

**Aerospace Employees' Retirement Plan for
Participants in the New Combined Retirement Program - AERP 2**

**Employees who hired on or after April 1, 2005; or who chose to participate in
The Combined Retirement Program**

Revised: 2/12/08

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Introduction

This document is a Summary Plan Description (SPD) describing the relevant provisions of the Aerospace Employees' Retirement Plan (AERP), a defined benefit pension plan that is qualified under the provisions of Internal Revenue Code (IRC) Section 401, for those Participants who are considered AERP 2 Participants (as defined below). The AERP is designed to provide a monthly income benefit from a combination of fixed and variable benefits during your retirement years. The Aerospace Corporation (Aerospace) pays the full cost of the retirement income benefit provided under the AERP; you are not required to make contributions. Before April 1, 2003, however, you may have made optional contributions to supplement Aerospace's contributions.

Effective Date

The effective date of this SPD is October 1, 2005. Certain provisions described in this document may not apply to Participants who terminated employment before the effective date.

Eligibility

All employees who were hired or rehired after March 31, 2005 and other employees who elected to switch to the new Combined Retirement Program (CRP) will participate in AERP as AERP 2 Participants.

Participation

The following summarizes the rules about participation in the AERP:

- If you were hired before April 1, 2005, and elected to participate in the CRP, or if you were hired after March 31, 2005 but before October 1, 2005, your participation in the AERP begins on October 1, 2005.
- If you are hired after September 30, 2005, your participation in the AERP begins on your hire date.

Benefits are accrued for each Plan Year from the date of your participation in the AERP.

Plan Year

A Plan Year begins October 1 of each year and ends on the following September 30.

Vesting

Eligibility

If you were hired or rehired on or after April 1, 2005, you become fully vested in your AERP benefit when you have completed five years of service.

“Vested” means you have a nonforfeitable right to your accrued benefits.

“Service” is the period of your employment, including breaks in service if they are less than one year.

| Completed Years of Service | Percent Vested |
|-----------------------------------|-----------------------|
| 0-4 | 0 |
| 5+ | 100 |

If you were hired before April 1, 2005 and elected to participate in the CRP, you will be fully vested in your AERP benefit.

Vesting in Optional Contributions

You are always 100 percent vested in your own contributions and earnings.

Break in Service

If you terminate employment and are not vested, your accrued benefit and years of service will be forfeited. Your accrued benefit and years of service may be restored if you are later rehired by Aerospace. Generally, you must return to employment with Aerospace before the fifth anniversary of the date of your termination.

Reduction in Force

If a reduction-in-force occurs, the affected AERP Participants shall become 100% vested in their accrued retirement benefit.

Explanation of Benefits

Aerospace provides you with a Retirement Plan Benefit which is composed of a Fixed Benefit and a Variable Benefit (or a Portfolio A Benefit).

Fixed Benefit

The Fixed Benefit defines a specific dollar income during your retirement based on your salary and length of service. This benefit may be increased up to two percent annually each January 1, by a cost-of-living adjustment (COLA) that depends 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

The Variable 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.

How Benefits Are Accrued

Benefits are accrued for each Plan year from the date of your participation in the AERP. Although as discussed later in the SPD, you may elect to receive your AERP benefit in one of several forms, the following illustrations of the determination of your accrued benefit reflect distribution in the form of a single life annuity as defined on page 12 of this SPD.

Eligible Plan Compensation

For purposes of the AERP, your Eligible Plan Compensation is the

compensation paid to you during the Plan Year (while a Participant). This compensation includes base pay, variable pay such as performance recognition payments, and awards. It is not reduced by the amount of pre-tax contributions to the 403(b) plan or Section 125 (medical, dental, vision, or flexible spending account) deductions. It also includes amounts paid while on short-term disability from the state of California or other insurance carrier. It does not include compensation for extended workweek, overtime, or shift differentials.

The IRS places limits on the amount of compensation that can be taken into account for purposes of determining benefits under the Plan. For the Plan year that began October 1, 2004, the limit is \$205,000. This limit may be adjusted for future years to reflect cost-of-living increases.

Integration Level

Your benefit accrual for each Plan Year is based on your Eligible Plan Compensation for the Plan Year and the Integration Level for that Plan Year. A higher accrual rate is provided above the Integration Level to coordinate with Social Security benefits that are weighted toward lower compensation levels. The Integration Level for AERP 2 is 50% of the Social Security Wage Base (“Wage Base”) at the beginning of the Plan Year. (The Wage Base is the maximum taxable amount for Social Security purposes. The amount increases annually based on the increase in the National Average Wage.)

Annual Fixed Benefit Accrual

You may accrue benefits for each Plan Year in which you participate in the AERP. Your annual Fixed Benefit accrual has two parts:

Base accrual: 0.25% of your Eligible Plan Compensation up to the Integration Level plus

Excess accrual: 0.50% of Eligible Plan Compensation in excess of the Integration Level

EXAMPLE: If your Eligible Plan Compensation is \$80,000 for the 2005 Plan Year and the Wage Base is \$90,000, your Annual Fixed Benefit Accrual will be:

| | |
|---|--------------------------------|
| Integration Level | 50% x \$90,000 = \$45,000 |
| Compensation up to Integration Level | \$45,000 |
| Compensation in excess of Integration Level | \$80,000 - \$45,000 = \$35,000 |
| A) Base accrual: | .25% x \$45,000 = \$112.50 |
| B) Excess accrual: | .50% x \$35,000 = \$175.00 |
| C) Total Annual Fixed Benefit Accrual (A + B) | \$112.50 + \$175.00 = \$287.50 |

Table 1 is a summary of Fixed Benefit accrual during full years of participation.

