

Company's Proposed Platform for Discussions 2008 IAM Negotiations May 9, 2008

We have a tremendous opportunity to conduct these 2008 negotiations with the IAM differently than in the past. The company has experienced unprecedented success in the market and recognizes that employees have worked hard to achieve continuous productivity gains. The strength of our order backlog, in terms of its spread over the product line and geographic diversity of customers, creates an opportunity to increase the company's stability in our cyclical industry. At the same time, our competition in the aerospace and services market remains fierce. The challenge we collectively face – the company, the IAM and employees – is to sustain this momentum. If we succeed together, we'll stay competitive, fulfill our customer commitments and provide good jobs for generations to come.

We intend for these negotiations to be open and transparent. We have begun conversations early to resolve issues sooner and move away from last-minute bargaining. This document serves as a platform for our discussions with the IAM. As we discuss, listen, and seek to understand each others' positions, we want to be respectful and continue talking when we disagree. Ultimately, we seek solutions that are in the best interest of employees, our customers, our communities and our company.

Pay and Benefits

Providing an outstanding pay and benefits package to employees enables the company to attract and retain the talented people who build, support, and improve the world's finest aerospace products. We want to continue to provide (1) wages for manufacturing employees that are well-positioned relative to the market, (2) health care plans that provide employees and their dependents with excellent medical, dental, and vision care at lower costs to employees than most other large companies; and (3) a premium retirement program that offers employees an opportunity for significant income replacement at retirement.

At the same time, we need to recognize that any increased costs cannot be passed on to our customers through pricing of our products and services. We continue to face relentless competition from Airbus, EADS, Northrop Grumman, Lockheed Martin and other aerospace companies. All costs associated with increased wages and benefits must be covered by productivity increases throughout our operations over the life of the new collective bargaining agreement and beyond.

In furtherance of those objectives, we look forward to further discussions with the IAM about the following issues:

Rates of Pay: We have provided the IAM with information about our rates as compared with rates in the market. The market data reflects that we should discuss increasing the minimum rates (and how that should be accomplished). However, the market data also reflects that our maximum rates exceed what most other companies pay.

Our minimum rates should be aligned with market realities so we can attract and retain the best new talent. For our maximum rates, we need to look at various options that will allow us to continue to pay our IAM-represented employees these very competitive wages. Some of the options that we want to talk about include general wage increases that would not impact our market-leading maximum rates; alternative ways to deliver compensation to employees at maximum rates; modifying our current COLA structure; and progression increases.

Incentive Pay: The company wants employees to share in our success. We will work with the IAM to explore ways that employees can be rewarded for helping to sustain our success by continuously improving productivity. We have gained our record-breaking backlog by taking on an imperative to improve productivity, day in and day out. Productivity improvements cannot be accomplished without the engagement and inclusion of everyone on our team.

We intend to look at options that would allow employees to earn additional pay through a performance-based incentive pay plan. Our discussions will focus on identifying metrics that will permit us to develop an incentive plan that supports a culture of continuously improving productivity and enhancing performance.

Retirement Plans: The company cares about the financial well-being of employees and their futures. It is also a shared responsibility between the company and employees to plan for retirement. Current and future employees should have good options for a comfortable and secure retirement. Our employees enjoy excellent retirement benefits today through our pension and savings plans. When calculating the value of the pension and savings plans and Social Security benefits, it is estimated that on average, current IAM-represented employees in the Puget Sound, Portland and Wichita will be able to retire at age 62 after 30 years of service with over 100% of their pre-retirement income available.

We would like to have conversations with the IAM about the Voluntary Investment Plan (VIP). We will talk about ways in which the company and the IAM can encourage employees to take maximum advantage of the company

match. Over 40 percent of our IAM-represented employees did not maximize the available company match in the VIP during 2007, foregoing 11.5 million dollars.

The company intends to propose continuation of the Boeing Company Employee Retirement Plan (BCERP) for current employees. The retirement benefits of employees have escalated rapidly in recent negotiations, at an average annual rate of over 7 percent since 1999, a rate far exceeding the rate of inflation. While we are willing to discuss increases in retirement benefits, this rate of increase cannot be sustained. As we discuss retirement benefits, we will look at how much replacement income the current \$70 rate will provide, as well as the impact increases have on the company's substantial long term pension liabilities.

In addition, we plan to engage the IAM in discussions about a new type of retirement plan for employees who join the company in the future, in lieu of participation in the BCERP. This new type of retirement plan will help us better respond to the changing expectations of our future work force. The new plan would be designed only for employees who join the company in the future -- it would not affect the pension plan for current employees. We believe new employees will appreciate a retirement plan that is easy to understand, where they have the freedom to invest their funds as they choose, where the new employee could vest in the retirement plan immediately, and where the funds could be taken with the employee if he or she leaves the company. For future employees who spend their entire career with the company, this plan will provide an excellent opportunity for financial security in retirement. Many of our competitors, and other unions that represent Boeing employees, offer similar plans to newly-hired employees.

