Qualified Domestic Relations Orders (QDRO)

Notwithstanding the prohibition against assigning or attaching an AERP Participant's account, 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 (DRO).

A DRO assigns all or part of a Plan Participant's retirement benefits to a spouse, former spouse, child, or other dependent. All DROs received by representatives of The Aerospace Corporation will be immediately sent to the Plan Administrator. For a DRO to be a QDRO, it must be approved by the Plan Administrator and include the following information:

The following procedures ("QDRO Procedures") will be used to determine whether a domestic relations order or proposed domestic relations order (each a "DRO") received by The Aerospace Employees' Retirement Plan (the "Plan") is a qualified domestic relations order ("QDRO") under section 206(d)(3)(B)(i) of the Employee Retirement Income Security Act ("ERISA") and section 414(p) of the Internal Revenue Code (the "Code").

The purpose of the QDRO Procedures is to establish reasonable and consistent procedures for determining the qualified status of a DRO, interpreting the terms of a DRO that is determined to be a QDRO and making distributions pursuant to a QDRO. The Administrator of the Plan is responsible for administering the QDRO Procedures.

1. <u>Notice Upon Receipt of DRO</u>. Promptly after the Plan receives a DRO, the Administrator will notify the participant and each alternate payee of the receipt of the DRO and will deliver to the participant and each alternate payee copies of the QDRO Procedures, the Plan's summary plan description and any summaries of material modifications. The term "alternate payee" means any spouse, former spouse, child or other dependent of a participant who is recognized by a DRO as having a right to receive all, or a portion of, the benefits payable under the Plan with respect to the participant. Each participant and alternate payee shall be permitted to designate a representative to receive copies of notices and other communications that are sent by the Administrator to the participant and alternate payee with respect to a DRO.

2. <u>Suspension of Benefits Upon Receipt of DRO</u>. Promptly after receipt of a DRO (including a revised DRO that has been submitted after the Administrator has determined that a previously submitted DRO is not a QDRO), the Administrator will notify the Plan's trustee of the receipt of the DRO and will account separately for the amount of the participant's benefit that is (or may be) subject to the DRO and will suspend the participant's right to receive any distribution under the Plan to the extent the Administrator deems necessary to comply with the DRO. This "hold" on the payment of a participant's benefits shall remain in place until the status of the DRO as a QDRO is finally determined (by the Administrator, the court or otherwise), provided, however, that the hold will not last longer than 18 months from the date on which a payment would first be required to be made to an alternate payee under the DRO (or from the date that the Plan receives the DRO if no payment date is specified).

3. Review of DRO. The Administrator will review a DRO within a reasonable time following receipt by the Plan to determine its qualified status and will complete a QDRO Checklist with respect to each DRO received, unless the Administrator decides that it is unnecessary to complete a QDRO Checklist to determine the qualified status of a DRO (*e.g.*, in the case of a DRO that is obviously not a QDRO,). A copy of the current version of the QDRO Checklist is attached, but the administrative committee of the Plan can change the checklist at any time as it deems necessary or appropriate. Based on this review, the Administrator will determine whether the DRO is a QDRO. Generally, a DRO will be determined to be a QDRO only if it meets all of the following requirements:

   a. It is issued by a court pursuant to state domestic relations law (including community property law).

   b. It relates to the provision of child support, alimony payments or marital property rights for a spouse, former spouse, child or other dependent of the participant.

   c. It designates an alternate payee and creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to, receive all or a portion of the benefits payable with respect to the participant under the Plan.

   d. It specifies all of the following information:

      (i) the full name of the Plan and any other plan to which it applies;

      (ii) the amount or percentage of the participant's vested benefit to be paid to the alternate payee, or the manner in which the amount or percentage is to be determined;

      (iii) the number of payments or period of time to which it applies; and

      (iv) the name and last known mailing address of the participant and the name and mailing address of each alternate payee covered by the DRO.

   e. It does not require the Plan to provide any type or form of benefit, or any option, not otherwise provided under the Plan.

   f. It does not require the Plan to provide increased benefits (determined on the basis of actuarial value). A DRO does not require a Plan to provide increased benefits if it only provides for the payment of benefits to which the participant would be entitled in the absence of the DRO.

   g. It does not require the payment of benefits to an alternate payee that are required to be paid to another alternate payee named under another QDRO.