Table 1
Annual Fixed Benefit Accrual - AERP 2

| Years of Service | Plan Annual Salary ¹ | Integration Level (50% of SS Wage Base) ² | Annual Fixed Benefit Accrual | Cost of Living Increase ³ | Accumulated Annual Fixed Benefit (End of Plan Year) |
|------------------|---------------------------------|--|------------------------------|--------------------------------------|---|
| 1 | \$80,000 | \$45,000 | \$287.50 | \$0.00 | \$287.50 |
| 2 | 83,200 | 46,575 | 299.56 | 5.75 | 592.81 |
| 3 | 86,528 | 48,205 | 312.13 | 11.86 | 916.80 |
| 4 | 89,989 | 49,892 | 325.22 | 18.34 | 1,260.36 |
| 5 | 93,589 | 51,638 | 338.85 | 25.21 | 1,624.42 |
| 6 | 97,333 | 53,445 | 353.05 | 32.49 | 2,009.96 |
| 7 | 101,226 | 55,316 | 367.84 | 40.20 | 2,418.00 |
| 8 | 105,275 | 57,252 | 383.25 | 48.36 | 2,849.61 |
| 9 | 109,486 | 59,256 | 399.29 | 56.99 | 3,305.89 |
| 10 | 113,865 | 61,330 | 416.00 | 66.12 | 3,788.01 |
| 11 | 118,420 | 63,477 | 433.41 | 75.76 | 4,297.18 |
| 12 | 123,157 | 65,699 | 451.54 | 85.94 | 4,834.66 |
| 13 | 128,083 | 67,998 | 470.42 | 96.69 | 5,401.77 |
| 14 | 133,206 | 70,378 | 490.09 | 108.04 | 5,999.90 |
| 15 | 138,534 | 72,841 | 510.57 | 120.00 | 6,630.47 |
| 16 | 144,075 | 75,390 | 531.90 | 132.61 | 7,294.98 |
| 17 | 149,838 | 78,029 | 554.12 | 145.90 | 7,995.00 |
| 18 | 155,832 | 80,760 | 577.26 | 159.90 | 8,732.16 |
| 19 | 162,065 | 83,587 | 601.36 | 174.64 | 9,508.16 |
| 20 | 168,548 | 86,513 | 626.46 | 190.16 | 10,324.78 |
| 21 | 175,290 | 89,541 | 652.60 | 206.50 | 11,183.88 |
| 22 | 182,302 | 92,675 | 679.82 | 223.68 | 12,087.38 |
| 23 | 189,594 | 95,919 | 708.17 | 241.75 | 13,037.30 |
| 24 | 197,178 | 99,276 | 737.70 | 260.75 | 14,035.75 |
| 25 | 205,065 | 102,751 | 768.45 | 280.72 | 15,084.92 |

Total annual Fixed Benefit after 25 years of participation: \$15,084.92.

¹ Assuming 4% annual salary increases

² Assuming 3.5% annual Wage Base increases

³ Assuming 2% annual COLA

If you were hired before January 1, 1993 and had Fixed Benefit accruals under the AERP, those Fixed Benefit accruals (with annual COLA updates) will be added to your Fixed Benefit accruals you earn as an AERP 2 Participant.

Variable Benefit Accrual

Variable Benefits are expressed in units rather than dollar amounts. You may accrue variable units for each Plan Year in which you participate in the AERP. Your annual variable unit accrual is determined as follows:

0.5% of Eligible Plan Compensation as defined above, divided by the purchase value of a variable unit on September 30 at the end of the Plan Year.

EXAMPLE: If your Eligible Plan Compensation is \$80,000 for the 2005 Plan Year and the purchase value of a variable unit in effect at the end of the Plan Year was \$8.0000, your Variable Annual Unit Accrual for the Plan Year would be:

$$0.5\% \times \$80,000 / \$8.0000 = 50.00 \text{ units}$$

The purchase value is determined actuarially and changes each year. It is based on these factors:

- When Aerospace makes contributions to the AERP during the Plan Year
- The rate of return on Variable or Alternate Variable Benefit investments or Portfolio A during the Plan Year
- The payment value of a unit at the end of the current Plan Year

When you retire, the value of your accumulated Variable Benefit units is divided by 12 to determine your monthly Variable Benefit. That is, your accumulated units divided by 12 (reduced for early retirement, if applicable) multiplied by the payment value equals your monthly Variable Benefit. Because the unit value changes at the end of each Plan Year, the variable portion of your monthly benefit may go up or down each January 1.

Table 2 is an example of Variable Benefit accrual during full years of participation.