Early Retiree Medical: The company intends to propose continuation of the early retiree medical plan for current employees who choose early retirement during the term of this agreement. We will continue to offer effective medical plan options, and look forward to discussing plan options and eligibility for dependents added after retirement.

For future hires, we will discuss no longer offering early retiree medical and adding a plan that enables future employees to save for long-term medical expenses on a tax-advantaged basis.

Health Care and Insurance: The company currently offers our employees a variety of competitive and effective health care options. Our health care plans provide employees and their dependents with outstanding medical, dental and vision care benefits at lower costs to employees than most other large companies. We fully intend to continue to offer outstanding medical, dental, and vision care benefits at a very affordable cost.

Both the company and the IAM are understandably concerned about rising health care costs. Even though jumps in national health care costs have slowed from yesterday's double-digit increases, the company's costs are projected to increase over 7 percent in 2008. The company will continue to absorb most of those increases, but we believe that employees should pay a greater percentage of this cost. We intend to discuss revised medical plan features and employee contributions as methods of containing the significant rate of growth in health care costs. We intend to offer at least one "no contribution" plan at each location. Additional subjects for our discussions related to health care will include updating co-pay features, the prescription drug program, and moving to percentage-based contributions for employees who do not participate in the "no contribution" plan. New plan options for our discussion will include a health care plan option with a health savings account, and a more efficient and effective dental plan. Transitioning to an annual benefits enrollment that coincides with the calendar year will be another issue to explore.

As part of our increased emphasis on wellness and preventive care, we are interested in discussing enhanced medical plan features that will help promote wellness and preventive care, help employees identify and reduce health risks, and help employees manage their health to avoid preventable illness or injury. Some specific options may include improvements in routine physical exams, x-rays, laboratory and diagnostic screenings, vision care, and mental health treatment.

Our intention is to continue our existing life and disability insurance programs.

Workforce

The company believes that stabilizing our employment through our business cycles will positively impact employee engagement and productivity. As one aspect of stability, we intend to have discussions with the IAM about ideas that will help avoid some of the disruption caused by bumping and employee turnover. We need to jointly develop mechanisms that will enable us to improve operational productivity and reduce disruption.

For example, currently under company policy, employees are considered releasable for an Employee Requested Transfer (ERT) after they have held their present job for 12 months, with exceptions made by management when deemed in the best interests of the company and the employee. We will explore the 12-month time frame and consider whether a longer time frame would better meet operational needs. We would also like to work with the IAM to establish consistent release dates for employees who are filling job openings under the CAT A, B and ERT processes.

Consideration should be given to simplifying our retention language and eliminating distinctions between regular and special retentions.

We would like to study with the union the feasibility of mitigating our historic pattern of large hiring and layoff cycles through a system we refer to as employment stability. This joint study could include assessment of a “layoff as a last resort” approach that could cover a variety of system opportunities such as flexible job rules that would enable us to keep employment levels stable and yet cost effective. It is important to understand that we are not referring to job guarantees; the foundation of employment stability is the belief that our talented employees are the key to process innovation and the expectation that continuous productivity gains would be made throughout all phases of our business cycle – downturns as well as periods of flat or slow growth.

Wichita Unit

It has become increasingly imperative for our Wichita site to examine ways in which Wichita can become more competitive and gain additional business. We believe that it is in the best long-term interest of employees in Wichita to have direct control of their futures. The inclusion of remote, unrelated businesses in large bargaining units has consistently resulted in those businesses becoming less competitive. During our negotiations, we plan to explore how we can help our Wichita site become more competitive. We would like to discuss a separate agreement for employees at the Wichita site with pay, benefits, and working conditions that are better aligned with competitors that supply similar aircraft modification services as Boeing Wichita.

Additionally, we need to ensure that we continue to have a sufficient number of employees at our Wichita site who maintain a Department of Defense special access, so as to support programs at the Wichita site. We want to maintain a sufficient number of employees with special access, without the disruption associated with frequent employee reclassifications.

Joint Programs

The company greatly values the benefits provided to employees by the Joint Programs’ Health and Safety Institute (HSI) and the Quality Through Training Program (QTTP). Joint Programs has been instrumental in improving the health, safety, and educational opportunities for employees. The company wants to continue funding the Joint Programs at the current levels described in our collective bargaining agreement (a minimum of 14 million dollars for HSI and QTTP; and up to 4 million dollars for the Educational Assistance Program). This funding has proved to be more than adequate to deliver the high quality services provided by Joint Programs.

