
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2010

Commission File Number 0-7087

Astronics Corporation

(Exact Name of Registrant as Specified in its Charter)

New York
*(State or other jurisdiction of
incorporation or organization)*

16-0959303
*(I.R.S. Employer
Identification No.)*

130 Commerce Way, East Aurora, N.Y. 14052
(Address of principal executive office)

Registrant's telephone number, including area code
(716) 805-1599

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12 (g) of the Act:
\$.01 par value Common Stock; \$.01 par value Class B Stock
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes ☐ No ☒

As of February 18, 2011, 10,988,576 shares were outstanding, consisting of 8,858,709 shares of Common Stock \$.01 Par Value and 2,129,867 shares of Class B Stock \$.01 Par Value. The aggregate market value, as of the last business day of the Company's most recently completed second fiscal quarter, of the shares of Common Stock and Class B Stock of Astronics Corporation held by non-affiliates was approximately \$150 million (assuming conversion of all of the outstanding Class B Stock into Common Stock and assuming the affiliates of the Registrant to be its directors, executive officers and persons known to the Registrant to beneficially own more than 10% of the outstanding capital stock of the Corporation).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the 2011 Annual Meeting of Shareholders to be held May 5, 2011 are incorporated by reference into Part III of this Report.

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FORWARD LOOKING STATEMENTS

This Annual Report contains certain forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involves uncertainties and risks. These statements are identified by the use of the “may,” “will,” “should,” “believes,” “expects,” “expected,” “intends,” “plans,” “projects,” “estimates,” “predicts,” “potential,” “outlook,” “forecast,” “anticipates,” “presume” and “assume,” and words of similar import. Readers are cautioned not to place undue reliance on these forward looking statements as various uncertainties and risks could cause actual results to differ materially from those anticipated in these statements. These uncertainties and risks include the success of the Company with effectively executing its plans; the timeliness of product deliveries by vendors and other vendor performance issues; changes in demand for our products from the U.S. government and other customers; the acceptance by the market of new products developed; our success in cross-selling products to different customers and markets; changes in government contracts; the state of the commercial and business jet aerospace market; the Company’s success at increasing the content on current and new aircraft platforms; the level of aircraft build rates; as well as other general economic conditions and other factors. Certain of these factors, risks and uncertainties are discussed in the sections of this report entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

PART I

ITEM 1. *BUSINESS*

Astronics is a leading supplier of products to the aerospace and defense industries. Our products include advanced, high-performance lighting systems, electrical power generation systems, aircraft safety systems and electrical power distribution systems for the global aerospace industry as well as test, training and simulation systems primarily for the military.

We have six primary locations, five in the United States and one in Canada. We provide our products through our wholly owned subsidiaries Astronics Advanced Electronic Systems Corp., Luminescent Systems, Inc., Luminescent Systems Canada, Inc. and DME Corporation. We have two reportable segments, Aerospace and Test Systems.

Products and Customers

Our Aerospace segment designs and manufactures products for the global aerospace industry. Product lines include Aircraft Lighting, Cabin Electronics, Airframe Power, and Airfield Lighting. Our Aerospace customers are the airframe manufacturers (OEM's) that build aircraft for the commercial, military and general aviation markets, suppliers to those OEM's, aircraft operators such as airlines and branches of the U.S. Department of Defense as well as the Federal Aviation Administration and airport operators. During 2010, this segment's sales were divided 61% to the commercial transport market, 19% to the military aircraft market, 13% to the business jet market and 7% to the FAA/airport market. Most of this segment's sales are a result of contracts or purchase orders received from customers, placed on a day-to-day basis or for single year procurements rather than long-term multi-year contract commitments. On occasion the Company does receive contractual commitments or blanket purchase orders from our customers covering multiple year deliveries of hardware to our customers.

Our Test Systems segment designs, develops, manufactures and maintains communications and weapons test systems and training and simulation devices for military applications. In the Test Systems Segment, Astronics' products are sold primarily to the U.S. military, foreign militaries and manufacturers of military communication systems. During 2010, this segment's sales were all to the military markets. This segment's revenue is a result of long-term, primarily fixed price contracts and is recognized using the percentage of completion method of accounting, measured by multiplying the estimated total contract value by the ratio of actual contract costs incurred to date to the estimated total contract costs. We make significant estimates involving usage of percentage-of-completion accounting to recognize contract revenues. We periodically review contracts in process for estimates-to-completion, and revise estimated gross profit accordingly. While we believe our estimated gross profit on contracts in process is reasonable, unforeseen events and changes in circumstances can take place in a subsequent accounting period that may cause us to revise our estimated gross profit on one or more of our contracts in process. Accordingly, the ultimate gross profit realized upon completion of such contracts can vary significantly from estimated amounts between accounting periods.

Sales by Segment, Geographic Region, Major Customer and Canadian Operations are provided in Note 12 of Item 8, Financial Statements and Supplementary Data in this report.

We have a significant concentration of business with two major customers, Panasonic Avionics Corporation and to various Department of Defense branches of the U.S. Government. Sales to Panasonic Avionics accounted for 26.5% of sales in 2010, 19.4% of sales in 2009 and 24.9% of sales in 2008. Accounts receivable from this customer at December 31, 2010 and 2009 were \$6.5 million and \$3.9 million, respectively. Sales to the U.S. Government accounted for 15.0% of sales in 2010, 19.5% of sales in 2009 and 4.0% of sales in 2008. Accounts receivable from this customer at December 31, 2010 and 2009 were \$7.0 million and \$2.6 million, respectively.

Strategy

Our strategy is to develop and maintain positions of technical leadership in our chosen aerospace and defense markets, to leverage those positions to grow the amount of content and volume of product sold to those markets and to selectively acquire businesses with similar technical capabilities that could benefit from our leadership position and strategic direction.

Practices as to Maintaining Working Capital

Liquidity is discussed in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Liquidity section of this report.

Competitive Conditions

We experience considerable competition in the market sectors we serve, principally with respect to product performance and price, from various competitors, many of which are substantially larger and have greater resources. Success in the markets we serve depends upon product innovation, customer support, responsiveness, and cost management. We continue to invest in developing the technologies and engineering support critical to competing in our markets.

Government Contracts

All U.S. Government contracts, including subcontracts where the U.S. Government is the ultimate customer, may be subject to termination at the election of the government. Our revenue stream relies on military spending, as a significant portion of the Test Systems' revenue is derived from military applications.

Raw Materials

Materials, supplies and components are purchased from numerous sources. We believe that the loss of any one source, although potentially disruptive in the short-term, would not materially affect our operations in the long-term.

Seasonality

Our business is typically not seasonal.

Backlog

At December 31, 2010, our backlog was approximately \$99.8 million. At December 31, 2009, our backlog was approximately \$85.4 million. Backlog in the Aerospace segment was approximately \$91.6 million and \$75.6 million at December 31, 2010 and 2009, respectively. Approximately \$78.2 million for the December 31, 2010 backlog is expected to be realized in 2011. Backlog in the Test Systems segment was approximately \$8.2 million at December 31, 2010 of which approximately \$6.4 million is expected to be realized in 2011.

Patents

We have a number of patents. While the aggregate protection of these patents is of value, our only material business that is dependent upon the protection afforded by these patents is our cabin power distribution product. Our patents and patent applications relate to electroluminescence, instrument panels, keyboard technology and a broad patent covering the cabin power distribution technology. We regard our expertise and techniques as proprietary and rely upon trade secret laws and contractual arrangements to protect our rights. We have trademark protection in major markets.

Research, Development and Engineering Activities

We are engaged in a variety of engineering and design activities as well as basic research and development activities directed to the substantial improvement or new application of our existing technologies. These costs are expensed when incurred and included in cost of sales. Research and development and engineering costs amounted to approximately \$28.3 million in 2010, \$27.0 million in 2009 and \$22.9 million in 2008.

Employees

We employed 1,010 employees as of December 31, 2010. We consider our relations with our employees to be good. None of our employees are subject to collective bargaining agreements.

Stock Distribution

On September 16, 2008, we announced a one-for-four distribution of Class B Stock to holders of both Common and Class B Stock. On or about October 17, 2008, stockholders received one share of Class B Stock for every four shares of Common and Class B Stock held on the record date of October 6, 2008. All share quantities, share prices and per share data reported throughout this report have been adjusted to reflect the impact of this distribution.

Available information

We file our financial information and other materials as electronically required by the SEC with the SEC. These materials can be accessed electronically via the Internet at www.sec.gov. Such materials and other information about the Company are also available through our website at www.astronics.com.

ITEM 1A. RISK FACTORS

The amount of debt we have outstanding, as well as any debt we may incur in the future, could have an adverse effect on our operational and financial flexibility. As of December 31, 2010, we had \$38.6 million of debt outstanding, of which \$33.3 million is long-term debt. Changes to our level of debt subsequent to December 31, 2010 could have significant consequences to our business, including the following:

- Depending on interest rates and debt maturities, a substantial portion of our cash flow from operations could be dedicated to paying principal and interest on our debt, thereby reducing funds available for our acquisition strategy, capital expenditures or other purposes;
- A significant amount of debt could make us more vulnerable to changes in economic conditions or increases in prevailing interest rates;
- Our ability to obtain additional financing for acquisitions, capital expenditures or for other purposes could be impaired;
- The increase in the amount of debt we have outstanding increases the risk of non-compliance with some of the covenants in our debt agreements which require us to maintain specified financial ratios; and
- We may be more leveraged than some of our competitors, which may result in a competitive disadvantage.

We are subject to debt covenant restrictions. Our credit facility contains several financial and other restrictive covenants. A significant decline in our operating income could cause us to violate our maximum leverage ratio, fixed charge ratio or minimum net worth ratio. A covenant violation would require a waiver by the lenders or an alternative financing arrangement be achieved. This could result in our being unable to borrow under our bank credit facility or being obliged to refinance and renegotiate the terms of our bank

indebtedness. Historically both choices have been available to us however in the current credit market environment it is difficult to predict the availability of these options in the future.

Our future operating results could be impacted by estimates used to calculate impairment losses on long term assets. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires Management to make significant and subjective estimates and assumptions that may affect the reported amounts of long term assets in the financial statements. These estimates are integral in the determination of whether a potential impairment loss exists as well as the calculation of that loss. Actual future results could differ from those estimates.

A write-off of all or part of our goodwill or other intangible assets could adversely affect our operating results, net worth and cause us to violate covenants in our bank credit facility. At December 31, 2010, goodwill and purchased intangible assets were approximately 5.0% and approximately 3.3% of our total assets respectively. Our goodwill and other intangible assets may increase in the future since our strategy includes growing through acquisitions. We may have to write off all or part of our goodwill or purchased intangible assets if their value becomes impaired. Although this write-off would be a non-cash charge, it could reduce our earnings and net worth significantly. A write-off of goodwill or other intangible assets could also cause us to violate covenants in our bank credit facility that requires a minimum level of net worth. This could result in our inability to borrow under our bank credit facility or obligate us to refinance or renegotiate the terms of our bank indebtedness.

The markets we serve are cyclical and sensitive to domestic and foreign economic conditions and events, which may cause our operating results to fluctuate. In our Aerospace segment, demand by the business jet markets for our products is dependent upon several factors, including capital investment, product innovations, economic growth and wealth creation, and technology upgrades. In addition, the commercial airline industry is highly cyclical and sensitive to fuel price increases, labor disputes, global economic conditions, availability of capital to fund new aircraft purchases and upgrades of existing aircraft and passenger demand. A change in any of these factors could result in a reduction in the amount of air travel and the ability of airlines to invest in new aircraft or to upgrade existing aircraft. These factors would reduce orders for new aircraft and would likely reduce airlines spending for cabin upgrades for which we supply products, thus reducing our sales and profits. A reduction in air travel may also result in our commercial airline customers being unable to pay our invoices on a timely basis or not at all.

We are a supplier on various new aircraft programs just entering or expected to begin production in the future such as the Boeing 787, F-35 Joint Strike Fighter and Lear 85. As with any new program there is risk as to whether the aircraft or program will be successful and accepted by the market. As is customary for our business we purchase inventory and invest in specific capital equipment to support our production requirements generally based on delivery schedules provided by our customer. If a program or aircraft is not successful we may have to write off all or a part of the inventory, accounts receivable and capital equipment related to the program. A write off of these assets could result in a significant reduction of earnings and cause covenant violations relating to our debt agreements. This could result in our being unable to borrow additional funds under our bank credit facility or being obliged to refinance or renegotiate the terms of our bank indebtedness.

In our Test Systems segment, demand for our products is dependent upon several factors, including government funding levels for our products, our ability to compete successfully for those contracts and our ability to develop products to satisfy the demands of our customers. A change in any of these factors could result in a reduction of our sales and profits.

Our products are sold in highly competitive markets. Some of our competitors are larger; more diversified corporations and have greater financial, marketing, production and research and development resources. As a result, they may be better able to withstand the effects of periodic economic downturns. Our operations and financial performance will be negatively impacted if our competitors:

- Develop products that are superior to our products;
- Develop products that are more competitively priced than our products;

- Develop methods of more efficiently and effectively providing products and services or
- Adapt more quickly than we do to new technologies or evolving customer requirements.

