

From: Doug Kight

Sent: Tuesday, August 19, 2008 5:09 PM

Subject: IAM negotiations update – additional details of incentive pay proposal

****This message is being sent by Doug Kight, vice president of Human Resources, to all Managers and Human Resources employees in Washington, Oregon and Kansas****

IAM negotiations update – additional details of incentive pay proposal

In a negotiations steering team meeting with the IAM yesterday, Boeing provided additional details on a new incentive plan that rewards employees with yearly cash payments for improving financial performance, safety, quality and productivity. Highlights of the incentive pay plan are below.

Incentive plan – potential days of pay based on performance against targets

As reported in the July 21 negotiations update, Boeing began subcommittee discussions with the IAM on an incentive plan that could provide employees with cash payments each year if Boeing achieves targets for financial performance (as measured by Economic Profit, or EP), Quality (as measured by the Cost of Rework, Repairs and Scrap, or CoRRS) and Safety (as measured by Lost Work Day Case Rate, or LWDCR). Boeing has now presented more details, which are summarized in this [fact sheet](#) available on the 2008 negotiations Web site. We have also created a [presentation](#) that managers should share with their teams in meetings.

This plan awards days of pay based on performance against all three targets. If we meet our targets, the plan will provide 10 extra days of pay each year. If we exceed our targets, the plan will provide between 11 and 20 extra days of pay annually. If we fall below our targets, the plan will provide between 0 and 9 days of pay annually. The first potential payout would be in early 2010 based on our performance next year.

The entire bargaining unit will have the same targets, which will be set, evaluated and adjusted as needed each year. Targets will be shared with the union and employees when the targets are finalized.

Action for managers

We remain committed to presenting the IAM with our best and final offer before the Labor Day weekend, in response to the many requests we've received from employees to give them more time to review the contract with their families before voting on the offer.

Please print the incentive pay fact sheet and presentation to share with your teams (in meetings or as handouts) and ask employees to follow the negotiations at www.boeing.com/2008negotiations and review the information with their families. Also, please encourage your teams to vote on Sept. 3.

You are a vital part of our strategy to make these negotiations open and transparent, and we appreciate your continued leadership and support.

Doug