We intend to look at ideas that will further enhance the efficient use of Joint Program resources. We should continue to improve our services and remain focused on funneling our resources directly to employees – enhancing employee health, education, job skills and career development. We look forward to talking about continuous improvement techniques that will strengthen our programs. We intend to analyze our Joint Programs administrative structure to maximize the services that will directly impact our employees. Developing new and innovative approaches to training, health and safety issues will be another focus.

One of the company’s goals is to provide engagement and development opportunities for a broader group of employees who may wish to participate in a leadership capacity. Both parties will benefit from fresh ideas offered by employees who have not previously had the opportunity to participate in the partnership -- with participation opportunities being offered on a voluntary, rotational and part-time basis.

Duration of the Contract

Employees, customers, and communities will benefit from greater stability in our relationship. We are in a much better position today to sustain our success through the ups and downs of the business cycles. To further the goal of stability, we want to explore a contract duration of greater than three years.

No Substantive Changes

We do not currently intend to propose substantive changes to the following provisions of our collective bargaining agreement:

Section 1.2	Employees Assigned Away From Primary Location - Unit Identification
Section 1.3	Union Jurisdictional Claims - Settlement of
Section 2.1	Management of Company
Section 3.1	Union Membership
Section 3.2	Maintenance of Membership
Section 3.3	Satisfaction of Obligation
Section 3.4	Failure to Satisfy Obligation
Section 3.5	Explanation to Employees
Section 3.6	Remote Locations
Section 3.7	Right to Work States
Section 3.8	Payroll Deduction for Union Dues and Initiation Fee
Section 3.9	Contributions to Machinists' Nonpartisan Political League
Section 3.10	Contributions to Guide Dogs of America
Section 3.11	Indemnity
Section 4.1	Union to Furnish List of Representatives
Section 4.2	Bulletin Boards
Section 4.3	Business Representatives - Access to Plants
Section 4.4	Grand Lodge Representatives - Access to Plants

Section 4.5	Conditions Relating to Access to Plants
Section 4.6	Union Activity During Working Hours
Section 4.7	Stewards
Section 4.8	Departure from Work Assignment by Stewards to Investigate Complaints or Claims of Grievance
Section 4.9	Departure from Work for Union Business
Section 5.1	Workweek
Section 5.2	Short Workweek
Section 5.3	Shifts; Lunch Periods; Rest Periods
Section 5.4	Shift Preference
Section 6.1	Definitions
Section 6.5	Shift Differentials, Nonregular Workweek Premium, Third Shift Bonus, and Swamp Pay
Section 6.6	Jury Duty, Witness Duty, Military Leave, Bereavement Leave
Section 6.7	Garnishments
Section 6.8	Paydays
Section 6.9	Report Time
Section 6.10	Overtime
Section 6.11	Wage Payment Basis
Section 6.12	New Assignments
Section 7.1	Dates on Which Observed (date changes only)
Section 7.2	Unworked Holidays
Section 7.3	Worked Holidays
Section 7.4	Holidays During Vacation
Section 7.5	Employees on Nonregular Workweek
Section 7.6	Employees Prevented from Working Because of Local Holidays
Section 7.7	Employees on Third Shift
Section 8.1	General Description of Credit
Section 8.2	Computation of Credit
Section 8.3	Eligibility to Use Credit
Section 8.4	Use of Credit
Section 8.5	Financial Security Plan
Section 9.1	Continuation of Plan
Section 9.2	Approval of Plan
Section 9.3	Continuation Beyond Agreement
Section 9.4	Plan Updates
Section 9.7	Required Plan Amendments
Section 9.8	Participant Elective Contributions Not Applicable for Other Purposes
Section 10.1	Continuation of Plan
Section 10.2	Approval of Plan
Section 10.3	Continuation Beyond Agreement
Section 10.4	Grievances as to the Plan
Section 10.5	Benefits
Section 10.7	Administration of the Retirement Plan
Section 11.5	Details and Method of Coverage
Section 11.6	Administration
Section 11.7	Copies of Policies to be Furnished to Union
Section 11.8	Federal or State Programs

