

December 20, 2013

Mr. Tom Wroblewski
District 751 President
The International Association of Machinists and Aerospace Workers
9125 15th Place S.
Seattle, WA 98108-5100

Mr. Bob Petroff
District Lodge W24 - Gladstone Office
25 Cornell Avenue
Gladstone, Oregon 97027

Dear Tom & Bob,

Enclosed please find Boeing's best and final offer as provided to you and IAM 751 leadership last Thursday, Dec. 12. Additional attachments are included that clarify specific language on the modifications to the November 8 offer.

Enclosed:

- Summary
- LOU 42
- LOU 777X
- Seniority Progression Increase
- Joint Wages Committee
- Lump Sum Payments and Ratification Bonus
- Dental

Sincerely,

A handwritten signature in black ink, appearing to read "Stanley Deal". The signature is written in a cursive, flowing style.

Stan Deal

cc: Rich Michaelski

**Proposal from Boeing Company to The
International Association of Machinist and Aerospace Workers (IAM)
Local Nos. 751, W24 and 70
December 12, 2013**

Duration: 8-year extension (9/16 – 9/24)

Wages

- General wage increases (GWI) 1% 9/9/16, 0, 1% 9/7/18, 0, 1% 9/11/20, 0, 0, 1% 9/8/23
- \$10,000 signing bonus paid within 30 days of ratification; additional \$5,000 lump sum bonus paid in January 2020
- Starting with the 2017 AMPP program year, incentive target increases to 3%, 6% max payout (2% - 4% today)
- Maintain ZOOM per current contract; Jointly evaluate progression
- Auto progression remains \$.50/hr each 6 months
- Continues current quarterly COLA with annual fold

Health Care and Insurance

- 1/1/17, increase employee medical plan cost sharing to 16%, as agreed in attached document “Option B”
- Dental annual maximum coverage per person increases to \$2,500 in 2020, and then \$3,000 in 2024
- Language to allow necessary plan changes to avoid ACA excise tax. For active employees, the Company will make plan design and contribution changes in a manner that will maintain the negotiated cost share of 16%.
- For an employee hired or rehired on or after November 8, 2013, and who is not a participant in the BCERP, the Company will provide a \$15,000 disability insurance benefit in the event the employee becomes disabled and satisfies the conditions that would otherwise have qualified for a disability retirement benefit under the BCERP.

Retirement

- Effective date of ratification, fully vest all active employees in pension
- Effective date of ratification, new hires/rehires get new DC contribution of 4% each pay period in lieu of participation in DB pension
- 10/1/16, increase basic benefit to \$95/month (current schedule \$85 1/1/13, \$87 1/1/14, \$89, 1/1/15, \$91 1/1/16)
- 10/1/16, amend BCERP to provide for unreduced early retirement at age 58
- 10/31/16, pension accruals cease for current employees and the Company will cease all contributions to the Western Metal Industry Pension Fund
- 11/1/16, increase DC match to 75% of 8% for all employees, up from 50% of first 8% contributed today
- 11/1/16, adds new DC contribution of 10%; 11/1/17, 10%; 11/1/18, 6%; 11/1/19 and thereafter 4% each pay period for current employees in lieu of continued participation in DB pension
- Adds auto enrollment, auto escalation, ability to defer AMPP payments and advisor service features to the VIP and increases max contribution to 30%

Work Placement

- The Company agrees to locate the 777X wing fabrication and assembly, and final assembly and major components (Fabrication, interiors, wires) of the 777X in Puget Sound
- 737 MAX LOU 42 extended through 2024

1
2
3 **LETTER OF UNDERSTANDING NO. 42**

4 **SUBJECT: WORK PLACEMENT**

5 **737 Work Placement.**

6 The Union has inquired about the Company’s intentions to place production
7 work on the 737MAX program in Puget Sound. Independently, the
8 Company has been undertaking a thorough review of the 737MAX
9 program, including options for locating such work. The Company has
10 assessed those options in light of the economics set forth in its proposal to
11 extend the current Collective Bargaining Agreement for four (4) years, and
12 should those economics be achieved through a contract extension, the
13 Company will locate the 737MAX production work in Puget Sound. With
14 approval of the contract extension, the Company will produce the 737NG
15 models and 737MAX models in Renton, to the extent such production can
16 be feasibly completed in the current and existing 737 Renton production
17 facilities. The fabrication work currently being performed by bargaining
18 unit employees in support of the 737 production will be continued in their
19 current and existing facilities in Puget Sound and Portland – again, to the
20 extent such production can be feasibly completed in those current and
21 existing facilities.