Table 2
Annual Variable Benefit Accrual – AERP 2

| Years of Service | Plan Annual Salary ⁴ | Variable Benefit Base | Assumed Purchase Value ⁵ | Variable Units Credited | Accumulated Annual Variable Units (End of Plan Year) |
|------------------|---------------------------------|-----------------------|-------------------------------------|-------------------------|--|
| 1 | \$80,000 | \$400.00 | \$8.0000 | 50.00 | 50.00 |
| 2 | 83,200 | 416.00 | 8.2400 | 50.49 | 100.49 |
| 3 | 86,528 | 432.64 | 8.4872 | 50.98 | 151.47 |
| 4 | 89,989 | 449.95 | 8.7418 | 51.47 | 202.94 |
| 5 | 93,589 | 467.95 | 9.0041 | 51.97 | 254.91 |
| 6 | 97,333 | 486.67 | 9.2742 | 52.48 | 307.39 |
| 7 | 101,226 | 506.13 | 9.5524 | 52.98 | 360.37 |
| 8 | 105,275 | 526.38 | 9.8390 | 53.50 | 413.87 |
| 9 | 109,486 | 547.43 | 10.1342 | 54.02 | 467.89 |
| 10 | 113,865 | 569.33 | 10.4382 | 54.54 | 522.43 |
| 11 | 118,420 | 592.10 | 10.7513 | 55.07 | 577.50 |
| 12 | 123,157 | 615.79 | 11.0738 | 55.61 | 633.11 |
| 13 | 128,083 | 640.42 | 11.4060 | 56.15 | 689.26 |
| 14 | 133,206 | 666.03 | 11.7482 | 56.69 | 745.95 |
| 15 | 138,534 | 692.67 | 12.1006 | 57.24 | 803.19 |
| 16 | 144,075 | 720.38 | 12.4636 | 57.80 | 860.99 |
| 17 | 149,838 | 749.19 | 12.8375 | 58.36 | 919.35 |
| 18 | 155,832 | 779.16 | 13.2226 | 58.93 | 978.28 |
| 19 | 162,065 | 810.33 | 13.6193 | 59.50 | 1,037.78 |
| 20 | 168,548 | 842.74 | 14.0279 | 60.08 | 1,097.86 |
| 21 | 175,290 | 876.45 | 14.4487 | 60.66 | 1,158.52 |
| 22 | 182,302 | 911.51 | 14.8822 | 61.25 | 1,219.77 |
| 23 | 189,594 | 947.97 | 15.3287 | 61.84 | 1,281.61 |
| 24 | 197,178 | 985.89 | 15.7886 | 62.44 | 1,344.05 |
| 25 | 205,065 | 1,025.33 | 16.2623 | 63.05 | 1,407.10 |

Total annual variable units after 25 years of participation: 1,407.10

If you were hired before January 1, 1993 and had Variable Benefit units accrued under AERP, those variable units will be added to the variable units you accrue as an AERP 2 Participant.

Monthly Benefits

Your monthly benefit is equal to your annual benefit divided by 12.

⁴ Assuming 4% annual salary increases

⁵ Assuming 3% annual purchase value increases

Benefit Payments During Retirement

Your annual normal retirement benefit assuming, for example, a current variable payment value of \$16.7500, would be:

| | |
|---|-------------------|
| Fixed Benefit | \$15,084.92 |
| Variable Benefit (1,407.10 units × \$16.7500) | <u>+23,568.93</u> |
| Total Retirement Benefit | \$38,653.85 |

Table 3 is a summary of annual benefit payments during retirement.

Table 3
Retirement Benefit Payments – AERP 2

| Year of Plan Retirement | Annual Fixed Benefit ⁶ | Assumed Variable Payment Value ⁷ | Annual Variable Benefit ⁸ | Total Annual Income |
|-------------------------|-----------------------------------|---|--------------------------------------|---------------------|
| 1 | \$15,084.92 | \$16.7500 | \$23,568.93 | \$38,653.85 |
| 2 | 15,386.62 | 17.2525 | 24,276.00 | 39,662.62 |
| 3 | 15,694.35 | 17.7701 | 25,004.28 | 40,698.63 |
| 4 | 16,008.24 | 18.3032 | 25,754.41 | 41,762.65 |
| 5 | 16,328.40 | 18.8523 | 26,527.04 | 42,855.44 |

These examples are based on the Single Life Annuity Option with no reduction for early retirement.

COLA and Unit Value Changes During Retirement

Annual changes in the monthly benefit payments will be effective January 1. Participants receive written notification of any change.

Prorating of Benefits for Partial Years

Your benefit accrual will always be based on your Eligible Plan Compensation which is the compensation paid to you during the Plan Year (while a Participant). If you terminate your employment during a Plan Year, your benefits will be based on the Eligible Plan Compensation you received prior to your termination date plus any variable pay such as performance recognition payments and awards paid for the Plan Year of your termination.

Limitations on Benefits

The IRS limits the maximum benefits that can be provided by the Plan and a combination of plans sponsored by the corporation or affiliated companies. If you are affected by this limit, your benefits may be reduced. You will be notified at retirement if this limitation applies to you.

Casual and Temporary Employee Status as of Each September 30

If you are in a Casual or Temporary status as of September 30, you must have been paid for at least 1000 hours of service in order to accrue any benefits for that Plan Year.

⁶ Assuming 2% COLA

⁷ Assuming 3% annual payment value increases. If the returns in the Variable fun are less than 4% for a given Plan Year, this would be reflected in a lower payment value. This would cause retiree Variable Benefit payments to decrease for the following calendar year.

⁸ Assuming 1,407.10 variable units

Leave of Absence

If you are granted an approved Leave of Absence, your benefit accrual will continue for 13 weeks or to the end of the absence, if earlier, provided you resume your employment with Aerospace. Your benefit accruals will be based on your last weekly base salary.

Long Term Disability (LTD)

If you are considered to be on LTD, you will no longer accrue benefits in the AERP. If you return to work as a regular full-time or part-time employee, your benefit accruals will resume from that date.

Collecting Benefits

General

Typically, you must terminate employment to begin receiving benefits from the AERP. While normal retirement age under the AERP is 65, you may elect to receive benefits as early as age 55 (earlier if the present value of your vested benefit is not more than \$10,000); however, your monthly income benefit will be reduced because your benefits will probably be paid for a longer period of time. If you retire as a fully vested AERP Participant on or after age 65, there is no reduction in benefits based on your age. In any event, the AERP requires that you begin receiving benefits on April 1 following the calendar year in which you turn age 70 ½.

Early Retirement Reduction

Table 4 illustrates examples of the percentage of AERP accrued benefits a fully vested AERP 2 Participant may receive (without regard to benefits accrued, if any, before October 1, 2005) upon retiring from active service before age 65.