We believe that the principal points of competition in our markets are product quality, price, design and engineering capabilities, product development, conformity to customer specifications, quality of support after the sale, timeliness of delivery and effectiveness of the distribution organization. Maintaining and improving our competitive position will require continued investment in manufacturing, engineering, quality standards, marketing, customer service and support and our distribution networks. If we do not maintain sufficient resources to make these investments, or are not successful in maintaining our competitive position, our operations and financial performance will suffer.

The loss of Panasonic Avionics Corporation or the U.S. Government as major customers or a significant reduction in sales to either or both of those two customers would reduce our sales and earnings. In 2010 we had a concentration of sales to Panasonic representing approximately 26.5% of our sales and to the U.S. Government representing approximately 15.0% of our sales. The loss of one or both of these customers or a significant reduction in sales to them would significantly reduce our sales and earnings.

Our future success depends to a significant degree upon the continued contributions of our management team and technical personnel. The loss of members of our management team could have a material and adverse effect on our business. In addition, competition for qualified technical personnel in our industry is intense, and we believe that our future growth and success will depend on our ability to attract, train and retain such personnel.

Future terror attacks, war, or other civil disturbances could negatively impact our business. Continued terror attacks, war or other disturbances could lead to further economic instability and decreases in demand for our products, which could negatively impact our business, financial condition and results of operations. Terrorist attacks world-wide have caused instability from time to time in global financial markets and the aviation industry. The long-term effects of terrorist attacks on us are unknown. These attacks and the U.S. Government's continued efforts against terrorist organizations may lead to additional armed hostilities or to further acts of terrorism and civil disturbance in the United States or elsewhere, which may further contribute to economic instability.

If we are unable to adapt to technological change, demand for our products may be reduced. The technologies related to our products have undergone, and in the future may undergo, significant changes. To succeed in the future, we will need to continue to design, develop, manufacture, assemble, test, market and support new products and enhancements on a timely and cost effective basis. Our competitors may develop technologies and products that are more effective than those we develop or that render our technology and products obsolete or uncompetitive. Furthermore, our products could become unmarketable if new industry standards emerge. We may have to modify our products significantly in the future to remain competitive, and new products we introduce may not be accepted by our customers.

Our new product development efforts may not be successful, which would result in a reduction in our sales and earnings. We may experience difficulties that could delay or prevent the successful development of new products or product enhancements, and new products or product enhancements may not be accepted by our customers. In addition, the development expenses we incur may exceed our cost estimates, and new products we develop may not generate sales sufficient to offset our costs. If any of these events occur, our sales and profits could be adversely affected.

We depend on government contracts and subcontracts with defense prime contractors and sub contractors that may not be fully funded, may be terminated, or may be awarded to our competitors. The failure to be awarded these contracts or failure to receive funding or the termination of one or more of these contracts could reduce our sales. Sales to the U.S. Government and its prime contractors and subcontractors represent a significant portion of our business. The funding of these programs is generally subject to annual congressional appropriations, and congressional priorities are subject to change. In addition, government expenditures for defense programs may decline or these defense programs may be terminated. A decline in governmental expenditures or the termination of existing contracts may result in a reduction in the

volume of contracts awarded to us. We have resources applied to specific government contracts and if any of those contracts were terminated, we may incur substantial costs redeploying those resources.

We make estimates in accounting for long-term contracts, and changes in these estimates may have significant impacts on our earnings. In the Test Systems segment, the Company has long-term contracts with our customers, accounted for using the percentage of completion method of accounting. Revenue representing approximately 8% of 2010 consolidated sales was accounted for using the percentage of completion method of accounting. Under the percentage of completion method, we recognize revenue as work progresses toward completion as determined by the ratio of cumulative costs incurred to date to estimated total contract costs at completion, multiplied by the total estimated contract revenue, less cumulative revenue recognized in prior periods. Changes in estimates affecting sales, costs and profits are recognized in the period in which the change becomes known using the cumulative catch-up method of accounting, resulting in the cumulative effect of changes reflected in the current period. A significant change in an estimate on one or more contracts could have a material effect on our results of operations. For contracts with anticipated losses at completion, we establish a provision for the entire amount of the estimated loss and charge it against income in the period in which the loss becomes known. When they can be reliably estimated and realization is considered probable, the amounts representing performance incentives, penalties, contract claims, warranty costs or change orders are considered in estimating revenues, costs and profits.

If our subcontractors or suppliers fail to perform their contractual obligations, our prime contract performance and our ability to obtain future business could be materially and adversely impacted. Many of our contracts involve subcontracts with other companies upon which we rely to perform a portion of the services we must provide to our customers. There is a risk that we may have disputes with our subcontractors, including disputes regarding the quality and timeliness of work performed by the subcontractor or customer concerns about the subcontractor. Failure by our subcontractors to satisfactorily provide on a timely basis the agreed-upon supplies or perform the agreed-upon services may materially and adversely impact our ability to perform our obligations with our customer. Subcontractor performance deficiencies could result in a customer terminating our contract for default. A default termination could expose us to liability and substantially impair our ability to compete for future contracts and orders. In addition, a delay in our ability to obtain components and equipment parts from our suppliers may affect our ability to meet our customers' needs and may have an adverse effect upon our profitability.

Our results of operations are affected by our fixed-price contracts, which could subject us to losses in the event that we have cost overruns. For the year ended December 31, 2010, fixed-price contracts represented almost 100% of the Company's sales. On fixed-price contracts, we agree to perform the scope of work specified in the contract for a predetermined price. Depending on the fixed price negotiated, these contracts may provide us with an opportunity to achieve higher profits based on the relationship between our costs and the contract's fixed price. However, we bear the risk that increased or unexpected costs may reduce our profit.

Some of our contracts contain late delivery penalties. Failure to deliver in a timely manner due to supplier problems, development schedule slides, manufacturing difficulties, or similar schedule related events could have a material adverse effect on our business.

The failure of our products may damage our reputation, necessitate a product recall or result in claims against us that exceed our insurance coverage, thereby requiring us to pay significant damages. Defects in the design and manufacture of our products may necessitate a product recall. We include complex system design and components in our products that could contain errors or defects, particularly when we incorporate new technology into our products. If any of our products are defective, we could be required to redesign or recall those products or pay substantial damages or warranty claims. Such an event could result in significant expenses, disrupt sales and affect our reputation and that of our products. We are also exposed to product liability claims. We carry aircraft and non-aircraft product liability insurance consistent with industry norms. However, this insurance coverage may not be sufficient to fully cover the payment of any potential claim. A product recall or a product liability claim not covered by insurance could have a material adverse effect on our business, financial condition and results of operations.

Our facilities could be damaged by catastrophes which could reduce our production capacity and result in a loss of customers. We conduct our operations in facilities located throughout the United States and Canada. These facilities could be damaged by fire, floods, high winds, earthquakes, power loss, telecommunication and information systems failure or similar events. Although we carry property insurance, including business interruption insurance, our inability to meet customers' schedules as a result of catastrophe may result in a loss of customers or significant additional costs such as penalty claims under customer contracts.

Changes in discount rates and other estimates could affect our future earnings and equity. Pension obligations and the related costs are determined using actual results and actuarial valuations that involve several assumptions. The most critical assumption is the discount rate. Other assumptions include salary increases and retirement age. The discount rate assumptions are based on current market conditions and are outside of our control. Changes in these assumptions could affect our future earnings and equity.

We are subject to financing and interest rate exposure risks that could adversely affect our business, liquidity and operating results. Changes in the availability, terms and cost of capital, increases in interest rates or a reduction in credit rating could cause our cost of doing business to increase and place us at a competitive disadvantage. At December 31, 2010, approximately 64% of our debt was at fixed interest rates with the remaining percentage subject to variable interest rates.

We are subject to the risk of loss resulting from our customers defaulting on their obligations to us. The inability of our customers to pay us due to adverse economic conditions or their inability to access available credit could have an adverse effect on our financial condition and liquidity.

Our international operations pose currency and other risks that may adversely impact sales and earnings. We have manufacturing and sales operations in foreign countries. In addition, our domestic operations have sales to foreign customers. Our financial results may be adversely affected by fluctuations in foreign currencies and by the translation of the financial statements of our foreign subsidiaries from local currencies into U.S. dollars. The translation of our sales and operating costs designated in foreign currencies, which are primarily the Canadian Dollar to the U.S. dollar had an insignificant impact on both sales for 2010 using average exchange rates for 2010 compared to average exchange rates for 2009 and on sales for 2009 using average exchange rates for 2009 compared to average exchange rates for 2008.

Our stock price is volatile. For the year ended December 31, 2010, our stock price ranged from a low of \$7.42 to a high of \$23.05. The price of our common stock has been and likely will continue to be subject to wide fluctuations in response to a number of events and factors, such as:

- quarterly variations in operating results;
- variances of our quarterly results of operations from securities analyst estimates;
- changes in financial estimates;
- announcements of technological innovations, new products; and
- news reports relating to trends in our markets.

In addition, the stock market in general, and the market prices for companies in the aerospace industry in particular, have experienced significant price and volume fluctuations that often have been unrelated to the operating performance of the companies affected by these fluctuations. These broad market fluctuations may adversely affect the market price of our common stock, regardless of our operating performance.

Contracting in the defense industry is subject to significant regulation, including rules related to bidding, billing and accounting kickbacks and false claims, and any non-compliance could subject us to fines and penalties or possible debarment. Like all government contractors, we are subject to risks associated with this contracting. These risks include the potential for substantial civil and criminal fines and penalties. These fines and penalties could be imposed for failing to follow procurement integrity and bidding rules, employing improper billing practices or otherwise failing to follow cost accounting standards, receiving or paying kickbacks or filing false claims. We have been, and expect to continue to be, subjected to audits and investigations by government agencies. The failure to comply with the terms of our government contracts

could harm our business reputation. It could also result in suspension or debarment from future government contracts.

Government regulations could limit our ability to sell our products outside the United States and otherwise adversely affect our business. Our failure to obtain the requisite licenses, meet registration standards or comply with other government export regulations would hinder our ability to generate revenues from the sale of our products outside the United States. Compliance with these government regulations may also subject us to additional fees and operating costs. The absence of comparable restrictions on competitors in other countries may adversely affect our competitive position. In order to sell our products in European Union countries, we must satisfy certain technical requirements. If we are unable to comply with those requirements with respect to a significant quantity of our products, our sales in Europe would be restricted. Doing business internationally also subjects us to numerous U.S. and foreign laws and regulations, including, without limitation, regulations relating to import-export control, technology transfer restrictions, foreign corrupt practices and anti-boycott provisions. Failure by us or our sales representatives or consultants to comply with these laws and regulations could result in administrative, civil or criminal liabilities and could, in the extreme case, result in suspension or debarment from government contracts or suspension of our export privileges, which would have a material adverse effect on us.

If we fail to meet expectations of securities analysts or investors due to fluctuations in our revenue or operating results, our stock price could decline significantly. Our revenue and earnings may fluctuate from quarter to quarter due to a number of factors, including delays or cancellations of programs. It is likely that in some future quarters our operating results may fall below the expectations of securities analysts or investors. In this event, the trading price of our stock could decline significantly.

We may incur losses and liabilities as a result of our acquisition strategy. Growth by acquisition involves risks that could adversely affect our financial condition and operating results, including:

- diversion of management time and attention from our core business,
- the potential exposure to unanticipated liabilities,
- the potential that expected benefits or synergies are not realized and that operating costs increase,
- the risks associated with incurring additional acquisition indebtedness, including that additional indebtedness could limit our cash flow availability for operations and our flexibility,
- difficulties in integrating the operations and personnel of acquired companies, and
- the potential loss of key employees, suppliers or customers of acquired businesses.

In addition, any acquisition, once successfully integrated, could negatively impact our financial performance if it does not perform as planned, does not increase earnings, or does not prove otherwise to be beneficial to us.

We may become involved in the future in legal proceedings that, if adversely adjudicated or settled, could materially impact our financial condition. As an aerospace company, we may become a party to litigation in the ordinary course of our business, including, among others, matters alleging product liability, warranty claims, breach of commercial or government contract or other legal actions. In general, litigation claims can be expensive and time consuming to bring or defend against and could result in settlements or damages that could significantly impact results of operations and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

On December 31, 2010, we occupied 448,000 square feet of space in the United States and Canada, distributed as follows:

	<u>Owned</u>	<u>Leased</u>	<u>Total</u>
Aerospace			
East Aurora, NY	125,000	—	125,000
Redmond, WA	—	100,000	100,000
Lebanon, NH	80,000	—	80,000
Ft. Lauderdale, FL	—	72,000	72,000
Montreal, Quebec, Canada	—	20,000	20,000
Aerospace Square Feet	<u>205,000</u>	<u>192,000</u>	<u>397,000</u>
Test Systems			
Orlando, FL	—	51,000	51,000
Test Systems Square Feet	<u>—</u>	<u>51,000</u>	<u>51,000</u>
Total Square Feet	<u>205,000</u>	<u>243,000</u>	<u>448,000</u>

Our corporate headquarters is located in East Aurora, New York. The lease in Montreal expires in December, 2012. The lease for the Redmond facility expires in March, 2013. The lease for the Orlando facility expires in February, 2015 with one renewal option for seven years. The lease for the Ft. Lauderdale facility expires in April, 2016 with one renewal option of five years. Upon the expiration of our current leases, we believe that we will be able to either secure renewal terms or enter into leases for alternative locations at market terms. We believe that our properties have been adequately maintained and are generally in good condition.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various legal proceedings, claims, and litigation arising in the ordinary course of business. While the outcome of these matters is currently not determinable, we do not expect these matters will have a material adverse effect on our business, financial position, results of operations, or cash flows. However, the results of these matters cannot be predicted with certainty. Should the Company fail to prevail in any legal matter or should several legal matters be resolved against the Company in the same reporting period, then the financial results of that particular reporting period could be materially adversely affected.

