas assignment. If granted, the company provides the most economical round trip transportation for the employee and family to attend the funeral; in the event of serious illness, the employee or spouse will be provided the most economical round trip transportation.

In the event of the death of the employee or family member in the host county, the company will pay for the necessary services to return the deceased to the home country and will reimburse the cost of reasonable and necessary host country legal and tax advice required by the death. In addition, the entire family will be entitled to roundtrip travel and in-transit expenses to the home country. The employee is responsible for all other expenses.

Currency Exchange: Currency exchange expense that the employee incurs will be reimbursed locally using normal expense report procedures. Any adjustment will be based on the employee's home currency. This reimbursement covers normal cost of living needs and no private investment(s) by the employee. Reimbursement of exchange expense is limited to two times per year. Under very volatile currency exchange conditions, the company may at its discretion allow for more frequent exchange expense reimbursement.

Notice, Termination and Severance: Notice, termination, severance, or similar payments will be made only if required by host country law. In such cases, the value of the payments will be offset against benefits provided under any of the company-sponsored retirement or similar plans. Such payments may, at the company's discretion, be offset against the cost of relocating the employee and the employee's family back to the home country.

Emergency Provisions: In the event of political/civil unrest, it may be necessary to evacuate the host country. In such an event, the company will assume full transportation and reasonable and necessary living expenses for the employee and the employee's dependents.

Cash-in-Lieu: The company will not make cash payments in lieu of in-kind assignment related provisions such as air tickets, movement of personal effects, etc.

Repatriation: When it comes time for the employee to return to the home country, the employee will be provided with assistance in facilitating the relocation.

Expense Reimbursement: Reimbursed expenses associated with the relocation from the host to home countries include, but are not limited to, a repatriation advance house hunting trip, expenses associated with the cancellation of leases in the host country and return transportation expenses.

Return and Shipment of Household Goods: The employee's household goods will be packed, shipped, insured (up to U.S. $75,000) and returned to the employee's home country location based on the following guideline: employee only – 40 foot container; employee and dependents – 60 foot container.

Customs, Duties, and Fees: Customs, duties, and fees assessed on original household goods will be reimbursed by the Company.

Relocation and Temporary Living Expenses: Home country relocation and temporary living expenses will be reimbursed in accordance with the original assignment policy.

SECTION 21. FEDERAL GOVERNMENT POSITIONS

GENERAL

The corporation, in support of the country's national-security space mission, encourages its employees to fulfill the various obligations and privileges associated with citizenship. As examples, our employees participate in the Intergovernmental Personnel Act Program, serve on advisory boards and panels at the government's request, and receive supplemental compensation and other accommodations while fulfilling their military reservist duty or performing other military service.

Encouraging such activities, including employment by Federal Government agencies, is in the best interests of the corporation and its employees, particularly when such service gives the employee a better understanding of the workings of our government; affords our employees insight into the operational areas in which we provide technical and scientific advice; or provides the government with unique scientific, technical, or managerial skills or perspectives in support of national security objectives.

Participation in certain corporate programs such as Educational Tuition Reimbursement, the Corporate Study Assistance Program, the Corporate Educational Assignment Program, Permanent Domestic Relocations, and Hiring Bonuses, require the repayment of sums advanced or otherwise made available to an employee if the employee terminates employment within a specified time period after participation in such programs. Under these circumstances, the obligation to repay the corporation could act as a disincentive to the very kind of public service the corporation's philosophy attempts to encourage.

To promote a corporate environment that encourages employees to consider service in the Federal Government, an employee who terminates his or her employment with the corporation to accept a position in the Federal Government at the level of GS 14 or 15 or a position subject to the Senior Executive Schedule will, subject to paragraph 5 below, be excused from repaying monies owed to the corporation because of prior participation in the corporate programs described herein.

RESPONSIBILITIES

Employees: To qualify for relief from the obligation to repay the corporation and to avoid the appearance of any conflict of interest, the employee must not have been engaged in any employment or like conversations with any Federal Government agency or department, or have known of or anticipated the potential offer or assignment prior to participating in the program giving rise to the repayment obligation.

The President and CEO authorizes the waiver of the repayment responsibility, following a review of any potential conflict of interest or other ethics issues by the Office of the General Counsel.

Copies of approved exceptions, together with pertinent documentation requiring the exception, will be provided to the Principal Director, Finance Directorate, and the Director, Internal Audit Department

SECTION 22. HIGH-RISK OPERATIONS

POLICY

The corporation supports a variety of national defense and civil government agencies through its scientific research and systems engineering and integration activities. Because of the nature of Aerospace's business activities, the corporation is frequently involved in matters of vital importance to national security for our Department of Defense customers. The support we provide to these customers is frequently crucial to the success of military activities in war zones and other areas experiencing armed conflict or other hostilities.

Employee safety is of paramount importance to the corporation. Therefore, it is the corporation's policy that neither it nor its civilian employees engage in military, law enforcement, or intelligence operations. Neither does Aerospace perform work in areas where there is significant risk of injury due to acts of war or similar hostilities.

GENERAL

Occasionally, under conditions involving important national security interests, the corporation is asked by one of its government customers to provide technical support in locations that could involve high-risk operations or activities in areas that are designated war zones by the United States Department of State.

The corporation undertakes high-risk work assignments only in the graves. situations and only under the most exigent national security circumstances where other suitable alternatives are unavailable.

Operations and activities are considered high risk if so defined by the U.S. Department of State or when so designated by the President and CEO of the corporation based on the information available on such operations and activities.

Where conditions of important national security exist and the presence of Aerospace employees is requested in an area where such tasking subjects the employees to a risk of injury or death, only employees who volunteer, after full disclosure of all known and potential risks, will be considered for such assignments.

Usually, an employee will be deemed to have entered a high-risk area upon arrival within 500 miles of the national borders within which such area is located.

The corporation does not consider voluntary assignments to high-risk areas in the absence of a written request for such an assignment from a senior-level official in the U.S. Government describing the necessity of the assignment.

All requests involving high-risk assignments received by Aerospace employees must be sent through the employees' management chain to level 6 management, where it will be forwarded to the President and CEO.

No employee who declines a request to undertake a high-risk work assignment will suffer any adverse employment consequences as a result.

An exception to the corporation's general policy may only be made by the mutual agreement of the Aerospace employee and the President and CEO of the corporation.

RESPONSIBILITIES

The General Counsel:

Prepares an acknowledgement detailing all known or potential risks inherent in undertaking the high-risk assignment and meets with the employees to go over the terms of the employee's written consent, answering questions the employee may have concerning its terms.

The Human Resources Department:

Coordinates with Risk Management and provides the employee with an analysis in writing of all Aerospace benefits that may apply in such situations, including Workers' Compensation, life insurance, accident insurance, short-term or long-term disability programs, and like benefits.

Due to the nature of certain high-risk operations, including war hazards, certain federal laws, specifically the Defense Base Act and the War Hazards Compensation Act, may cover compensation and benefits available to Aerospace employees on such assignments. Accordingly, the corporation's Policies and Practices will be interpreted in a manner meeting or exceeding those federal laws.

Informs the employee of the specific benefits to which eligible or designated dependents may be entitled to in the event of the employee's disability, detention, or death while on a high-risk assignment. These benefits may include Worker's Compensation, short-term and long-term disability, life insurance, group travel, and personal accident insurance. Certain Aerospace benefit plans have specific exclusions for injuries or death as a result of "declared or undeclared war or an act of either."

Reviews individual plan documents with the employee as part of obtaining the employee's informed consent.

The Principal Director, Security and Safety:

Advises the employee of all applicable Aerospace security and safety regulations and any know special security and safety procedures that may be present at the assignment area that may affect personal safety. The Principal Directory determines whether there are any special handling requirements for any classified or sensitive materials over which the employee may have custody.

The Aerospace Employee:

Volunteers, after full disclosure of all known and potential risks and impacts to employee benefits, to accept an assignment to a high-risk operation.

Accepts responsibility for all personal preparatory activities, such as obtaining any necessary or advisable health examinations and immunizations; obtaining any required briefings and or training for the assignment; preparing personal emergency documents, such as a health care directive and power of attorney, as well as estate planning documents such as a living trust or will; making arrangements for automatic payroll deposits; updating insurance and benefit plan beneficiary designations; reviewing and

understanding the known and potential risks of the assignment ; and arranging a personal meeting with the General Counsel to go over the terms of the employee's written consent and asking any questions the employee may have concerning its terms.

Signs a written acknowledgement prepared by the Office of the General Counsel acknowledging that he/she has received from the company all information regarding the known risks of the assignment as well as the implications of the assignment for his/her personal or family situation. The acknowledgment must explicitly state that the assignment is entirely voluntary and that the employee is aware that he/she is free to decline to volunteer for the assignment and that there will be no adverse employment action taken as a result of so declining.

Complies with all corporate practices especially those related to international travel (see Practice BO-6-8), trip and expense approvals (see Practice BO-6-4, and associated security requirements (see Practice SE-4-3).

May independently terminate a high-risk assignment without negative repercussions, after accepting such an assignment and being deployed in a high-risk area, if such employee determines in his/her sole discretion, that the risk of injury or death associated with continuing in that assignment is unacceptable.

The Corporation:

Reimburses the employee for the cost of advisable and required health examinations and immunizations.

Continues the employee's pay should the employee become injured as a result of a war hazard (as defined by applicable law), notwithstanding any exclusionary language in Aerospace's short-term and long-term disability plans. Pay will continue consistent with the terms of the short-term and long-term disability plans, relevant practices, and Summary Plan Descriptions in effect at the time of the injury less any monies received by the employee under applicable Worker's Compensation statutes.

Provides the employee's pay to the designated or eligible dependents should the employee become captured or detained (as defined by applicable law) for the length of the detention or until the employee's death is established or can be legally presumed to have occurred; this pay will be less any monies received by the employee's dependents under the War Hazards Compensation Act.

Exercises its best efforts and works with the U.S. Government or other appropriate authorities to remove an employee from a high-risk area for an acceptable lower-risk area or, at the employee's request, returns him or her to the employee's usual place of employment upon revocation of the employee's consent to remain in a high-risk operation.

Pays the full premium, in the event of the employee's death, for continued medical and dental coverage for eligible dependents.

APPENDIX D

WORK ABSENCES

SECTION 1. HOLIDAYS

The corporation observes eight 8-hour holidays each year, and except in special circumstances, employees are not expected to work on these days. One is a "personal floating" holiday and may be scheduled any time during the fiscal year (October 1 - September 30). The eight holidays are:

New Year's Day,
Presidents' Day,
Memorial Day,
Independence Day,
Labor Day,
Thanksgiving Day,
Christmas Day,
and the personal floating holiday.

Holidays occurring on a weekend are observed on Friday preceding a Saturday holiday or on Monday following a Sunday holiday. When a holiday falls on a Friday and it is a regular day off for employees on an alternate work schedule, employees take the preceding Thursday as the holiday.

A holiday occurring during a vacation or a period of paid sick leave is to be paid as a holiday.

When a holiday falls on a nine-hour workday (Monday through Thursday), employees on an alternate work schedule charge the additional hour to personal holiday or vacation, or may make up the additional hour in the same workweek.

An employee is eligible to receive holiday pay if hired prior to the scheduled holiday and in active pay status. Holiday pay for regular and temporary full-time employees in active pay status is one day's pay. Holiday pay for part-time employees, both regular and temporary, is four hours pay at the employee's normal rate of pay, regardless of work schedule, except for graduate fellows and work/study program participants.

Graduate fellows and work-study program participants work full time when classes are not in session. If corporate-paid holidays occur during such full-time workweeks, a program participant receives eight hours pay for the holiday. If the corporate-paid holiday occurs when the participant is working part time, holiday pay is four hours.

Personal floating holidays are not cumulative from year to year. Employees will be paid for unused Personal floating holiday hours at the end of the fiscal year. Employees may only take one personal floating holiday in a fiscal year. This holiday is tracked on a fiscal year basis and may be taken in one-hour increments.

Full-time employees have eight hours of personal holiday time and part-time employees have four hours of personal holiday time.

If an employee terminates during the fiscal year and has not used the personal floating holiday, the employee will be paid for the holiday.

An employee who experiences a status change from temporary or casual to regular during the fiscal year will be entitled to a personal floating holiday.

An employee who experiences a status change from part time to full time will receive four additional personal holiday hours.

An employee who experiences a status change from full time to part time will retain the eight personal holiday hours if the hours have not been taken.

An employee who experiences a status change from regular full time or part time to temporary or casual during the fiscal year and has not used the personal floating holiday will be paid for the holiday.

A paid holiday absence is counted as hours worked for the purpose of computing a 40-unit workweek and for computing compensation for exempt employees on extended workweek (see Practice HR-2-4).

Employment shall not become effective on a scheduled holiday. Terminations may become effective on a scheduled holiday.

SECTION 2. VACATION

The Corporation provides paid vacation for full-time bargaining unit employees and for part-time bargaining unit employees in proportion to the hours worked. The vacation is earned (accrued) by eligible employees at the following annual rates:

Employment Period	Days Earned (Employees Hired Before 1/1/93)	Days Earned (Employees Hired or Rehired[1] on or After 1/1/93)
First 3 years[1]	15 days (120 hrs)	15 days (120 hrs)[2]
After 3 years	20 days (160 hrs)	15 days (120 hrs)
After 5 years	20 days (160 hrs)	20 days (160 hrs)
After 20 years	25 days (200 hrs)	20 days (160 hrs)

Previous periods of employment for rehired employees in other than Temporary or Casual status are counted cumulatively to determine applicable vacation earning rates.

Employees are allowed to accumulate unused vacation hours up to the following maximums:

Employment Period	Days Earned (Employees Hired Before 1/1/93)	Days Earned (Employees Hired or Rehired[3] on or After 1/1/93)
First 3 years	270 hrs	270 hrs
After 3 years	360 hrs	270 hrs
After 5 years	360 hrs	360 hrs

Earned vacation is available for the employee's utilization as it is accrued.

[1] Does not include reinstated employees hired before 1-1-93.
[2] Effective 1/1/01
[3] Does not include reinstated employees hired before 1-1-92

Vacation credit accrues during compensated time while employees are in Active employment status. Accrual of vacation stops when employees accumulate the maximum specified, but commences again when the maximum accumulation is reduced by any number of vacation hours taken.

If an employee is required by management to cancel or postpone scheduled vacation thereby reaching or exceeding the maximum accrual, level 5 management shall authorize a waiver of the accrual limitation so that vacation time may continue to accrue up to a temporary maximum of 400 hours. Successive waivers or extensions may be granted prior to or upon completion of the current waiver.

Following termination of the vacation accrual limitation waiver, the employee is allowed three (3) months in which to utilize any excess accrued vacation (i.e., more than the normal maximum of 270/360 hours) Subsequent to this three month period and provided that the vacation accrual limitation waiver is not renewed, no additional vacation will accrue in excess of the normal maximum of 270/360 hours.

Vacation is not accrued or earned during any period of "No-Pay" absence; however, accrual is resumed when compensation is resumed.

Employees do not continue to earn paid credit while on Leave of Absence or Long-term Disability. However, after employees return from such leave, the first 13 weeks of the leave count as continuous employment when determining the applicable rate of vacation earnings. For military reserve active duty, the total absence counts as continuous employment.

Casual and Temporary employees do not earn vacation. However, if Temporary employees change to Regular status without interruption, the temporary periods are counted as Regular employment for vacation accrual, and the employees' vacation accounts are credited retroactively and prorated based on hours worked; credited vacation hours cannot exceed 120.

At its discretion, the Corporation may declare periods of corporate shutdown such as a holiday closure. The employee may elect to take vacation or no pay. The employee may receive an advance of unearned vacation time if the employee has not accrued sufficient vacation time to accommodate the shutdown period. In the event of a corporate shutdown not exceeding five consecutive (5) days, the employee may elect to utilize unearned vacation. Use of vacation in advance of accrual for other than a corporate shutdown requires prior approval by management level 4 or above and should not exceed one-half of the employee's annual accrual rate within a 12-month period.

SECTION 3. SICK LEAVE

Regular and temporary employees are eligible for sick leave from the time employment starts. The two forms of sick leave are occasional and supplemental.

Occasional sick leave provides for full pay for brief periods up to five consecutive workdays for reasons of personal illness or medical examinations.

Supplemental sick leave applies for a period of time greater than five consecutive workdays. Doctor's certificates may be required. Supplemental sick leave may continue to a maximum of 26 weeks at which time Long Term Disability is invoked. Payments are based on the basic pay rate and 40-hour workweek after accounting for any payments from California State Disability Insurance that may apply to employees with work locations in California.

Full-time employees receive supplemental sick leave payments for 40 hours of leave per week. Part-time employees receive supplemental sick leave payments according to the employee's scheduled workweek.

Supplemental sick leave benefit payments may be discontinued if a physician's certification is not received by the appropriate insurance carrier and Employee Benefits.

Workers' compensation provides benefits for a work-related illness or injury. Benefits begin on the fourth calendar day of a doctor-certified, non-hospitalization disability or on the first day of hospitalization. Illnesses or injuries must be reported immediately to the corporate nurse.

SECTION 4. JURY DUTY

Regular full- and part-time employees are authorized a maximum of ten days of paid absence each time they are called to perform jury duty. Following completion of that service, 12 months must elapse before an employee is again eligible to be paid for absence to perform jury duty.

The corporation pays the employee's base rate for time taken from scheduled work hours for jury duty, including jury selection.

Timecards reflect scheduled work time spent at court. Time spent on jury duty is counted as hours worked for computing a 40-hour workweek and for computing overtime hours for nonexempt employees for the week in which it occurred (see Practice HR-1-9). Time spent on jury duty is counted as hours worked for computing a 40-unit workweek and for computing compensation for exempt employees on Extended Workweek (see Practice HR-2-4).

The Friday regular day off (RDO) for employees on an alternate work schedule is treated like a weekend day. No additional compensation will be paid to employees asked to appear for jury duty on their RDO.

SECTION 5. MILITARY RESERVE ACTIVE DUTY

GENERAL

The Corporation provides compensation and benefits for regular full-time and part-time employees who serve as active members in reserve components of the U.S. Armed Forces, consisting of the Army, Navy, Air Force, Marine Corps and Coast Guard Reserve plus the state-organized Army and Air National Guards, the Public Health Services Corps, or any other category of persons designated by the President in time of war or national emergency.

Active military duty includes scheduled annual military training and active military service resulting from an Executive Order issued by the President of the United States or action by the U.S. Congress or when volunteering for active duty while such a call-up is in force.

Scheduled Annual Military Training

Time off for scheduled annual military training is provided as a paid absence during which all corporate benefits and employee entitlements remain in force. Absences may not exceed a total of 10 workdays per calendar year unless, in response to the employee's written request, additional time off has been approved by the appropriate level 6 vice president.

Employees notify supervision of scheduled annual training dates at least 10 workdays before departure and provide supervision with a copy of the Military Orders.

Employees provide Payroll with a copy of Military Orders and first and last military pay vouchers upon return to work. Payroll deducts an amount equal to the military base pay received for the period of active duty served from subsequent corporate paycheck(s).

Employees submit a completed Military Service Information form (Form 4783) to the Employee Benefits Department.

Active Military Service

Military Reservist's Leave (MRL) shall be granted to any employee whose absence from work is necessitated by active military service as defined above.