22 **Wichita Tanker Work Placement.**

23 In the event the Company decides to place Tanker production work
24 currently performed in its Wichita facilities (or work of a similar type) in a
25 location other than Wichita, the Company agrees that such Wichita Tanker
26 production work will be performed in the Company’s current and existing
27 facilities in Puget Sound.

28 **P-8 Production Work Placement.**

29 The Company will continue production of the P-8 program in the
30 Company’s current and existing facilities in Puget Sound. The fabrication
31 work currently being performed by bargaining unit employees in support of
32 the P-8 production work in Puget Sound and Portland will be continued in
33 their current and existing facilities in Puget Sound and Portland, to the
34 extent such fabrication work can be feasibly completed in those current and
35 existing facilities.

36 **Everett Wide-Body Airplanes.**

37 The Company intends to continue production of wide-body airplanes in its
38 Everett facilities.

39 **Supplier Warranty Work.**

1 The amount of supplier warranty work required to be performed on 787
2 aircraft in inventory at Everett (e.g., PlaneTech employees performing
3 supplier warranty work), is higher than anticipated due to incomplete
4 deliveries and engineering changes. It is the Company's intent to
5 expeditiously reduce the amount of supplier warranty work at the
6 Company's Everett facilities, with a target of having minimal on-site work
7 not later than June, 2013. The Company will inform the Union in the Joint
8 Union/Boeing Council monthly meetings of plans and actions regarding
9 supplier warranty work.

10 **No Impact to Collective Bargaining Agreement.**

11 Except as expressly provided herein, nothing in this Letter of Understanding
12 supersedes or impacts any rights of the parties under the 2008-2012
13 Collective Bargaining Agreement and the 2012-2016 extension to the
14 Collective Bargaining Agreement, including but not limited to Article 2 and
15 Section 21.7. Nothing in this Letter of Understanding will impact the
16 Company's rights under Section 21.7 of the Collective Bargaining
17 Agreement to make strategic work placement decisions associated with a
18 condition of sale or market access, to subcontract or offload work due to
19 lack of capability or capacity, to subcontract or offload work to prevent
20 production schedule slippage, or to temporarily subcontract or offload work
21 due to emergent short term needs.

22 **Duration.**

23 This Letter of Understanding will become effective on the date that the
24 second contract extension and modification has been ratified by the
25 bargaining unit members ("effective date") and shall remain in full force
26 and effect ~~until assembly of the 737MAX commences in Renton until~~
27 September 12, 2024.

28

29

30 Dated: December 7, 2011 and January 2014

Letter of Understanding No. ____
777X Work Placement

If a second contract extension is approved by the bargaining unit on or before ~~November 8, 2013~~ (insert contract ratification date), the Company agrees to locate the 777X wing fabrication and assembly, ~~and final assembly,~~ and major components (fabrication, interiors, and wires) of the 777X in Puget Sound.

The Company will perform the final assembly of the 777X including 777X-8, 777X-9, and 777X-Freighter in Everett. The 777X wing fabrication and assembly work will be performed in Puget Sound. The parties agree that the Company may subcontract or outsource certain 777X wing fabrication and assembly work packages, in whole or part, in order to create capacity for other 777X work packages in the Puget Sound facilities, and/or to efficiently utilize those facilities to accomplish the production and assembly of the 777X.

Except as expressly provided, nothing in this Letter of Understanding supersedes or impacts any right of the parties under the 2008-2012 Collective Bargaining Agreement and the 2012-2016 extension to the Collective Bargaining Agreement, including but not limited to Article 2 and Section 21.7. Nothing in this Letter of Understanding will impact the Company's right under Section 21.7 of the Collective Bargaining Agreement to make strategic work placement decisions associated with a condition of sale or market access, and to subcontract or offload work due to lack of capability or capacity, to subcontract or offload work to prevent production schedule slippage, or to temporarily subcontract or offload work due to emergent short term needs. ~~Additionally, except as expressly provided, nothing in this Letter of Understanding will extend the duration of Letter of Understanding 42.~~

This Letter of Understanding will become effective on the date that the second contract extension has been ratified by the bargaining unit.