On November 11, 2010, AE Liquidation Inc. filed an action in the Bankruptcy Court seeking to recover \$1.4 million of alleged preferential payments received by the Company from Eclipse Aviation Corporation. The Company disputes the Trustee's allegations and believes any loss, as a result of future proceedings is neither probable nor estimable at December 31, 2010, and we intend to defend this claim vigorously.

Other than this proceeding, we are not party to any significant pending legal proceedings that management believes will result in material adverse effect on our financial condition or results of operations.

ITEM 4. REMOVED AND RESERVED

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The table below sets forth the range of prices for the Company's Common Stock, traded on the NASDAQ National Market System, for each quarterly period during the last two years. The approximate number of shareholders of record as of February 18, 2011, was 811 for Common Stock and 785 for Class B Stock.

2010	High	Low
First	\$10.05	\$ 7.42
Second	17.90	10.28
Third	18.01	13.56
Fourth	23.05	17.51
2009	High	Low
First	\$11.25	\$6.82
Second	11.48	7.89
Third	11.17	8.18
Fourth	9.57	7.65

The Company has not paid any cash dividends in the three-year period ended December 31, 2010. The Company's ability to pay dividends is limited by Minimum Net Worth and Minimum Fixed Charge Coverage Ratio covenants contained in the Company's Credit Agreement. The Company has no plans to pay cash dividends as it plans to retain all cash from operations as a source of capital to finance growth in the business.

On September 16, 2008, Astronics Corporation announced a one-for-four distribution of Class B Stock to holders of both Common and Class B Stock. On or about October 17, 2008, stockholders received one share of Class B Stock for every four shares of Common and Class B Stock held on the record date of October 6, 2008.

With respect to information regarding our securities authorized for issuance under equity incentive plans, the information contained in the section entitled "Equity Compensation Plan Information" of our definitive Proxy Statement for the 2011 Annual Meeting of Shareholders is incorporated herein by reference.

We did not repurchase any shares of our common stock in 2010. On January 30, 2009, 500,000 shares of the Company's common stock held as treasury shares were issued as part of the acquisition of DME.

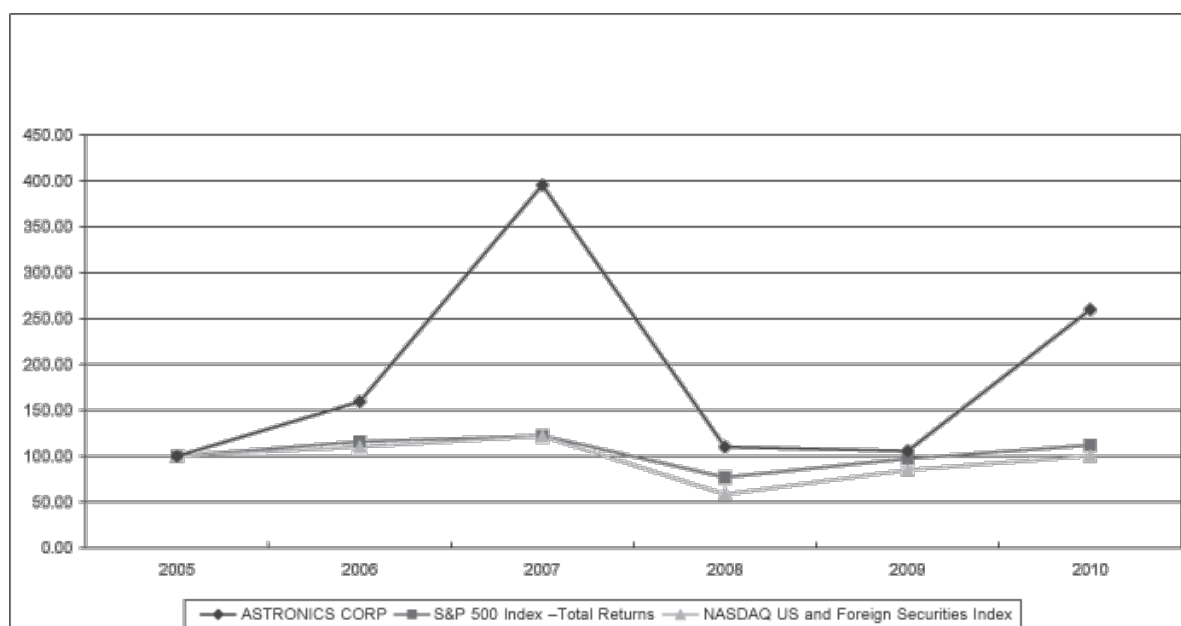
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The following graph charts the annual percentage change in return on the Company's common stock compared to the S&P 500 Index — Total Return and the NASDAQ US and Foreign Securities:

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Assumes Initial Investment of \$100

December 2010



		2005	2006	2007	2008	2009	2010
ASTRONICS CORPORATION	Return %		59.33	148.10	-72.17	-3.93	145.64
	Cum	\$100.00	159.33	395.30	110.01	105.69	259.61
S&P 500 Index — Total Returns	Return %		15.79	5.50	-36.99	26.45	15.06
	Cum	\$100.00	115.79	122.16	76.97	97.32	111.98
NASDAQ US and Foreign Securities Index	Return %		10.30	10.54	-52.06	45.30	18.17
	Cum	\$100.00	110.30	121.93	58.45	84.93	100.36

ITEM 6. *SELECTED FINANCIAL DATA*

Five-Year Performance Highlights

	2010	2009(3)	2008	2007	2006
(Amounts in thousands, except for employee and per share data)					
PERFORMANCE					
Sales	\$195,754	\$191,201	\$173,722	\$158,240	\$110,767
Impairment Loss(2)	\$ —	\$ (19,381)	\$ —	\$ —	\$ —
Net Income (Loss)	\$ 14,948	\$ (3,802)	\$ 8,361	\$ 15,391	\$ 5,736
Net Margin	7.6%	(2.0) %	4.8%	9.7%	5.2%
Diluted Earnings (Loss) per Share(1)	\$ 1.32	\$ (0.35)	\$ 0.79	\$ 1.44	\$ 0.55
Weighted Average Shares Outstanding — Diluted(1)	11,284	10,733	10,650	10,711	10,336
Return on Average Assets	10.3%	(3.1)%	8.0%	16.5%	7.7%
Return on Average Equity	21.8%	(6.4)%	15.6%	38.2%	20.2%
YEAR-END FINANCIAL POSITION					
Working Capital	\$ 65,855	\$ 52,857	\$ 43,360	\$ 32,100	\$ 17,437
Total Assets	\$150,888	\$138,714	\$104,674	\$104,121	\$ 82,538
Indebtedness	\$ 38,578	\$ 44,776	\$ 14,446	\$ 22,935	\$ 18,449
Shareholders' Equity	\$ 77,215	\$ 60,113	\$ 58,255	\$ 49,232	\$ 31,348
Book Value Per Share(1)	\$ 7.05	\$ 5.58	\$ 5.68	\$ 4.83	\$ 3.14
OTHER YEAR-END DATA					
Depreciation and Amortization	\$ 4,881	\$ 7,342	\$ 4,142	\$ 3,440	\$ 2,929
Capital Expenditures	\$ 3,568	\$ 2,466	\$ 4,325	\$ 9,592	\$ 5,400
Shares Outstanding(1)	10,947	10,775	10,265	10,186	10,033
Number of Employees	1,010	1,035	989	967	787

- (1) — Diluted Earnings (Loss) Per-Share, Weighted Average Shares Outstanding-Diluted, Book Value Per-Share and Shares Outstanding have been adjusted for the impact of the October 6, 2008 one-for-four Class B stock distribution.
- (2) — The Company recorded a \$14.2 million goodwill impairment charge and a \$5.2 million impairment charge to purchased intangible assets during the fourth quarter of 2009. Refer to “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” and Notes 9 and 10 of our consolidated financial statements for additional information on Goodwill and Intangible Assets.
- (3) — Information includes the results of DME, acquired on January 30, 2009.

ITEM 7. *MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

OVERVIEW

Astronics Corporation, through its subsidiaries Astronics Advanced Electronic Systems Corp., Luminescent Systems Inc., Luminescent Systems Canada Inc. and DME Corporation designs and manufactures electrical power generation systems, electrical power control and distribution systems, lighting systems and components, aircraft safety products and test, training and simulation systems. With the 2009 acquisition of DME Corporation (“DME”), the Company now operates in two distinct segments, Aerospace and Test Systems. We have six principal facilities located in New York State, Washington State, New Hampshire, two in Florida and one in Quebec, Canada.

On January 30, 2009 we acquired DME, a designer and manufacturer of military test, training and simulation equipment, airfield lighting and aviation safety products. The DME aerospace business is included our aerospace reporting segment and the test training and simulation business comprises our test systems reporting segment. We purchased 100% of the outstanding stock of DME for approximately \$50 million. The acquisition was financed primarily with a \$40.0 million, five year term note, 500,000 shares of unregistered Astronics common stock previously held as treasury shares, valued at \$3.6 million, and seller financing for \$5.0 million.

Our Aerospace segment serves four primary markets. They are the military, commercial transport, business jet and FAA/airport markets. We serve one primary market in the Test Systems segment, which is the military. In the Aerospace segment, the breakdown of its 2010 segment sales to the commercial transport market, the military market, business jet market and the FAA/airport market were approximately 61.2%, 19.4%, 12.6% and 6.8%, respectively. In the Test systems market, all of the sales were to the military market.

Our strategy is to develop and maintain positions of technical leadership in chosen aerospace and test system markets, to leverage those positions to grow the amount of content and volume of product it sells to the markets in those segments and to selectively acquire businesses with similar technical capabilities that could benefit from our leadership position and strategic direction.

Key factors affecting our growth and profitability are the rate at which new aircraft are produced, government funding of military programs, our ability to have our products designed into the plans for new aircraft and the rates at which aircraft owners, including commercial airlines, refurbish or install upgrades to their aircraft. Once designed into a new aircraft, the spare parts business is frequently retained by the Company.

Sales to the commercial transport market totaled approximately 56.2% of our total revenue in 2010. Our cabin electronics products which provide in-seat power for passengers and power to in-flight entertainment systems (IFE) found on commercial airlines around the world accounted for the majority of our sales to this market. Since 2005 we have seen our sales to the commercial transport markets increase from approximately \$31 million to approximately \$110 million in 2010. Most of this growth has been driven by increased installations of our cabin electronics products used to power in-flight entertainment systems and in-seat power systems by airlines around the world. Maintaining and growing our sales to the commercial transport market will depend on airlines capital spending budgets for cabin upgrades as well as the purchase of new aircraft such as the Boeing 787 and Airbus A380. This investment by the airlines is impacted by their profits, cash flow and available financing as well as competitive pressures between the airlines to improve the travel experience for their passengers. We expect the new aircraft, once in production will be equipped with more IFE and in-seat power than previous generation aircraft. Additionally, our ability to maintain and grow sales to this market depends on our ability to maintain our technological advantages over our competitors and maintain our relationships with major in-flight entertainment suppliers and global airlines.

Products sold to the military market include our aircraft lighting, airframe power and test, training and simulation products. In 2010, military Aerospace related sales represented approximately 17.8% of consolidated sales while Test Systems military sales accounted for approximately 8.3%. The military market is dependent on governmental funding which can change from year to year. Risks are that overall spending may be reduced in the future, specific programs may be eliminated or that we fail to win new business through the competitive bid process. Astronics does not have significant reliance on any one program such that cancellation of a particular program will cause material financial loss. We believe that we will continue to have opportunities similar to past years regarding this market.

Products sold to the business jet market include primarily our aircraft lighting and airframe power products, which accounted for 11.5% of our consolidated sales in 2010. Sales to the business jet market are driven primarily by our content on new aircraft and build rates of new aircraft. Business jet OEM build rates continue to be significantly impacted by global wealth creation and corporate profitability which have been negatively affected during the past several years by the global recession. Our sales to the business jet market will continue to be challenged in the upcoming year as business jet aircraft production rates are not expected to increase significantly during 2011 as the global economy continues to struggle. Additionally, there continues

to be a large supply of used aircraft in the market and financing of aircraft has become challenging for many prospective buyers. Despite the current market conditions, we continue to see a wide range of opportunities to employ our technology in the business jet markets, however there is risk involved in the development of any new aircraft.

FAA/airport market sales account for 6.2% of our consolidated sales in 2010 and were comprised of sales of airfield lighting products including navigational lighting aids and airfield lighting products, providing design-build lighting solutions to simplify lighting installation projects and provide seamless airfield upgrades for our customers. Future FAA/airport market sales are dependent on funding availability for airport upgrades and successfully competing for those opportunities.

Each of the markets that we serve is presenting opportunities for our product lines that we expect will provide growth for the Company over the long-term. We continue to look for opportunities in all of our markets to capitalize on our core competencies to expand our existing business and to grow through strategic acquisitions.