If you were hired before January 1, 1993 and had benefit accruals under the AERP, your benefits accrued before October 1, 2005 are subject to a different early retirement reduction percentage under the AERP. To see the percentage of the pre-October 2005 accrued benefits a fully vested AERP Participant may receive upon retiring from active service before age 65, refer to Table 4 in the AERP 1 SPD.

Table 4
Early Retirement Factors for Active Employees – AERP 2

| Age of Participant at Retirement | | Percent/Factor of Retirement Benefits When Retiring From Active Employment | Age of Participant at Retirement | | Percent/Factor of Retirement Benefits When Retiring From Active Employment |
|----------------------------------|--------|--|----------------------------------|--------|--|
| Years | Months | | Years | Months | |
| 55 | 0 | 50.0% | 60 | 0 | 75.0% |
| | 1 | 50.4% | | 1 | 75.4% |
| | 2 | 50.8% | | 2 | 75.8% |
| | 3 | 51.3% | | 3 | 76.3% |
| | 4 | 51.7% | | 4 | 76.7% |
| | 5 | 52.1% | | 5 | 77.1% |
| | 6 | 52.5% | | 6 | 77.5% |
| | 7 | 52.9% | | 7 | 77.9% |
| | 8 | 53.3% | | 8 | 78.3% |
| | 9 | 53.8% | | 9 | 78.8% |
| | 10 | 54.2% | | 10 | 79.2% |
| 56 | 11 | 54.6% | 61 | 11 | 79.6% |
| | 0 | 55.0% | | 0 | 80.0% |
| | 1 | 55.4% | | 1 | 80.4% |
| | 2 | 55.8% | | 2 | 80.8% |
| | 3 | 56.3% | | 3 | 81.3% |
| | 4 | 56.7% | | 4 | 81.7% |
| | 5 | 57.1% | | 5 | 82.1% |
| | 6 | 57.5% | | 6 | 82.5% |
| | 7 | 57.9% | | 7 | 82.9% |
| | 8 | 58.3% | | 8 | 83.3% |
| | 9 | 58.8% | | 9 | 83.8% |
| 57 | 10 | 59.2% | 62 | 10 | 84.2% |
| | 11 | 59.6% | | 11 | 84.6% |
| | 0 | 60.0% | | 0 | 85.0% |
| | 1 | 60.4% | | 1 | 85.4% |
| | 2 | 60.8% | | 2 | 85.8% |
| | 3 | 61.3% | | 3 | 86.3% |
| | 4 | 61.7% | | 4 | 86.7% |
| | 5 | 62.1% | | 5 | 87.1% |
| | 6 | 62.5% | | 6 | 87.5% |
| | 7 | 62.9% | | 7 | 87.9% |
| | 8 | 63.3% | | 8 | 88.3% |
| 58 | 9 | 63.8% | 63 | 9 | 88.8% |
| | 10 | 64.2% | | 10 | 89.2% |
| | 11 | 64.6% | | 11 | 89.6% |
| | 0 | 65.0% | | 0 | 90.0% |
| | 1 | 65.4% | | 1 | 90.4% |
| | 2 | 65.8% | | 2 | 90.8% |
| | 3 | 66.3% | | 3 | 91.3% |
| | 4 | 66.7% | | 4 | 91.7% |
| | 5 | 67.1% | | 5 | 92.1% |
| | 6 | 67.5% | | 6 | 92.5% |
| | 7 | 67.9% | | 7 | 92.9% |
| 59 | 8 | 68.3% | 64 | 8 | 93.3% |
| | 9 | 68.8% | | 9 | 93.8% |
| | 10 | 69.2% | | 10 | 94.2% |
| | 11 | 69.6% | | 11 | 94.6% |
| | 0 | 70.0% | | 0 | 95.0% |
| | 1 | 70.4% | | 1 | 95.4% |
| | 2 | 70.8% | | 2 | 95.8% |
| | 3 | 71.3% | | 3 | 96.3% |
| | 4 | 71.7% | | 4 | 96.7% |
| | 5 | 72.1% | | 5 | 97.1% |
| | 6 | 72.5% | | 6 | 97.5% |
| 60 | 7 | 72.9% | 65 | 7 | 97.9% |
| | 8 | 73.3% | | 8 | 98.3% |
| | 9 | 73.8% | | 9 | 98.8% |
| | 10 | 74.2% | | 10 | 99.2% |
| | 11 | 74.6% | | 11 | 99.6% |
| | 0 | | | 0 | 100.0% |

These are percentages of the monthly benefits payable at age 65, earned to the date of retirement.

Reemployment After Retirement

If you retire and begin to receive benefits from the AERP, then return to work as a regular full-time or part-time employee, you must notify the Aerospace Employee Benefits Department. Your benefits accrued as an AERP 2 Participant will be suspended during the time you are working. You will accrue benefits under the CRP. When you terminate from Aerospace, you can make arrangements with the Aerospace Employee Benefits Department to resume your retirement benefits.

However, if you are rehired from retirement as a casual employee (casual employment is less than 1,000 hours in a Plan Year), you will continue to receive retirement benefits as well as your salary from Aerospace.

Vested Terminees

If you leave Aerospace before retirement, you must request in writing to receive pension benefits. You may receive your vested benefits as early as age 55. As shown in Table 5, if you elect to receive your vested retirement benefit before age 65, your benefit will be reduced for each month your retirement precedes your normal retirement date at age 65.