When called to active duty by Presidential directive, Congressional action, or when volunteering for active duty while such a call-up is in force, employee reservists remain in their current Cost Center Code (CCC) for the first 180 days and "M" is charged on their timecard. After 180 days, employee reservists will be moved to the Military Reservists' Leave CCC. MRL commences on the first day of absence and continues until work is resumed or a determination is made that the individual is ineligible for reinstatement. MRL may be interrupted by occasional periods of active corporate employment of not less than one day. MRL restarts for an employee reservist recalled to active duty subsequent to release from an earlier period of service.

Employees give supervision the earliest notification possible of the date active duty is expected to commence and provide a copy of the Military Orders when available.

MRL is not to exceed a cumulative length of five years, except where further duty is required by Presidential or Congressional order or deemed necessary by the Secretary of Defense. (Scheduled annual military training is not counted as part of the 5-year cumulative total.)

Employees on MRL receive the following corporate benefits:

1. Supplemental pay for the first 180 days to ensure that total military pay (including military base pay and housing and subsistence allowances) and the supplemental pay equal the amount of the employee's regular base salary.

2. Medical benefits for the employee and eligible dependents for the first 180 days. Premium cost sharing applies for the first 180 days. After 180 days, eligible employees are given the option of continuing medical coverage at 100 percent of the full premium up to an additional 18 months to run concurrently with COBRA.

3. Dental and vision benefits for the employee and eligible dependents for the duration of MRL. Premium cost sharing applies for the first 180 days; the corporation bears the full cost after 180 days.

4. Continued participation in the Flexible Spending Account (FSA) based on the employee's supplemental pay for the duration of the MRL, with participation continuing until the end of the calendar year.

5. Corporate-paid life insurance for the first 180 days, with conversion options available after 180 days.

6. Optional employee-paid life insurance and dependent life insurance for the first 180 days, with conversion options available after 180 days.

7. Survivor's Income Benefit (SIB) for the first 180 days for existing participants.

8. Credit for service as provided by federal statutes, regulations, case law, and the provisions of the Aerospace Employees' Retirement Plan (AERP). AERP participants accrue pension benefits based on the employee's regular salary for the duration of the MRL.

9. Credit for service as provided by federal statutes, regulations, case law, and the provisions of the Aerospace Savings Account Plan (ASAP). ASAP participants receive the company's contribution of 8% of the employee's regular salary for the duration of the MRL.

10. Continued participation in the Voluntary Annuity/Account Plan (VA/AP) based on the employee's supplemental pay for the duration of the MRL. Contact the carrier directly to make arrangements for suspension of loan payments. Upon return from MRL, the employee can make up salary deferrals missed during MRL.

11. Accrued vacation hours based on corporate service, calculated through the last full week of employment, paid or retained in the employee's vacation account. Employees on MRL continue to receive service credit toward higher increments of annual vacation; however, no actual vacation hours will be earned.

12. Reimbursement for education expenses incurred prior to the MRL for employees enrolled in pre-approved courses.

Aerospace will reemploy reservists seeking reinstatement unless the corporation's circumstances have so changed as to make reemployment impossible or unreasonable.

Employee-reservists may apply for reinstatement with the corporation by contacting the Employee Relations Department within the following time limits:

1. In the case of an employee whose period of service was for less than 31 days, by submitting an application not later than two work days after completion of the period of service.

2. In the case of an employee whose period of service was for more than 30 days but less than 181 days, by submitting an application not later than 14 calendar days after completion of the period of service.

3. In the case of an employee whose period of service was for more than 180 days, by submitting an application not later than 90 calendar days after completion of the period of service.

4. Should the reservist be disabled at the completion of service due to performance of reservist duty, the application should be made at the end of the recovery period. Reinstatement is at the discretion of the corporation if the disability exceeds two years.

Failure to report within the specified time requirements may result in termination.

Employees on MRL who have been granted a release under honorable conditions from active duty will be reinstated to their former position or one of similar status, seniority, and pay, adjusted for any automatic pay increases that may have occurred. Reinstatement of employees returning from MRL who have been granted a release from active duty under other than honorable conditions will be considered on an individual basis.

Reinstated employees will have all corporate benefits restored. Employees should contact the Employee Benefits Department upon returning to work.

Employees returning from MRL are legally protected from termination during the first year following job reinstatement, excepting discharge for cause.

SECTION 6. OTHER ABSENCES

The corporation recognizes that employees are subject to emergencies or family related matters that justify brief absences from work. Depending on the circumstances, it is appropriate for supervisors to approve this time as a paid absence or unpaid absence, and to verify accuracy of timecard data.

Paid absences for annual military reserve duty (HR-3-5), industrial injury (HR-3-6), holidays (HR-3-2), jury duty (HR-3-1), rehabilitation (HR-3-6), and vacation (HR-3-3) are covered in corporate practices. Employees should also refer to HR-3-8 for absences that will be greater than 2 weeks but less than one year. Unpaid leaves of absence are also covered in a corporate practice. Supplemental Sick Leave is covered in the Human Resources Occasional Sick Leave Plan (http://info.aero.org/hr/benefits/sickLeave.pdf). A paid absence is counted as hours worked for the purpose of computing a 40-hour workweek and for computing overtime hours for nonexempt employees for the week in which it occurred. A paid absence is counted as hours worked for the purpose of computing a 40-unit workweek and for computing compensation for exempt employees on extended workweek.

Exempt full-time employees record no-pay absences in whole-day increments. Exempt part-time employees record no-pay absences in scheduled whole workday increments. Nonexempt full- and part-time employees record no pay in tenth-of-an-hour increments. Fractions of an hour are recorded as decimals; e.g., 6 minutes = 0.1 and 30 minutes = 0.5. No-pay hours are recorded as "N" on the timecard.

This practice is subject to applicable federal and state laws. Employee Relations provides assistance and answers employee questions on absences discussed in this practice.

PAID ABSENCES

Bereavement is a paid absence in the event of a death in an employee's immediate family of up to three workdays. If the employee needs more time to travel to the funeral site, up to five workdays of absence may be approved by management level 4 or above. Such absence is recorded as "D" on the timecard, and the relationship of the deceased is noted.

Immediate family is an employee's spouse, child, grandchild, brother, sister, parent, grandparent, spouse's parent or grandparent, or someone who has acted in place of a parent. Immediate family also includes a same-gender domestic partner, his or her child, grandchild, parent, grandparent, or someone who has acted in place of either parent.

Emergency Shutdown is the closure of a corporate facility, a corporate-leased building, or a military building housing corporate employees in the event of an emergency or disaster. Employees excused from work by management direction because of an emergency shutdown will receive absence pay. Such absences are reported as "E" on the timecard. Employees continuing on vacation, occasional sick, or other approved absences that began prior to the shutdown are not eligible to charge time to emergency shutdown. Employees on vacation, occasional sick, or other approved absences who were scheduled to

return to work but were prevented from doing so by an emergency shutdown, receive paid absence by charging to "E" on the timecard.

Legal is a paid absence of up to three workdays for a legally required court appearance other than jury duty. It is only available for exempt employees. Such absence is reported as "L" on the timecard, and the reasons noted. Employees notify supervision promptly of legally required absences and provide any necessary justification; e.g., a copy of the subpoena for court appearance.

Other is a paid absence of up to one workday, approved at the discretion of supervision, for each occurrence of other personal emergencies not covered in the foregoing paragraphs. Such absence is reported as "O" on the timecard, and the reasons noted.

UNPAID ABSENCES

Children's School Activities is an absence for employees to participate in children's school activities if they are parents, guardians, grandparents having custody, or have same-gender domestic partners who are parents, guardians, or grandparents having custody. Such absences may be charged to vacation, personal holiday, or no pay. Exempt employees record no pay units in accordance with paragraph 4. The employee must utilize available vacation prior to the use of no pay. No pay absences for children's school activities may not exceed nine hours in any calendar month of the school year or a total of 40 hours per school year. When no pay hours are used, the employee must notify supervision at least one day prior to the planned absence. Management may request the employee to provide documentation from the school as proof of participation.

Holiday Closure is an absence applicable when the corporation closes the facility during a holiday period, such as between Christmas Day and New Year's Day. Holiday closure does not include corporate-paid holidays, such as Christmas Day and New Year's Day. Absences during a holiday closure are charged to either vacation or no pay.

Religious Observance is an absence for religious observance that may be recorded on the timecard as vacation, personal holiday, or no pay.

Unscheduled Absence is an absence when an employee is unable to report to work due to unforeseen circumstances (for example, if detained by a disabled vehicle or an accident enroute to work).

The employee notifies supervision as soon as possible after the start of a scheduled work shift. If an employee fails to report to work and fails to call and explain the absence within two hours of the scheduled start time, the supervisor will attempt to contact the employee. If the absence remains unexplained after four hours, the supervisor notifies the next level of management, who will notify Employee Relations.

Depending on the circumstances, unscheduled absence may be reported as vacation, no pay, or other on the timecard, with the approval of management.

SECTION 7. COMPENSATORY TIME OFF

GENERAL

The corporation is continuing a Compensatory Time Off program as a pilot during FY2008. Regular full-time exempt employees are eligible for this program. Non-exempt employees are not eligible for compensatory time off programs.

In order to accrue compensatory time, an employee must work at least 48 hours in the workweek. Hours worked by the employee beyond 48 accrue compensatory time up to the maximum accrual of nine hours. Accrual of compensatory time is subject to approval by management.

Absences during the workweek are not counted towards accruing compensatory time.

The maximum accrual at any one time is a total of nine hours of compensatory time. An employee is not limited in the number of times he/she earns and uses compensatory time.

Accrued compensatory time off may be taken in one-hour increments, not to exceed one day per week. Utilization of compensatory time off by the employee must be coordinated in advance with management. Borrowing of compensatory time off is not allowed.

Accrual and utilization of compensatory time must occur within the same fiscal year. Accrued compensatory time must be utilized a minimum of four weeks prior to the end of the Fiscal Year. At the end of the fiscal year, employees will receive payment for any unused Compensatory Time hours.

The employee must coordinate any work effort eligible for compensatory time accrual in advance with management and designate Compensatory time earned and taken with the following e-time Collection System codes:

- CTE Compensatory Time Earned
- CTT Compensatory Time Taken

APPENDIX E

EMPLOYEE PROGRAMS

SECTION 1. PERFORMANCE RECOGNITION PAYMENT (PRP) PROGRAM

The Performance Recognition Payment Program consists of a pool of money that is allocated to each Division, or equivalent organization, for the purpose of providing a one-time cash payment to individual employees based on the need to reward excellent job performance and/or retain or acquire a critical skill. This program is intended to create a broader range of opportunities to reward employee job performance through the compensation system and to maintain market competitiveness. Hiring incentives are funded from this program.

Division General Managers, or equivalent, are responsible for implementing the program. Criteria for receiving a performance recognition payment include, but are not limited to, the following:

a. Exceptional performance
b. Technical contributions
c. Importance of work
d. Team leadership
e. Successful risk taking
f. Extraordinary workload
g. New business support
h. Flexibility in assignment
i. Critical skills or capability
j. Retention
k. Market equity
l. Hiring incentive
m. Cost savings
n. Organization building
o. Technical investment
p. Customer satisfaction
q. Corporate/organization goal achievers

Eligibility is limited to Level 4 employees and below. All bargaining unit employees are eligible. Recipients' names shall not be publicized by either party at any time.

SECTION 2. REFERRAL BONUS PROGRAM

The Corporation has a Referral Bonus Program with two parts. The first part provides an incentive for employees to assist in recruiting qualified candidates to fill MTS vacancies. The second part provides incentives for the recruitment of graduate students for summer internships.

RECRUITING QUALIFIED CANDIDATES FOR MTS VACANCIES - MTS REFERRAL BONUS PROGRAM

Under this program, any regular full-time, part-time, temporary, or casual bargaining unit (BU) employee who refers an applicant who is subsequently hired as a regular full-time MTS shall receive an award of $2500.

An additional $2000 will be awarded if the hired employee has a current SBI clearance.

There is no limit on the number of awards an individual may earn. A referral is valid for a period of twelve (12) months. A referral requiring longer than 12 months to be processed is subject to the approval by the Principal Director, Human Resources.

Candidates already sourced through corporate-sponsored events and activities can be referred by MTS after a twelve (12) month waiting period.

Employees representing Aerospace in corporate-sponsored recruiting events or activities are ineligible for this bonus program. Employees within Human Resources, those at Level 5 or above, and all in-line supervisors are ineligible.

To be eligible to receive an award, the referring employees must submit a completed Employee Referral Card along with either an Employment Questionnaire (EQ) or resume from the applicant being referred. No awards will be authorized if the referral card is submitted after an EQ or resume has been received by Staffing Resources. New hires potentially associated with company-sponsored advertising or recruiting activities shall be eligible as bonus referrals if an EQ or resume has not been previously received within the past twelve (12) months by Staffing Resources at the time of the referral.

RECRUITING QUALIFIED GRADUATE STUDENT CANDIDATES FOR SUMMER INTERNSHIPS – THE AEROSPACE AMBASSADOR PROGRAM

The Aerospace Ambassador Program provides recognition for the recruitment of qualified graduate students, first as summer interns and then as full-time MTS. Under this program, any full-time, part-time, casual, or temporary or retired employee will receive an initial award of $700 if they refer a graduate student that is hired and completes a summer internship of at least two months. In addition, if the intern becomes a regular full-time employee within five years of the initial referral, without a period of termination, the referring employee will receive an additional $1800.

To be eligible to receive the award, the referring employee must submit a completed Employee Referral Card along with either a resume offer an Employment Application from the applicant being referred.

All of the conditions and restrictions of the MTS Referral Bonus Program will apply to the Ambassador Program. There is no limit to the number of awards an individual may earn. A referral is valid for a period of twelve months. This program is effective as of May 31, 2006.

SECTION 3. PATENT ROYALTIES

Royalties received from patent licensing are shared with inventors after payment of certain administrative expenses such as application and maintenance fees and the costs associated with protecting and preserving patent rights. The inventor receives 33 percent of the cumulative net royalties received by the corporation (this amount is shared equally among multiple inventors unless previous sharing agreements have been arranged). The inventor will continue to receive his/her share of the cumulative net royalties even after termination of employment. The inventor's department also receives 33 percent of the cumulative net royalties received by the corporation to be used for support of scientific research (shared among departments in the same manner as the inventor's portion). The remaining amount is distributed by the Group Vice President of Engineering and Technology and used to support scientific research and development in a manner compatible with corporate interests.

SECTION 4. CORPORATE AWARDS PROGRAM

The Corporation encourages outstanding personal and team achievements that result in significant contributions to the Corporation's mission. The Corporate Awards Program recognizes such contributions by regular employees (full and part-time) who demonstrate a level of excellence exceeding normal expectations. All bargaining unit employees are eligible.

The Corporate Awards Program consists of the following eight awards programs: Trustee's Distinguished Achievement Award, President's Achievement Award, Excellence In Diversity Award, Program Recognition Award, Individual Achievement Awards, Team Achievement Awards, Spot Awards, and Improvement Opportunity Idea Program. The specific maximum award amounts and frequency of awards are as follows, subject to employee merit and corporate budget:

Category	Award	Frequency
Trustees' Distinguished Achievement Award	**$25,000 individual $18,000 shared**	**Annually**
President's Achievement Award	**$12,500 individual $7,500 shared**	**Annually**
Excellence In Diversity Award	**$5,000 individual $2,500 shared**	**Annually**
Program Recognition Award	**Dinner for contributors and guests**	**Annually**
Individual Achievement Awards	**$350 - $4000 individual**	**Up to 4 per year per Division**
Team Achievement Awards	**$200 - $1000, $1500 per team member**	**Up to 2 per year per Division**
Spot Awards	**$175 or $25/person lunch, or non-monetary award**	**As Merited Within Budget**
Improvement Opportunity Idea Program	**Idea certificate Eligible for $100 drawing**	**Quarterly**

TRUSTEES' DISTINGUISHED ACHIEVEMENT AWARDS

Trustees' Distinguished Achievement Awards are given for specific outstanding achievements that are recognizable by the professional community as worthy of high commendation. One or more Trustees' Distinguished Achievement Awards are considered annually from among the President's selectees for the President's Achievement Awards.

PRESIDENT'S ACHIEVEMENT AWARDS

President's Achievement Awards are given for specific outstanding achievements that are recognizable by the professional community as worthy of high commendation. President's Awards are considered annually in each of the five achievement categories that may include scientific, engineering, analytical, program management, and administrative.

EXCELLENCE IN DIVERSITY AWARDS

Excellence In Diversity Awards are given for specific outstanding achievements that are recognizable by the professional community as worthy of high commendation. Excellence In Diversity Awards are considered annually to recognize and reward contributions and behavior that supports corporate values in the areas of diversity and equality.

PROGRAM RECOGNITION AWARDS

Program Recognition Awards are service awards made to employees participating in completion of a significant program milestone or organizational achievement or in those programs that have achieved or exceeded their performance and reliability objectives. Program Recognition Awards take the form of a dinner for the recipients and their guests.

INDIVIDUAL ACHIEVEMENT AWARDS

Individual Achievement Awards may be awarded to individuals for:

a. Individual efforts that exceed the normal range of commitment and achievement,

b. Demonstration of leadership and teamwork qualities to produce superior results, and

c. Positive impact on achievement of corporation/organization vision, mission and goals.

Consideration and review for individual awards goes on throughout the year, with the evaluation and recommendation being performed by employees at all levels and the review and selection being performed by management. Normally, each Division (of 150 individuals) can expect to award at least two awards per year, constrained by merit and fiscal budget.

The award amount is $350-$4000 per individual award.

TEAM ACHIEVEMENT AWARDS

Team Achievement Awards are intended to recognize contributions by teams of employees that demonstrate a level of excellence beyond normal expectations. Team Achievement Awards are given for:

a. Significant contributions to corporate vision, mission, goals,

b. Enhancement of processes, procedures and/or products, and

c. Exceptional customer satisfaction.

Teams normally consist of two or more individuals having active participation and identifiable contributions.

The award amount is $200 - $1500 per team member. Normally one award will be given per Division (approx. 150 individuals) per year, being constrained by merit and fiscal budget. Nomination and review of team awards goes on throughout the year, with the evaluation and recommendation being performed by employees at all levels and the review and selection being performed by management.

SPOT AWARDS PROGRAM

The goal of the SPOT Award program is to timely recognize and reward individual and team accomplishments "on the spot" to stimulate exceptional levels of excellence and reinforce positive role model behaviors at every level.

Examples of allowable expenses include:

a. Monetary awards
b. On- and off-site award luncheons to recognize achievements
c. Staff meetings to recognize achievements

Examples of unallowable expenses include:

a. Gifts, entertainment tickets, lunch vouchers, etc.
b. New hire/promotion recognition luncheons
c. Team building luncheons
d. Picnics
e. Retirement parties
f. Christmas parties

Anyone may nominate an employee or a team for a SPOT Award. Criteria may be determined by individual organizations. Selections may be by a consensus of immediate management, e.g., Level 5 and reporting Levels 4 & 3.

Award Elements:
a. Monetary: $175 per person for individual or small team
b. Non-Monetary: $40 maximum per person for large team recognition

IMPROVEMENT OPPORTUNITY IDEA PROGRAM

The Improvement Opportunity Idea Program is established to encourage employees to submit practical ideas for improving corporate operations. Ideas submitted to the program are considered if implementation is feasible and resource requirements are reasonable and/or available.

Eligible ideas are recognized by publication, subject to the discretion of the submitter, in the Orbiter and the submitter receives an IDEA certificate recognizing their contribution. The names of the submitters are entered in a quarterly drawing in which the winner receives $100.

Ideas not eligible for consideration are those that have been submitted by other employees within two years of the original submission, or are statements of problems or concerns that do not offer reasonable solutions.