Challenges which continue to face us include improving shareholder value through increasing profitability. Increasing profitability is dependent on many things, primarily revenue growth and the Company's ability to control operating expenses and to identify means of creating improved productivity. Revenue is driven by increased build rates for existing aircraft, market acceptance and economic success of new aircraft, continued government funding of defense programs, the Company's ability to obtain production contracts for parts we currently supply or have been selected to design and develop for new aircraft platforms and continually identifying and winning new business for our Test Systems segment. Demand for our products is driven by the discretionary spending of aircraft owners and airlines and new aircraft build rates as well as defense spending. Reduced aircraft build rates driven by a weak economy, tight credit markets, reduced air passenger travel and an increasing supply of used aircraft on the market will likely result in reduced demand for our products which will result in lower profits. Reduction of defense spending may result in fewer opportunities for us to compete, which could result in lower profits in the future. Many of our newer development programs are based on new and unproven technology and at the same time we are challenged to develop the technology on a schedule that is consistent with specific programs. We will continue to address these challenges by working to improve operating efficiencies and focusing on executing on the growth opportunities currently in front of us.

ACQUISITION

We account for acquisitions under ASC Topic 805 "*Business Combinations and Reorganizations*" ("ASC Topic 805"). ASC Topic 805 provides revised guidance on how the acquirer recognizes and measures the consideration transferred, identifiable assets acquired, liabilities assumed, non-controlling interests, and goodwill acquired in a business combination. ASC Topic 805 also expands required disclosures surrounding the nature and financial effects of business combinations. Acquisition costs are expensed as incurred. Expensed acquisition costs in 2010 were insignificant. Expensed acquisition costs approximated \$0.1 million for 2009 and \$0.2 million in 2008.

On January 30, 2009, the Company acquired 100% of the common stock of DME Corporation (DME) for approximately \$50.0 million. DME is a designer and manufacturer of military test training and simulation equipment and aviation safety products. The following summary combines the consolidated results of operations of the Company with those of the acquired business for the years ended December 31, 2009 and 2008 as if the acquisition took place at the beginning of the periods presented. The pro forma consolidated

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results include the impact of certain adjustments, including increased interest expense on acquisition debt, amortization of purchased intangible assets and income taxes.

	2009	2008
(In thousands, except earnings per share)		
Sales	\$195,950	\$260,429
Net (Loss) Income	(3,771)	12,331
Basic (loss) earnings per share	(0.35)	1.15
Diluted (loss) earnings per share	(0.35)	1.11

The pro forma results are not necessarily indicative of what actually would have occurred if the acquisition had been in effect for the entire years ended December 31, 2009 and 2008. In addition, they are not intended to be a projection of future results.

CRITICAL ACCOUNTING POLICIES

Our financial statements and accompanying notes are prepared in accordance with U.S. generally accepted accounting principles. The preparation of the Company's financial statements requires management to make estimates, assumptions and judgments that affect the amounts reported. These estimates, assumptions and judgments are affected by management's application of accounting policies, which are discussed in the Notes to Consolidated Financial Statements, Note 1 of Item 8, Financial Statements and Supplementary Data of this report. The critical accounting policies have been reviewed with the audit committee of our board of directors.

Revenue Recognition

In our Aerospace segment, revenue is recognized on the accrual basis at the time of shipment of goods and transfer of title. There are no significant contracts allowing for right of return.

In our Test Systems segment, revenue is recognized from its long-term, fixed-price contracts using the percentage-of-completion method of accounting, measured by multiplying the estimated total contract value by the ratio of actual contract costs incurred to date to the estimated total contract costs. Substantially all long-term contracts are with U.S. government agencies and contractors thereto. The Company makes significant estimates involving its usage of percentage-of-completion accounting to recognize contract revenues. At least each quarter we review contracts in process for estimates-to-completion, and revise estimated gross profit accordingly. While we believe the estimated gross profit on contracts in process is reasonable, unforeseen events and changes in circumstances can take place in a subsequent accounting period that may cause us to revise our estimated gross profit on one or more of the contracts in process. Accordingly, the ultimate gross profit realized upon completion of such contracts can vary significantly from estimated amounts between accounting periods.

Accounts Receivable and Allowance for Doubtful Accounts

We record a valuation allowance to account for potentially uncollectible accounts receivable. The allowance is determined based on Management's knowledge of the business, specific customers, review of receivable aging and a specific identification of accounts where collection is at risk. At December 31, 2010, the allowance for doubtful accounts for accounts receivable was \$0.3 million, or 0.9% of gross accounts receivable. At December 31, 2009, the allowance for doubtful accounts for accounts receivable was \$0.4 million, or 1.2% of gross accounts receivable.

In the fourth quarter of 2008, we wrote off all receivables totaling approximately \$1.0 million from Eclipse Aviation Corporation, a customer that declared bankruptcy during the fourth quarter of 2008. The impact amounted to approximately a \$0.6 million reduction in net income or \$.06 per diluted share in 2008.

Inventory Valuation

We record valuation reserves to provide for excess, slow moving or obsolete inventory or to reduce inventory to the lower of cost or market value. In determining the appropriate reserve, Management considers the age of inventory on hand, the overall inventory levels in relation to forecasted demands as well as reserving for specifically identified inventory that we believe is no longer salable. At December 31, 2010, our reserve for inventory valuation was \$11.2 million, or 22.4% of gross inventory. At December 31, 2009, our reserve for inventory valuation was \$11.6 million, or 26.7% of gross inventory.

In the fourth quarter of 2008, we recorded a reserve for inventory on hand used exclusively for the Eclipse 500 aircraft. Eclipse Aviation Corporation, the manufacturer of the aircraft filed for bankruptcy protection, ceased production, terminated its workforce and petitioned the bankruptcy court to liquidate its assets. The pre-tax charge relating to the Eclipse inventory amounted to approximately \$7.4 million, reducing net income by approximately \$4.8 million or \$0.45 per diluted share in 2008.

Deferred Tax Asset Valuation Allowances

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We record a valuation allowance to reduce deferred tax assets to the amount of future tax benefit that we believe is more likely than not to be realized. We consider recent earnings projections, allowable tax carryforward periods, tax planning strategies and historical earnings performance to determine the amount of the valuation allowance. Changes in these factors could cause us to adjust our valuation allowance, which would impact our income tax expense when we determine that these factors have changed.

As of December 31, 2010 we had net deferred tax assets of \$10.4 million, net of a \$0.9 million valuation allowance. As of December 31, 2009, we had net deferred tax assets of \$11.8 million, net of a \$0.7 million valuation allowance. These assets principally relate to goodwill and intangible assets, employee benefit liabilities, asset reserves, depreciation and state and foreign general business tax credit carry-forwards.

Impairment of long-lived assets

Goodwill Impairment Testing

Our goodwill is the result of the excess of purchase price over net assets acquired from acquisitions. As of December 31, 2010, we had approximately \$7.6 million of goodwill. As of December 31, 2009, we had approximately \$7.5 million of goodwill. The change in goodwill is due to the impact of changes in foreign currency.

We test goodwill for impairment at least annually as of November 1, and more frequently whenever events occur or circumstances change that indicates there may be impairment. These events or circumstances could include a significant long-term adverse change in the business climate, poor indicators of operating performance or a sale or disposition of a significant portion of a reporting unit. The process of evaluating our goodwill for impairment is subjective and requires significant estimates. These estimates include judgments about future cash flows that are dependent on internal forecasts, long-term growth rates and estimates of the weighted average cost of capital used to discount projected cash flows.

We test goodwill at the reporting unit level, which is one level below our operating segments. We identify our reporting units by assessing whether the components of our operating segment constitute businesses for which discrete financial information is available and segment management regularly reviews the operating results of those components. We also aggregate components that have similar economic characteristics into single reporting units (for example, similar products and / or services, similar long-term financial results, product processes, classes of customers, etc.). We currently have four reporting units; three within the Aerospace segment and the fourth being in the Test Systems segment. Three of the four reporting units carry goodwill.

The goodwill impairment test consists of comparing the fair value of a reporting unit, determined using discounted cash flows, with its carrying amount including goodwill. If the carrying amount of the reporting unit exceeds the reporting unit's fair value, the implied fair value of goodwill is compared to the carrying amount of goodwill. An impairment loss would be recognized for the amount by which the carrying amount of goodwill exceeds the implied fair value of goodwill. Testing goodwill for impairment requires us to estimate fair values of reporting units using significant estimates and judgmental factors. The key estimates and factors used in our discounted cash flow valuation include revenue growth rates and profit margins based on internal forecasts, terminal value, and the weighted-average cost of capital used to discount future cash flows. We also consider any additional risk of each individual reporting unit achieving its forecasts, and adjust the weighted-average cost of capital applied when determining each reporting unit's estimated fair value for these risks. We also compare the computed fair value to our market capitalization.

Future changes in these estimates and assumptions could materially affect the results of our goodwill impairment tests. All other reporting units noted fair values well in excess of the carrying value. If the projected long-term revenue growth rates, profit margins, or terminal rates are considerably lower, and/or the estimated weighted-average cost of capital is considerably higher, future testing may indicate further impairment of one or more of the Company's reporting units and, as a result, the related goodwill would likely be impaired.

During fiscal 2010, based on the evaluation, we determined that none of the reporting units' fair value was less than its carrying value. For the year ended December 31, 2010, the Company did not record an impairment charge related to goodwill. The compound annual growth rate for revenue during the first six years of our projections ranged between 4.7% and 13.4% for the reporting units. The terminal value was calculated assuming projected growth rates of 3.0% after six years. The estimated weighted-average cost of capital for the reporting units ranged from 11.0% to 14.2% based upon an analysis of companies considered to be market participants and their debt to equity mix, their related volatility and the size of their market capitalization. A decline in the terminal growth rate greater than 200 basis points or an increase in the weighted-average cost of capital greater than 150 basis points would have indicated impairment in 2010 for one reporting unit as of the impairment test date whose goodwill was \$2.4 million.

In 2009, the test systems unit had a carrying amount exceeding the reporting unit's fair value due to an unexpected decrease in projected future revenues and cash flows, combined with a higher weighted average cost of capital due to market conditions. Therefore, we initiated step two of the goodwill impairment test which involves calculating the implied fair value of goodwill by allocating the fair value of the reporting unit to its assets and liabilities other than goodwill and comparing it to the carrying amount of goodwill. We estimated that the implied fair value of goodwill for this reporting unit was less than its carrying value by approximately \$14.2 million which was recorded as an impairment charge during the fourth quarter of 2009. Prior to the impairment charge, this reporting unit had goodwill of \$16.6 million. The compound annual growth rate for revenue during the first five years of our projections ranged between 1.0% and 9.0%. The terminal value was calculated assuming projected growth rates of 3.0% after five years. The estimated weighted-average cost of capital for the reporting units ranged from 14.0% to 20.4% based upon an analysis of companies considered to be market participants and their debt to equity mix, their related volatility and the size of their market capitalization. A decline in the terminal growth rate greater than 290 basis points or an increase in the weighted-average cost of capital greater than 180 basis points would have indicated impairment in 2009 for one reporting unit as of the impairment test date whose goodwill was \$2.9 million.

Indefinite-lived Intangible Asset Impairment Testing

We test our indefinite-lived intangible assets, which totaled \$1.1 million as of December 31, 2010 and 2009 for impairment, on an annual basis as of November 1 or more frequently, if an event occurs or circumstances change that indicate that the fair value of an indefinite-lived intangible asset could be below its carrying amount. The impairment test consists of comparing the fair value determined using an in-lieu of royalty valuation approach, with its carrying amount. An impairment loss would be recognized for the carrying amount in excess of its fair value.

For the year ended December 31, 2010, the Company did not record an impairment charge on its indefinite-lived intangible assets. For the year ended December 31, 2009, the Company recorded an impairment charge on its indefinite-lived intangible assets amounting to approximately \$0.7 million. The impairment loss was incurred in the Test Systems segment and is included in the Impairment Loss on the Consolidated Statement of Operations. There was no impairment loss for indefinite-lived intangible assets recognized in 2008.

Amortized and Depreciable Asset Impairment Testing

Property, plant and equipment and amortizable intangible assets are depreciated or amortized over their assigned useful lives. We test these long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. The recoverability test consists of comparing the projected undiscounted cash flows, with its carrying amount. An impairment loss would then be recognized for the carrying amount in excess of its fair value. For the year ended December 31, 2010, the Company did not record an impairment charge on its amortized intangible assets. For the year ended December 31, 2009, the Company recorded an impairment charge on its amortized intangible assets amounting to approximately \$4.5 million. The impairment loss was incurred in the Test Systems segment and is included in the Impairment Loss on the Consolidated Statement of Operations. There was no impairment charge taken in 2008.

Supplemental Retirement Plan

We maintain a supplemental retirement plan for certain executives. Expense recognized for the supplemental retirement plan was \$0.5 million for 2010, \$0.6 million for 2009 and \$0.5 million for 2008. The accounting for this plan is based in part on certain assumptions that may be highly uncertain and may have a material impact on the financial statements if different reasonable assumptions had been used. In 2010, the assumptions for increases in compensation, the discount rate for determining the cost recognized and the discount rate used for the projected benefit obligation were 5.0%, 6.0% and 5.5%, respectively. The assumption for compensation increases takes a long-term view of inflation and performance based salary adjustments based on the Company's approach to executive compensation. For determining the discount rate the Company considers long-term interest rates for high-grade corporate bonds.