Table 5
Early Retirement Factors for Vested Terminees - AERP 2

| Age of Participant at Retirement | | Percent/Factor of Retirement Benefits When Retiring From a Vested Termination | Age of Participant at Retirement | | Percent/Factor of Retirement Benefits When Retiring From a Vested Termination |
|----------------------------------|--------|---|----------------------------------|--------|---|
| Years | Months | | Years | Months | |
| 55 | 0 | 45.4% | 60 | 0 | 66.2% |
| | 1 | 45.7% | | 1 | 66.6% |
| | 2 | 46.1% | | 2 | 67.1% |
| | 3 | 46.4% | | 3 | 67.5% |
| | 4 | 46.7% | | 4 | 68.0% |
| | 5 | 47.1% | | 5 | 68.5% |
| | 6 | 47.4% | | 6 | 68.9% |
| | 7 | 47.7% | | 7 | 69.4% |
| | 8 | 48.1% | | 8 | 69.8% |
| | 9 | 48.4% | | 9 | 70.3% |
| | 10 | 48.7% | | 10 | 70.7% |
| | 11 | 49.0% | | 11 | 71.1% |
| 56 | 0 | 49.3% | 61 | 0 | 71.6% |
| | 1 | 49.6% | | 1 | 72.0% |
| | 2 | 49.9% | | 2 | 72.5% |
| | 3 | 50.3% | | 3 | 73.0% |
| | 4 | 50.6% | | 4 | 73.4% |
| | 5 | 51.0% | | 5 | 73.9% |
| | 6 | 51.3% | | 6 | 74.3% |
| | 7 | 51.6% | | 7 | 74.8% |
| | 8 | 51.9% | | 8 | 75.2% |
| | 9 | 52.2% | | 9 | 75.7% |
| | 10 | 52.5% | | 10 | 76.1% |
| | 11 | 52.8% | | 11 | 76.6% |
| 57 | 0 | 53.1% | 62 | 0 | 77.0% |
| | 1 | 53.4% | | 1 | 77.5% |
| | 2 | 53.7% | | 2 | 78.1% |
| | 3 | 54.1% | | 3 | 78.7% |
| | 4 | 54.4% | | 4 | 79.2% |
| | 5 | 54.7% | | 5 | 79.8% |
| | 6 | 55.0% | | 6 | 80.4% |
| | 7 | 55.3% | | 7 | 81.0% |
| | 8 | 55.7% | | 8 | 81.6% |
| | 9 | 56.0% | | 9 | 82.2% |
| | 10 | 56.4% | | 10 | 82.8% |
| | 11 | 56.7% | | 11 | 83.4% |
| 58 | 0 | 57.0% | 63 | 0 | 84.0% |
| | 1 | 57.3% | | 1 | 84.6% |
| | 2 | 57.6% | | 2 | 85.3% |
| | 3 | 57.9% | | 3 | 85.9% |
| | 4 | 58.3% | | 4 | 86.5% |
| | 5 | 58.6% | | 5 | 87.2% |
| | 6 | 59.0% | | 6 | 87.8% |
| | 7 | 59.3% | | 7 | 88.5% |
| | 8 | 59.6% | | 8 | 89.1% |
| | 9 | 59.9% | | 9 | 89.7% |
| | 10 | 60.2% | | 10 | 90.3% |
| | 11 | 60.5% | | 11 | 90.9% |
| 59 | 0 | 60.8% | 64 | 0 | 91.5% |
| | 1 | 61.2% | | 1 | 92.2% |
| | 2 | 61.7% | | 2 | 92.9% |
| | 3 | 62.1% | | 3 | 93.6% |
| | 4 | 62.6% | | 4 | 94.3% |
| | 5 | 63.0% | | 5 | 95.0% |
| | 6 | 63.5% | | 6 | 95.7% |
| | 7 | 63.9% | | 7 | 96.5% |
| | 8 | 64.4% | | 8 | 97.2% |
| | 9 | 64.8% | | 9 | 97.9% |
| | 10 | 65.3% | | 10 | 98.6% |
| | 11 | 65.7% | | 11 | 99.3% |
| | | | 65 | 0 | 100.0% |

Note that early retirement benefits are greater for AERP Participants who retire from active employment than the early retirement benefits for AERP Participants who left Aerospace before retiring.

Forms of Payment Options

The AERP provides several payment methods to help meet your retirement needs. Your form of payment election cannot be changed after your actual retirement date.

Normal Payment Methods

Single Life Annuity: If you are unmarried when you begin to receive your benefit from AERP, you will automatically be paid under a Single Life Annuity unless you elect an optional payment method. Under this method of payment you receive a monthly benefit for the rest of your life. When you die, the payments stop and do not continue to anyone else.

Spousal 50 Percent Joint and Survivor Annuity: If you are married when you begin to receive your benefit from AERP, you will automatically be paid under a Spousal 50 Percent Joint and Survivor Annuity unless you elect another payment method. Under this method of payment you receive a lifetime monthly benefit. If you die before your spouse dies, he or she will receive half of your monthly pension for life. If your spouse predeceases you, you may not change your annuity payment option or your beneficiary.

Because this form of payment guarantees a monthly benefit for two lifetimes, the monthly benefit is less than a Single Life Annuity.

Other Payment Methods

In addition to the normal payment methods described above, any AERP Participant, whether married or single, may elect one of the following payment methods:

Joint and Survivor Annuity: Under this method of payment, you receive an actuarially reduced benefit for life, and your survivor will receive a percentage of your benefit for life. At the time you elect this optional payment method, you designate a person to receive a continuation of your benefit after you die. You also elect at that time the percentage of your benefit that will be continued after your death for the rest of your designated beneficiary's life. The amount which may be continued is 50 percent, 75 percent, or 100 percent of your benefit. The higher the percentage you choose to continue to your survivor, the less your monthly benefit will be while you are living. If your elected beneficiary predeceases you, you may not change your annuity payment option or your beneficiary.