Section 12.1	Recognition of Varied Type of Operations
Section 12.2	Copies of Policies to be Furnished Union
Section 12.3	Advance Notice to Employee of Applicable Policy
Section 12.4	Changes in Policies
Section 12.5	Determination of Applicable Policies
Section 12.6	Scope of Grievance and Arbitration Proceedings as Applied to Travel and Relocation Reimbursement
Section 13.1	Labor Grades
Section 13.2	Corporate Job - Definition of
Section 13.3	Identification of Existing Jobs - Placement in Labor Grade
Section 13.4	Procedure for Placement, Within Labor Grades, of New or Changed Jobs
Section 13.5	Establishment of New Jobs
Section 13.6	Temporary Classifications
Section 13.7	Initial Staffing of New or Temporary Classifications
Section 13.8	Opportunity for Union to Challenge Placement in Labor Grade
Section 13.9	Procedure in Event of Disagreement
Section 13.10	Classification Guides and Representative Jobs
Section 13.11	Retroactive Payment Where Labor Grade Changed
Section 13.12	Existing "Nonrepresentative" Jobs
Section 13.13	Applicable Classification Guides and Representative Jobs
Section 13.14	Misassignment Grievances
Section 14.2	Transfer From One Location to Another
Section 14.5	Nature of Seniority Rights
Section 15.1	Authorized Leaves of Absence
Section 15.2	Return from Leave of Absence
Section 16.1	Mutual Objective
Section 16.4	Use of Safety Devices
Section 16.5	Safety Health & Environmental Action Request (SHEAR)
Section 16.6	Requirement of Medical Examination
Section 16.8	Medical Recommendations
Section 16.10	Union Liability to Employees
Section 17.2	Apprentice Agreements
Article 18.0	Strikes and Lockouts
Section 19.1	Establishment of Grievance and Arbitration Procedure
Section 19.2	Employee Grievances
Section 19.3	Dismissals, Suspensions, Layoffs, Etc.
Section 19.4	Union Versus Company and Company Versus Union Grievance
Section 19.5	Retroactive Compensation
Section 19.6	Selection of Arbiter - By Agreement
Section 19.8	Procedure Where Corporate Panel Arbiter Not Available
Section 19.9	Arbitration - Rules of Procedure
Section 19.10	Extension of Time Limits by Agreement
Section 19.11	Agreement Not to Be Altered
Section 19.12	Conferences During Working Hours
Section 19.13	Business Representative, When Not Available, May Authorize Designee
Section 19.14	Signing Grievance Does Not Concede Arbitrable Issue
Section 19.15	Union Jurisdictional Claims

Section 20.1	Mutual Objective
Section 20.3	Tuition Fees
Section 21.1	Inventions
Section 21.2	Financial Awards
Section 21.3	Sabotage
Section 21.4	Nondiscrimination
Section 21.5	Security Interviews
Section 21.6	Employee Assistance
Section 21.7	Subcontracting
Section 21.8	Pilot Projects
Section 21.9	Technology Briefings
Section 22.2	Surplusing Procedures - "Retentions" – Definition
Section 22.4	Surplusing Procedures - Use of Allowable Retentions Not Subject to Challenge
Section 22.6	Surplusing Procedures - Rights as to Downgrade
Section 22.8	Surplusing Procedures - Temporary Layoffs
Section 22.9	Recall Procedures - Order of Recall of Category A Employees from Downgrade or Layoff
Section 22.10	Rules Relating to Lateral Transfers and Reclassifications
Section 22.14	Review of Selection of Designated Candidates
Section 22.15	Rules for Resolving Requests for Reviews
Section 22.16	Special Provisions in Regard to Remote Locations
Section 22.17	Special Provisions in Regard to Employees on Travel Assignments
Section 23.1	Establishment of Plan
Section 23.2	Eligibility
Section 23.4	Benefit Not Applicable for Other Purposes
Glossary	Glossary of Terms and Phrases
Letter of Understanding 1	Data Reports to be Provided to the Union
Letter of Understanding 2	Facilities Maintenance Subcontracting
Letter of Understanding 3	Union Interview of New Employees
Letter of Understanding 4	Employees on Overseas Assignment
Letter of Understanding 5	Establishment of Jobs to Cover New, Substantially Changed or Combined Work Functions
Letter of Understanding 6	Negotiated Job Title Changes
Letter of Understanding 7	Joint Company-Union Alcohol and Drug Dependency Program
Letter of Understanding 11	Overtime
Letter of Understanding 12	Meaning of Section 19.3 of Collective Bargaining Agreement
Letter of Understanding 13	Time Limits in Section 19.3
Letter of Understanding 15	Joint Committee on Health Care Costs & Quality
Letter of Understanding 16	Section 6.10(b) of Collective Bargaining Agreement
Letter of Understanding 19	Articles 16 and 20 - Confidentiality of Information
Letter of Understanding 20	NC/CNC/Adaptive Computer Systems and Computer Aided Work Stations
Letter of Understanding 21	Non-Traditional Work Schedules
Letter of Understanding 22	Part-Time Work Schedules
Letter of Understanding 24	Child Development Program
Letter of Understanding 25	QTTP Education Assistance Program/Learning Together
Letter of Understanding 27	Accelerated Layoff
Letter of Understanding 29	Use of Career Guides

Letter of Understanding 30	ShareValue Program
Letter of Understanding 32	IAM Shares Payroll Deduction
Letter of Understanding 33	Life Insurance and AD&D Payroll Deduction]
Letter of Understanding 37	Materials Delivery and Inventory Process