Stock-Based Compensation

We have stock-based compensation plans, which include non-qualified stock options as well as incentive stock options. Expense recognized for stock-based compensation was \$0.9 million for the year ended 2010 and \$0.8 million in each of the years ended 2009 and 2008. We determine the fair value of the option awards at the date of grant using a Black-Scholes model. Option pricing models require management to make assumptions and to apply judgment to determine the fair value of the award. These assumptions and judgments include estimating the future volatility of our stock price, expected dividend yield, future employee stock option exercise behaviors and future employee turnover rates. Changes in these assumptions can materially affect the fair value estimate.

CONSOLIDATED RESULTS OF OPERATIONS AND OUTLOOK

	2010	2009(1)	2008
(Dollars in thousands)			
Sales	\$195,754	\$191,201	\$173,722
Gross Margin	24.3%	19.5%	17.5%
Impairment Loss	\$ —	\$ 19,381	\$ —
SG&A Expenses as a Percentage of Sales	11.9%	12.6%	10.0%
Interest Expense	\$ 2,551	\$ 2,533	\$ 694
Effective Tax (Benefit) Rate	31.5%	(50.9)%	32.0%
Net Earnings (Loss)	\$ 14,948	\$ (3,802)	\$ 8,361

(1) Our results of operations for 2009 and 2010 include the operations of DME Corporation beginning January 30, 2009, the effective date of the acquisition.

A discussion by segment can be found at “Segment Results of Operations and Outlook” in this MD&A.

CONSOLIDATED OVERVIEW OF OPERATIONS

While the business environment remained challenging with headwinds coming from continued low business jet build rates, low military sales activity and delays on Boeings 787, 2010 was a very good year for Astronics. Attention to cost control and increased volume from our Aerospace segment generated consolidated net income of \$14.9 million and diluted earnings per share of \$1.32 that were each the second highest in Astronics history next to 2007.

Driven by a \$24.0 million increase from our Aerospace segment our consolidated sales for 2010 increased by \$4.6 million to \$195.8 million compared with 2009. The Aerospace sales increase was partially offset by a \$19.4 million decrease from our Test Systems segment.

Our consolidated sales for 2009 increased by \$17.5 million to \$191.2 million compared with 2008. The increase was a result of sales related to the DME acquisition of \$51.2 million offset by a \$33.7 million decline of organic sales due to volume. Excluding DME sales, our 2009 sales would have been \$140 million. The decreased sales of our organic business was a result of reduced demand for our products in the commercial and business jet markets caused by reduced spending by airlines and lower new aircraft build rates partially offset by a slight increase of sales to the military market.

Gross margins improved in 2010 to 24.3% compared with 2009 at 19.5%. The improved margins were a result of increased margins in the Aerospace segment due to leverage on increased sales volume, a more efficient cost structure and favorable sales mix.

Gross margins improved in 2009 compared with 2008 as a result of the \$9.0 million reserve for inventory and equipment relating to the bankrupt Eclipse Aviation Corporation that was recorded in 2008. Excluding that reserve, 2008 gross margin would have been 22.7% compared with 19.5% in 2009. The decrease of the 2009 gross margin from the 2008 gross margin as adjusted for the Eclipse reserve was a result of decreased sales and the related lost gross profit on those sales not being offset by comparable reductions to our manufacturing overhead and engineering costs. Additionally, gross margins of the acquired DME businesses were 18.3%, slightly lower than our 2008 gross margins adjusted for the Eclipse reserve. Gross margins in 2009 for the organic business, excluding DME would have been 19.9%.

Selling, general and administrative expenses (“SG&A”) decreased approximately \$0.9 million in 2010 compared with 2009 due primarily to a \$2.0 million reduction of amortization expense for purchased intangible assets in our Test Systems segment offset by a small increase in other selling expenses. SG&A expenses were \$23.2 million or 11.9% of sales in 2010, compared to \$24.1 million, or 12.6% of sales in 2009.

SG&A increased in 2009 compared with 2008 due to the addition of the SG&A costs of DME. Excluding DME, SG&A costs decreased by approximately \$1.0 million or 5.7% from 2008. The decrease was due

primarily to a \$1.0 million bad debt expense in 2008 relating to the Eclipse Aviation Corporation accounts receivable charge off. DME SG&A added \$7.7 million in 2009.

In 2009 we recorded a pre-tax impairment charge of \$19.4 million to write down the carrying value of our Test Systems goodwill by \$14.2 million, and purchased intangible assets of our Test Systems segment by \$5.2 million.

Interest expense in 2010 compared to 2009 was flat due primarily to slightly higher effective interest rates being offset by reduced debt levels when compared with the same period last year. The increase in interest expense in 2009 compared to 2008 was due primarily to higher debt levels and an increase in margins paid to our banks on our debt.

The effective tax rate (benefit) was 31.5% in 2010 compared with (50.9)% in 2009. The change in the effective rate was due primarily to the impact of the 2009 pre-tax loss, and lower state and foreign taxes. The effective tax (benefit) rate was (50.9)% in 2009 compared with 32.0% in 2008. The change in the effective rate was due primarily to the impact of the 2009 pre-tax loss, the recognition of approximately \$0.8 million in research and development tax credits in 2009 and lower state and foreign taxes.

2011 Outlook

We expect consolidated sales in 2011 to be between \$205 million and \$215 million. Our consolidated backlog at December 31, 2010 was \$99.8 million of which approximately \$84.6 million is expected to ship in 2011. We expect our capital equipment spending in 2011 to be in the range of \$5 million to \$8 million and our engineering and development costs to be approximately \$28 million.

SEGMENT RESULTS OF OPERATIONS AND OUTLOOK

Operating profit, as presented below, is sales less cost of sales and other operating expenses excluding interest expense, corporate expenses and other non-operating revenue and expenses. Cost of sales and operating expenses are directly attributable to the respective segment. Operating profit is reconciled to earnings before income taxes in Note 12 of Item 8, Financial Statements and Supplementary Data, of this report.

AEROSPACE

	2010	2009	2008
(In thousands, except percentages)			
Sales	\$179,586	\$155,605	\$173,722
Operating Profit	\$ 30,120	\$ 16,274	\$ 16,253
Operating Margin	16.8%	10.5%	9.4%
		2010	2009
(In thousands)			
Total Assets		\$96,393	\$92,472
Backlog		\$91,573	\$75,639
	2010	2009(1)	2008
Sales by Market (In thousands)			
Commercial Transport	\$109,956	\$ 88,155	\$105,222
Military	34,867	37,791	34,546
Business Jet	22,548	21,630	33,954
FAA/Airport	12,215	8,029	—
	<u>\$179,586</u>	<u>\$155,605</u>	<u>\$173,722</u>

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	2010	2009	2008
Sales by Product Line (In thousands)			
Cabin Electronics	\$ 86,511	\$ 64,309	\$ 84,959
Aircraft Lighting	65,009	64,347	65,587
Airframe Power	15,851	18,920	23,176
Airfield Lighting	12,215	8,029	—
	<u>\$179,586</u>	<u>\$155,605</u>	<u>\$173,722</u>

(1) Includes reclassification of \$1.3 million from commercial/transport to military sales.

Aerospace sales for 2010 increased by \$24.0 million, or 15.4%, to \$179.6 million from \$155.6 million in 2009. Sales growth was primarily driven by increased sales volume of our Cabin Electronics products used by the Commercial Transport market. This volume increase was due to a general improvement of the financial condition of the commercial airlines and their increased installation of in-seat power systems and in-flight entertainment systems that incorporate our Cabin Electronics products. Military sales were down for the year due primarily to lower Airframe Power sales as scheduled deliveries of the Tactical Tomahawk power control unit ceased in 2009 but are planned to begin again in late 2011. Increased sales to the business jet market was a result of increased sales in the Airframe Power product line to business jet manufacturers. Sales to the FAA/Airport market increased primarily due to the completion of two airfield lighting programs during 2010.

Sales for 2009 decreased by \$18.1 million or 10.4%, to \$155.6 million. Excluding \$15.6 million of Aerospace sales of the acquired DME business included in our 2009 results, our Aerospace sales for the year would have decreased by \$33.7 million to \$140.0 million. By market, the decrease excluding DME revenue was the result of lower sales in the commercial transport market of \$22.4 million or 21.3% to \$82.9 million and decreased sales to the business jet market of \$14.5 million or 42.7% to \$19.4 million. These declines were offset somewhat by increased sales to the military market of \$3.1 million or 9.1% to \$37.8 million and the addition of DME sales to the FAA/Airport, commercial transport markets and business jet markets of approximately \$8.0 million and \$5.3 million and \$2.2 million, respectively. The decrease in sales to the Commercial transport market was primarily a result of lower deliveries of our cabin electronics products caused by reduced spending by the global airlines for cabin upgrades and reduced deliveries of our cabin electronics products for new aircraft. The decrease of sales to the business jet market reflects lower new aircraft build rates by the OEM's. The military sales increase was related to an increase of volume of our lighting products on various platforms.

Operating margins for our Aerospace segment increased in 2010 to 16.8% from 10.5% in 2009. Compared with 2009 our operating margins increased due to the leverage provided on the increased sales volume, the effect of cost reductions and favorable product mix as compared with the same periods of 2009.

Operating margins for our Aerospace segment increased in 2009 to 10.5% from 9.4% in 2008. Compared with 2008 our operating margins increased due to a \$10 million reserve relating to Eclipse Aviation Corporation for inventory, machinery and equipment and accounts receivable for the Eclipse 500 aircraft we recorded in 2008. In 2008, excluding the Eclipse reserve, our Aerospace segment operating margin would have been 15.1%. Our 2009 operating margin decrease as compared with our 2008 operating margin, excluding the Eclipse charge, was due to the lost margins on the sales decrease over the prior year without a corresponding reduction of fixed costs and lower margins on the acquired DME Aerospace business. The acquired DME Aerospace business had operating margins of 3.5% and sales of \$15.6 million.

It is our intention to continue investing in capabilities and technologies as needed that allows us to execute our strategy to increase the ship set content and value we provide on aircraft in all markets that we serve. The rate of spending on these activities, however, will continue to be driven by market opportunities.

The backlog for our Aerospace segment at December 31, 2010 was \$91.6 million compared with \$75.6 million at December 31, 2009.

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2011 Outlook for Aerospace — We expect 2011 Aerospace segment sales to be in the range of \$185 million to \$192 million.

Test Systems

	<u>2010</u>	<u>2009</u>	<u>2008</u>
(In thousands, except percentages)			
Sales	\$16,168	\$ 35,596	\$ —
Operating Loss	\$ (1,806)	\$ (18,219)	\$ —
Operating Margin	(11.2)%	(51.2)%	—%

	<u>2010</u>	<u>2009</u>
(In thousands)		
Total Assets	\$17,752	\$16,073
Backlog	\$ 8,216	\$ 9,755

The Test Systems segment was acquired as part of the DME acquisition on January 30, 2009. Sales in 2010 and 2009 for our Test Systems segment were \$16.2 million and \$35.6 million respectively, all of which were to the military market. The Test Systems segment continues to face headwinds as military spending has slowed and opportunities for large programs continue to move out. With the lack of large programs we have continued to utilize our engineering capacity to develop our next generation family of synthetic radio testers which we believe will provide a firm base line of repeating business for the future.

In 2009, the impairment charge of \$19.4 million is included in our operating loss of \$18.2 million for the year.

The backlog for Test Systems was \$8.2 million at December 31, 2010 compared with \$9.8 million at December 31, 2009.

2011 Outlook for Test Systems — We expect 2011 Test Systems sales to be in the range of \$20 million to \$23 million.

Off Balance Sheet Arrangements

We do not have material off-balance sheet arrangements that have or are reasonably likely to have a material future effect on our results of operations or financial condition.

Contractual Obligations

The following table represents contractual obligations as of December 31, 2010:

	<u>Payments Due by Period*</u>				
	<u>Total</u>	<u>2011</u>	<u>2012-2013</u>	<u>2014-2015</u>	<u>After 2015</u>
(In thousands)					
Purchase Obligations	\$37,502	\$36,009	\$ 1,493	\$ —	\$ —
Long-Term Debt	38,578	5,314	14,561	12,525	6,178
Operating Leases	9,833	3,022	4,734	2,077	—
Interest on Long-Term Debt	1,716	735	784	150	47
Other Long-Term Liabilities	847	224	548	24	51
Total Contractual Obligations	<u>\$88,476</u>	<u>\$45,304</u>	<u>\$ 22,120</u>	<u>\$ 14,776</u>	<u>\$ 6,276</u>

* This table excludes Supplemental Retirement Plan and related Post Retirement Obligations for which we anticipate making \$0.4 million in annual payments in 2011 through 2015.

Notes to Contractual Obligations Table

Purchase Obligations — Purchase obligations are comprised of the Company's commitments for goods and services in the normal course of business.

Note Payable and Long-Term Debt — See item 8, Financial Statements and Supplementary Data, Note 2, Long-Term Debt and Note Payable in this report.

Operating Leases — Operating lease obligations are primarily related to facility leases for our Astronics AES, Astronics DME and our Canadian operations.