Ten Year Certain and Life Annuity: Under this method of payment, you receive a benefit for your lifetime. Once benefit payments begin, if you die during the first 10 years, your beneficiary or beneficiaries will receive the same benefit you would have received for the balance of the 10-year period. Because of the 10-year minimum payout period, the monthly benefit is less than would be payable as a Single Life Annuity. If your elected beneficiary(ies) predeceases you during the 10-year period, you may elect a new beneficiary.

Lump Sum Payment: If the present value of your vested benefit is \$1,000 or

less and you are vested, your benefit will be paid automatically to you in a lump sum after you terminate from Aerospace. If the present value of your vested benefit is between \$1,000 and \$10,000, you may elect to receive a lump sum payment anytime after termination. However, if you are married, your spouse must consent in writing to the lump sum distribution. You cannot receive a lump sum payment if you have begun receiving monthly benefits payments.

The AERP is required by Federal law to withhold a mandatory 20-percent Federal tax withholding and a 2% California tax withholding for California residents from most lump-sum distributions unless the money is rolled over “directly” into an Individual Retirement Arrangement (IRA) or into another employer’s eligible retirement plan. For further information, you may request a copy of the “Notice Regarding Special Tax Rules” from the Aerospace Employee Benefits Department.

***Spousal Consent Requirements:* If you are married when you retire, spousal consent is required if you select any option other than the Spousal 50 Percent Joint and Survivor Annuity.**

Applying for Benefits

Procedure

When you are ready to retire, contact the Aerospace Employee Benefits Department two months prior to your anticipated retirement date. Your benefit options will be calculated after you have given written notice of retirement. At that time you will be asked to select the method of payment that will determine your monthly retirement income benefit.

Preretirement Survivor Annuity (PRSA)

Eligibility

If you should die after being vested but before your retirement benefit as an AERP Participant commences, your eligible spouse will be eligible for the Preretirement Survivor Annuity (PRSA) with respect to that benefit. This benefit is provided at no charge to you.

An eligible spouse is the individual to whom you are married at the time of your death, unless a Qualified Domestic Relations Order names a former spouse as the eligible spouse for the portion of the PRSA to which he or she is entitled.

Benefit Amount

If you die after age 55, the PRSA is one-half the amount that would have been paid to you had you retired the first of the month after your death with the Spousal 50 Percent Joint and Survivor Annuity in effect. The monthly pension benefit payable to your spouse may begin immediately.

If you die before age 55, the PRSA is one-half the amount that would have been paid to you had you 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. Your spouse is not eligible to receive payments until the

date you would have reached age 55. Your spouse must contact the Aerospace Employee Benefits Department to initiate payment.

In both instances, however, the benefit is payable monthly for the duration of your spouse's life.

Choices After Retirement

Portfolio A Benefit

All retirees, including those retired from vested terminated status, and survivors of deceased retirees, have the option to transfer Variable Benefit units to Portfolio A during a specified enrollment period each year. Once elected, the decision to change is irrevocable.

Portfolio A pays the variable portion of the retirement benefits from a separate investment portfolio of short-term bonds. The primary objective of this fund is to minimize fluctuations of retirement income. The secondary objective is the preservation of capital. Portfolio A operates under the following investment guidelines:

A majority of the portfolio will be invested in US Treasury or US Government securities backed by the full faith and credit of the US Government. The balance will be invested in US corporate bonds rated AA or better. Bonds in the portfolio will be restricted to those having maturity of no more than ten years and the average portfolio maturity will be no more than five years.

Election of Portfolio A occurs in August of each year and is effective the following Plan Year. When elected, Variable Benefit units that have been credited to you are converted to Portfolio A units. They are then transferred to Portfolio A as of September 30 following the enrollment period in which elected. When the next Plan Year ends, credited units are valued based on the performance of Portfolio A for that Plan Year.

EXAMPLE:

| | |
|--|--------------------|
| Election of Portfolio A Benefit during annual enrollment period | August 1-31, 2005 |
| Conversion of Variable Benefit units and transfer to Portfolio A Benefit (after any Plan Year benefit accrual) | September 30, 2005 |
| Close of Plan Year for which election of Portfolio A Benefit was effective | September 30, 2006 |
| Payments (or appearance on statement of benefits) of the Portfolio A Benefit | January 1, 2007 |

To convert your accrued Variable Benefit units to Portfolio A Benefit units, first convert them to dollars by multiplying them (after any Plan year benefit accrual) by the Variable Payment value at the close of the Plan year when elected. Then convert the dollars to Portfolio A Benefit units by dividing them by the Portfolio A payment value at the close of the Plan year when elected.

Qualified Domestic Relations Orders (QDRO)

Notwithstanding the prohibition against assigning or pledging a Participant's benefit, applicable law requires that the Plan provide for the creation, assignment, or recognition of a right to any benefit payable with respect to an AERP Participant pursuant to a domestic relations order.

For a domestic relations order to be a QDRO, the following information and documentation is required, at a minimum, for the Plan Administrator to approve and sign a QDRO for the AERP.

The order *must*:

- Use the correct name of the AERP
- Provide the name, social security number, date of birth and address for the AERP Participant
- Provide the name, social security number, date of birth and address for alternate payee
- Give the amount, percentage or formula to determine the portion of the AERP Participant's benefits to be paid to the alternate payee
- Indicate the type of annuity option selected by the alternate payee
- Give a date to separate benefits
- Provide appropriate signatures on a judgment, decree or order which is then filed in a court of law

The order *cannot*:

- Assign benefits that have already been assigned to another alternate payee
- Exceed the amount to which the AERP Participant is otherwise entitled
- Require payment to be made before the AERP Participant's earliest retirement age (55)
- Require a form of payment not provided for under the terms of the AERP

The order *may*:

- Provide for cost of living increases for the alternate payee
- Address what happens in the event of the death of the AERP Participant and alternate payee before or after benefit collection

It is the responsibility of the parties in the dissolution or divorce to obtain jurisdiction over the AERP, if such action is required under relevant local law. Without jurisdiction over the AERP, it will not be possible to enforce a QDRO. A representative in the Office of the General Counsel will assist the Plan Administrator in reviewing the DRO to determine whether or not it is qualified. Subsequent to this review, a letter will be sent to the AERP Participant and alternate payee notifying them of the Plan Administrator's determination.

