

LETTER OF UNDERSTANDING NO. 2

SUBJECT: FACILITIES MAINTENANCE SUBCONTRACTING

The Company and the Union have undertaken a joint review of subcontracting practices in the Facilities Maintenance and General Construction organizations at the Primary Locations covered by this Agreement. It has been determined that managing the unique subcontracting aspects of those organizations, including the cost effectiveness of subcontracting practices, can be improved by regularly reviewing subcontracting decisions, including work packages being subcontracted and let out to bid. Accordingly, the parties agree to develop a process to review subcontracting decisions at each Primary Location in order to determine whether work packages can be completed by hourly Facilities Maintenance and General Construction employees within budgeted costs and schedules. As part of this joint effort, the parties commit to furthering a work environment that creates operational effectiveness, continuous improvement, and competitiveness.

The Company will conduct a quarterly review with the Union to share status on the previous quarter's activities and to discuss opportunities to improve the joint review process.

In addition, the Company agrees that employees in Facilities Maintenance and General Construction organization as of September 23, 1999~~2008~~, will not be laid off as a direct result of Facilities Maintenance or General Construction subcontracting. This restriction does not apply in the event of a merger, sale, transfer, or other disposition of a plant or facility or operating unit thereof, or to temporary subcontracting necessary because of required equipment overhaul or repair, labor disruptions, or events beyond the control of the Company (acts of God, natural disasters, equipment failure, major accidents, etc.). In lieu of layoff, employees will be retrained and reassigned for available work outside the Facilities Maintenance and General Construction organization.

The Company may continue to subcontract Facilities Maintenance and General Construction work to be performed on Company property by outside workers provided that such work is of a type and character as has been so subcontracted in the past.

Disputes involving alleged violations of this Letter of Understanding shall be subject to the grievance and arbitration procedure provided for in Article 19 of this Agreement.