Interest on Long-Term Debt — Interest on Long-Term Debt consists of fixed payments related to two interest rate swap agreements described more fully under Item 7A — Quantitative and Qualitative Disclosures About Market Risk.

We have excluded the variable rate interest on our note payable and other long-term debt due to its variable nature.

LIQUIDITY AND CAPITAL RESOURCES

	<u>2010</u>	<u>2009</u>	<u>2008</u>
(In thousands)			
Net cash provided (used) by:			
Operating Activities	\$16,503	\$ 31,088	\$11,505
Investing Activities	(3,614)	(42,702)	(4,572)
Financing Activities	(5,131)	23,520	(6,713)

Our available borrowing capacity and our cash flow from operations provide us with the financial resources needed to run our operations and reinvest in our business.

Operating Activities

Cash flow provided by operating activities was approximately \$16.5 million in 2010 compared with approximately \$31.1 million provided by operating activities in 2009. The decrease of \$14.6 million was mainly a result of cash used to invest in working capital components in 2010.

Cash flow provided by operating activities was approximately \$31.1 million in 2009 compared with approximately \$11.5 million provided by operating activities in 2008. The increase of \$19.6 million was mainly a result of our net loss offset by non-cash income and expenses and decreases in our investment in net working capital components.

Our cash flows from operations are primarily dependent on our net income adjusted for non-cash expenses and the timing of collections of receivables, level of inventory and payments to suppliers. Sales are influenced significantly by the build rates of new aircraft, which are subject to general economic conditions, airline passenger travel and spending for government and military programs. Our sales are also impacted by our ability to obtain new orders for our Test Systems segment. Over time, sales will also be impacted by our success in executing our strategy to increase ship set content and obtain production orders for programs currently in the development stage. A significant change in new aircraft build rates could be expected to impact our profits and cash flow. A significant change in government procurement and funding and the overall health of the worldwide airline industry could be expected to impact our profits and cash flow as well.

Investing Activities

Cash used for investing activities in 2010 was approximately \$3.6 million, used primarily for capital expenditures. Cash used for investing activities in 2009 and 2008 were \$42.7 million and \$4.6 million respectively. The year ended in 2009 included \$40.7 million to acquire DME and made capital expenditures of \$2.5 million. The year ended in 2008 was due primarily to capital expenditures.

Cash invested for capital equipment for the last three years ranged between \$2.5 million and \$4.3 million. Our expectation for 2011 is that we will invest between \$5.0 million and \$8.0 million. Future capital requirements depend on numerous factors, including expansion of existing product lines and introduction of new products. Management believes that our cash flow from operations and current borrowing arrangements will provide for these necessary capital expenditures.

Financing Activities

Our ability to maintain sufficient liquidity is highly dependent upon achieving expected operating results. Failure to achieve expected operating results could have a material adverse effect on our liquidity, our ability to obtain financing and our operations in the future. Our obligations under our Credit Agreement are jointly and severally guaranteed by Astronics Advanced Electronic Systems Corp., Luminescent Systems, Inc. and DME Corporation, each a wholly-owned domestic subsidiary of the Company. The obligations are secured by a first priority lien on substantially all of the Company's and the guarantors' assets and 100% of the issued and outstanding equity interest of each subsidiary.

The Credit Agreement provides for a revolving credit line of \$35 million for working capital requirements and is committed through January 2012, with interest at LIBOR plus between 2.75% and 4.50%. In addition, the Company is required to pay a commitment fee of between 0.30% and 0.50% on the unused portion of the total credit commitment for the preceding quarter, based on the Company's leverage ratio under the Credit Agreement. The credit facility allocates up to \$20 million of the \$35 million revolving credit line for the issuance of letters of credit, including certain existing letters of credit. The credit facility contains various covenants. The covenant for minimum fixed charge coverage, defined as the ratio of the sum of net income, interest expense, provision for taxes based on income, total depreciation expense, total amortization expense, other non-cash items reducing net income minus other non-cash items increasing net income minus capital expenditures, minus cash taxes paid and dividends paid to interest expense plus scheduled principal payments on long-term debt calculated on a rolling four-quarter basis ranges from 1.05 to 1.25 from December 31, 2010 through March 31, 2012, when it becomes fixed at 1.25. The covenant for maximum leverage, defined as the ratio of the sum of net income, interest expense, provision for taxes based on income, total depreciation expense, total amortization expense, other non-cash items reducing net income minus other non-cash items increasing net income to funded debt calculated on a rolling four-quarter basis now ranges from 3.25 to 2.75 from December 31, 2010 through September 30, 2011 when it becomes fixed at 2.75. The covenant for minimum net worth, defined as total stockholder equity shall not be less than \$57.0 million increased annually by adding 50% of net income. As of December 31, 2010 the minimum net worth is \$64.6 million. The covenant for maximum capital expenditures is \$10 million annually. The agreement also restricts the payment of dividends.

There was no balance outstanding on our revolving credit facility at December 31, 2010. The credit facility allocates up to \$20 million of the revolving credit line for the issuance of letters of credit, including certain existing letters of credit totaling approximately \$12.5 million at December 31, 2010. For working capital requirements, the Company had available on its credit facility, \$22.5 million at December 31, 2010. At December 31, 2010, we were in compliance with all of the covenants pursuant to the credit facility.

The Company's cash needs for working capital, debt service and capital equipment during 2011 are expected to be met by cash flows from operations and cash balances and if necessary, utilization of the revolving credit facility.

DIVIDENDS

Management believes that it should retain the capital generated from operating activities for investment in advancing technologies, acquisitions and debt retirement. Accordingly, there are no plans to institute a cash dividend program. Additionally, the Company's ability to pay dividends is limited by in the Company's Credit Agreement.

BACKLOG

At December 31, 2010, the Company's backlog was approximately \$99.8 million compared with approximately \$85.4 million at December 31, 2009.

RELATED-PARTY TRANSACTIONS

None.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 of the Consolidated Financial Statements at Item 8 of this report.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

The Company has limited exposure to fluctuation in Canadian currency exchange rates to the U.S. dollar. Nearly all of the Company's consolidated sales are transacted in U.S. dollars. Net assets held in or measured in Canadian dollars amounted to \$5.2 million at December 31, 2010. Annual disbursements transacted in Canadian dollars were approximately \$6.5 million in 2010. A 10% change in the value of the U.S. dollar versus the Canadian dollar would impact net income by approximately \$0.5 million.

Risk due to fluctuation in interest rates is a function of the Company's floating rate debt obligations, which total approximately \$33.5 million at December 31, 2010. To offset this exposure, the Company entered into two interest rate swaps to fix the interest rate on a portion of the underlying debt for a set period of time.

- a) An interest rate swap with a notional amount of approximately \$2.6 million at December 31, 2010, entered into in February 2006, related to the Company's Series 1999 New York Industrial Revenue Bond which effectively fixes the rate at 3.99% plus a spread based on the Company's leverage ratio on this \$2.6 million obligation through 2016.
- b) An interest rate swap with a notional amount of \$13.0 million at December 31, 2010, entered into on March 19, 2009 related to \$13.0 million of the Company's \$40.0 million term note issued January 30, 2009. The swap effectively fixes the LIBOR rate at 2.115% on the notional amount (which decreases in concert with the scheduled note repayment schedule). The swap agreement became effective October 1, 2009 and expires January 30, 2014.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Astronics Corporation

We have audited the accompanying consolidated balance sheets of Astronics Corporation as of December 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Astronics Corporation at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Astronics Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 3, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Buffalo, New York
March 3, 2011

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2010 based upon the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting is effective as of December 31, 2010.

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

By: /s/ Peter J. Gundermann
Peter J. Gundermann
President & Chief Executive Officer
(Principal Executive Officer)

March 3, 2011

/s/ David C. Burney
David C. Burney
Vice President-Finance, Chief Financial Officer & Treasurer
(Principal Financial and Accounting Officer)

March 3, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Astronics Corporation

We have audited Astronics Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Astronics Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Astronics Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Astronics Corporation as of December 31, 2010 and 2009 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2010 of Astronics Corporation and our report dated March 3, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Buffalo, New York
March 3, 2011

ASTRONICS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2010	2009	2008
(In thousands, except per share data)			
Sales	\$195,754	\$191,201	\$173,722
Cost of Products Sold	148,187	153,928	143,249
Gross Profit	47,567	37,273	30,473
Impairment Loss	—	19,381	—
Selling, General and Administrative Expenses	23,224	24,114	17,419
Income (Loss) from Operations	24,343	(6,222)	13,054
Interest Expense, Net of Interest Income of \$32, \$22 and \$12	2,551	2,533	694
Contingent Liability Fair Value Adjustment	—	(1,000)	—
Other (Income) Expense	(37)	(9)	70
Income (Loss) Before Income Taxes	21,829	(7,746)	12,290
Provision (Benefit) for Income Taxes	6,881	(3,944)	3,929
Net Income (Loss)	\$ 14,948	\$ (3,802)	\$ 8,361
Basic Earnings (Loss) Per Share	\$ 1.38	\$ (0.35)	\$ 0.82
Diluted Earnings (Loss) Per Share	\$ 1.32	\$ (0.35)	\$ 0.79

See notes to consolidated financial statements.

ASTRONICS CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2010	2009
(In thousands, except share and per share data)		
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 22,709	\$ 14,949
Accounts Receivable, Net of Allowance for Doubtful Accounts	30,941	30,560
Inventories	37,763	31,909
Prepaid Expenses	2,167	1,410
Deferred Income Taxes	3,560	3,665
Total Current Assets	97,140	82,493
Property, Plant and Equipment, at Cost:		
Land	1,639	1,639
Buildings and Improvements	18,775	18,913
Machinery and Equipment	34,890	33,727
Construction in Progress	1,559	823
	56,863	55,102
Less Accumulated Depreciation	25,990	23,859
Net Property, Plant and Equipment	30,873	31,243
Deferred Income Taxes	6,883	8,131
Intangibles, Net of Accumulated Amortization	5,040	5,591
Other Assets	3,342	3,763
Goodwill	7,610	7,493
Total Assets	\$150,888	\$138,714
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current Maturities of Long-term Debt	\$ 5,314	\$ 6,238
Accounts Payable	10,583	7,405
Accrued Payroll and Employee Benefits	7,086	5,067
Accrued Income Taxes	—	242
Customer Advanced Payments and Deferred Revenue	3,853	4,952
Billings in Excess of Recoverable Costs and Accrued Profits on Uncompleted Contracts	1,519	2,179
Other Accrued Expenses	2,930	3,553
Total Current Liabilities	31,285	29,636
Long-term Debt	33,264	38,538
Supplemental Retirement Plan and Other Liabilities for Pension Benefits	6,265	6,128
Other Liabilities	2,859	4,299
Total Liabilities	73,673	78,601
Shareholders' Equity		
Common Stock, \$.01 par value — Authorized 20,000,000 Shares, issued 8,972,795 in 2010 and 8,684,088 in 2009	89	87
Convertible Class B Stock, \$.01 par value — Authorized 5,000,000 Shares, issued 2,454,580 in 2010 and 2,571,245 in 2009	25	26
Additional Paid-in Capital	14,337	12,340
Accumulated Other Comprehensive Loss	(2)	(158)
Retained Earnings	65,047	50,099
	79,496	62,394
Less Treasury Stock: 480,313 Shares in 2010 and 2009	2,281	2,281
Total Shareholders' Equity	77,215	60,113
Total Liabilities and Shareholders' Equity	\$150,888	\$138,714

See notes to consolidated financial statements.

ASTRONICS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2010	2009	2008
(In thousands)			
Cash Flows from Operating Activities			
Net Income (Loss)	\$14,948	\$ (3,802)	\$ 8,361
Adjustments to Reconcile Net Income (Loss) to Cash Provided By Operating Activities:			
Impairment Loss	—	19,381	1,580
Depreciation and Amortization	4,881	7,342	4,142
Provision for Non-Cash Losses on Inventory and Receivables	1,134	1,014	8,907
Stock Compensation Expense	884	773	803
Loss on Disposal of Equipment	161	8	—
Deferred Tax Expense (Benefit)	1,385	(7,914)	(3,558)
Fair Value Adjustment to Contingent Note Payable	—	(1,000)	—
Other	(94)	(117)	393
Cash Flows from Changes in Operating Assets and Liabilities:			
Accounts Receivable	(290)	12,407	(2,881)
Inventories	(6,891)	6,185	(7,102)
Prepaid Expenses	(650)	220	(298)
Accounts Payable	3,156	(6,061)	2,376
Accrued Expenses	318	943	(2,078)
Customer Advanced Payments and Deferred Revenue	(1,099)	(285)	(2,585)
Billings in Excess of Recoverable Costs and Accrued Profits on Uncompleted Contracts	(660)	900	—
Income Taxes	(347)	859	2,291
Supplemental Retirement Plan and Other Liabilities	(333)	235	1,154
Cash Provided By Operating Activities	<u>16,503</u>	<u>31,088</u>	<u>11,505</u>
Cash Flows from Investing Activities			
Acquisition of Business	—	(40,655)	—
Capital Expenditures	(3,568)	(2,466)	(4,325)
Proceeds From Sale of Fixed Assets	—	425	—
Other	(46)	(6)	(247)
Cash Used For Investing Activities	<u>(3,614)</u>	<u>(42,702)</u>	<u>(4,572)</u>
Cash Flows from Financing Activities			
Proceeds from Long-term Debt	—	40,000	—
Principal Payments on Long-term Debt	(6,245)	(14,965)	(945)
Proceeds from Note Payable	—	4,176	9,100
Payments on Note Payable	—	(4,176)	(16,400)
Debt Acquisition Costs	—	(1,682)	(197)
Use of (Unexpended) Industrial Revenue Bond Proceeds	—	136	952
Proceeds from Exercise of Stock Options	1,092	16	329
Income Tax Benefit from Exercise of Stock Options	22	15	448
Cash (Used for) Provided By Financing Activities	<u>(5,131)</u>	<u>23,520</u>	<u>(6,713)</u>
Effect of Exchange Rates on Cash	<u>2</u>	<u>5</u>	<u>—</u>
Increase in Cash and Cash Equivalents	7,760	11,911	220
Cash and Cash Equivalents at Beginning of Year	14,949	3,038	2,818
Cash and Cash Equivalents at End of Year	<u>\$22,709</u>	<u>\$ 14,949</u>	<u>\$ 3,038</u>
Noncash Investing and Financing Activities :			
Subordinated Debt Issued For Acquisition	\$ —	\$ 6,000	\$ —
Treasury Stock Issued For Acquisition	—	3,585	—
Disclosure of Cash Payments for:			
Interest	\$ 2,604	\$ 2,335	\$ 745
Income Taxes, net	5,812	3,125	4,798

See notes to consolidated financial statements.