A copy of the Plan's domestic relation orders checklist is available at no charge on written request to the Plan Administrator.

Other Information

AERP Continuation

The company intends to continue the AERP, but reserves the right to amend, change, modify, or terminate the AERP at any time. Any amendment (this includes changes and modifications) of the AERP will be made upon recommendation of the President and approval by the Board of Trustees of the Company. Any amendment, change, modification, or termination, however, will not affect the benefit that you have earned at the time of the amendment, change, modification, or termination. Your retirement benefits are insured by the Pension Benefit Guaranty Corporation (PBGC) established under the Employee Retirement Income Security Act of 1974 (ERISA).

AERP Termination

The company may at any time, by action of its Board of Trustees:

- Discontinue the AERP
- Discontinue contributions under the AERP
- Partially terminate the AERP
- Completely terminate the AERP

In any of the above events, the right of all affected employees to benefits accrued to the date of discontinuance, partial termination, or termination to the extent funded under allocation as set forth below, are nonforfeitable.

Allocation of Benefits: Following the payments of all expenses, all remaining assets, if any, will be allocated in the following order:

1. To pay any AERP Participant or retired AERP Participant who is making or has made Optional Contributions, or their beneficiary(s) an amount equal to the sum of such contributions to the Fidelity Investments standing to his or her credit on the date the AERP was discontinued, together with interest, dividends, and capital gains and losses experienced by these funds to such date.
2. To provide the following retirement income benefits:
 - a. In the case of the benefit of an AERP Participant or beneficiary who was in Retirement pay status as of the beginning of the three year period ending on the termination date of the AERP, to provide each such benefit, based on the provisions of the AERP (as in effect during the five year period ending on such date) under which such benefit would be the least. (For this purpose the lowest benefit in pay status during a three year period is the benefit in pay status for the period.)
 - b. In the case of an AERP Participant's or beneficiary's benefit that would have been in Retirement pay status as of the beginning of such three year period if the AERP Participant had retired prior to the beginning of the three year period and if his benefits had commenced (in the normal form of annuity under the AERP) as of the beginning of such period, to provide each such benefit based on the provisions of

the AERP (as in effect during the five year period ending on such date) under which such benefit would be the least.

3. To provide:
 - a. All other benefits, if any, of individuals under the AERP guaranteed under Title IV of the Employee Retirement Income Security Act of 1974 (ERISA); (determined without regard to Section 4022(b)(5) of ERISA), and
 - b. The additional benefits, if any, which would be determined under ERISA if Section 4022(b)(6) of ERISA did not apply.
4. To provide all other nonforfeitable benefits under the Plan not specified above, in the following order or priority:
 - a. To provide retirement income benefits in the full amount to retired AERP Participants, or to the contingent annuitants or beneficiaries thereof, without reference to the order in which they retired, except for benefits with respect to an AERP Participant who retires at an early retirement date that precedes the termination of the AERP by less than 1 year, which benefits shall be deemed to fall within paragraph (b) below.
 - b. To provide retirement income benefits to all other AERP Participants at their normal retirement dates, in the amounts accrued to them hereunder on the date of such discontinuance or termination of employment, whichever date is applicable.
5. To provide all other benefits under the AERP. Upon any termination of the AERP if the assets are insufficient to provide for all benefits stated in the order or precedence in which they appear above, the benefit for each person in such group for which the assets are insufficient shall be reduced in the proportion that the assets bear to the cost of full benefits for all persons in such group.
6. Upon termination of the AERP if the assets are more than sufficient to provide for all benefits herein above stated, the remainder of the assets in the trust fund shall be paid to the U.S. Government.

Pension Benefit Guaranty Corporation (PBGC)

Your pension benefits under the AERP are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency. If the AERP terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits.

The PBGC guarantee generally covers: (1) Normal and early retirement benefits; (2) disability benefits if you become disabled before the plan terminates; and (3) certain benefits for your survivors.

The PBGC guarantee generally does not cover: (1) Benefits greater than the maximum guaranteed amount set by law for the year in which the plan terminates; (2) some or all of benefit increases and new benefits based on plan provisions that have been in place for fewer than five years at the time the plan terminates; (3) benefits that are not vested because you have not worked long enough for the company; (4) benefits for which you have not met all of the requirements at the time the plan terminates; (5) certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at the plan's normal retirement age; and (6) non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money your plan has and on how much the PBGC collects from employers.

For more information about the PBGC and the benefits it guarantees, ask your plan administrator or contact the PBGC's Technical Assistance Division, 1200 K Street N.W., Suite 930, Washington, D.C. 20005-4026 or call 202-326-4000 (not a toll-free number). TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's Web site on the Internet at <http://www.pbgc.gov>.

Administrative Facts

Aerospace is the Plan Sponsor and has adopted the Aerospace Employees' Retirement Plan (AERP) to cover employees hired after a certain date. The Plan Year ends on September 30, and records are maintained on a Plan Year basis. The Aerospace Employee's Retirement Plan is a defined benefit plan.

Plan Administrator

The AERP is administered by the Employee Benefits Department of The Aerospace Corporation at 2350 East El Segundo Boulevard, El Segundo, CA 90245, under the direction of the Principal Director of Human Resources (Charlotte M. Lazar-Morrison), the Plan Administrator. The Plan Administrator's telephone number is 310.336.6728.