Inventions are processed in accordance with the Patent Program Practice and are not included in this Program.

SECTION 5. CONTINUING LEARNING

The corporation is committed to supporting and creating opportunities for employees to pursue Continuing Learning (CL). CL benefits the corporation and its employees and is the shared responsibility of management and staff. A strong focus on CL increases innovation and improves efficiency and productivity.

To foster a CL environment, an annual division-average target of 40 hours per year per employee has been established for participation in CL activities. The corporation encourages all organizations to consistently meet or exceed the annual division-average CL participation target. The corporation acknowledges that success may vary from year to year depending on resources available, demands of mission-critical work, or other circumstances beyond the control of individual managers and employees.

Continuing Learning refers to the employee's ongoing efforts to enhance his or her professional awareness, knowledge, skills, performance, and value to the corporation through instruction, study, practice, exercise, or experience. CL activities may be pursued during company hours or on personal time and may involve a variety of educational providers, delivery formats (e.g., classroom/course, e-learning, readings, directed job assignments, etc.), and locations (e.g., on site or external to Aerospace).

CL activities are formal or informal activities that are mutually recognized by a participating employee and his or her immediate line management as: 1) being tutorial in primary purpose and nature; 2) having a defined, finite time duration; and 3) involving subject matter relevant to the employee's current position or that helps the employee prepare for different positions within their current job category.

Formal CL activities include: participation in academic programs or classes offered by colleges and universities; participation in corporate or customer awareness update or training sessions; participation in orientation, knowledge, or skills-building courses, workshops, or seminars; participation in on-the-job experiential or rotational assignments; attending, speaking, or presenting at professional seminars, symposia, or conferences; and teaching or designing courses or learning modules

Informal CL activities include learning activities such as: reading books and journals with the specific intent to acquire new job-related knowledge or skills; and performing self-directed study, including preparing for professional examinations, licenses, or certifications. This may also include the time an employee invests in teaching and mentoring others to help them learn and become more productive employees.

The corporation, The Aerospace Institute, management, and employees share responsibility for implementation of CL at Aerospace.

The Corporation:

a. Provides the strategic context and creates a supportive CL environment, including the commitment of corporate resources for the development, delivery, and participation in CL activities.

b. Provides educational assistance programs and special educational assignments to support employee participation in CL opportunities provided by local universities and colleges.

The Aerospace Institute:

a. Supports CL by administering educational assistance and by developing, offering, and tracking participation in programs, resources, and services that address the learning and career-development needs of employees and organizations across the corporation.

b. Develops and maintains descriptions of recommended activities, guidelines, practices, and roles and responsibilities for key CL-related processes.

c. Collaborates with other Aerospace organizations to share information, advice, and resources for CL opportunities such as professional conferences, seminars, training workshops, and other educational activities related to their specific functional responsibilities.

Division Management:

a. Encourages and facilitates attainment of the corporate division-average CL participation target, tracks employee and organizational CL participation data, and provides summary reports when requested.

b. Identifies and allocates resources from division overhead funding for employee participation in external CL opportunities.

Management (All Levels):

a. Initiates regular discussions with employees to help them identify competency development needs and relevant CL opportunities for enhancement of current job performance.

b. Works with their employees so those employees can participate in formal and informal CL activities each year.

c. Assesses the effectiveness of CL activities and resources for their organizations and helps facilitate employee learning on the job.

d. Works with employees and customers to secure direct funding for employee participation in external and in-house CL opportunities.

Employees:

a. Work with their managers to identify and pursue CL activities offered in-house or externally that are relevant to the competencies needed to perform effectively in their current jobs and to pursue their career paths at Aerospace.

b. Participate in regular discussions with their managers to identify competency development needs and relevant CL opportunities for enhancement of current job performance.

c. Review Job Descriptions and Job Postings and consult with hiring managers to identify competencies and other qualifications needed for desired positions within the corporation.

d. Obtain advice on career path planning, personal skills assessment, and competency development opportunities by initiating informal discussions with their managers and personal mentors, and by exploiting career development support resources offered by the Institute.

e. Optionally plan and record their participation in specific, in-house or external learning activities.

A Lotus Notes-based electronic form is available to assist employees and managers in recording continuing learning activity at the corporation. By optionally completing the form, employees will create a cumulative record of their learning activities. The information will be compiled automatically in division summary reports. General Managers and Business Managers will have access to the information provided. Organizations will be able to monitor and track the overall levels of activity and associated costs for the various types of continuing learning activities. The information will also provide the corporation with the data needed to establish annual targets and required resources to support employee continuing learning efforts.

SECTION 6. ABSENCES

The corporation recognizes that employees are subject to emergencies or family related matters that justify brief absences from work. Depending on the circumstances, it is appropriate for supervisors to approve this time as a paid absence or unpaid absence, and to verify accuracy of timecard data.

Paid absences for annual military reserve duty, industrial injury, holidays, jury duty, occasional sick, rehabilitation, and vacation are covered in other corporate practices. Unpaid leave of absence is covered in another practice.

A paid absence is counted as hours worked for the purpose of computing a 40-hour workweek and for computing overtime hours for nonexempt employees for the week in which it occurred. A paid absence is counted as hours worked for the purpose of computing a 40-unit workweek and for computing compensation for exempt employees on extended workweek.

Exempt full-time employees record no-pay absences in whole-day increments. Exempt part-time employees record no-pay absences in scheduled whole workday increments. Nonexempt full- and part-time employees record no pay in tenth-of-an-hour increments. Fractions of an hour are recorded as decimals; e.g., 6 minutes = 0.1 and 30 minutes = 0.5. No-pay hours are recorded as "N" on the timecard.

This practice is subject to applicable federal and state laws. Employee Relations provides assistance and answers employee questions on absences discussed in this practice.

PAID ABSENCES

Bereavement is a paid absence in the event of a death in an employee's immediate family of up to three workdays. If the employee needs more time to travel to the funeral site, up to five workdays of absence may be approved by management level 4 or above. Such absence is recorded as "D" on the timecard, and the relationship of the deceased is noted.

Immediate family is an employee's spouse, child, grandchild, brother, sister, parent, grandparent, spouse's parent or grandparent, or someone who has acted in place of a parent. Immediate family also includes a same-gender domestic partner, his or her child, grandchild, parent, grandparent, or someone who has acted in place of either parent.

Emergency Shutdown is the closure of a corporate facility, a corporate-leased building, or a military building housing corporate employees in the event of an emergency or disaster. Employees excused from work by management direction because of an emergency shutdown will receive absence pay. Such absences are reported as "E" on the timecard. Employees continuing on vacation, occasional sick, or other approved absences that began prior to the shutdown are not eligible to charge time to emergency shutdown. Employees on vacation, occasional sick, or other approved absences who were scheduled to return to work but were prevented from doing so by an emergency shutdown, receive paid absence by charging to "E" on the timecard.

Legal is a paid absence of up to three workdays for a legally required court appearance other than jury duty. It is only available for exempt employees. Such absence is reported as "L" on the timecard, and the reasons noted. Employees notify supervision promptly of legally required absences and provide any necessary justification; e.g., a copy of the subpoena for court appearance.

Other is a paid absence of up to one workday, approved at the discretion of supervision, for each occurrence of other personal emergencies not covered in the foregoing paragraphs. Such absence is reported as "O" on the timecard, and the reasons noted.

UNPAID ABSENCES

Children's School Activities is an absence for employees to participate in children's school activities if they are parents, guardians, grandparents having custody, or have same-gender domestic partners who are parents, guardians, or grandparents having custody. Such absences may be charged to vacation, personal holiday, or no pay. Exempt employees record no pay units in accordance with paragraph 4. The employee must utilize available vacation prior to the use of no pay. No pay absences for children's school activities may not exceed nine hours in any calendar month of the school year or a total of 40 hours per school year. When no pay hours are used, the employee must notify supervision at least one day prior to the planned absence. Management may request the employee to provide documentation from the school as proof of participation.

Holiday Closure is an absence applicable when the corporation closes the facility during a holiday period, such as between Christmas Day and New Year's Day. Holiday closure does not include corporate-paid holidays, such as Christmas Day and New Year's Day. Absences during a holiday closure are charged to either vacation or no pay.

Religious Observance is an absence for religious observance that may be recorded on the timecard as vacation, personal holiday, or no pay.

Unscheduled Absence is an absence when an employee is unable to report to work due to unforeseen circumstances (for example, if detained by a disabled vehicle or an accident enroute to work).

The employee notifies supervision as soon as possible after the start of a scheduled work shift. If an employee fails to report to work and fails to call and explain the absence within two hours of the scheduled start time, the supervisor will attempt to contact the employee. If the absence remains unexplained after four hours, the supervisor notifies the next level of management, who will notify Employee Relations.

Depending on the circumstances, unscheduled absence may be reported as vacation, no pay, or other on the timecard, with the approval of management.

SECTION 7. LEARNING OPPORTUNITIES

Aerospace employees are increasingly being challenged to develop and sustain high levels of competency in a variety of technical (engineering and scientific), management, leadership, business, computing, and other professional skill areas. The Aerospace Institute (TAI) has developed broad-based, substantive curricula of in-house and external programs, courses, and multimedia learning support resources that are specifically tailored to the continuing learning and developmental needs of all Aerospace employees, especially those who are new to the corporation.

Aerospace Institute Learning Systems comprise integrated sequences of courses, programs and resources supporting corporate orientation, technical education, business and professional skills, computing skills, and management development.

Corporate orientation is a process of introducing a new employee to the company culture and providing them with information and resources they will need to quickly become a contributing member of their organization.

Technical education offerings enhance MTS capabilities in the core functional areas vital to the performance of the corporate technical mission. These offerings include a technical orientation series, technical enrichment courses, the Aerospace Systems Architecting and Engineering Certificate Program, and a critical skills development curriculum.

The technical orientation series courses provide basic knowledge and are designed to assist staff transitioning into or desiring a refresher in the foundations of the space systems business.

The technical enrichment courses are a variety of individual technical courses offered to address concepts, state-of-the-art developments, and issues associated with the science, technology, and engineering disciplines for space and space-related missions and systems.

The Aerospace Systems Architecting and Engineering Certificate Program (ASAECP) develops the broad systems perspective and specific architecting-engineering competencies needed by Aerospace technical staff to function effectively in the new era of space systems acquisition. The ASAECP curriculum consists of the following:

Initial Awareness Segment

This segment provides awareness of Aerospace systems architecting, acquisition, and engineering roles and responsibilities in relation to Aerospace's customers and their contractors

Fundamental Knowledge and Basic Skill Building Segments

These segments provide employees with a choice of several optional developmental paths designed to instill in-depth understanding and basic facility in applying key concepts, methodologies, and tools associated with systems architecting, acquisition, and engineering. The following optional tracks are available:

Aerospace Systems Architecting Program (ASAP)

Space Systems Engineering Program (SSEP)

Space Systems Acquisition Management Program (SSAMP)

Skills Reinforcement Segment

This segment provided employees with experience in resolving real world technical and relevant non-technical issues of a complex, multidisciplinary nature by applying systems architecting and engineering principles and tools in the context of mentored job assignments.

The ASAECP curriculum comprises organized sequences of courses and mentored assignments that are designed to develop employee competency in applying the methods and tools of systems architecting, acquisition, and engineering to the resolution of real world technical issues of complex, multidisciplinary nature.

Successful completion of the ASAECP leads to a corporate-acknowledged certificate and designation as Aerospace Systems Architect-Engineer (ASAE). This designation is considered to be one of the measures of successful career progression within the corporation.

Special courses or course series are occasionally developed and offered to develop an employee's competencies in corporately identified "critical skills" areas.

In addition to technical education offerings, The Institute has established a variety of learning opportunities and web resources in management/leadership, business, professional, and computing skills topic areas that support the development of key behavioral and functional competencies needed for effective employee performance in their current and potential future job assignments.

The management development curriculum builds competencies for effectiveness, leadership, and management in a rapidly changing business environment. While many courses in this curriculum are offered to current managers only, some are available for enrollment by bargaining unit personnel as well.

For people who cannot attend classroom training or those who need a quick topical review, the Institute provides a variety of e-Learning opportunities. E-Learning offers a variety of online courses and resources that provide just in time training anytime and anywhere as long as the user has access to the required Internet or corporate intranet connection.

The Institute also provides a variety of career support resources and services, including the Aerospace Technical Staff Career Path Planning (CPP) web site and a self-directed on-line assessment tool, Strategic Career Management.

SECTION 8. EDUCATIONAL ASSISTANCE PROGRAMS

Both APSA and the Corporation are committed to professional excellence and employee development. To fulfill this commitment, the Corporation provides the following three programs for bargaining unit employees:

a. Education Tuition Reimbursement: provides reimbursement of tuition, fees, and textbooks for approved courses, which may be associated with a degree program.

b. Corporate Study Assistance: provides part-time work and supplemental salary while participating in a degree program.

c. Corporate Educational Assignment: provides for a variety of educational assignments.

Each of these programs is described in more detail in the following sections.

EDUCATION TUITION REIMBURSEMENT

The Corporation provides an Education Tuition Reimbursement program. The program is open to all bargaining unit employees taking individual graduate and undergraduate college level classes. The program is also open to all bargaining unit employees taking any approved graduate and undergraduate college-level classes that may be associated with a degree program.

Reimbursement of educational expenses shall be authorized when:

a. The requester is a regular full-time or part-time employee currently in good standing;

b. The course work or degree program is directly related to the employee's current or anticipated field of work;

c. Completion of the course or degree is expected to enhance the employee's value to the Corporation; and

d. The employee completes an Education Plan for Tuition Reimbursement (Aerospace Form 5649) for the upcoming academic year. Form 5649 normally should be submitted by April 30 for the upcoming academic year.

e. Concurrence of their level 4 (or above) management.

f. The employee completes Part I of an Application for Tuition Reimbursement (Aerospace Form 2261) at the beginning of the course(s).

g. Within 6 months of satisfactory completion of the course(s), the employee must complete the remainder of Aerospace Form 2261 and attaches transcripts and/or official grade reports and original receipts for tuition, mandatory fees and textbooks.

h. For undergraduate courses, the employee receives a grade of C or better (C, C+, B-, B, B+, A-, A, A+)

i. For graduate courses, the employee receives a grade of B or better (B, B+, A-, A, A+).

Reimbursement is provided for applicable tuition, mandatory fees, and required textbooks. Total reimbursement is limited to $5,250 for any employee in a single fiscal year.

The employee must obtain approval of individual courses by the cognizant line management.

Employees are normally required to take courses outside of scheduled work hours. However, the normal work hours may be adjusted subject to approval by the cognizant line management.

A participant who voluntarily resigns from employment or who is terminated for cause is required to reimburse the Corporation for all educational expenses paid within the 12 months previous to the termination, excluding any legal fees and costs related to the collection thereof.

CORPORATE STUDY ASSISTANCE

The Corporation maintains a Corporate Study Assistance program and awards fellowships to qualified individuals who will contribute to the technical and business expertise of the Corporation. Fellowships are awarded to regular full- or part-time employees currently in good standing. These fellows remain employed by the Corporation while enrolled in appropriate graduate degree programs at accredited colleges or universities. Full-time students will receive reimbursement for incurred expenses such as tuition, books and mandatory fees, compensation based on part-time work at the Aerospace Corporation and additional financial support as a weekly stipend. Part-time students are not eligible to receive the stipend.

Qualifying for the Corporate Studies Assistance Program

To qualify for participation in this program, the employee:

- must have been an employee of The Aerospace Corporation for at least two years.
- must have a Bachelor's degree in a field applicable to the assignment with a minimum overall grade point average of "B" (3.0 on a scale of 4.0).
- must provide a letter of acceptance into a graduate degree program in a discipline of importance to the Corporation at an accredited university near the proposed work assignment.
- must obtain a written recommendation and an endorsement from line management through level 5 or above with the concurrence of a cognizant level 6.
- must submit an Application for Corporate Study Assistance (Form 261) to The Aerospace Institute no later than April 30 for the upcoming academic year.
- must disclose all amounts and sources of other financial assistance, including grants, fellowships, scholarships or other awards from individuals, governments or government institutions, colleges or universities as these amounts will be deducted from corporate study assistance expenses.
- must file a proposed class schedule with The Aerospace Institute within 30 days of the beginning of the academic year.
- must submit an official transcript to the Aerospace Institute within 60 days of the completion of each academic term.
- must submit receipts for actual incurred expenses to the Operations Center of The Aerospace Institute

Full-Time Students

Workweek Effort, Holiday Pay, Stipend, and Employee Status

Students who carry a full-time schedule will be employed as part-time employees during the academic year except for scheduled school recesses and vacations when they will be classified as full-time students. Full-time students in this program will also receive a stipend that is approximately 20% of the employees full-time base, weekly salary. This stipend will be provided for no more than 36 weeks.

Full-time students will receive full holiday pay during the weeks they are on full-time employee status, and partial holiday pay during weeks where they are on part-time employee status.

Voluntary and Involuntary Withdrawal or Termination from the Program

A participant must reimburse the Corporation for applicable tuition and textbook fees if the participant voluntarily or involuntarily drops a course, receives a B- or less in any course, or receives less than satisfactory for dissertation research.

Employees may be terminated from the program if their academic achievement falls below a B average, university requirements are not met, the number of courses per regular university term is less than required, or work performance is unacceptable.

Time Limits on Program

Candidates for Master of Science degrees or Master of Business Administration degrees may participate in the program for up to three years. Candidates for Doctor of Philosophy degrees may participate for up to five years.

MONETARY LIMITS ON PROGRAM

Beginning FY 2008, there will be a yearly $12,000 limit for each fellowship awarded.

CORPORATE EDUCATIONAL ASSIGNMENT

The Corporate Educational Assignment program assists in the advancement of full and part-time bargaining unit employees who are now, or have demonstrated the potential to become, major contributors to the progress of the Corporation. The program normally requires an employee to have three or more years of service to be eligible. Special consideration may be granted to employees with less service, depending on the assignment.

Corporate educational assignments are awarded selectively to regular employees for research or graduate study in fields directly related to their present work at the Corporation. Educational expenses required to meet the minimum requirements for employment in their current trade of profession or are required to qualify for a new trade or profession are not reimbursable under this program.

The corporation requires that the applicant must clearly establish a direct relationship between the assignment and current job requirements.

The corporation requires the employee to submit an application package that includes the following items: a completed Application for Corporate Educational Assignment form (Form 3047) and a Corporate Educational Assignment Estimated Expenses form (Form 3047-1); a list of three academic references; and a written proposal describing the educational program and its costs, the proposed start and end dates, the employee's employment and educational background, and the proposed benefits to the corporation. In addition, the applicant must clearly establish a direct relationship between the assignment and current job requirements. This package must be submitted to their cognizant level 6 or above no later than April 30 for the upcoming fiscal year in which the educational assignment is to begin. The corporation also requires the applicant to submit official transcripts of all academic work completed at the college or university level.

Each assignment is evaluated by senior management on a case-by-case basis and approved by The Aerospace Institute. The number of awards made under this program depends both on the funds allocated by the Corporation and on the merit of the applications received.

Employees may participate in the program up to a maximum of three years for any given assignment.

Participants receive financial assistance, which may include stipends, salary supplements, travel, temporary housing, and expense reimbursements, after accounting for any other financial assistance. Financial support for a corporate educational assignment is shared by The Aerospace Institute and the employee's organization.

Any work schedule will be defined in the agreement to be reached by the parties.

Grade requirements will be defined in the agreement to be reached by the parties.