Dated: ~~November 8, 2013~~ January 2013

1
2
3
4
5

6 **ARTICLE 6**
7 **RATES OF PAY**

8 **Section 6.3 Base Rate Changes. (NO CHANGE)**

9 **6.3(a) Seniority Progression Increases.** On the Friday immediately
10 preceding their six (6)-month anniversary of the date of hire or date of
11 the last seniority progression increase, employees below the rate range
12 maximum for their labor grade shall, subject to such maximum, receive
13 a seniority progression increase to their base rate of fifty (50) cents.
14 Employees shall automatically progress to the base rate range
15 maximum upon their twelfth (12th) seniority progression increase.
16 Employees on approved leave of absence will continue to accrue time
17 toward their next six (6)-month progression increase for the first ninety
18 (90) days of the leave. Employees recalled from layoff within one (1)
19 year will be credited with any time they had prior to their layoff toward
20 their next six (6)-month progression increase.
21

Letter of Understanding No. ____
Joint Company/Union Wages Committee
Replaces the Joint Company/Union Minimum Rates Committee dated November 8, 2013

The parties are committed to ensuring that the wages set forth in Article 6 of the collective bargaining agreement enhance the Company's ability to attract employees. To support this goal, the parties agree to establish a Joint Company/Union Wage Committee (Committee). The Committee will have an equal number of representatives, including a co-chair, from each party.

The Committee will address areas of concern regarding wages outlined in section 6.2(a) Base Rate Ranges and section 6.3(a) Seniority Progression Increases.

The Committee will update the Joint Council on the Committee's activities and recommendations. If the Committee is unable to come to agreement regarding Committee activities or recommendations, the issue will be presented to the Joint Council. No changes to the provisions of Article 6 (sections 6.2(a) and section 6.3(a)) will be implemented except upon mutual agreement by the parties.

Nothing in this Letter of Understanding is subject to the grievance and arbitration procedure of Article 19.

Dated: January, 2014.

SUBJECT: LUMP SUM PAYMENTS AND RATIFICATION BONUS

The Company agrees to pay a lump sum payment to employees who on September 3, 2008 were covered by this Agreement and on (a) the active payroll on September 3, 2008 (including a leave of absence of ninety (90) days or less) or (b) approved military leave of absence on September 3, 2008 pursuant to Section 6.6(b), even if such military leave of absence is longer than ninety (90) days. The lump sum payment will be the greater of (a) ten (10) percent of their bargaining unit gross earnings during the period August 31, 2007, through September 4, 2008, less applicable withholding, or (b) \$5000, less applicable withholding. The lump sum payment will be paid within thirty (30) days of ratification of the Agreement. Bargaining unit gross earnings are defined as that portion of an eligible employee's total earnings while in the bargaining unit which is computed at the employee's base rate plus cost of living adjustment rate, military pay differential, shift differential rate, team leader premium and non-regular workweek premium rate, as applicable, on regular and overtime hours worked, overtime bonus hours, third shift bonus hours, sick leave hours, vacation hours, holiday hours, report time hours and leave with pay hours. All other payments to an employee, imputed or otherwise, including this payment, are excluded from bargaining unit gross earnings for purposes of computing the lump sum payment.

For employees covered by this Agreement and on (a) the active payroll on September 4, 2009 (including a leave of absence of ninety (90) days or less) or (b) approved military leave of absence on September 4, 2009 pursuant to Section 6.6(b), even if such military leave of absence is longer than ninety (90) days, the Company agrees to pay a lump sum payment of \$1500, less applicable withholding by December 1, 2009 (the "2009 Lump Sum Payment").

For employees covered by this Agreement and on (a) the active payroll on September 3, 2010 (including a leave of absence of ninety (90) days or less) or (b) approved military leave of absence on September 3, 2010 pursuant to Section 6.6(b), even if such military leave of absence is longer than ninety (90) days, the Company agrees to pay a lump sum payment of \$1500, less applicable withholding by December 1, 2010 (the "2010 Lump Sum Payment").