Funding/Trustee

The AERP is funded by a trust agreement and all AERP assets are held in a trust with The Northern Trust Company, 50 South La Salle Street, Chicago, IL 60675.

Company contributions are accumulated in the AERP's trust fund, which has been established for the exclusive benefit of AERP Participants and beneficiaries. Generally, benefits from the AERP are payable by the Trustee at the direction of the Plan Administrator.

Service of Process

Gordon J. Louttit is designated as the agent for service of legal process. Mr. Louttit is the General Counsel and his address is The Aerospace Corporation at 2350 East El Segundo Boulevard, El Segundo, CA 90245. The Plan Administrator, Charlotte M. Lazar-Morrison, may also receive service of legal process.

Employer Identification Number and Plan Number

The Employer Identification Number assigned to Aerospace is 95-2102389. The Plan Number assigned to the AERP Plan is 001.

Benefit Denials

If your application for benefits is denied in part or in whole, the Plan Administrator will advise you of the reason for the denial, your right to appeal, and the appeal procedure. Generally the Plan Administrator will respond to your application within 90 days, unless special circumstances require additional time. The 90 day period may be extended an additional 90 days if the plan administrator determines that the extension is needed due to special circumstances. If an extension is needed, you will be notified before the 90 day extension period begins.

Appealing a Benefit Denial

If you want to appeal a denial of your application for benefits, you should submit a written appeal to the Plan Fiduciaries in care of the Aerospace Employee Benefits Department. You must state the reason for the appeal. Your appeal must be received by the Benefits Department within 60 days after you receive the notice of denial of your benefit application. The written appeal will be given to the Plan Fiduciaries (Chief Financial Officer, Treasurer, and the Aerospace Employees' Retirement Plan Committee). The fiduciaries will conduct a full and fair review of the decision denying your claim.

After the review, you will be advised in writing of the fiduciaries' decision. The fiduciaries will generally respond to your appeal within 60 days. The 60-day period may be extended an additional 60 days if the fiduciaries determine that the extension is needed due to special circumstances. If an extension is needed, you will be notified before the 60-day extension period begins.

General Information

Copies of the AERP documents and any other materials pertaining to the AERP are available for review at a nominal charge. If you wish to see any of these documents, please contact the Aerospace Employee Benefits Department at 310.336.5107.

You will receive notice of any changes in the benefits provided by the AERP described in this booklet. This SPD is furnished to you at no charge.

The complete AERP is described in the AERP document, which is available to you upon request. In case of a conflict between the AERP document and this SPD, or if any point is not covered, the AERP document will govern.

All questions relating to the interpretation of the AERP, eligibility of employees, and the amount of benefits payable in each individual case will be determined by the Plan Administrator in accordance with provisions of the AERP.

You may call the Aerospace Employee Benefits Department if you have any questions about the AERP. This SPD is not an employment contract or an offer to enter into an employment contract, nor does it constitute an agreement by the corporation to continue to maintain the plan described or referred to herein.

Amendment, Change, Modification, or Termination of Plan

Although Aerospace intends to continue the AERP, Aerospace reserves the right to amend, change, modify, or terminate the AERP at any time. Prior to amending, changing, modifying, or terminating the AERP, the Plan Administrator will review with appropriate members of management, Vice Presidents and Senior Vice Presidents, as well as the President, any proposal to amend, change, modify or terminate the plan. AERP amendments that include benefit modification(s) that exceed \$250,000 per year and the cumulative cost impact of such benefit modifications made during one Plan Year exceeding \$1,000,000 will be made upon recommendation of the President and approved by the Board of Trustees. The Board will be notified about AERP amendments that do not exceed the amounts set forth in the preceding sentence.

When required, or in the discretion of the President (or his designee), proposal(s) to amend, change, modify, or terminate the AERP will be submitted to the Board of Trustees (or responsible Board Committee) for review and appropriate action. Unless the decision to amend, change, modify, or terminate the AERP requires action by the Board of Trustees, the Plan Administrator, subsequent to the review process described in this paragraph, will be authorized to make the final decision to amend, change, modify, or terminate the AERP.

The determination of whether any decision to amend, change, modify or terminate the AERP requires action by the Board of Trustees will be made by reference to the terms of the insurance contract or other document relating to the provision of AERP benefits. If the contract or document is silent on this point, the Plan Administrator will be deemed to have the authority to amend, change, modify, or terminate the AERP without requiring any action by the Board of Trustees. During the process described in this paragraph, Aerospace will comply with all applicable agreements that affect employee benefits. Aerospace's decision to amend, change, modify, or terminate the AERP may be due to changes in Federal or state laws governing welfare benefits, the requirements of the IRC, the requirements of the Employee Retirement Income Security Act of 1974 (ERISA), the provisions of a contract or a policy involving an insurance company, or for any other reason.

Your ERISA Rights

As a Participant in AERP you are entitled to certain rights and protections under (ERISA). ERISA provides that all AERP Participants shall be entitled to:

Receive Information About the AERP and Benefits

Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites and union halls, all documents governing the AERP, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration.

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the AERP, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated SPD. The Plan Administrator may make a reasonable charge for the copies.

Receive a summary of the AERP's annual financial report. The Plan Administrator is required by law to furnish each Participant with a copy of this summary annual report.

Obtain a statement telling you whether you have a right to receive a pension at age 65 and if so, what your benefits would be at normal retirement age if you stop working under the plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every twelve (12) months. The AERP must provide the statement free of charge.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for AERP Participants ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan Participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the AERP and do not receive them within 30 days, you may file suit in a

Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the AERP's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. If it should happen that AERP fiduciaries misuse the AERP's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about the AERP, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Pension and Welfare Benefits Administration.