A participant who voluntarily resigns from employment or who is terminated for cause is required to reimburse the Corporation for all educational expenses paid within the 24 months previous to the termination, excluding any legal fees and costs related to the collection thereof.

SECTION 9. SEVERANCE PAY

Eligible regular employees terminated due to a RIF receive a lump-sum severance payment upon termination, determined by months of continuous employment since their most recent hire date, counting full credit for full-time service and half-credit for part-time service. Periods of temporary or casual employment or periods of inactive status, such as leave of absence, unpaid special assignment, or unpaid disability leave are not counted. Severance pay is calculated in accordance with the following table:

Months of Credited Service	**Weeks of Severance Pay**
Less than 36 months	2
36 but less than 48 months	3
48 but less than 60 months	4
60 but less than 72 months	5
72 but less than 84 months	6
84 but less than 96 months	7
96 but less than 108 months	8
108 but less than 120 months	9
120 but less than 132 months	10
132 but less than 144 months	11
144 but less than 156 months	12
156 but less than 168 months	13
168 but less than 180 months	14
180 but less than 192 months	15
192 but less than 204 months	16
204 but less than 216 months	17
216 but less than 228 months	18
228 months and more	19 (Max)

SECTION 10. REDUCTION IN FORCE BENEFITS

MEDICAL PLANS

Medical coverage is extended for employees terminated as a result of a reduction-in-force and their eligible dependents for two months from the date of termination. This extended coverage is paid by The Aerospace Corporation.

For an employee retiring directly from active service, medical coverage may continue in retirement (beyond the two month extension) for the former employee and eligible dependents. Coverage continues if the former employee is at least age 55 and:

a. Retires with at least ten years of service, the last five of which were consecutive;
b. Is eligible for active medical at retirement; and
c. Pays any required cost sharing.

The Consolidated Omnibus Reconciliation Act (COBRA) requires that The Aerospace Corporation offer terminated employees and covered dependents the opportunity to continue the health coverage they had prior to termination. COBRA requires that coverage be offered for 18 months at the Company's current cost plus two percent for administrative costs. An employee terminated as a result of a reduction-in-force will have two months of coverage under the group-medical plan paid by The Aerospace Corporation. This will result in a total of 16 months of eligibility for the hospital-medical plan under COBRA.

Blue Cross of California Plan

Former employees covered under the Blue Cross Comprehensive will receive new I.D. cards. Claims incurred during the extension period should be submitted in the same manner as claims were submitted prior to termination.

If an employee or eligible dependent can provide proof of disability satisfactory to the insurance company at the time the insurance coverage terminates, their group hospital-medical coverage may be extended. The Blue Cross group hospital-medical coverage will be extended only for the disabled individual and only for the disabling condition. The extension of benefits due to disability will begin after the two months of coverage due to reduction-in-force. Benefits will be continued for the duration of the disability, not to exceed twelve months for the comprehensive plan benefit.

Participation will terminate at the end of the two-month period if you do not choose to enroll in the COBRA coverage.

Health Maintenance Organizations (HMO)

Former employees covered by an HMO will receive new identification cards. You should keep your current card until the new one arrives. Participation will terminate at the end of the two-month period if you do not choose to enroll in the COBRA coverage. COBRA continuation coverage as described above also applies to HMO participants.

EMPLOYEE ASSISTANCE PROGRAM (EAP)

A terminating employee and eligible dependents, covered by Blue Cross or an HMO, may use the services offered by the Employee Assistance Program (EAP) for a period of two months following the employee's termination. If medical coverage is elected under COBRA, EAP services also are continued.

DENTAL AND VISION PLANS

Dental and vision coverage terminates at the end of the month of termination of employment. In addition, COBRA requires that The Aerospace Corporation offer terminated employees and covered dependents the opportunity to continue the dental and vision coverage they had prior to termination. COBRA ensures that coverage is offered for 18 months at the Company's current cost plus two percent for administrative costs. Information regarding continuation of existing dental and vision coverage and the cost of the coverage will be sent approximately ten working days following the termination date.

FLEXIBLE SPENDING ACCOUNT (FSA)

Coverage under the Flexible Spending Account for Health Care and Dependent Care terminates when employment terminates. However, expenses incurred prior to the termination date under the Health Care account may be reimbursed up to the annual limit elected. Coverage for the FSA Health Care account may be continued on an after-tax basis under COBRA through the end of the calendar year of termination.

GROUP TERM LIFE INSURANCE

Basic Group Term Life Insurance and Employee-Paid Optional Life Insurance coverage is extended for employees terminated as a result of a reduction-in-force and their eligible dependents for two months from the date of termination. Only the Basic Group Term Life coverage is paid by The Aerospace Corporation. If you or your insured dependents die within 31 days after the life insurance coverage terminates, the full amount of life insurance benefit will be paid.

Conversion Of Group Term Life Insurance Plans

Coverage under the Aerospace Group Life Insurance plan may be converted to a private plan if requested within 31 days following the termination of coverage under the group plan. Both the coverage and premiums of the private plan will differ from those provided under the group plan. The advantage of conversion is that there is no requirement for a medical examination, and issuance of the policy is guaranteed.

VOLUNTARY PERSONAL ACCIDENT INSURANCE

Coverage under the Aerospace Voluntary Personal Accident Insurance plan will end on the date of termination. This coverage may be converted to a family or individual plan if requested within 31 days following termination. Please note: Terminated employees over age 70 and retirees are not eligible to convert Voluntary Personal Accident Insurance.

GROUP INSURANCE PLANS WHICH ARE TERMINATED ON RIF DATE

Flexible Spending Account
Short-Term Disability
Long-Term Disability
Occupational Accident
Voluntary Personal Accident
Survivors' Income Benefit
Dependent Life Insurance

AEROSPACE EMPLOYEES' RETIREMENT PLAN (AERP)

Employees who were hired or rehired prior to 1/1/93 are covered under AERP. Employees hired after April 1, 2005 also are covered under AERP. Employees hired after January 1, 1993 and before April 1, 2005 who elected to transfer during the one-time election from July 25 thru August 19, 2005 also are covered by AERP. Terminated employees who are vested in The Aerospace Employees' Retirement Plan should make sure to keep the Employee Benefits Department informed of changes in their home address at all times. This would ensure that they continue to receive an annual statement of benefits and notification of changes in the AERP that may affect their retirement benefits.

Retirement benefits are available to any employee terminated due to a reduction-in-force who is at least age 55, and has completed one year of service.

Optional Contributions

Funds on deposit as after-tax Optional Contributions to AERP can remain on deposit after termination if an employee has a vested interest in AERP. However, terminating employees who are eligible to receive their vested benefits in a lump sum must be paid the value of their Optional Contributions. If a terminating employee does not have a vested interest in the Retirement Plan, any funds on deposit in the Optional Contributions account must be withdrawn as soon as possible after termination.

AEROSPACE SAVINGS ACCOUNT PLAN (ASAP)

Employees who hired or rehired on or after 1/1/93 are covered under ASAP. Employees hired prior to January 1, 1993 who elected to transfer during the one-time election from July 25 thru August, 2005 also are covered under ASAP. Accounts are valued everyday the stock market is open.

Plan participants whose total account value is $5000 or less will be able to roll over the amount to an IRA by calling Fidelity Investment Services.

Otherwise, those participants will have their money automatically distributed to them as soon as administratively feasible after their termination date. Plan participants whose total account value is greater than $5000 may call Fidelity Investment Services for a distribution form any time after termination. Payments from the plan are made as soon as administratively feasible following receipt of the form. ASAP participants may leave funds on deposit until April 1 following the year in which age 70-1/2 is reached.

Terminated employees who have contributions in ASAP should make sure to keep the Employee Benefits Department informed of changes in their home address at all times. This will ensure that they continue to receive the quarterly statements and notifications of changes in the plan that may affect their retirement benefits.

VOLUNTARY ANNUITY/ACCOUNT PLAN (VA/AP)

If you are a current VA/AP participant, VA/AP will automatically be deducted from your final week of pay. You may elect to have VA/AP deducted from vacation pay accrued and not used in the last 52 weeks.

To have VA/AP deducted from your termination pay, you must complete and deliver a VA/AP Termination Plan Request form no later than the Friday prior to your termination date.

You may leave your VA/AP account on deposit with your investment carrier(s) until April 1 following the year in which you reach age 70-1/2. At that time, annual minimum distributions may be required by the Internal Revenue Code.

CREDIT UNION

Terminating employees who are members of the Credit Union should check with the Credit Union Office before departure from Aerospace. Payment of outstanding loans must be arranged prior to departure. Once you become a member of the Credit Union, you are a permanent member as long as you keep a balance of $5.00 in your account.

SECTION 11. AIRLINE CLUB MEMBERSHIPS

Employees interested in enrolling in or renewing their participation in the Aerospace Airline Club Membership Reimbursement Program can do so at any time during the fiscal year. Reimbursement for up to one club membership will be based on the twelve-month period following your enrollment date (if you choose to enroll in more than one club, your eligible trip reimbursement will be based on the highest amount paid for a twelve month membership). Reimbursement will be made through Payroll the third week in the month following your membership expiration date and will be included in your paycheck. Thereafter, all reimbursement will be made after the expiration of each traveler's club membership. The reimbursement rate is $10 per trip for international or domestic flights.

You may enroll in more than one club. Reimbursement is based on total business trips taken during your 12-month membership period. For married couples who are both Aerospace employees, reimbursement will be made up of the total amount paid for a 12-month membership (not differentiating between "Primary" club member and spouse rate). If you purchase a lifetime or multi-year membership, you will be reimbursed up to the original amount paid, or until the number of years purchased has expired.

Employees are encouraged to use the club of the Aerospace-preferred airline carrier, but it is not mandatory.

Employees can apply for airline club memberships directly with individual airline clubs through their web sites, at airport club locations or by calling a club directly. The following airlines offer club memberships:

America West (America West Club members can also use the Northwest World Clubs in selected locations.)
American Airlines (Admirals Club)
Continental (President's Club)
Delta (Crown Room)
Northwest (World Club)

United (Red Carpet Club)
USAir (USAir Club)

Club memberships paid for with accumulated frequent-flyer miles are not eligible for reimbursement. The Corporate American Express charge card cannot be used to purchase a club membership.

SECTION 12. RETIREMENT GIFT PROGRAM

The Retirement Gift Program is a corporate program designed to reward years of total service by employees. Upon retirement from active service, employees can choose from a number of selections from a Retirement Gift Program catalog. The available catalogs correspond to 5, 10, 20, 30, and 40 years of service. The employee may choose a gift from the website corresponding to his/her service.
The website provides for the following categories of gift selections:

Years of Total Service	**Dollar Value of Selections**
Less than 60 months	–
60 but less than 120 months	$24 - $48
120 but less than 240 months	$48 - $260
240 but less than 360 months	$175 - $443
360 but less than 480 months	$349 - $873
480 months or more	$569 - $1110

APPENDIX F

EMPLOYEE BENEFITS/INSURANCE PLANS

SECTION 1. MEDICAL/DENTAL/VISION PLAN COSTS

Section 1.1 Plan Costs For Bargaining Unit Employees

1.1.1 GROUP HOSPITAL – MEDICAL PLANS

1.1.1.1 COMPREHENSIVE PLAN (ANTHEM BLUE CROSS PPO) (Effective 1/1/08)

Bargaining unit employee weekly premiums for the Comprehensive Plan are as follows.

Anthem Blue Cross Comprehensive Care	Cost
Participant only	$22.34
Participant plus one dependent	$40.99
Participant plus two or more dependents	$50.81

The remainder of the plan cost is borne by the Corporation. 83% of the cost is borne by the company, 17% by the employee.

1.1.1.2 HEALTH MAINTENANCE ORGANIZATIONS (HMOs) (Effective 1/1/08)

Bargaining unit employee weekly premiums for offered HMO's are as follows:

Anthem Blue Cross CaliforniaCare	Cost
Participant only	$14.74
Participant plus one dependent	$29.66
Participant plus two or more dependents	$41.91

Aetna (Florida)	Cost
Participant only	$21.19
Participant plus one dependent	$44.39
Participant plus two or more dependents	$65.07

Aetna (Ohio)	Cost
Participant only	$23.34
Participant plus one dependent	$46.37
Participant plus two or more dependents	$71.01

Kaiser (Southern California)	Cost
Participant only	$13.25
Participant plus one dependent	$26.41
Participant plus two or more dependents	$37.33

Kaiser (Northern California)	Cost
Participant only	$13.25

Participant plus one dependent	$26.41
Participant plus two or more dependents	$37.33

Kaiser (mid-Atlantic)	**Cost**
Participant only	$15.94
Participant plus one dependent	$31.80
Participant plus two or more dependents	$46.06

Lovelace (New Mexico)	**Cost**
Participant only	$18.91
Participant plus one dependent	$38.79
Participant plus two or more dependents	$52.01

MD/IPA (Wash DC)	**Cost**
Participant only	$15.51
Participant plus one dependent	$29.38
Participant plus two or more dependents	$49.39

PacifiCare (Colorado)	**Cost**
Participant only	$17.88
Participant plus one dependent	$35.68
Participant plus two or more dependents	$50.45

The remainder of the Plan costs are borne by the Corporation. For all HMO's, 83% of the cost is borne by the company, 17% by the employee.

1.1.1.3 DOMESTIC PARTNER RATES

Participant only rates for employees who enroll their Domestic Partners and family as dependents are the same as those in sections 1.1.1.1 and 1.1.1.2. The Internal Revenue Service has ruled that the actual cost of the domestic partner benefit is taxable income to the employee. This is not true for heterosexual married couples.

To assist employees in determining their tax liability through the use of domestic partner benefits, the following table lists that liability on a monthly basis for each plan

MEDICAL HOSPITAL, DENTAL, AND VISION PLAN COSTS FOR SAME-SEX DOMESTIC PARTNERS AND DEPENDENTS OF ACTIVE EMPLOYEES

PLAN	COVERAGE	EE Cost Sharing without DP Coverage [PRE-TAX]	Additional EE Cost Sharing with DP Coverage	Additional ER Costs with DP Coverage	Total Additional EE and ER Costs with DP Coverage
Blue Cross COMP Plan	EE + 1	$22.34	$18.65	$91.03	$109.68
	EE + F	$22.34	$28.47	$139.02	$167.49
Aetna US Healthcare FL	EE + 1	$21.19	$23.20	$113.31	$136.51
	EE + F	$21.19	$43.88	$214.26	$258.14
Aetna US Healthcare OH	EE + 1	$23.34	$23.03	$112.39	$135.42
	EE + F	$23.34	$47.67	$232.74	$280.41
California Care	EE + 1	$14.74	$14.92	$72.85	$87.77
	EE + F	$14.74	$27.17	$132.62	$159.79
Kaiser (Northern CA)	EE + 1	$13.25	$13.16	$64.26	$77.42
	EE + F	$13.25	$24.08	$117.59	$141.67
Kaiser (Southern CA)	EE + 1	$13.25	$13.16	$64.26	$77.42
	EE + F	$13.25	$24.08	$117.59	$141.67
LoveLace NM	EE + 1	$18.91	$19.88	$97.10	$116.98
	EE + F	$18.91	$33.10	$161.61	$194.71
PacificCare CO	EE + 1	$17.88	$17.80	$86.93	$104.73
	EE + 1	$17.88	$32.57	$159.04	$191.61
Delta Dental Program	EE + 1	$2.25	$2.82	$8.40	$11.22
	EE + F	$2.25	$5.90	$17.69	$23.59
CIGNA Dental Care	EE + 1	$1.84	$1.47	$4.44	$5.91
	EE + F	$1.84	$3.14	$9.45	$12.59
Dental Net Plan					

(Blue Cross)	EE + 1	$1.31	$1.30	$3.92	$5.22
	EE + 1	$1.31	$2.54	$7.63	$10.17
Vision Service Plan	EE + 1	$2.48	$1.14	$0.00	$1.14
	EE + F	$2.48	$4.01	$0.00	$4.01

1.1.1.4 EMPLOYEE ASSISTANCE PROGRAM (EAP) (Effective 1/1/08)

The cost of this Program is included in the medical benefit premiums.

1.1.1.5 DELTA DENTAL PLAN (Effective 1/1/08)

All covered bargaining unit employees are required to share in the cost of their dental expense plan on a weekly basis as follows:

Delta Dental Plan	**Cost**
Participant only	$ 2.25
Participant plus one dependent	$ 5.07
Participant plus two or more dependents	$ 8.15

The remainder of the Plan cost is borne by the Corporation

1.1.1.6 DENTAL NET (Effective 1/1/08)

All covered bargaining unit employees are required to share in the cost of their prepaid dental plan on a weekly basis as follows:

Dental Net	**Cost**
Participant only	$ 1.31
Participant plus one dependent	$ 2.61
Participant plus two or more dependents	$ 3.85

The remainder of the Plan cost is borne by the Corporation

1.1.1.7 CIGNA (Effective 1/1/08)

All covered bargaining unit employees are required to share in the cost of their prepaid dental plan on a weekly basis as follows:

Cigna	**Cost**
Participant only	$ 1.64
Participant plus one dependent	$ 3.11
Participant plus two or more dependents	$ 4.78

The remainder of the Plan cost is borne by the Corporation.

1.1.1.8 VISION SERVICE PLAN (VSP) (Effective 1/1/08)

Vision Service Plan	Cost
Participant only	$ 2.48
Participant plus one dependent	$ 3.62
Participant plus two or more dependents	$ 6.49

1.1.1.9 FLEXIBLE SPENDING ACCUONT (FSA) (Effective 1/1/08)

The entire cost of this Plan is borne by the bargaining unit employee. The maximum contribution limits for CY08 are $6000.00 per year for the Health Care Account and $5000.00 per year for the Dependent Care Account.

1.1.1.10 OCCASIONAL SICK LEAVE PLAN

The entire cost of this Plan is borne by the Corporation.

1.1.1.11 TEMPORARY DISABILITY INSURANCE

The cost of the applicable Plan is borne by the bargaining unit employee.

1.1.1.12 CALIFORNIA STATE DISABILITY INSURANCE (SDI) AND CALIFORNIA FAMILY TEMPORARY DISABILITY INSURANCE (FTDI)

For employees located in California, the payroll tax deduction rate for CY08 is 0.8% of the wage base of $86,698, with a maximum deduction of $693.58. This rate is subject to change by the state, effective 1/1/08.

1.1.1.13 AEROSPACE SHORT-TERM DISABILITY (STD) Effective 10/1/07 through 9/30/08)

For employees located in states other than California, the STD premium is $5.57 per week for a maximum of $289.64 per year.

Maximum weekly benefits are a maximum of $840 per week for new disabilities commencing on or after 10/01/07, and will start on the 8th day of disability resulting from an accident or sickness.

1.1.1.14 LONG-TERM DISABILITY (LTD) INCOME BENEFITS INSURANCE PLAN

The cost of this plan is shared equally by the Corporation and the bargaining unit employee. The cost to the employee is $0.215 per $100 weekly salary.

The employee also has the option of paying 100% of the cost. In this case the cost to the employee is $0.43 per $100 of weekly salary.

The Corporation also offers an optional Long Term Disability Supplemental Income Protection (LTDSIP) Plan. The employee pays the full cost of LTDSIP, which is determined individually for each participant. LTDSIP can be exchanged for a Long Term Care (LTC) insurance policy after age 60, but no later than age 70, for eligible participants. See Section 11 of Appendix F for further information on LTDSIP and LTC.LIFE

1.1.1.15 LIFE INSURANCE PLAN

The Corporation pays for your basic life insurance coverage.

