

MEMORANDUM ON EMPLOYMENT SECURITY

This Employment Security Plan (hereinafter, the "Plan") shall become effective on the Effective Date of the Agreement as set forth in Article XXIX, Section A(1), but subject to the terms and conditions of the Memorandum on Return to Work, and shall continue in full force and effect through and including the Termination Date of the Agreement, as set forth in Article XXIX, Section A(2).

- A. For the purposes of this Plan, Employment Security during the term of this Agreement is defined as a guarantee that no eligible plan employee will be laid off and each will be given the opportunity for 40 hours of work during each workweek. Hours paid but not worked (such as vacation, holidays, bereavement, and jury duty) and other hours not worked in any week due to employee action or discipline for cause will count toward the 40-hour work opportunity.
- B. Each employee who was employed by the Company in the bargaining unit as it existed on February 28, 2006 and returns to active employment on or after the Effective Date of the Agreement is eligible for Employment Security, except as provided in Paragraph D below.
- C. Employee(s) covered by this Plan will lose eligibility due to discharge for just cause and due consideration, as set forth in Article XI of the Agreement, or by reason of retirement, quit, death, or application of Paragraph D below.
- D. Employment Security for all covered employees shall continue unless and until one of the following events occurs:
 - i. A natural disaster, act of God, or governmental order which interferes with the continued operation of the department, facility or operation of the plant in which the employee is assigned. In such event, the Company may suspend Employment Security for those employees directly and immediately affected by the natural disaster, act of God, or governmental order. The Company shall return the affected employees to Employment Security eligibility upon restart of the department, operation or facility.
 - ii. After the filing of a petition in bankruptcy for reorganization or liquidation, if and only if the Court issues a final order allowing or directing the rejection of the Employment Security Plan. The Employment Security Plan shall remain in full force and effect pending the final decision of the Court, and any appeal therefrom, unless otherwise agreed to by the parties.
 - iii. In the event of severe financial difficulty short of bankruptcy, this Plan may be suspended upon thirty (30) days written notice, but only for the duration of such severe financial difficulty. Such severe financial difficulty must represent a clear and present danger to the Company's viability. Severe financial difficulty under this paragraph includes, but is not limited to, default on a loan agreement, or significant deterioration of equity in the Company. If a dispute arises regarding


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whether a severe financial difficulty exists, the parties will immediately convene arbitration pursuant to Paragraph E below. The parties commit to exercise best efforts to conclude the arbitration within the thirty (30) day notice period; however, notwithstanding this commitment, the Company may suspend the Employment Security Plan under this Paragraph D(iii) upon expiration of the thirty (30) day notice period and continuing thereafter during the pendency of such arbitration proceeding and related litigation.

- iv. The permanent shutdown or closure of a department in the Middletown Works or of a substantial portion thereof, in accordance with Article XXII, Severance, of the Agreement, provided that, in such event, only the actual number of employees directly and immediately affected by the shutdown or closure, and provided further that only the number of employees directly and immediately affected by the permanent shutdown or closure shall be subject to layoff. The parties explicitly recognize that an occurrence as described in this paragraph shall not suspend or negate the Employment Security guarantee for any eligible employees not directly and immediately affected by the permanent shutdown or closure.
- v. In the event of a strike or work stoppage covered by the Agreement, the Plan shall be suspended, but only for the duration of any such work stoppage.

E. Arbitration and Limitations

- i. Disputes arising under the Employment Security Plan are subject to arbitration as provided in the Agreement. Grievances involving such disputes shall be entered in Step II of the Grievance Procedure. The grievance will be expedited through the Step II hearing and, if appealed to arbitration, must be docketed, scheduled and heard within thirty (30) days of the date of appeal. Only disputes over the following issues shall be heard according to the above procedure:
 - Whether severe financial difficulties exist as defined in Paragraph D(iii);
 - Whether the Company has selected the correct number of employees directly and immediately affected as set forth in Paragraph D(iv).
- ii. Nothing in this Plan shall limit or restrict any employee's seniority rights to which the employee is entitled under the Agreement.
- iii. This Plan does not otherwise modify, expand or limit in any way whatsoever the parties' rights and obligations under the contracting out provisions of the Agreement except as expressly set forth herein.

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