The 2009 Lump Sum Payment and the 2010 Lump Sum Payment may be diverted into the Voluntary Investment Plan without any employer matching contribution, at the employee's election and pursuant to procedures established by the Plan Administrator or its Delegate or Agent established for making such election. Any diversion of these lump sum payments shall

1 be subject to all limitations on employee contributions set forth in the
2 Voluntary Investment Plan, the Code and applicable Regulations.

3
4 The Company agrees to pay a lump sum payment of \$5,000, less applicable
5 withholding, to employees who are covered by the Collective Bargaining
6 Agreement and on (a) the active payroll on December 7, 2011, (including a
7 leave of absence of ninety (90) days or less); or (b) approved military leave
8 of absence pursuant to Section 6.6(b) of the Collective Bargaining
9 Agreement on December 7, 2011, even if such military leave of absence is
10 longer than ninety (90) days. The lump sum payment will be paid within
11 thirty (30) days of December 7, 2011.

12
13 The Company agrees to pay a lump sum payment of \$10,000, less
14 applicable withholding, to employees who are covered by the Collective
15 Bargaining Agreement and on (a) the active payroll on (insert second
16 contract extension ratification date) (including a leave of absence of ninety
17 (90) days or less); or (b) approved military leave of absence pursuant to
18 Section 6.6(b) of the Collective Bargaining Agreement on (insert second
19 contract extension ratification date), even if such military leave of absence
20 is longer than ninety (90) days, however, employees in the Wichita Unit as
21 described in Section 1.1(b) are not eligible for this lump sum payment. The
22 lump sum payment will be paid within thirty (30) days of (insert second
23 contract extension ratification date).

24
25
26 The Company agrees to pay a lump sum payment of \$5,000, less applicable
27 withholding, to employees who are covered by the Collective Bargaining
28 Agreement and on (a) the active payroll on January, 2020 date, (including a
29 leave of absence of ninety (90) days or less); or (b) approved military leave
30 of absence pursuant to Section 6.6(b) of the Collective Bargaining
31 Agreement on January, 2020, even if such military leave of absence is
32 longer than ninety (90) days, however, employees in the Wichita Unit as
33 described in Section 1.1(b) are not eligible for this lump sum payment. The
34 lump sum payment will be paid within thirty (30) days of January, 2020.

35
36
37
38
39
40 Dated: November 2, 2008 and December 7, 2011 and January 2014
41
42

You and your covered dependents may receive dental care from any licensed dentist or other licensed professional who is approved by the plan. However, your out-of-pocket costs generally will be lower if you use a network dentist.

Network Dental Plan Schedule of Benefits		
What you Pay	Network Provider	Nonnetwork Provider
Annual Deductible (based on the January 1–December 31 benefit year)	\$50 per individual; \$150 per family of 3 or more, but not more than \$50 for any individual; applies to all covered services and supplies, except as noted below	\$75 per individual; \$225 per family of 3 or more, but not more than \$75 for any individual; applies to all covered services and supplies, except orthodontia
Coinsurance Percentage		
Class I (diagnostics, preventive care, restorations using filling materials, oral surgery, periodontics, certain endodontics, and pedodontics)	100% of recognized fee (annual deductible does not apply to examinations, X-rays, cleanings, fluoride treatment, or fissure sealants)	80% of recognized fee after deductible is met.
Class II (restorations using crowns, inlays, or onlays)	80% of recognized fee	50% of recognized fee
Class III (prosthodontics)	60% of recognized fee	50% of recognized fee
Class IV (orthodontia)	50% of covered charges (deductible does not apply)	

Network Dental Plan Schedule of Benefits

What you Pay	Network Provider	Nonnetwork Provider
Annual Maximum Benefit (for Classes I, II and III)*	\$2,000 per individual (network and nonnetwork combined) <u>Effective January 1, 2020:</u> \$2,000 <u>\$2,500</u> per individual (network and nonnetwork combined) <u>Effective January 1, 2024:</u> \$2,000 <u>\$3,000</u> per individual (network and nonnetwork combined)	\$2,000 per individual (network and nonnetwork combined) <u>Effective January 1, 2020:</u> \$2,000 <u>\$2,500</u> per individual (network and nonnetwork combined) <u>Effective January 1, 2024:</u> \$2,000 <u>\$3,000</u> per individual (network and nonnetwork combined)
Lifetime Maximum Benefit (for Class IV)**	\$2,000 per individual (network and nonnetwork combined)	\$2,000 per individual (network and nonnetwork combined)