The bargaining unit employee may purchase optional life insurance. The employee's cost is as follows:

Age Bracket	Weekly Cost per $1,0000/week
Under 30	$ 0.007
30 – 34	0.007
35 – 39	0.009
40 – 44	0.012
45 – 49	0.021
50 – 54	0.032
55 – 59	0.046
60 – 64	0.076
65 – 69	0.134
70 plus	0.282

Premiums for spouses and domestic partners are as follows:

Age Bracket	Weekly Cost per $1,000/week
Under 30	$ 0.007
30 – 34	0.007
35 – 39	0.009
40 – 44	0.012
45 – 49	0.018
50 – 54	0.032
55 – 59	0.046
60 – 64	0.076
65 – 69	0.134
70 plus	0.282

Employees may also purchase limited life insurance coverage for their dependent children or their domestic partner's dependent children at $0.15 per week for $5,000 and $0.31 per week for $10,000 of coverage.

1.1.1.16 OCCUPATIONAL ACCIDENT INSURANCE PLAN

The entire cost of this Plan is borne by the Corporation.

1.1.1.17 VOLUNTARY PERSONAL ACCIDENT INSURANCE PLAN (Effective 1/1/08)

The Corporation offers Voluntary Personal Accident Insurance to all MTS. This coverage protects the employee, their spouse, their same-sex domestic partner and dependent children in the event of an accident. The following general restrictions on the coverage apply:

1. The maximum amount of coverage that an employee is eligible to elect is ten times the employee's current salary up to a maximum of $600,000.

2. Amounts of elected coverage over $300,000 may not be more than 10 times the employee's basic annual salary.

3. Coverage for spouses, same-sex domestic partners, and dependent children are limited to $500,000 for the spouse or domestic partner and $50,000 for each dependent child.

4. Eligible employees and their dependents that work at Aerospace can be enrolled only under one

enrollment form, either as an employee or as a dependent, but not both.

5. Changes to the plan can only be made during under the following conditions:
   a. Within the first 30 days of being eligible for the plan.
   b. In the event of a "Change in Status Event" as allowed under IRS regulations.
   c. During the Corporation's Annual Enrollment Period.

RATES FOR 2008

Principal Sum		Spouse & Children		Weekly Payroll Deduction	
Employee	Spouse	Spouse	Each Child	Employee Only	Employee& Dependents
$ 20,000	$ 20,000	$ 16,000	$ 3,000	$0.18	$ 0.30
$ 50,000	$ 50,000	$ 40,000	$ 7,500	$0.45	$ 0.76
$100,000	$100,000	$ 80,000	$15,000	$0.90	1.52
$200,000	$200,000	$160,000	$30,000	$1.80	$ 3.04
$300,000	$300,000	$240,000	$45,000	$2.70	4.56
$400,000	$400,000	$320,000	$50,000	$3.60	6.08
$500,000	$500,000	$400,000	$50,000	$4.50	7.60
$600,000	$600,000	$480,000	$50,000	$6.00	$9.12

If you or your spouse reach age 70 or over, the following reductions in the amount of coverage will apply:

Attained Age	Benefit amount
70 to 74	65% of the full amount
75 to 79	45% of the full amount
80 to 84	30% of the full amount
85 and over	15% of the full amount

1.1.1.18 SEVERANCE PAY PLAN

The entire cost of this Plan is borne by the Corporation.

1.1.1.19 AEROSPACE SAVINGS ACCOUNT PLAN (ASAP)

The entire cost of the Aerospace Savings Account Plan is borne by the Corporation.

1.1.1.20 AEROSPACE EMPLOYEES' RETIREMENT PLAN (AERP)

The entire cost of the Aerospace Savings Account Plan is borne by the Corporation.

1.1.1.21 AEROSPACE VOLUNTARY ANNUITY/ACCOUNT PLAN (VA/AP)

The entire cost of this plan is borne by the bargaining unit employee.

Section 1.2 Plan Costs For Bargaining Unit Employees Who Retire During The Term Of This Agreement

1.2.1 GROUP HOSPITAL-MEDICAL PLANS

1.2.1.1 GROUP HOSPITAL AND MEDICAL COMPREHENSIVE PLAN (Effective 1/1/08)

All active bargaining unit employees, upon entering retirement and qualifying for the Retiree Medical benefit, will be required to share in the cost of their "comprehensive" group hospital-medical insurance on a *monthly* basis for the remainder of the contract year as follows.

For Reference Only Anthem Blue Cross Basic Major	Retirees under age 65	Retirees at or over 65
Participant only	$96.81	$96.81
Participant plus one dependent	$177.62	$177.62
Participant plus two or more dependents	$220.18	$220.18

Anthem Blue Cross Comprehensive	Retirees under age 65	Retirees at or over 65
Participant only	$96.81	$96.81
Participant plus one dependent	$177.62	$177.62
Participant plus two or more dependents	$220.18	$220.18

After the end of the contract year (August 1, 2008) during which a bargaining unit employee retires, the individual may be required to share in a greater portion of the cost of his/her "comprehensive" group hospital-medical plan based upon whether he/she was hired or rehired prior to or after July 1, 1987. Those individuals hired or rehired prior to July 1, 1987, will be subject to the then-current Defined Dollar Benefit (DDB). For those individuals hired or rehired on or after July 1, 1987, the amount paid by the Plan will be determined by their years of service at retirement and the then-current DDB.

1.2.1.2 HEALTH MAINTENANCE ORGANIZATIONS (HMOS) (Effective 1/1/08)

Active bargaining unit employees, upon entering retirement and qualifying for the Retiree Medical benefit, will be required to share in the cost of their health maintenance insurance on a *monthly* basis for the remainder of the contract year as follows.

CaliforniaCare	**Retirees under age 65**	**Retirees at or over 65 (SLO)[1]**
Participant only	$63.87	Not offered
Participant plus one dependent	$128.53	Not offered
Participant plus two or more dependents	$181.61	Not offered

[1] San Luis Obispo, CA only

Blue Cross Senior Secure (California Care)		**Retirees at or over 65**
Participant only	Not Available	$59.64
Participant plus one dependent	Not Available	$128.53
Participant plus two or more dependents	Not Available	$181.61

Aetna (Florida)	**Retirees under age 65**	**Retirees at or over 65**
Participant only	$91.82	No longer Offered
Participant plus one dependent	$192.36	No longer Offered
Participant plus two or more dependents	$281.97	No longer Offered

Kaiser (Southern California) Medicare + Choice (Senior Advantage)	**Retirees under age 65**	**Retirees at or over 65**
Participant only	$57.42	$0.00
Participant plus one dependent	$114.44	$0.00
Participant plus two or more dependents	$167.76	$88.05

Kaiser (Northern California) Medicare Risk (Senior Advantage)	**Retirees under age 65**	**Retirees at or over 65**
Participant only	$57.42	$0.00
Participant plus one dependent	$114.44	$0.00
Participant plus two or more dependents	$161.76	$88.05

Kaiser Mid-Atlantic (Wash DC) Medicare Choice	**Retirees under age 65**	**Retirees at or over 65**
Participant only	$69.07	$ 59.82
Participant plus one dependent	$137.80	$133.82
Participant plus two or more dependents	$199.59	$199.59

Lovelace (New Mexico) Senior Choice Plan	**Retirees under age 65**	**Retirees at or over 65**
Participant only	$81.94	$0.00
Participant plus one dependent	$168.09	$0.00
Participant plus two or more dependents	$225.38	$0.00

MD/IPA (Wash DC) Optimum Choice	**Retirees under age 65**	**Retirees at or over 65**
Participant only	$ 67.21	No longer offered
Participant plus one dependent	$127.31	No longer offered
Participant plus two or more dependents	$214.02	No longer offered

PacifiCare (Colorado)	**Retirees under age 65**	**Retirees at or over 65**
Participant only	77.48	$ 16.63
Participant plus one dependent	$154.61	$ 47.44
Participant plus two or more dependents	$218.62	$ 218.62

1.2.1.3 DOMESTIC PARTNER TAX LIABILITY FOR NON-MEDICARE ELIGIBLE BARGAINING UNIT EMPLOYEES WHO RETIRE DURING THE TERM OF THIS AGREEMENT

Participant only rates for employees who enroll their Domestic Partners and family as dependents are the same as those in sections 1.2.1.1 and 1.2.1.2. The Internal Revenue Service has ruled that the actual cost of the domestic partner benefit is taxable income to the employee. This is not true for heterosexual married couples.

To assist employees in determining their liability through the use of domestic partner benefits, the following table lists that liability on a monthly basis for each plan.

Plan	Coverage	RE Cost-Sharing without DP Coverage	Additional RE Cost-Sharing with DP Coverage [POST-TAX]	Additional ER Costs with DP Coverage [TAXABLE INCOME TO EE]	Total Additional RE and ER Cost with DP Coverage
Blue Cross -COMP PLAN	EE + 1	$307.85	$252.79	$211.00	$463.79
	EE + F	$307.85	$477.60	$230.00	$707.60
Blue Cross -BASE PLAN	EE + 1	$418.66	$346.37	$211.00	$557.37
	EE + F	$418.66	$615.33	$230.00	$845.33
California Care	EE + F	$127.30	$169.36	$211.00	$380.36
	EE + F	$127.30	$462.45	$230.00	$692.45
Kaiser (Northern California)	EE +1	$ 89.28	$124.46	$211.00	$335.46
	EE + F	$ 89.28	$383.89	$230.00	$613.89
Kaiser (Southern California)	EE + 1	$ 89.28	$124.46	$211.00	$335.46
	EE +1	$ 89.28	$383.89	$230.00	$613.89
Lovelace NM	EE +1	$233.43	$295.90	$211.00	$506.90
	EE + F	$233.43	$613.75	$230.00	$843.75
PacificCare CO	EE + 1	$207.31	$242.82	$211.00	$453.82
	EE + F	$207.31	$600.32	$230.00	$830.32

1.2.1.4 DOMESTIC PARTNER TAX LIABILITY FOR MEDICARE ELIGIBLE BARGAINING UNIT EMPLOYEES WHO RETIRE DURING THE TERM OF THIS AGREEMENT

Plan	Coverage	RE Cost-Sharing without DP Coverage	Additional RE Cost-Sharing with DP Coverage [POST-TAX]	Additional ER Costs with DP Coverage [TAXABLE INCOME TO EE]	Total Additional RE and ER Cost with DP Coverage
Blue Cross -COMP PLAN	EE + 1	$169.06	$165.08	$168.00	$333.08
	EE + F	$169.06	$282.89	$294.00	$576.89
Blue Cross -BASE PLAN	EE + 1	$230.13	$223.25	$168.00	$391.25
	EE + F	$230.13	-$385.21	$294.00	$679.21
CaliforniaCare Senor Secure	EE + 1	$ 59.64	$ 73.82	$168.00	$241.82
	EE + F	$ 59.64	$259.91	$294.00	$553.91
CaliforniaCare Central Coast	EE + 1	$165.66	$179.87	$168.00	$347.87
	EE + F	$165.66	$401.72	$294.00	$695.72
Kaiser (Northern California)	EE + 1	$ 0.00	$ 0.00	$142.90	$142.90
	EE + F	$ 0.00	$ 88.05	$294.00	$421.33
Kaiser (Southern California)	EE + 1	$ 0.00	$ 0.00	$142.00	$142.90
	EE + F	$ 0.00	$ 88.05	$294.00	$421.33
LoveLace NM	EE+ 1	$ 0.00	$ 0.00	$ 56.60	$ 56.60
	EE + F	$ 0.00	$ 0.00	$294.00	$393.45
PacificCare CO	EE + 1	$ 16.63	$ 30.81	$168.00	$198.81
	EE + F	$ 16.63	$281.31	$294.00	$575.31

After the end of the contract year (August 1, 2008) during which a bargaining unit employee retires, the individual may be required to share in a greater portion of the cost of his/her "HMO" group hospital-medical plan based upon whether he/she was hired or rehired prior to or after July 1, 1987. Those individuals hired or rehired prior to July 1, 1987, will be subject to the then-current Defined Dollar Benefit (DDB). For those individuals hired or rehired on or after July 1, 1987, the amount paid by the Plan will be determined by their years of service at retirement and the then-current DDB.

1.2.1.5 SAFEGUARD DENTAL PLAN (Effective 1/1/08)

The following (monthly) premium schedule is applicable for bargaining unit employees who retire during the contract term and who elect to participate in this Plan:

Safeguard Dental	Monthly
Participant only	$18.05
Participant plus one dependent	$30.14
Participant plus two or more dependents	$43.67

Section 1.3 Plan Costs for Current Retirees

APSA does not represent retirees. This section is for information purposes only:

1.3.1 GROUP HOSPITAL-MEDICAL

1.3.1.1 GROUP HOSPITAL AND MEDICAL COMPREHENSIVE PLAN (Effective 1/1/08)

Blue Cross Comprehensive	Retirees under age 65	Retirees at or over 65
Participant only	$307.85	$169.06
Participant plus one dependent	$560.64	$334.14
Participant plus two or more dependents	$785.45	$451.95

Blue Cross Base Major	Retirees under age 65	Retirees at or over 65
Participant only	$ 418.66	$230.13
Participant plus one dependent	$ 765.03	$453.38
Participant plus two or more dependents	$1033.99	$615.34

1.3.1.2 HEALTH MAINTENANCE ORGANIZATIONS (HMOS) (Effective 1/1/08)

CaliforniaCare	Retirees under age 65	Retirees at or over 65 (SLO)[1]
Participant only	$127.30	$165.66
Participant plus one dependent	$296.66	$345.53
Participant plus two or more dependents	$589.75	$567.38

[1] San Luis Obispo, CA only

Blue Cross Senior Secure (California Care)	Retirees under 65	Retirees at or over 65
Participant only	Not Available	$59.64
Participant plus one dependent	Not Available	$133.46
Participant plus two or more dependents	Not Available	$319.55

Aetna (Florida)	**Retirees under age 65**	**Retirees at or over 65**
Participant only	$291.59	N/A
Participant plus one dependent	$672.15	N/A
Participant plus two or more dependents	$1180.18	N/A

Kaiser (Southern California) Senior Advantage	**Retirees under age 65**	**Retirees at or over 65**
Participant only	$ 89.28	$0.00
Participant plus one dependent	$213.74	$0.00
Participant plus two or more dependents	$473.17	$88.05

Kaiser (Northern California) Senior Advantage	**Retirees under age 65**	**Retirees at or over 65**
Participant only	$89.28	$0.00
Participant plus one dependent	$213.74	$0.00
Participant plus two or more dependents	$473.17	$88.05

Kaiser Mid-Atlantic (Wash DC) Medicare Choice	**Retirees under age 65**	**Retirees at or over 65**
Participant only	$157.92	$59.82
Participant plus one dependent	$351.00	$133.82
Participant plus two or more dependents	$695.70	$371.52

Lovelace (New Mexico) Senior Plan	**Retirees under age 65**	**Retirees at or over 65**
Participant only	$233.43	$0.00
Participant plus one dependent	$529.33	$0.00
Participant plus two or more dependents	$847.18	$0.00

MD/IPA (Wash DC)	**Retirees under age 65**	**Retirees at or over 65**
Participant only	$146.81	Not available
Participant plus one dependent	$289.52	Not available
Participant plus two or more dependents	$780.51	Not available

PacifiCare (Colorado)	Retirees under age 65	Retirees at or over 65
Participant only	$207.31	$16.63
Participant plus one dependent	$450.13	$47.44
Participant plus two or more dependents	$807.63	$297.94

PacifiCare (Arizona)	Retirees under age 65	Retirees at or over 65
Participant only	$988.10	$75.41
Participant plus one dependent	$2133.81	$165.00
Participant plus two or more dependents	$3348.00	$1272.19

TriCare	Retirees under age 65	Retirees at or over 65
Participant only	$0.00	Not offered
Participant plus one dependent	$0.00	Not offered
Participant plus two or more dependents	$0.00	Not offered

1.3.1.3 DOMESTIC PARTNER TAX LIABILITY FOR NON-MEDICARE ELIGIBLE RETIREES

Participant only rates for employees who enroll their Domestic Partners and family as dependents are the same as those in sections 1.2.1.1 and 1.1.1.2. The Internal Revenue Service has ruled that the actual cost of the domestic partner benefit is taxable income to the employee. This is not true for heterosexual married couples.

To assist employees in determining their tax liability through the use of domestic partner benefits, the following table lists that liability on a monthly basis for each plan.

Plan	Coverage	RE Cost-Sharing without DP Coverage	Additional RE Cost-Sharing with DP Coverage [POST-TAX]	Additional ER Costs with DP Coverage [TAXABLE INCOME TO EE]	Total Additional RE and ER Cost with DP Coverage
Blue Cross -COMP Plan	EE + 1	$307.85	$252.79	$211.00	$463.79
	EE + F	$307.85	$477.60	$230.00	$707.60
Blue Cross -Base Plan	EE + 1	$418.66	$346.37	$211.00	$557.37
	EE + F	$418.66	$615.33	$230.00	$845.33
CaliforniaCare	EE + 1	$127.30	$169.36	$211.00	$380.36
	EE + F	$127.30	$462.45	$230.00	$692.45

Kaiser (Southern California)	EE + 1	$89.28	$124.46	$211.00	$335.46
	EE + 1	$89.28	$383.89	$230.00	$613.89
Kaiser (Northern California	EE + 1	$89.28	$124.46	$211.00	$335.46
	EE + 1	$89.28	$383.89	$230.00	$613.89
PacificCare CO	EE + 1	$207.31	$242.82	$211.00	$453.82
	EE + F	$207.31	$600.32	$230.00	$830.32
LoveLace NM	EE+1	$233.43	$295.90	$211.00	$506.90
	EE+F	$233.43	$613.75	$230.00	$842.75

1.3.1.4 DOMESTIC PARTNER TAX LIABILITY FOR MEDICARE RETIREES

Plan	Coverage	RE Cost-Sharing without DP Coverage	Additional RE Cost-Sharing with DP Coverage [POST-TAX]	Additional ER Costs with DP Coverage [TAXABLE INCOME TO EE]	Total Additional RE and ER Cost with DP Coverage
Blue Cross -COMP Plan	EE + 1	$169.06	$165.08	$168.00	$333.08
	EE + F	$169.06	$282.89	$294.00	$576.89
Blue Cross -BASE Plan	EE + 1	$230.13	$223.25	$168.00	$391.25
	EE + F	$230.13	$385.21	$294.00	$679.21
CaliforniaCare Senior Secure	EE + 1	$59.64	$73.82	$168.00	$241.82
	EE + F	$59.64	$259.91	$294.00	$553.91
CaliforniaCare Central Coast	EE + 1	$165.66	$179.87	$168.00	$347.87
	EE + F	$165.66	$401.72	$294.00	$695.72
Kaiser (Northern California)	EE + 1	$0.00	$0.00	$142.90	$142.90
	EE + F	$0.00	$88.05	$294.00	$421.33
Kaiser (Southern California)	EE + 1	$0.00	$0.00	$142.00	$142.90
	EE + F	$0.00	$88.05	$294.00	$421.33

LoveLace NM	EE + 1	$0.00	$0.00	$56.60	$56.60
	EE + F	$0.00	$0.00	$294.00	$393.45
PacificCare CO	EE + 1	$16.63	$30.81	$168.00	$198.81
	EE + F	$16.63	$281.31	$294.00	$575.31

1.3.1.5 Safeguard Dental Plan (Effective 1/1/08)

Safeguard Dental	Monthly Premium
Participant only	$18.05
Participant plus one dependent	$30.14
Participant plus two or more dependents	$43.67

SECTION 2. MEDICAL/DENTAL/VISION PLAN DESCRIPTIONS

The Group Hospital-Medical Insurance Plan provides reimbursement of reasonable and customary covered expenses incurred as a result of non-occupational injury or illness for employees and their eligible dependents.