   h. It provides that the alternate payee may elect among available payment options under the Plan (or indicates the type of annuity option elected by the alternate payee to the extent such information is necessary to determine the amount or percentage of the participant's vested benefit to be paid to the alternate payee), provided, however, that the Plan cannot be required to pay benefits to an alternate payee in the form of a qualified joint and survivor annuity for the lives of the alternate payee and his or her subsequent spouse.

i. It does not require payment to be made before the participant's "earliest retirement age" (as defined in section 206(d)(3)(E)(ii) of ERISA and 414(p)(4)(B) of the Code) (*i.e.,* the participant's attainment of age 55).

j. It specifies the date as of which benefits are to be separated.

k. It addresses what happens in the event of the death of the participant or alternate payee before and after benefit payments commence.

4. <u>Determination That a DRO Is Not a QDRO</u>. If the Administrator determines that a DRO is not a QDRO:

   a. The Administrator will notify the participant and each alternate payee of the decision promptly after the determination and provide a written explanation of the reasons why the DRO is not a QDRO, including references to any applicable Plan provisions upon which the Administrator's decision is based.

   b. If the Administrator determines that a DRO is not a QDRO within the 18-month period referenced above and the Administrator has reason to believe that a party will seek to cure the defects in the DRO, the Administrator may (but is not required to) account separately for amounts payable under the DRO and continue the hold on distributions to the participant for up to 12 months beginning on the date the Administrator notifies the alternate payee that the DRO is not a QDRO (but in no event shall such hold be maintained beyond the expiration of the maximum 18-month period described in Section 2 above). If a revised DRO is not presented to the Administrator by the deadline specified in the preceding sentence, or if after the 18-month period has expired the Administrator has not resolved the issue of whether the DRO is qualified, the Administrator will cease accounting separately for the amounts payable under the DRO, lift the hold on distributions and process any distribution requests submitted by the participant in the same manner as if there had been no DRO. The submission of a revised DRO will begin a new hold on the payment of the participant's benefits as described in Section 2 above. Notwithstanding the foregoing, however, the Administrator will continue the hold on the payment of the participant's benefits during the period the Administrator determines to be necessary to fulfill its fiduciary duties under the Plan.

5. <u>Determination That a DRO Is a QDRO</u>. If the Administrator determines that a DRO is a QDRO:

    a. The Administrator will notify the participant and each alternate payee in writing that the DRO is a QDRO promptly after the determination. Any hold on the distribution of benefits to the participant will be lifted, and amounts will be paid pursuant to the QDRO.

    b. If the QDRO requires immediate payment, the Plan will pay the designated amounts as soon as administratively feasible after the alternate payee completes and returns all required forms and provides all information requested by the Administrator. If the Plan cannot make a distribution promptly after the determination of the qualified status of a QDRO, the Administrator will advise the parties of the delay, the reasons for the delay and the date by which the Plan expects to make payment. If the QDRO required the Plan to pay any amounts during the determination period, such payment will be actuarially adjusted from the date of the required payment through the anticipated date of actual payment.

    c. If the participant dies before his or her "earliest retirement age" (as defined in section 206(d)(3)(E)(ii) of ERISA and 414(p)(4)(B) of the Code), the alternate payee shall be entitled to benefits only if the QDRO requires survivor benefits to be paid to the alternate payee.

    d. If payments are to be made to an alternate payee before the participant retires, payments will be computed by taking into account only the benefits actually accrued as of the date that payments commence and by actuarially adjusting such benefits based on the actuarial factors specified in the Plan.

    e. If an alternate payee begins receiving benefits under a QDRO and the participant subsequently retires with subsidized early retirement benefits, the QDRO may specify that the amount payable to the alternate payee is to be recalculated so that the alternate payee also receives a share of the subsidized benefit to which the participant is entitled. Unless the QDRO so specifies, however, the amount payable to the alternate payee will not be recalculated following the participant's retirement.

    f. Any determination that a DRO is a QDRO after the expiration of any hold placed on the payment of a participant's benefits will be applied prospectively only and will not require payment to an alternate payee of any benefits previously paid to the participant. Neither the Plan nor The Aerospace Corporation nor any of its or their trustees, fiduciaries, employees, representatives or agents will be liable to any participant, beneficiary or alternate payee, or any party claiming by or through them, for amounts released from a hold or otherwise paid in accordance with the QDRO Procedures.

    g. Each alternate payee is entitled to file with the Plan a beneficiary designation in the same manner as a participant.