ASTRONICS CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Class B Stock		Treasury Stock		Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Comprehensive Income (Loss)
	Shares Issued	Par Value	Shares Issued	Par Value	Shares	Cost				
(Dollars and shares in thousands)										
Balance at January 1, 2008	7,512	\$ 75	3,652	\$ 36	980	\$(3,719)	\$ 7,833	\$ (541)	\$ 45,548	
Net Income for 2008									8,361	8,361
Currency Translation Adjustments								(751)		(751)
Retirement Liability Adjustment, Net of Income Taxes of \$85								(41)		(41)
Mark to Market Adjustments for Derivatives, Net of Income Taxes of \$49								(96)		(96)
Total Comprehensive Income										\$ 7,473
Adjustment for Stock Distribution									(8)	
Exercise of Stock Options and Stock Compensation Expense Including Income Taxes of \$448	50	—	32	1			1,557			
Class B Stock Converted to Common Stock	460	5	(460)	(5)						
Balance at December 31, 2008	8,022	\$ 80	3,224	\$ 32	980	\$(3,719)	\$ 9,390	\$ (1,429)	\$ 53,901	
Net Loss for 2009									(3,802)	(3,802)
Currency Translation Adjustments								592		592
Retirement Liability Adjustment, Net of Income Taxes of \$392								730		730
Mark to Market Adjustments for Derivatives, net of income Taxes of \$29								(51)		(51)
Total Comprehensive Loss										\$ (2,531)
Adjustment for Issuance of Treasury Shares for Acquisition					(500)	1,438	2,147			
Exercise of Stock Options and Stock Compensation Expense Including Income Taxes of \$15	1	—	8	1			803			
Class B Stock Converted to Common Stock	661	7	(661)	(7)						
Balance at December 31, 2009	8,684	\$ 87	2,571	\$ 26	480	\$(2,281)	\$ 12,340	\$ (158)	\$ 50,099	
Net Income for 2010									14,948	14,948
Currency Translation Adjustments								217		217
Retirement Liability Adjustment, Net of Income Taxes of \$19								35		35
Mark to Market Adjustments for Derivatives, net of income Taxes of \$52								(96)		(96)
Total Comprehensive Income										\$ 15,104
Exercise of Stock Options and Stock Compensation Expense Including Income Taxes of \$22	150	1	23	—			1,997			
Class B Stock Converted to Common Stock	139	1	(139)	(1)						
Balance at December 31, 2010	8,973	\$ 89	2,455	\$ 25	480	\$(2,281)	14,337	\$ (2)	\$ 65,047	

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND PRACTICES

Description of the Business

Astronics is a leading supplier of advanced, high-performance lighting systems, electrical power generation systems, aircraft safety systems, electronics systems for the global aerospace industry as well as test, training and simulation systems primarily for the military. We sell our products to airframe manufacturers (OEM's) in the commercial transport, business jet and military markets as well as FAA/Airport, OEM suppliers and aircraft operators around the world. The Company provides its products through its wholly owned subsidiaries Luminescent Systems, Inc., Luminescent Systems Canada, Inc., DME Corporation and Astronics Advanced Electronic Systems Corp. (AES). On January 30, 2009 Astronics acquired 100% of the stock of DME Corporation (DME). DME is a leading provider of military test, training and simulation equipment as well as commercial aviation safety equipment and airfield lighting systems. The Company has two reportable segments, Aerospace and Test Systems. The Aerospace segment designs and manufactures products for the global aerospace industry. The Test Systems segment designs, develops, manufactures and maintains communications and weapons test systems and training and simulation devices for military applications.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

Acquisitions are accounted for under the purchase method and, accordingly, the operating results for the acquired companies are included in the consolidated statements of operations from the respective dates of acquisition.

Revenue and Expense Recognition

In the Aerospace segment, revenue is recognized on the accrual basis at the time of shipment of goods and transfer of title. There are no significant contracts allowing for right of return.

In the Test Systems segment, revenue is recognized primarily from long-term, fixed-price contracts using the percentage-of-completion method of accounting, measured by multiplying the estimated total contract value by the ratio of actual contract costs incurred to date to the estimated total contract costs. Substantially all long-term contracts are with U.S. government agencies and contractors thereto. The Company makes significant estimates involving its usage of percentage-of-completion accounting to recognize contract revenues. The Company periodically reviews contracts in process for estimates-to-completion, and revises estimated gross profit accordingly. While the Company believes its estimated gross profit on contracts in process is reasonable, unforeseen events and changes in circumstances can take place in a subsequent accounting period that may cause the Company to revise its estimated gross profit on one or more of its contracts in process. Accordingly, the ultimate gross profit realized upon completion of such contracts can vary significantly from estimated amounts between accounting periods.

Cost of products sold includes the costs to manufacture products such as direct materials and labor and manufacturing overhead as well as all engineering and developmental costs. Shipping and handling costs are expensed as incurred and are included in costs of products sold. The Company is engaged in a variety of engineering and design activities as well as basic research and development activities directed to the substantial improvement or new application of the Company's existing technologies. These costs are expensed when incurred and included in cost of sales. Research and development, design and related engineering amounted to \$28.3 million in 2010, \$27.0 million in 2009 and \$22.9 million in 2008.

Selling, general and administrative expenses include costs primarily related to our sales and marketing departments and administrative departments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)***Stock Distribution***

On September 16, 2008, Astronics Corporation announced a one-for-four distribution of Class B Stock to holders of both Common and Class B Stock. On or about October 17, 2008, stockholders received one share of Class B Stock for every four shares of Common and Class B Stock held on the record date of October 6, 2008. All share quantities, share prices and per share data reported throughout this report have been adjusted to reflect the impact of this distribution.

Stock-Based Compensation

The Company accounts for its stock options following ASC Topic 718 “*Compensation — Stock Compensation*” (“ASC Topic 718”). This Topic requires all equity-based payments to employees, including grants of employee stock options, to be recognized in the statement of earnings based on the grant date fair value of the award. For awards with graded vesting, the Company uses a straight-line method of attributing the value of stock-based compensation expense, subject to minimum levels of expense, based on vesting.

Under ASC Topic 718, stock compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Vesting requirements vary for directors, officers and key employees. In general, options granted to outside directors vest six months from the date of grant and options granted to officers and key employees vest with graded vesting over a five-year period, 20% each year, from the date of grant.

The excess tax benefits from share based payment arrangements were insignificant in both 2010 and 2009 and \$0.4 million in 2008. These were classified as cash flows from financing activities.

Cash and Cash Equivalents

All highly liquid instruments with a maturity of three months or less at the time of purchase are considered cash equivalents.

Accounts Receivable

In the Aerospace segment, a trade receivable is recorded at the time of shipment of goods and transfer of title. In the Test Systems segment, receivables are recognized from long-term, fixed-price contracts using the percentage-of-completion method of accounting. Test System accounts receivable include billings and costs and estimated earnings in excess of billings on uncompleted contracts. The Company records a valuation allowance to account for potentially uncollectible accounts receivable. The allowance is determined based on Management’s knowledge of the business, specific customers, review of the receivable’s aging and a specific identification of accounts where collection is at risk. Account balances are charged against the allowance after all means of collections have been exhausted and the potential for recovery is considered remote. The Company typically does not require collateral.

Accounts receivable at December 31 consists of (in thousands):

	<u>2010</u>	<u>2009</u>
Accounts receivable	\$24,524	\$23,889
Long-term contract receivables:		
Amounts billed	3,345	1,949
Unbilled recoverable costs and accrued profits	3,346	5,094
Total long-term contract receivables	<u>6,691</u>	<u>7,043</u>
Total receivables	31,215	30,932
Less allowance for doubtful accounts	<u>(274)</u>	<u>(372)</u>
	<u>\$30,941</u>	<u>\$30,560</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Long-term contract receivables are primarily associated with contracts with the U.S. Government. At December 31, 2010 and 2009, amounts billed under long-term contracts from the US Government, were \$2.3 million and \$1.4 million, respectively and amounts of recoverable costs and accrued profits to be billed to the US Government were \$2.7 million and \$3.6 million, respectively.

In the fourth quarter of 2008, the Company elected to directly write off all receivables amounting to approximately \$1.0 million from Eclipse Aviation Corporation, a customer that declared bankruptcy during the fourth quarter of 2008. The impact amounted to approximately a \$0.6 million reduction in net income or \$0.06 per diluted share in 2008.

Inventories

Inventories are stated at the lower of cost or market, cost being determined in accordance with the first-in, first-out method. Inventories at December 31 are as follows:

	<u>2010</u>	<u>2009</u>
(In thousands)		
Finished Goods	\$ 8,437	\$ 6,075
Work in Progress	6,274	3,275
Raw Material	23,052	22,559
	<u>\$37,763</u>	<u>\$31,909</u>

The Company records valuation reserves to provide for excess, slow moving or obsolete inventory or to reduce inventory to the lower of cost or market value. In determining the appropriate reserve, the Company considers the age of inventory on hand, the overall inventory levels in relation to forecasted demands as well as reserving for specifically identified inventory that the Company believes is no longer salable.

At December 31, 2010, the Company's reserve for inventory valuation was \$11.2 million, or 22.8% of gross inventory. At December 31, 2009, the Company's reserve for inventory valuation was \$11.6 million, or 26.7% of gross inventory. In November of 2008, Eclipse Aviation Corporation, a customer, filed for bankruptcy protection and has ceased production. In the fourth quarter of 2008, the Company recorded a reserve for certain inventory specifically used in the Eclipse 500 aircraft which is included in cost of goods sold. This charge increased the 2008 inventory valuation reserve by approximately \$7.4 million, reducing 2008 net income by approximately \$4.8 million or \$0.45 per diluted share.

Property, Plant and Equipment

Depreciation of property, plant and equipment is computed on the straight-line method for financial reporting purposes and on accelerated methods for income tax purposes. Estimated useful lives of the assets are as follows: buildings, 40 years; machinery and equipment; 4-10 years. Leasehold improvements are amortized over the terms of the lease or the lives of the assets, whichever is shorter.

The cost of properties sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts, and the resulting gain or loss, as well as maintenance and repair expenses, are reflected in income. Replacements and improvements are capitalized.

Depreciation expense was approximately \$3.8 million, \$4.1 million and \$3.7 million in 2010, 2009 and 2008, respectively. No interest costs were capitalized in 2010, 2009 and 2008. In the fourth quarter of 2008, the Company recorded a charge in cost of goods sold, for certain equipment relating to the Eclipse 500 aircraft. This charge amounted to approximately \$1.6 million which is included in cost of goods sold and is classified as an impairment in the Consolidated Statements of Cash Flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)***Goodwill***

The Company does not amortize goodwill. The Company tests goodwill at the reporting unit level on an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company has four reporting units, however only three reporting units have goodwill and are subject to the goodwill impairment test. The impairment test consists of comparing the fair value of the reporting unit, determined using discounted cash flows, with its carrying amount including goodwill, and, if the carrying amount of the reporting unit exceeds its fair value, comparing the implied fair value of goodwill with its carrying amount. An impairment loss would be recognized for the carrying amount of goodwill in excess of its implied fair value. See Note 9 for further information regarding the goodwill impairment charge in 2009, relating to our Test Systems reporting unit.

Intangible Assets

Acquired intangibles are generally valued based upon future economic benefits such as earnings and cash flows. Acquired identifiable intangible assets are recorded at cost and are amortized over their estimated useful lives. Acquired intangible assets with an indefinite life are not amortized, but are reviewed for impairment at least annually or more frequently whenever events or changes in circumstances indicate that the carrying amount of those assets are below its estimated fair value. See Note 10 for further information regarding the impairment charge in 2009 relating to intangible assets in our Test Systems reporting unit.