The plan offers financial incentives in the form of higher benefit levels for participants who use physicians and hospitals from a PPO in California or from participating Blue Cross/Blue Shield providers outside California. In addition, there are financial incentives for using pre-admission testing, alternative birthing centers, skilled nursing facilities, home health care, and hospice care. To further encourage cost-effectiveness and guard against unnecessary medical procedures, the plan requires pre-certification of hospital admissions.

2.1 COMPREHENSIVE MEDICAL PLAN

2.1.1 Description of Comprehensive Plan (Blue Cross PPO)

The Comprehensive Medical Plan provides reimbursement of reasonable and customary covered expenses incurred as a result of non-occupational injury or illness for enrolled employees, their spouse or domestic partner, the children of the employee, spouse or domestic partner and any other eligible dependents. This plan allows the use of any doctor or health care facility and reimburses participants for a percentage of eligible expenses after they meet an annual deductible. There is a $350 annual deductible for each family member with an annual maximum family deductible of $1,050. After the annual deductible is satisfied and when services are rendered within the PPO network, the Comprehensive Plan pays a percentage of covered expenses at negotiated rates for the rest of year. When services are rendered outside the PPO network, the Plan pays a percentage of covered expenses at reasonable and customary rates. There is a yearly out-of-pocket maximum after which benefits are paid at 100% up to the lifetime maximum of $3.0 million.

Comprehensive Plan[1]

% paid by Plan (Network/Non-network providers)	80/60
Individual annual deductible	$350
Family annual deductible	$1,050
Individual annual out-of-pocket maximum (Network expenses apply to in-network maximum and vice versa	$2,000 (In-network) $4,000 (Out-of-network)
Family annual out-of-pocket maximum (Network expenses apply to in-network maximum and vice versa	$6,000 (In-network) $12,000 (Out-of-network)
Maximum lifetime benefit per person	$3,000,000
Annual restoration of maximum benefit	$10,000

[1] Plan pays 100% of covered expenses after payment of deductible and out-of-pocket maximum

2.1.2 COMPREHENSIVE PLAN PRESCRIPTION DRUG BENEFIT

If you are enrolled in the Comprehensive Plan, you also have the benefit of a prescription drug plan. When you use a pharmacy in the plan, you pay a nominal amount for each brand name prescription filled, up to a 30-day supply, and an even smaller amount if you request generic drugs. In addition, maintenance prescriptions for a 90-day supply are available by mail order. Injectables are also covered.

Prescription Drugs:

Prescription Drug Plan	30-Day Supply at Participating Pharmacies[1]	90-Day Supply Maintenance Drugs by Mail Order
Generic	$10	$20
Preferred	$20	$40
Non-Preferred*	$40	$80

1 Additional surcharges apply at non-participating pharmacies.

Injectables:

20% of cost is covered up to a $100 maximum

* Non-preferred drug copays will equal preferred drug copays if the prescribing physician indicates "Dispense as written" on the prescription.

SECTION 3. HEALTH MAINTENANCE ORGANIZATIONS (HMOS)

HMOs provide convenient prepaid health care with a special emphasis on preventive medicine. At most Aerospace locations, the employee may elect to enroll in an HMO. In addition, an employees domestic partner, and the children of the domestic partner may enroll in California based HMO's if they are residents of California.

Some services are covered at 100%; others require a fee or copayment. Members may also obtain low-cost prescription drugs through HMO pharmacies.

HMO Prescription Drug Benefits

All offered HMOs offer some sort of prescription drug benefit. The character of these benefits depends on the plan.

Below is a summary of the changes for costs to prescriptions and services to the 2007 benefits:

HMO	Changes from the 2007 plan
Aetna Florida and Ohio	- All $5 copays increased to $10 - $15 preferred brand copay - $30 non-preferred brand copay
Anthem Blue Cross CaliforniaCare	- Same as for Anthem Blue Cross Comprehensive Plan
Kaiser Mid-Atlantic	- $10 copay for allergy injections - $50 for emergency room care
Kaiser Northern, Kaiser South, Kaiser South Senior Advantage	- $50 copay for emergency room - $10 copay for generic drugs up to a 30-day supply. - $20 copay for brand name drugs up to a 30-day supply. - $20 copay for generic drugs up to a 100-day supply through Kaiser mail-order - $40 copay for medically necessary brand name drugs up to 10-day supply through Kaiser mail-order - Durable medical equipment – no charge Coverage extended for members outside the service area for certain purchases made at a plan facility or pharmacy - Allergy Injections – no charge - Ambulance – no charge - Mental and Nervous maximum – 30 days - Well-baby care visits - $10 copay - $10 copay for generic drugs up to a 30-day supply - $20 copay for brand name drugs up to a 30 day supply - $20 copay for generic drugs up to 100-day supply through Kaiser mail-order - $40 copay for medically necessary brand name drugs up to 100-day supply through Kaiser mail-order
Lovelace	- $20 copay for specialist office visits - Ambulance - $50 per ground trip

	- Ambulance - $100 per trip by air - $7 copay for 30-day supply of formulary generic drugs - $15 copay for formulary brand name drugs - Double copayment for 90-day mail-order - $50 copay for allergy extract preparation in addition to office visit copies to specialist or primary care physician - $150 copay for outpatient surgery - $250 copay per admission to skilled nursing or convalescent facility - $10 per visit up to combined 40 visits per calendar year for physical, occupational and speech therapy including Home Health therapies - Inpatient alcohol and drug abuse maximum to 30 days per calendar year - $20 copay per visit to chiropractor/acupuncturist maximum 20 visits per calendar year - $20 copay per outpatient mental health visit - No maximum on durable medical equipment
MD IPA	- $10 copay for Tier 1 (generic) drugs - $25 copay for Tier 2 (preferred brand name) drugs - $35 copay for Tier 3 (non-preferred brand name) drugs - MAMSI Pharmacy Services to integrate with United Healthcare Pharmacy Services
PacifiCare, AZ	Therapies for congenital defects and birth anomalies covered from child's 3rd to 6th birthdays; Coverage for mental disorders will be no less extensive than coverage for a physical illness
PacifiCare, CO	Therapies for congenital defects and birth anomalies covered from child's 3rd to 6th birthdays; Coverage for mental disorders will be no less extensive than coverage for a physical illness

Please contact Human Resources for full plan details.

SECTION 4. TRICARE SUPPLEMENT PLAN

TRICARE is the Department of Defense's health insurance program for the military community, including retired military personnel. TRICARE is no longer available through Aerospace as a company sponsored group plan. It is still available as an individual plan with subscribers paying 100% of the premium on an after-tax basis. Aerospace will continue to offer the convenience of payroll deductions only. Please contact the Benefits office for more details.

SECTION 5. RETIREE MEDICAL PLAN

The Retiree Medical Plan provides benefits for bargaining unit employees entering retirement, their spouse and same-sex domestic partner. Opposite sex domestic partner may be eligible if they reside in California and one or both are age 62 or older, and meet the eligibility criteria under Title II of The Social Security Act. The Plan also provides benefits for survivors of retirees and survivors of active employees who died after reaching age 65. The Plan does not provide medical coverage directly; instead, it offsets part of the cost of the medical plan selected by the retiree or survivor from among the options described in Section 2, Group Hospital-Medical Insurance Plan, and Section 3, Health Maintenance Organizations (HMOs).

To fund the Plan, the company established and contributes money to a trust fund. Continued company contributions are subject to certain contingencies. Your rights and amount of benefit under the Plan will be determined in accordance with Plan language, the pertinent company Polices and Practices, and the date you were hired or rehired.

The table below presents the current (monthly) values of the Defined Dollar Benefit (DDB) to be paid by the Retiree Medical Plan for calendar year 2008. Retirees (and survivors of retirees) hired or rehired on or after July 1, 1987, will receive a fraction of the DDB in accordance with the schedule in the table entitled "Percentage of Defined Dollar benefit to be paid by the Plan for Eligible Employees Hired or Rehired on or after July 1, 1987 (Tier B)." The participating retiree or survivor is required to share in the premiums for the medical provider of choice to the extent it exceeds the Plan's current contribution.

Monthly Defined Dollar Benefit to be Paid by the Plan for Eligible Retirees

Category	Monthly Defined Dollar Benefit from the Retiree Medical Plan (CY08)
Retirees under 65	
Retiree only	$247.00
Retiree and Spouse/Same-Sex Domestic Partner	$458.00
Family	$477.00
Retirees over age 65	
Retiree only	$183.00
Retiree and Spouse/Same-Sex Domestic Partner	$351.00
Family	$477.00

During the term of the collective bargaining agreement, a bargaining unit employee entering retirement will be charged the lesser of (i) the active employee premium cost-sharing rate or (ii) the then-current retiree premium cost-sharing rate for the selected medical provider as determined by applying 100% of the DDB to the premium charged by the medical provider, regardless of the date of hire.

Note that retirees can waive and subsequently restart retiree medical coverage provided, however, that there is no gap in medical coverage.

Eligibility:

You, and your dependents, are eligible for the Retiree Medical Plan, as summarized here, after you retire from regular active status if you:

- Have at least 10 years of service and the last 5 years immediately before retirement are consecutive, and
- Are eligible for the company's medical insurance plan immediately before retirement, and
- Collect benefits from an Aerospace retirement plan.

Surviving dependents of deceased retirees may continue to receive benefits from the Plan as long as they remain eligible. They will receive the same percentage of the Defined Dollar Benefit as the retiree would have received.

Surviving dependents of active employees are eligible to receive benefits from the Plan if the following criteria are met:

- Employee was at least age 65 at time of death.
- Employee was covered under the corporation's active medical coverage at time of his or her death.
- Employee had at least 10 years of service and the last 5 years immediately before death were continuous.
- Dependent (or dependents) was continuously covered for at least 12 months prior to employee's death and is not eligible for any other group medical coverage.

If the deceased employee was hired or rehired on or after July 1, 1987, the Tier B percentage will assume the employee had retired on the first day of the month of his death.

Surviving dependents of retirees and eligible surviving dependents of active employees will continue to receive Plan benefits as long as they:

- Are not eligible for other group medical coverage.
- Do not remarry.
- Pay the required cost sharing.
- Enroll in Medicare Parts A, B and D when they become eligible.

Eligible survivors must start paying the appropriate cost sharing on the first day of the month following the death of the retiree or active employee.

Employees Hired or Rehired Before July 1, 1987 (Tier A):

For employees hired before July 1, 1987, and upon retiring from active service, the Plan will pay 100% of the then-current Defined Dollar Benefit (DDB) towards the annual premium charged by the medical coverage provider selected by the retiree.

Employees Hired or Rehired On or After July 1, 1987 (Tier B):

For employees hired or rehired on or after July 1, 1987, and upon retiring from active service, the Plan will pay the following percentage of the then-current Defined Dollar Benefit (DDB) towards the annual premium charged by the medical coverage provider selected by the retiree:

Percentage of Defined Dollar Benefit to be Paid by the Plan for Eligible Employees Hired or Rehired after July 1, 1987 (Tier B)

Years of Service at Retirement	Percent of DDB[1] Plan Pays	Years of Service at Retirement	Percent of DDB[1] Plan Pays
10	34	22	70
11	37	23	73
12	40	24	76
13	43	25	79
14	46	26	82
15	49	27	85
16	52	28	88
17	55	29	91
18	58	30	94
19	61	31	97
20	64	32	100
21	67	32 +	100

[1] Defined Dollar Benefit

All rehired employees receive credit for prior employment (computed on a monthly basis) with the company when calculating years of service.

CHANGES FROM 2007 RETIREE MEDICAL PLANS:

Below is a summary of the changes for costs to prescriptions and/or services from the 2007 benefits. This is an incomplete list and retirees should contact the benefits office for complete information.

LOVELACE:

Benefit Description	LSP-Enhanced 2007	LSP Enhanced 2008
Premiums	**$56.60**	**$56.60**
Specialist Physician	$20	$15
Podiatry Services	$20	$15
Out Patient Surgery	$75	$50
Oxygen	$20 copay per month	$0
Acupuncture	Covered thru Bridges of Medicine	$15; limit #20 visits per Calendar year
Bridges of Medicine-Alternative Medicine	$20 copay; annual combined limit of $1500	Not offered
Safety Devices-such as Grab Bars, Shower Chairs, Raised Toilet Seats and hand held shower's requires prior authorization. Limit once every 5 years, installation not covered	Not Covered	$0-Prior Authorization Required
Drugs-Medicare Part B	$10/20	$0

Insulin Vials-only with the Brand Name Novolin or Novolog	Covered under Tier 2- Name Brand $20 copay	Covered under Tier 1-Generic $5 copay
Prescriptions (30 day Supply)		
Preferred Generic	$10	$5
Preferred Brand	$20	$32
Non-Preferred	$40	$62
Specialty Drugs	$40	$62
Coverage Limits	After the members yearly out-of-pocket drug cost reaches $3850, they pay the greater of $2.15 for Generic; $5.35 for all others or 5% coinsurance	After the members yearly out-of-pocket drug cost reach $4050, they pay the greater of $2.25 for Generic; $5.60 for all others or 5% coinsurance

SECTION 6. DENTAL INSURANCE PLANS

The Dental Plan gives employees the option to choose between one of two types of plans to help meet dental expenses. Coverage begins on the employee's first day at work Plan provisions differ, but some procedures are provided at little or no cost in both of the plans. Some procedures, such as orthodontia, require a fee or co-payment.

The employees pays 25% and the Corporation pays 75% of the applicable dental premium.

The employee, their spouse or domestic partner and the employees or domestic partners dependent children are eligible for coverage.

DELTA DENTAL PLAN

This plan pays a percentage of usual, reasonable, and customary dental fees for diagnostic and preventive procedures, without any deductible. After a yearly per person deductible is paid, the plan pays a percentage of usual, reasonable, and customary dental fees for oral surgery, endodontic, periodontic, restorative, orthodontic, prosthodontics procedures and TMJ (Temporo-Mandibular Joint) appliances. Cleanings are covered twice in a calendar year. Sealants are also covered for first molars to age 9 and to second molars to age 14. There is an annual limit toward reimbursement of covered charges for each eligible person. The plan pays a lower benefit level for orthodontic expenses for dependent children, up to a lifetime limit for each child.

Delta Dental Plan

Provisions of service	Direct reimbursement; after deductible, plan pays 70%
Annual deductible	None for diagnostic or preventive; $25 for all other procedures
Annual maximum benefit	$2,000 per person
Orthodontic coverage/charge	50% up to lifetime maximum of $2000 for children

PREPAID DENTAL PLANS

A prepaid dental plan provides dental care for its members through a number of contracting dental offices. When you enroll in a prepaid plan, you must select one of the plan's dental offices where you and your eligible family members will receive dental care. Many services are covered at 100% with no annual deductible; others services require a co-payment.

The cost of the coverage is shared jointly by the employees and Aerospace. Employees pay their share of the premium through a payroll deduction plan on a pre- or post-tax basis.

SECTION 7. VISION CARE PLAN

Vision care coverage for regular employees and their eligible dependents begins on the employee's first day at work. After an annual deductible, plan provisions provide for an annual eye exam, lenses every 12 months, frames every 24 months, and the choice of contact lenses (in lieu of glasses). Laser vision care is also available at reduced rates. The plan also offers financial incentives in the form of higher benefit levels for participants who use plan providers. Aerospace employees pay the entire cost of the vision care coverage through payroll deductions on a pre- or post-tax basis.

The following change to the vision care plan will be implemented beginning in CY 2004:

- Same-sex Domestic Partner is eligible for all vision care benefits that are available to married couples.

- The corporation is adding the "Computer Vision Care Program" beginning CY05. This program has no extra charge

SECTION 8. FLEXIBLE SPENDING ACCOUNT (FSA) PLAN

The FSA plan provides employees a way to use pretax dollars to pay some of the health expenses, such as deductibles and co-payments and dependent care expenses not covered by other benefit plans. Employees authorize Aerospace to put part of their weekly paycheck into the FSA before income taxes are deducted. Throughout the year, the money in the account can be used to reimburse their eligible out-of-pocket health care and dependent care expenses. Eligibility begins on the first day of regular employment.

Any and all "major life events" allowable under IRS regulations are applicable to the FSA plan.

There are two separate FSA plans. Employees may contribute up to a certain limit to the Health Care Account for health care expenses that are not reimbursed by any other benefit plans. Also, employees may contribute to the Dependent Care Account for necessary dependent care expenses such as babysitters or licensed day care centers so that the employee and spouse can work. Employees have the option of signing up for a Dependent Care account outside of the Open Enrollment period if a major life event has occurred within the previous 31 days. Both accounts have yearly maximum limits on the amounts employees can contribute.

Requests for reimbursement of eligible expenses may be submitted throughout the calendar year. Amounts are contributed to the FSA plans over a 12-month plan year. Contributions made during this 12-month plan year can be applied to qualified benefit expenses that are incurred over a 14.5 month period. This means that contributions made between January and December of the calendar year can be used for expenses incurred between January and March 15th of the next calendar year. All requests must be submitted no later than April 30th of the subsequent calendar year.

If the monies, after extraordinary administrative costs, exceed on average $1.00 per participant in either the Health Care or the Dependent Care accounts, the monies shall be refunded to participants in the account(s) with the excess after administrative costs during the next year on a per capita basis.

SECTION 9. TEMPORARY DISABILITY PLANS

The temporary disability plans at Aerospace provide a weekly income to a covered employee who is totally disabled because of a non-occupational illness or injury. These plans provide a weekly income of up to $840 a week for up to 52 weeks in conjunction with the supplemental sick pay provided by the company.

State Disability Insurance (SDI) is automatic for Aerospace employees in California. Temporary disability coverage is optional for employees outside California. In order for employees outside California to be eligible for STD, they must enroll in the STD plan appropriate for their state. See Human Resources for more information. You must file a claim for temporary disability if the employee is to be absent, or is absent from work for more than seven consecutive days under SDI or seven consecutive days under STD. The disability must be doctor-certified. For maternity disability, benefits are payable beginning up to four weeks before the delivery date. For employees outside of California enrolled in the STD plan, you also must file a claim if you are confined overnight as an inpatient in a hospital or if you have outpatient surgery.

SECTION 10. PAID FAMILY LEAVE

California Paid Family Leave (PFL) (also referred to as Family Temporary Disability Insurance (FTDI)) provides family leave benefits to employees in California who take time off from work to care for a seriously ill child, spouse, parent or domestic partner or to bond with a new child. PFL covers all full and part-time workers in California.

Employees will be able to maintain health and welfare benefits while on Paid Family Leave, including medical insurance, dental insurance, vision care, Flexible Spending Account, temporary and long-tem disability insurances, life insurance and accident insurance. This benefit is not currently available to employees working outside of California.

There is a seven (7) day waiting period before benefits are paid. The waiting period does not need to be a consecutive period of time. Vacation may be used for this waiting period.

The benefit payments received are approximately 55% of the earnings up to a maximum of $840 per week . The corporation does not provide supplemental pay (differential between leave pay and salary) during the period of leave. Benefits are payable for up to six (6) weeks during a 12-month period. The leave can be intermittent.

PFL must be taken concurrently with family care and medical leave under the Family and Medical Leave Act (FMLA) and the (California Family Rights Act) CFRA, which runs for up to 12 weeks and provides job protection for that period. PFL does not provide job protection or return rights. Employees who may have run out of leave time under FMLA will not have job protection under PFL.

Female employees may file for PFL benefits once pregnancy SDI benefit coverage ends. Information on PFL, including forms, is available through the California Employment Development Department (EDD) (http://www.edd.ca.gov). The Corporation requires additional forms that must normally be filed 30 days before leave is taken. For unforeseen events, the corporation requires that notification be given as soon as possible and no later than one or two

days after the employee is aware of the need for leave (see Corporation Practice HR-3-8 for additional details).

SECTION 11. LONG TERM DISABILITY (LTD) PLAN. LONG TERM DISABILITY SUPPLEMENTAL INCOME PROTECTION PLAN AND LONG TERM CARE INSURANCE POLICY

The Long Term Disability Plan (LTD Plan) and the Long Term Disability Supplemental Income Protection Plan (LTDSIP Plan) provide a regular monthly income after six months of total disability. During the first 24 months of benefits, you are considered totally disabled if you cannot perform each of the material duties of your regular occupation. After 24 months benefits will continue only if you cannot perform each of the material duties of any gainful occupation for which you are reasonably fitted by training, education, or experience. The Plan will also pay benefits for partial disability up to 24 months if you are able to work part time. Please see HR for more details.

Employees may choose to enroll in the LTD Plan only, or they may enroll in the LTD Plan and the LTDSIP Plan. For full-time employees, the amount of your monthly disability income provided by the LTD Plan is equal to 60% of your monthly rate of basic earnings (up to a maximum of $10,000 per month). LTD benefits may be reduced by other disability benefits you receive, including Social Security Disability. The LTD Plan also includes an additional "Disability Plus" benefit of 20% of your monthly rate of basic earnings (up to a maximum of an additional $5,000 per month) for cognitive impairment or inability to perform certain "Activities of Daily Living" (ADLs).

If you are enrolled in the LTD Plan and the LTDSIP Plan, you will receive the benefit of the LTD Plan plus an additional 10% of your monthly rate of basic earnings (up to a maximum of $5,000 per month from the LTDSIP Plan portion).

The weekly cost for this coverage varies depending on the option you elect. For the LTD Plan there are two options:

OPTION A

You pay half the cost of this coverage and Aerospace pays the other half. Under this option, 50% of the LTD benefits you receive would be considered taxable income.

OPTION B

You pay the full cost of this coverage. Under this option, any LTD benefits you receive would not be considered taxable income.

If you switch from Option A to Option B, there will be a three-year window in which the insurance carrier will look back and adjust the taxability of your LTD benefit. The taxability of your benefits will be prorated based on when you elected coverage under the full cost coverage. Once you have paid the full cost of the coverage for three years, any LTD benefits you receive would not be considered taxable income.

LTDSIP PLAN

The LTDSIP Plan is available for only those enrolled in the LTD Plan. It is individually underwritten (premiums are based on age, salary and other variables, see HR for more details). The premiums are 100% employee paid and the benefits are not taxable.

Existing employees were offered a one-time opportunity to enroll in the LTDSIP Plan in the fall of 2006. New hires will be offered a one-time opportunity to enroll. Subsequent enrollment in LTDSIP after the initial period of eligibility requires evidence of insurability. Each year participating employees will be given an opportunity to accept a higher premium to cover additional income resulting from yearly raises. If you decline this opportunity, your LTDSIP Plan benefit will be permanently frozen at the current level.

LTDSIP PLAN OPTION TO EXCHANGE FOR LONG TERM CARE INSURANCE AFTER AGE 60

Those enrolled in the LTDSIP Plan can exchange this plan with the LTC exchange option for a long term care insurance policy (LTC Insurance Policy) from age 60 through 70 (if not disabled) or from age 65 through 70 (if disabled) without submitting evidence of insurability. The current base policy LTC benefit amount will be $3,000 per month (or $100 per day, if state-required) for a maximum period of six years. Additional coverage options are available through full underwriting. Please see HR for more details.

SECTION 12. LIFE INSURANCE PLANS

Coverage of Basic Life Insurance of one times your annual salary is automatic upon regular employment at The Aerospace Corporation. You also may elect to purchase supplemental life insurance equal to one, two, three, four, or five times your annual salary rounded to the nearest thousand to a maximum of $1,000,000. Except for new hires and newly eligible dependents who enroll within thirty-one days of their eligibility effective date, evidence of insurability will be required for those who enroll in or increase their life insurance coverage.

You may also purchase limited life insurance coverage for your spouse, domestic partner and/or dependent children of the employee or domestic partner only if you elect additional life insurance for yourself. The cost for spousal or domestic partner coverage is based on your spouse's or domestic partner's age at the time application is made to the insurance company. Coverage for eligible dependent children is available at flat weekly rates.

If you are a part-time employee (working between twenty and forty hours a week), your annual salary for purposes of determining payroll deductions is your hourly pay rate times 20 times 52.

Existing life insurance coverage continues for thirty-one (31) days following termination of employment. Terminated employees have the option, within thirty-one (31) days of the date of termination, of converting their employee life insurance to an individual whole-life insurance policy. No evidence of insurability is required during the thirty-one day grace period.

Existing life insurance coverage continues for thirty-one (31) days following the date of formal retirement. Employees entering retirement have the option, within thirty-one (31) days of the date of retirement, of converting their employee life insurance minus retiree coverage to an individual whole-life insurance policy. No evidence of insurability is required during the thirty-one day grace period.

During approved leaves of absence or after termination of employment due to a reduction in force, you may continue your life insurance coverage as follows:

Leave of absence	Up to 3 calendar months
Reduction in force	Up to 2 calendar months
Military leave of absence	Up to 6 calendar months

You will still have to pay your share of the premiums during these periods.

If you become totally disabled before age 65 while you are insured, your life insurance coverage will continue for the first 6 months as long as you continue to pay your portion of the premiums.

SECTION 13. OCCUPATIONAL ACCIDENT INSURANCE PLAN

Occupational Accident Insurance provides the employees protection for accidental death and dismemberment that occurs while on the job, traveling on company business, or commuting directly to and from the employee's home to their place of work and for certain specified hazards. These benefits are in addition to Workers' Compensation benefits.

The amount of the benefit coverage for accidents is four times the employee's basic annual salary (not less than $50,000 and not more than $400,000) less any amount paid or payable for the same accident under the American Express Card Member Travel program (or any replacement thereof) sponsored by the Aerospace Corporation.

If American Express pays more than four times the employee's annual salary, the excess will not be collected from the employee's estate. Effective January 1, 2003, if a benefit is payable under the American Express Card Member Travel program, an additional $50,000 will be payable by Zurich.

Benefits are distributed according to the following:

OCCUPATIONAL ACCIDENT INSURANCE LOSS COVERAGE	
Loss	**Benefit Paid**
Life	Full amount
One hand, one foot, sight of one eye, speech, or hearing	One-half amount
Two or more of the above	Full amount
Thumb and index finger of the same hand	One-fourth amount

SECTION 14. VOLUNTARY PERSONAL ACCIDENT INSURANCE PLAN

You can protect your family from accidents anywhere in the world, whether on business, vacation, or at home with the Voluntary Personal Accident Insurance. You have the opportunity to elect coverage for yourself only, for you and your spouse, or for you and your entire family. The maximum amount of coverage that you are eligible to elect is ten times your salary up to a maximum of $600,000. Eligible employees and their dependents that work at Aerospace can be enrolled only under one enrollment form, either as an employee or as a dependent, but not both.

The employee shall select the amount of coverage for themselves up to $600,000 but any amount chosen over $300,000 may not be more than 10 times their basic annual salary. Spousal and dependent children coverage shall also be available. The maximum coverage available are $500,000 for the spouse and $50,000 for each child. Benefits are distributed according to the following:

Loss Coverage	
Loss	**Benefit Paid**
Life	Full amount
One hand, one foot, sight of one eye, speech, or hearing	One-half amount
Two or more of the above	Full amount

Thumb and index finger of the same hand	One-fourth amount

If the employee who has elected family coverage suffers loss of life in a covered accident, the insurance company shall pay to the surviving children 3% of the employee's salary (maximum of $3000 per year for each child) for tuition charged by an accredited day care center provided the child is enrolled within 90 days of the accident. This benefit is payable up to four consecutive years per child.

If the employee who has selected family coverage suffers loss of life in a covered accident, the insurance in force on the remainder of the family shall continue at no further cost for a period on one year from the date of loss.

If the employee suffers loss of life in an automobile accident while wearing a seat belt, the insurance company shall pay an additional 10% of the employee's Principal Sum (maximum of $10,000) to the beneficiary. Note: this part of the benefit is void if the employee was the driver under the influence of alcohol or illegal drugs.

If the employee becomes totally and permanently disabled within 180 days of a covered accident and the disability lasts for 1 year or more, (cannot perform any job for which you were educated or trained) the employee shall receive full benefit (loss of life) less benefit allowances paid for dismemberment/ functional losses. The maximum benefit is limited to $250,000 and only covers the employee.

Except for retirement, if the employee becomes ineligible for any other reason, they shall have the option to convert to an individual policy with limits up to $250,000.

The following change to the voluntary personal accident insurance plan will be implemented beginning in CY 2004:

- Same-sex Domestic Partners are eligible for all life insurance benefits that are available to married couples.

SECTION 15. AEROSPACE SAVINGS ACCOUNT PLAN (ASAP)

The Aerospace Savings Account Plan (ASAP) is a defined contribution plan qualified under IRC Section 401. The Plan is designed to assist employees in achieving their retirement income goals. The Corporation provides a weekly 8% Company Contribution for all eligible employees hired before April 2, 2005. The Corporation provides a weekly 4% Company Contribution for all eligible employees hired after 1 April 2005.

Bargaining unit employees hired or rehired after December 31, 1992, are covered under the Aerospace Savings Account Plan.

ELIGIBILITY

Prior to 1 October 2004, in order to be eligible for a Company Contribution, an employee must be paid for 1000 hours during a Plan Year. A Plan Year is a fiscal year beginning on October 1 of each year and ending on the following September 30. Company Contributions are allocated to an employee's individual ASAP account after the end of the Plan Year based on the total hours paid during the Plan Year. Eligible employees who receive Company Contributions are fully vested at the time contributions are allocated to their account. Contributions are also made for employees who are not paid for 1000 hours during a plan year if they go on long-term disability or are terminated due to a reduction in force, retirement or death.

After 30 September 2004, all full-time and part-time employees are eligible for a weekly Company Contribution. Temporary and casual employees must be paid for 1000 hours during a Plan Year. A Plan

Year is a fiscal year beginning on October 1, of each year and ending on the following September 30. Company Contributions are allocated to an employee's individual ASAP account after the end of the Plan Year based on the total hours paid during the Plan Year. Eligible employees who receive Company Contributions are fully vested at the time contributions are allocated to their account. Contributions are also made for employees who are not paid for 1000 hours during a plan year if they go on long-term disability or are terminated due to a reduction in force, retirement or death.

There was a one-time option for employees hired before 1 April 2005 to transfer into the ASAP Plan between 25 July 2005 and 19 August 2005. The Company weekly contribution for these employees will be reduced from 8% to 4% of weekly salary[1].

EMPLOYEE INVESTMENT CHOICE

Company Contributions[1]

Period of October 1, 2004 to December 31, 2004:

For the period of October 1, 2004 to December 31, 2004, the Corporation made a one-time transfer to Fidelity of the funds owed to each regular eligible ASAP employee for the time period between October 1, 2004 and December 31, 2004. The eligible ASAP plan participants received a single lump sum deposit into their individual Fidelity accounts in January 2005. The deposit was composed of the Company Contribution based on plan compensation paid during the Plan Quarter. Any regular bargaining unit employee who terminated during the period between October 1, 2004 and December 31, 2004 will receive their Company Contribution.

Period After December 31, 2004:

Beginning January 1, 2005, the Corporation will transfer the ASAP Company Contributions to Fidelity no less frequently than weekly. The eligible ASAP plan participants will receive a lump sum deposit into their individual Fidelity accounts each week. The deposit will be composed of the Company Contribution based on plan compensation paid.

Employee Benefits Earned

Period of October 1, 2004 to December 31, 2004:

For the period of October 1, 2004 to December 31, 2004, all regular eligible ASAP employees received a Company Contribution based on plan compensation[1] received during the period. The entire Company Contribution for the period of October 1, 2004 to December 31, 2004 will be paid out and allocated to eligible ASAP plan participants' individual accounts by January, 2005.

The allocated funds to each individual account were invested as specified by each individual (see Employee Investment Options below), or in the default account (see below), on or about January, 2005. Fidelity will provide an updated statement on their website for each ASAP individual that shows the newly deposited funds and how they were invested.

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[1] Prior to 1 October 2005, the Plan compensation used for determining Company contributions under the Plan is defined as the employee's actual paid base salary, EWW, shift differential and overtime, but excludes any awards or bonuses and shall not exceed such an amount as provided under the IRC §401(a)(17) limits indexed annually.

Beginning 1 October 2005, the Plan compensation used for determining Company Contributions under the Plan is defined as the employee's actual paid base salary, awards, and bonuses, but excludes any EWW, shift differential, or overtime and shall not exceed such an amount as provided under the IRC §401(a)(17) limits indexed annually.

This information will provide the following for each individual:

1. The amount actually transferred to the Participant's designated ASAP account(s) for the period of October 1, 2004 to December 31, 2004 (i.e., 8% of plan compensation[1]).

2. The overall investment performance of the allocated funds during the period reported.

Period After December 31, 2004:

For the period after December 31, 2004, all eligible regular ASAP plan participants received a Company Contribution based on their current weekly plan compensation[1]. The allocated funds to each individual account will be invested as specified by each individual (see Employee Investment Options below), or in the default account (see below). Fidelity will provide an updated statement to each ASAP individual quarterly that shows the newly deposited funds and how they were invested

This information will provide the following for each individual:

1. The amount actually transferred to the Participant's designated ASAP account(s) after December 31, 2004 (i.e., 8% of plan compensation[1]).

2. The overall investment performance of the allocated funds during the period reported.

Employees Hired after 1 April 2005 or Who Transferred into the ASAP Plan:

For employees hired after April 1, 2005 or who transferred into ASAP, all eligible regular ASAP plan participants will receive a Company Contribution based on their current weekly plan[2] compensation. The allocated funds to each individual account will be invested as specified by each individual (see Employee Investment Options below), or in the default account (see below). Fidelity will provide an updated statement to each ASAP individual quarterly that shows the newly deposited funds and how they were invested.

This information will provide the following for each individual:

1. The amount actually transferred to the Participant's designated ASAP account(s) (i.e., 4% of plan compensation[2]).

2. The overall investment performance of the allocated funds during the period reported.

Employee Investment Options

Each participant in ASAP will have the option to select and invest in one or more Fidelity mutual funds from the group below. The selection in each mutual fund will be specified in percentages of the total converted balance and future contributions. Forms to select the mutual funds for balance transfer and future contributions will be mailed to all ASAP eligible employees prior to April 1, 2001.

The employees will be able to invest in any or all of the following specific mutual funds in any category:

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[2] After 1 October 2005, the Plan compensation used for determining Company Contributions under the Plan is defined as the employee's actual paid base salary, awards, and bonuses, but excludes any EWW, shift differential, or overtime and shall not exceed such an amount as provided under the IRC §401(a)(17) limits indexed annually.

Category	Mutual Fund
Money Market	Fidelity Retirement Money Market Portfolio
Core Fixed Income (Passive)	Fidelity U S Bond Index Fund
Large Cap Core Equity (Passive)	Fidelity Spartan U. S. Equity Index Fund
Large Cap Growth Equity	Fidelity Growth Company Fund Grantham Mayo Van Otterloo (GMO) Growth III Fund
Large Cap Value Equity	Fidelity Equity Income Fund
Mid/Small Cap Growth Equity	Morgan Stanley Institutional Fund Trust Mid- Cap Growth Portfolio
Mid/Small Cap Value Equity	Fidelity Low-Priced Stock Fund (Closed to new investors after 30 July 2004)
Mid/Small Cap Value Equity	Lord Abbett Small-Cap Value Y Stock Fund
International Equity	Fidelity Diversified International Fund
Lifecycle Funds:	
Group Nearest Retirement	Fidelity Freedom Income Fund
Group Nearing Retirement	Fidelity Freedom 2005 Fund
Group Nearing Retirement	Fidelity Freedom 2010 Fund
Mid-Career Group	Fidelity Freedom 2015 Fund
Mid-Career Group	Fidelity Freedom 2020 Fund
Early/Mid Career Group	Fidelity Freedom 2025 Fund
Early/Mid-Career Group	Fidelity Freedom 2030 Fund
Group Early in Career	Fidelity Freedom 2035 Fund
Group Early in Career	Fidelity Freedom 2040 Fund
Group Early in Career	Fidelity Freedom 2050 Fund

The ASAP participant will not incur any fees above and beyond the annual fees charged to the retail investor for at least five years. There will not be any loads on any funds offered in the plan, nor any minimum balance requirements. Some funds may have redemption fees for short holding periods.

Fidelity will provide quarterly statements to the ASAP participant.

Default Account

In the absence of a mutual fund allocation selection by an ASAP participant, the participant's transfer balance will be invested in the Fidelity Freedom Fund appropriate to the individual's age and expected retirement date. In the absence of an allocation selection for future contributions, the employee's future contributions will also be invested in the appropriate Freedom Fund.

Rollover and Statement Consolidation

ASAP participants will have the option to roll over other qualified retirement account funds for investment with Fidelity after July 1, 2001. Fidelity will provide a single, consolidated statement for ASAP, rolled-over accounts, and funds invested with Fidelity in Aerospace's Voluntary Annuity/Account Plan.

COLLECTING BENEFITS

Contributions and any earnings or losses are distributed to the employee's account or their beneficiaries if they go on long-term disability or upon termination of employment due to a reduction in force, retirement, or death. Distributions are allowable in lump sum or through systematic withdrawals. A payment will be made in a single lump sum as soon as administratively feasible after termination of employment, if requested. If the employee goes on long-term disability, or terminates due to a reduction

in force, retirement, or death, the Corporation's final contributions are made based on the base salary paid through the date of long term disability, or termination due to a reduction in force, retirement, or death.

All distributions of Company Contributions may be rolled over directly into an Individual Retirement Arrangement (IRA) or into another employer's eligible retirement plan.

Participants have the option of leaving the money in ASAP if they terminate employment with the Corporation as long as their account value is over $5,000.

OTHER PROVISIONS

Age 59-1/2 Distributions

An employee who is age 59-1/2 or older is eligible to withdraw vested ASAP benefits. Only one withdrawal can be made in a Plan Year. All withdrawals are subject to income tax and some may be subject to penalty taxes. Distributions may be eligible for rollover to an IRA or another employer's plan.

Qualified Domestic Relations Orders (QDRO) – Distributions

A QDRO is a court order that assigns all or part of an employee's ASAP benefit to an alternate payee (e.g., former spouse). Currently, an alternate payee can receive a distribution prior to the employee's termination of employment, retirement, or death.

SECTION 16. AEROSPACE EMPLOYEES' RETIREMENT PLAN (AERP)
(For Individuals Hired Prior to 1/1/93 (AERP1) and After 4/1/05(AERP2) or who hired Before 4/1/05 and After 1/1/93 and made choice

The Aerospace Employees' Retirement Plan (Plan) is a defined benefit plan. Pension benefits from AERP are paid entirely by The Aerospace Corporation. Aerospace puts money into a trust fund that pays benefits to retirees and survivors. The fund is managed by professional investors and is insured by the Pension Benefit Guarantee Corporation (PBGC).

The AERP consists of two parts: the Fixed Benefit and the Variable Benefit. Participants accrue benefits in both.

OPTIONAL CONTRIBUTIONS

Effective March 31, 2003, the AERP Optional Contributions Plan will be frozen. No new contributions are allowed. Current balances remain in AERP, and participants retain the current investment options (112 Fidelity funds). The participants may withdraw their investments as a lump sum or as a deferred annuity at termination of employment or retirement.

Effective April 1, 2003, in-service withdrawals are allowed at any age (earnings are subject to excise tax if withdrawn prior to age 59 ½). Rollover of the participant's investment into the new After-Tax Savings Option is allowed.

ELIGIBILITY

Individuals hired prior to 1/1/93 became participants and were eligible to accrue benefits under AERP1 after 12 consecutive months of employment. Full-time and part-time employees hired after 4/1/2005 become eligible to accrue benefits under AERP2 starting on 10/1/2005. There was a one-time option between 1 July 2005 and 30 July 2005 for employees hired before 1 April 2005 to start accruing future benefits under the AERP Plan. All casual and temporary employees will accrue benefits under the

AERP2 plan starting on 10/1/2005 after being paid for 1000 hours during the plan year as long as they are still employed by Aerospace at the end of the plan year. Employees in AERP2 who start Long Term Disability (LTD) after 1 October 2005 will have no Plan Compensation and will not accrue AERP2 benefits while on LTD.

VESTING

Individuals are vested after completing five years of service. Special rules apply for reductions-in-force. The five year vesting will be waived for all individuals who were hired before 1 April 2005 and who opt to start accruing future benefits under the AERP Plan.

FIXED BENEFIT

This benefit defines a specific dollar income during your retirement based on your salary and length of service. This benefit may be increased up to 2 percent annually (cost-of-living adjustment) each January 1, for retirees and 10/1 for active employees depending on changes in the consumer price index during the Plan year ending the preceding September 30. This adjustment applies to the Fixed Benefit only.

VARIABLE BENEFIT

This benefit consists of a portfolio of diversified investments and is expressed in terms of units rather than dollars. Retirement income from this fund depends on annual fund performance, your salary, and length of service. Benefits from this fund fluctuate with the market value of the portfolio of investments both before and after retirement. The dollar value of the units changes each year depending on investment gains and losses. The accrual process produces a monthly benefit at retirement.

ACCRUAL OF BENEFITS

PRIOR TO OCTOBER 1, 2005 AERP1 ONLY

Fixed Benefit

The employee's Plan Compensation is calculated by adding 25% of the monthly salary in effect as of the first day of the Plan year (October 1) and 75% of the monthly salary in effect on the following January 1. To determine monthly salary, the weekly salary is multiplied by 52 and the result is then divided by 12. For full time employees[3] who participate in the Plan for the entire Plan Year (2000 hours or more), the formula for the Fixed Benefit is:

0.5% of Plan monthly salary, up to $800
plus
1.0% of Plan monthly salary, over $800

Variable Benefit

1.0% of Plan monthly salary as defined above, divided by the purchase value of a variable unit on September 30 at the end of the Plan year.

AFTER OCTOBER 1, 2005, AERP1 ONLY

[3] If the individual is employed for the entire Plan year but works less than 1,000 hours of service, the individual will accrue no benefits for the Plan year. If the individual becomes a Plan participant or terminates employment during the Plan year, the benefits will be prorated on the basis of a fractional year of service. If the individual is a Plan participant during the entire Plan year but worked less than 2,000 hours, the accrued benefit will be a ratable portion of the full benefit.

The benefit accrued is based on Eligible Plan Compensation and the Integration level (for the fixed benefit). Plan Compensation includes base pay, variable pay such as performance recognition payments and awards. *It does not include compensation for extended workweek, overtime or shift differentials.*

Fixed Benefit

The integration level for an annual fixed benefit accrual under AERP 1 is fixed at $9,600 and the formula is:

0.5% of Eligible Plan Compensation up to $9,600
Plus
1.0% of Eligible Plan Compensation in excess of the integration level

Variable Benefit

The annual variable unit accrual is determined as follows:

1.0% of Eligible Plan Compensation divided by the purchase value of a variable unit on the last day of the Plan Year.

After October 1, 2005 AERP 2 Only

For employees hired after 1 April 2005 and those hired before 1 April 2005 who opt to accrue future benefits under the AERP 2 Plan, the benefit accrued is based on Eligible Plan Compensation and the integration level (for the fixed benefit). Plan Compensation includes base pay, variable pay such as performance recognition payments and awards. It does not include compensation for extended workweek, overtime or shift differentials.

Fixed Benefit

The integration level for the Fixed Benefit is 50% of the Social Security Wage Base at the beginning of the Plan Year and the formula for the annual accrual of the Fixed Benefit is:

0.25% of Eligible Plan Compensation up to the integration level (50% of the Social Security Base Wage (currently $97,500 (2007))
plus
0.5% of Eligible Plan Compensation over the integration level (50% of the Social Security Base Wage (currently $97,500 (2007))

Variable Benefit

The annual variable unit accrual is determined as follows:

0.5% of Eligible Plan Compensation divided by the purchase value of a variable unit on the last day of the Plan Year.

PRERETIREMENT SURVIVOR ANNUITY (PRSA)

If a vested employee dies before retirement, the spouse may be eligible to collect pension benefits. The benefit is available as long as there is a spouse who has not waived the coverage. There is a cost for this coverage for eligible participants in the plan prior to 1 October 2005, which results in a permanent reduction to the total accrued benefits. After 30 September 2005, the AERP Plan will pay the cost of the coverage for all AERP Plan participants who were in active status on October 1, 2005. Eligible

terminated participants who left the company before October 1 will continue to have the PRSA charge deducted from their pension.

If an employee dies before age 55, the PRSA is one-half the amount (less the cost of the coverage) that would have been paid had the employee retired as a former employee with the Spousal 50-percent Joint and Survivor Annuity in effect on the first of the month after reaching age 55. The employee's spouse is not eligible to receive payments until the date the employee would have reached age 55.

If an employee dies after age 55, the PRSA is one-half the amount (less the cost of the coverage) that would have been paid to the employee had the employee retired the first of the month after the employee's death with the Spousal 50-Percent Joint and Survivor Annuity in effect. The monthly pension benefit payable to the employee's spouse may begin immediately.

SURVIVORS' INCOME BENEFIT (SIB)

No new SIB participants will be allowed as of 1 October 2005. If an employee elected SIB coverage and dies, benefits normally are available as a monthly benefit of 25% of base monthly salary to the spouse or dependent child. The cost of the coverage is shared by the employee and Aerospace, and premium payments are made in the form of payroll deduction. The full cost of SIB will be paid by the participants as of October 1, 2005. Benefits as a percentage of salary are reduced after age 65.

RETIREMENT

AERP1 Participants

AERP1 participants may begin collecting benefits as early as age 55. If an employee retires from active employment as a fully vested Plan Participant on or after age 62, there is no reduction in benefits. Benefits are reduced for early retirement.

AERP1 participants who elected to change to AERP 2 will have two separate AERP accruals. Benefits accrued prior to 1 October 2005 under AERP1, will be payable in full at age 62 when retiring from active service. AERP2 benefits will be payable in full at age 65.

The following table illustrates the percentage of accrued benefits a fully vested Plan Participant in AERP1 may receive upon retiring from active service before age 62.

AERP1 Retirement Benefit for Employees Retiring from Active Service

Age at Retirement	Percent of Retirement Benefit
55	59
56	64
57	69
58	74
59	79
60	86
61	93

62	100
63	100
64	100
65	100

These are examples of percentages of the monthly benefits payable at age 65, earned to the date of retirement.

If an employee leaves the Corporation before retirement, the employee becomes a vested terminee and is entitled to receive his/her full retirement benefit at age 65. A vested terminee may receive his/her benefit as early as age 55. As shown in the table below, if a vested terminee elects to receive his/her retirement benefit before age 65, the benefit will be reduced for each year the vested terminee's retirement precedes his/her normal retirement date at age 65.

AERP Retirement Benefit for Vested Terminee's

Age at Retirement	Percent of Retirement Benefit
55	45.4
56	49.3
57	53.1
58	57.0
59	60.8
60	66.2
61	71.6
62	77.0
63	84.0
64	91.5
65	100.0

These are examples of percentages of the monthly benefits payable at age 65, earned to the date of retirement.

There are five annuity payment options available: Single Life Annuity (SLA), Ten Year Certain and Life Annuity (10YCL) and Joint and Survivor (J & S) 50, 75 and 100% Annuity options. The SLA and 10YCL are based upon the employee's age and the J & S annuities are calculated based on the age of the survivor and beneficiary. The J & S 50% benefit is the automatic payment option for someone who is married at retirement unless the spouse signs a waiver.

AERP2 Participants

AERP2 participants who hired on or after April 1, 2005 or opted into AERP2 may begin collecting benefits as early as age 55. If an employee retires from active employment as a fully vested Plan Participant on or after age 65, there is no reduction in benefits. Benefits are reduced for early retirement. The following table illustrates the percentage of accrued benefits a fully vested Plan Participant may receive upon retiring from active service before age 65.

AERP2 Retirement Benefit for Employees Retiring from Active Service

Age at Retirement	Percent of Retirement Benefit
55	50
56	55
57	60
58	65
59	70
60	75
61	80
62	85
63	90
64	95
65	100

These are examples of percentages of the monthly benefits payable at age 65, earned to the date of retirement.

If an employee leaves the Corporation before retirement, the employee becomes a vested terminee and is entitled to receive his/her full retirement benefit at age 65. A vested terminee may receive his/her benefit as early as age 55. As shown in the table below, if a vested terminee elects to receive his/her retirement benefit before age 65, the benefit will be reduced for each year the vested terminee's retirement precedes his/her normal retirement date at age 65.

AERP Retirement Benefit for Vested Terminee's

Age at Retirement	Percent of Retirement Benefit
55	45.4
56	49.3
57	53.1
58	57.0
59	60.8
60	66.2
61	71.6
62	77.0
63	84.0
64	91.5
65	100.0

These are examples of percentages of the monthly benefits payable at age 65, earned to the date of retirement.

PORTFOLIO A

Retired bargaining unit members have an annual opportunity in August of each year to transfer from the Variable Benefit Fund to a more conservative fund option, called "Portfolio A." Once elected, the decision to change is irrevocable.

The primary objective of this fund is to provide a stable and acceptable market rate of return. The secondary objective is preservation of capital. Portfolio A is a managed portfolio of short to intermediate bonds with investment guidelines as follows:

a. A majority of the portfolio will be invested in U.S. Treasury or U.S. Government securities backed by the full faith and credit of the U.S. Government.

b. The balance will be invested in U.S. corporate bonds rated AA or better.

c. Bonds in the portfolio will be restricted to those having maturity of no more than (10) years and the average portfolio maturity will be no less than five (5) years.

TERMINATION

Individuals who terminate employment and have a present value of less than $10,000 may receive a lump sum from the Plan.

SECTION 17. VOLUNTARY ANNUITY/ACCOUNT PLAN (VA/AP)

The VA/AP program offers an opportunity to supplement the employee's retirement income by authorizing the Corporation to set aside a portion of weekly salary through a salary reduction agreement. Salary deferrals are made on a pre-tax basis (pursuant to Internal Revenue Code section 403(b)), thereby reducing federal and state income taxes. Employees may invest salary deferrals in their choice of the following insurance and mutual fund companies.

a. Insurance Companies

   1. Prudential Asset Management Company, Inc

   2. Teachers' Insurance and Annuity Association– College Retirement Equities Fund (TIAA-CREF)

b. Mutual Fund Companies

   1. Fidelity Investment Services

   2. Scudder Investor Services, Inc.

   3. T. Rowe Price Trust Company

   4. Vanguard (Effective January 1, 2004)

Participation may begin after the first week of employment.

Participants may change the selection of investment companies receiving weekly deferrals at any time. Participants may also change the selection of funds or investment options within each investment company. This is subject to the conditions of the investment company involved and is done directly with the investment company.

Participants may transfer funds between investment companies. Participants must contact the investment company that they want to transfer to. The Company will help the participant complete the appropriate documents. If an account is not open with the new investment company, the participant must complete an account application. By following prescribed procedures, these transfers do not have Federal income tax consequences.

Under Federal and most state income tax regulations, deferrals to VA/AP and investment earnings are not taxed until the participant receives them. The participant may leave salary deferrals and earnings in the

account until retirement or until the participant withdraws them, starting no later than age 70½ and retired, according to the current Treasury Regulations.

SECTION 18. AFTER-TAX SAVINGS OPTION

Effective April 1, 2003, all bargaining unit employees have the option of making (after-tax) IRS 401(a) contributions to the After-Tax Savings Option independent of their hire date. These contributions are funded entirely by the individual employee.

The employee may invest in any or all of the following specific mutual funds in any category:

Category	Mutual Fund
Money Market	Fidelity Retirement Money Market Portfolio
Core Fixed Income (Passive)	Fidelity U S Bond Index Fund
Large Cap Core Equity (Passive)	Fidelity Spartan U. S. Equity Index Fund
Large Cap Growth Equity	Fidelity Growth Company Fund Grantham Mayo Van Otterloo (GMO) Growth III Fund
Large Cap Value Equity	Fidelity Equity Income Fund
Mid/Small Cap Growth Equity	Morgan Stanley Institutional Fund Trust Mid-Cap Growth Portfolio
Mid/Small Cap Value Equity	Fidelity Low-Priced Stock Fund (Closed to new investors)
Small Cap	Lord Abbett Small Cap Value Y Stock Fund
International Equity	Fidelity Diversified International Fund
Lifecycle Funds:	
Group Nearest Retirement	Fidelity Freedom Income Fund
	Fidelity Freedom 2005 Fund
Group Nearing Retirement	Fidelity Freedom 2010 Fund
	Fidelity Freedom 2015 Fund
Mid-Career Group	Fidelity Freedom 2020 Fund
	Fidelity Freedom 2025 Fund
Early/Mid-Career Group	Fidelity Freedom 2030 Fund
	Fidelity Freedom 2035 Fund
Group Early in Career	Fidelity Freedom 2040 Fund
Group Early in Career	Fidelity Freedom 2050 Fund

Administration of the program, including initiating or changing payroll deductions, selecting investment options, and transfers between investment options, is handled by Fidelity. Fidelity will provide each participant with quarterly reports of his/her account activity, including gains and losses.

Participation is through payroll deductions only and is limited to 1% increments of salary. No lump sum contributions are allowed. However, rollovers are allowed.

For bargaining unit employees, the maximum annual contribution is the lesser of

a. 25% of salary paid during the Plan Year (October 1 through September 30)

b. $44,000 (includes company contributions to ASAP) as of October 1, 2006.

In-service withdrawals are allowed, with the earnings subject to excise tax if the withdrawal is made prior to age 59 ½. Lump sum or monthly, quarterly, or annual systematic withdrawals are allowed upon termination of employment or retirement.

SECTION 19. WORK-LIFE PROGRAM

The Work-Life Program provides Aerospace employees and retirees and their families personal information and resource consultations for work/life services and professional counseling. Coverage includes the following:

1. Five (5) visits per individual with a professional counselor for help in dealing with emotional concerns like job stress, anxiety, or problems with drugs and alcohol.

2. Toll-free phone access to a counselor 24 hours a day everyday.

3. On-site counselor at El Segundo office.

4. Website access.

5. Child care referral service.

6. Lactation program for nursing mothers

7. Adult/Eldercare referral service.

8. Enhanced adult/eldercare service if purchased.

9. Legal assistance, including:

    a. Free phone consultation with licensed attorney

    b. Free referral to a local attorney who has experience in handling similar cases

    c. 30-minute no-charge face-to-face consultation with attorney

    d. 25% discount on additional legal services

10. Chronic condition support

11. Financial services

12. Convenience referral service

13. On-line information and searchable databases

14. Personal and professional development seminars

15. Wellness seminars

APPENDIX G

EMPLOYMENT-RELATED PROGRAMS

SECTION 1. COMMUTER SERVICES

Commuter Services consists of a vendor-operated vanpool-only program as well as support for utilization of rapid mass transit by employees.

Employee Subsidies

The company will reimburse employees for their documented, actual costs of using a qualified commuter highway vehicle up to the maximum IRS limit. Currently that limit is at $110.00 per month. Reimbursement for this aspect of the program will be made through payroll accounting following processes established by commuter services.

The company will reimburse employees for their documented, actual costs of using qualified mass transit, up to the maximum IRS limit, currently $110.00 per month. Reimbursement for this aspect of the program is made through vouchers or similar arrangements following practices established by Commuter Services.

To qualify for any of these reimbursements, employees must meet the requirements of IRS Code Section 132 and related regulations for qualified commuter expense.

Corporate Funded Van Pool Support Services

The Corporation provides corporate-funded (except as noted) support services to the Vanpool Program participants consisting of the following:

a. Negotiation of rates and terms of service with vendors (including providing utilization guarantees if needed to mitigate significant future rate increases),

b. Fuel attendant and gas (at unburdened cost, charged against the Transition Fund or billed to vanpool operators),

c. Driver medical exams,

d. Guaranteed ride home if a late meeting causes the rider to miss the van or for family/personal emergencies,

e. Disabled access cost subsidy,

f. Preferential parking,

g. Vanpool "fairs" (as needed),

h. Orbiter classified ads, and

i. In-house route re-alignment assistance during the transition from the Aerospace-operated program.

Bargaining unit employees who are left without transportation from their designated place of work to their place of residence after normal work hours by management request and who avail themselves of commercial transportation to their place of residence shall not be denied reimbursement for the cost of said transportation.

SECTION 2. ROTH IRAS

A Roth IRA is a valuable supplement to other long-term retirement savings plans. The employees' contributions to Roth IRAs are post-tax. Roth IRA assets grow tax-free and the participant never has to pay income taxes on proper withdrawals. Roth IRAs are an especially valuable savings plan for younger employees.

Roth IRA contributions are subject to IRS Adjusted Gross Income (AGI) limits. Fidelity discontinued this for new enrollments

Grandfathered employees may invest their Roth IRA contributions in Fidelity Investment Services' funds. The Corporation will provide for Fidelity Roth IRA deductions via payroll, effective in calendar year 2000. The employee must first set up an account with Fidelity. Enrollment kits can be obtained by calling Fidelity. Once Fidelity receives the completed enrollment kit, they will notify the Aerospace Payroll Department to start deductions.

If this is a new account with Fidelity and the employee contributes $12.50 or less a week, the employee will be limited to a reduced set of Fidelity funds. If the employee opens an account with a $500 initial deposit, the employee may contribute to any of the Fidelity funds currently available under VA/AP.

There is a maximum weekly deduction, even if started mid-year. Additional contributions may be made through Fidelity via personal check.

SECTION 3. TRADITIONAL IRAS

A Traditional IRA provides important tax advantages for retirement investors. A Traditional IRA provides tax-deferred growth where any earnings and deductible contributions are sheltered from taxes until withdrawal. Tax-deductible contributions are subject to retirement plan participation and AGI limits.

The maximum annual contribution is $2000 per person per tax year (in aggregate to both a Traditional IRA and a Roth IRA). The maximum contribution will increase effective January 1, 2002, to: $3,000 for a participant under the age of 50, and $3,500 for a participant age 50 or older.

There are provisions for penalty-free withdrawals. However, distributions must start by age 70½.

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