Long-Lived Assets

Long-lived assets to be held and used are initially recorded at cost. The carrying value of these assets is evaluated for recoverability whenever adverse effects or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are recognized if future undiscounted cash flows from operations are not expected to be sufficient to recover long-lived assets. The carrying amounts are then reduced by the estimated shortfall of the discounted cash flows.

Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, notes payable, long-term debt and interest rate swaps. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral and the Company does not hold or issue financial instruments for trading purposes. Due to their short-term nature the carrying value of cash and equivalents, accounts receivable, accounts payable, and notes payable approximate fair value. The carrying value of the Company's variable rate long-term debt also approximates fair value due to the variable rate feature of these instruments. The carrying value of the subordinated promissory note approximates its fair value based on management's estimation that a current interest rate would not differ materially from the stated rate. The Company's interest rate swaps are recorded at fair value as described under "Fair Value."

Derivatives

The Company records all derivatives on the balance sheet at fair value with the related gains or losses deferred in shareholders' equity as a component of Accumulated Other Comprehensive Income (Loss) (AOCI). The accounting for changes in the fair value of derivatives depends on the intended use and resulting designation. During 2010 and 2009, the Company's use of derivative instruments was limited to a cash flow hedge for interest rate risk associated with long-term debt. Interest rate swaps are used to adjust the proportion of total debt that is subject to variable and fixed interest rates. The interest rate swaps are designated as hedges of the amount of future cash flows related to interest payments on variable-rate debt that, in combination with

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the interest payments on the debt, convert a portion of the variable-rate debt to fixed-rate debt. At December 31, 2010, we had interest rate swaps consisting of the following:

a) An interest rate swap with a notional amount of approximately \$2.6 million at December 31, 2010, entered into in February 2006, related to the Company's Series 1999 New York Industrial Revenue Bond which effectively fixes the rate at 3.99% plus a spread based on the Company's leverage ratio on this \$2.6 million obligation through 2016.

b) An interest rate swap with a notional amount of \$13.0 million at December 31, 2010, entered into on March 19, 2009 related to \$13.0 million of the Company's \$40.0 million term note issued January 30, 2009. The swap effectively fixes the LIBOR rate at 2.115% on the notional amount (which decreases in concert with the scheduled note repayment schedule). The swap agreement became effective October 1, 2009 and expires January 30, 2014.

At December 31, 2010 and 2009, the fair value of interest rate swaps was a liability of \$0.5 million and \$0.4 million, respectively, which is included in other long-term liabilities.

To the extent the interest rate swaps are not perfectly effective in offsetting the change in the value of the payments being hedged; the ineffective portion of these contracts is recognized in earnings immediately as interest expense. Ineffectiveness was not significant in 2010, 2009 or 2008. For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change. The Company classifies the cash flows from hedging transactions in the same category as the cash flows from the respective hedged items. The Company reclassified \$0.4 million and \$0.2 million from accumulated other comprehensive loss to interest expense during 2010 and 2009, respectively. Amounts reclassified in 2008 were insignificant. Amounts expected to be reclassified during 2011 are not expected to be significant.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities. Deferred tax assets are reduced, if deemed necessary, by a valuation allowance for the amount of tax benefits which are not expected to be realized. Investment tax credits are recognized on the flow through method.

The FASB issued ASC Topic 740-10 "*Overall — Uncertainty in Income Taxes*" ("ASC Topic 740-10") which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. ASC Topic 740-10 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The Company is subject to the provisions of ASC Topic 740-10 and has analyzed filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions.

Should the Company need to accrue a liability for uncertain tax benefits, any interest associated with that liability will be recorded as interest expense. Penalties, if any, would be recognized as operating expenses. There are no penalties or interest liability accrued as of December 31, 2010 nor are any included in expense for each of the years ended December 31, 2010, 2009 and 2008. The years under which we conducted our evaluation coincided with the tax years currently still subject to examination by major federal and state tax jurisdictions, those being 2006 through 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Earnings per Share

Earnings per share computations are based upon the following table:

	2010	2009	2008
(In thousands, except per share data)			
Net Income (Loss)	\$14,948	\$ (3,802)	\$ 8,361
Basic earnings weighted average shares	10,840	10,733	10,237
Net effect of dilutive stock options	444	—	413
Diluted earnings weighted average shares	11,284	10,733	10,650
Basic earnings (loss) per share	\$ 1.38	\$ (0.35)	\$ 0.82
Diluted earnings (loss) per share	\$ 1.32	\$ (0.35)	\$ 0.79

There is no dilutive effect of the stock options for the year ended December 31, 2009 since the impact would be anti-dilutive.

Reserved Common Stock

At December 31, 2010, approximately 4.1 million shares of common stock were reserved for issuance upon conversion of the Class B stock, exercise of stock options and purchases under the Employee Stock Purchase Plan. Class B Stock is identical to Common Stock, except Class B Stock has ten votes per share, is automatically converted to Common Stock on a one for one basis when sold or transferred, and cannot receive dividends unless an equal or greater amount of dividends is declared on Common Stock.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities and the reported amounts of revenues and expenses during the reporting periods in the financial statements and accompanying notes. Actual results could differ from those estimates.

Comprehensive Income

Comprehensive income consists primarily of net income (loss) and the after-tax impact of currency translation adjustments, mark to market adjustments for derivatives and retirement liability adjustments. Income taxes related to derivatives and retirement liability adjustments within other comprehensive income are generally recorded based on an effective tax rate of approximately 35%. No income tax effect is recorded for currency translation adjustments.

The accumulated balances of the components of other comprehensive loss net of tax, at December 31, 2010 and 2009 are as follows:

	2010	2009
(In thousands)		
Accumulated foreign currency translation	\$1,322	\$ 1,105
Accumulated loss on derivative adjustment net of tax benefit of approximately \$0.2 million and \$0.1 million for December 31, 2010 and 2009, respectively	(338)	(242)
Accumulated retirement liability adjustment net of tax benefit of approximately \$0.5 million and \$0.6 million at December 31, 2010 and 2009, respectively	(986)	(1,021)
	<u>\$ (2)</u>	<u>\$ (158)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fair Value

ASC Topic 820, “Fair value Measurements and Disclosures”, (“ASC Topic 820”) defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. This statement applies under other accounting pronouncements that require or permit fair value measurements. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. ASC Topic 820 defines fair value based upon an exit price model.

ASC Topic 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value.

A financial asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2010 and 2009:

	<u>Asset</u>	<u>Liability</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
(In thousands)					
Interest rate swaps					
2010	\$ —	\$ (520)	\$ —	\$(520)	\$ —
2009	—	(373)	—	(373)	—

Interest rate swaps are securities with no quoted readily available Level 1 inputs, and therefore are measured at fair value using inputs that are directly observable in active markets and are classified within Level 2 of the valuation hierarchy, using the income approach.

The contingent \$2.0 million subordinated promissory note payable (as part of the acquisition of DME) does not have Level 1 or Level 2 inputs and therefore was measured at fair value at the acquisition date and on a recurring basis, based upon the Company’s assumptions regarding the likelihood of meeting the revenue performance criteria. The Company’s assumptions (inputs) consider projected revenue for DME for 2009, including consideration of existing contracts, backlog and current economic conditions impacting the business. Therefore this fair value measurement is classified as Level 3 inputs. The \$2.0 million contingent subordinated note payable was recorded at its estimated fair value of \$1.0 million at the date of acquisition based on the requirements of ASC Topic 805. During 2009, the Company recognized as income, a \$1.0 million fair value adjustment based on the Company’s estimate of meeting the performance criterion. At December 31, 2009, the criterion was not met and the contingent note payable is no longer outstanding.

There were no impairment charges to goodwill in any of the Company’s reporting units in 2010. During 2009, in accordance with the provisions of ASC Topic 350 “Intangibles — Goodwill and Other”, the Company recorded a \$14.2 million goodwill impairment charge related to the Test System reporting unit to write down goodwill to its implied fair value of \$2.4 million. The Company utilizes a discounted cash flow analysis to estimate the fair value of reporting units utilizing unobservable inputs. The fair value measurement of the reporting unit under the step-one and step-two analysis of the goodwill impairment test are classified as Level 3 inputs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

There were no impairment charges to any of the Company's intangible assets in either of the Company's segments in 2010. During 2009, the Company recorded an impairment charge to write down to fair value indefinite-lived trade name intangible assets and amortizing intangible assets consisting of technology and customer relationships of its Test System reporting unit. The impairment charge for the trade names was \$0.7 million based on the determined fair value of \$0.5 million. The impairment charges for the technology and customer relationships were based on an undiscounted cash flow analysis at the asset group level, consisting of the Test System reporting unit. As a result of the projected undiscounted cash flows being less than the carrying value of the net assets of the reporting unit, the intangible assets were written down to fair value based on a discounted cash flow analysis. The impairment charge was \$3.6 million for technology and \$0.9 million for customer relationships. These impairment charges were the result of the revised downward estimates of future revenues and cash flows of the Test Systems reporting unit. The fair value measurements are calculated using unobservable inputs classified as Level 3 inputs, requiring significant management judgment due to the absence of quoted market prices or observable inputs for assets of a similar nature.

Foreign Currency Translation

The Company accounts for its foreign currency translation in accordance with ASC Topic 830, *Foreign Currency Translation*. The aggregate transaction gain or loss included in operations was insignificant for 2010, 2009 and 2008.

Dividends

The Company has not paid any cash dividends in the three-year period ended December 31, 2010. It has no plans to pay cash dividends as it plans to retain all cash from operations as a source of capital to finance growth in the business. The Company's ability to pay dividends is limited by covenants contained in the Company's Credit Agreement as discussed in Note 2.

Acquisition and Pro Forma Information

The Company accounts for its acquisitions under ASC Topic 805 "*Business Combinations and Reorganizations*" ("ASC Topic 805"). ASC Topic 805 provides revised guidance on how the acquirer recognizes and measures the consideration transferred, identifiable assets acquired, liabilities assumed, non-controlling interests, and goodwill acquired in a business combination. ASC Topic 805 also expands required disclosures surrounding the nature and financial effects of business combinations. Acquisition costs are expensed as incurred. Acquisition expenses in 2010 were insignificant. The Company expensed approximately \$0.1 million in acquisition costs in 2009 and \$0.2 million for 2008.

On January 30, 2009, the Company acquired 100% of the common stock of DME Corporation (DME). DME is a designer and manufacturer of military test training and simulation equipment and aviation safety products. The purchase price was approximately \$50 million, comprised of approximately \$40.3 million in cash, 500,000 shares of the Company's common stock held as treasury shares, valued at approximately \$3.6 million, a \$5.0 million subordinated note payable to the former shareholders plus an additional \$2.0 million contingent subordinated note payable, subject to meeting revenue performance criteria in 2009. The \$2.0 million was not paid as DME failed to attain the agreed upon 2009 calendar year revenue amount. The following summary, prepared on a pro forma basis, combines the consolidated results of operations of the Company with those of the acquired business as if the acquisition took place on January 1, 2008. The pro forma consolidated results include the impact of certain adjustments, including increased interest expense on acquisition debt, amortization of purchased intangible assets and income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	2009	2008
(In thousands, except earnings per share)		
Sales	\$195,950	\$260,429
Net Income (Loss)	(3,771)	12,331
Basic earnings (loss) per share	(0.35)	1.15
Diluted earnings (loss) per share	(0.35)	1.11

The pro forma results are not necessarily indicative of what actually would have occurred if the acquisition had been in effect for the years ended December 31, 2009 and 2008. In addition, they are not intended to be a projection of future results.

Loss contingencies

Loss contingencies may from time to time arise from situations such as warranty claims and other legal actions. Loss contingencies are recorded as liabilities when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. Disclosure is required when there is a reasonable possibility that the ultimate loss will exceed the recorded provision. Contingent liabilities are often resolved over long time periods. In recording liabilities for probable losses, management is required to make estimates and judgments regarding the amount or range of the probable loss. Management continually assesses the adequacy of estimated loss contingencies and, if necessary, adjusts the amounts recorded as better information becomes known.

Recent Accounting Pronouncements

On January 1, 2010, the Company adopted the new provisions of Accounting Standards Update (“ASU”) No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820)*, Improving Disclosures about Fair Value Measurements (“ASU No. 2010-06”). ASU No. 2010-06 provides revised guidance on improving disclosures about valuation techniques and inputs to fair value measurements. The impact on the Company’s disclosures was not significant.

In December 2010, the FASB issued ASU No. 2010-28, *Intangibles — Goodwill and Other (Topic 350)* (“ASU 2010-28”). ASU 2010-28 clarifies the requirement to test for impairment of goodwill. ASC Topic 350 has required that goodwill be tested for impairment under Step 2 if the carrying amount of a reporting unit exceeds its fair value. Under ASU 2010-28, when the carrying amount of a reporting unit is zero or negative an entity must assume that it is more likely than not that a goodwill impairment exists, perform an additional Step 2 test to determine whether goodwill has been impaired and calculate the amount of that impairment. The modifications to ASC Topic 350 resulting from the issuance of ASU 2010-28 are effective for fiscal years beginning after December 15, 2010 and interim periods within those years. Early adoption is not permitted. The Company believes that the impact, if any, the application of the amendments in ASU 2010-28 may have on its financial statements will not be significant.

In December 2010, the FASB issued ASU No. 2010-29, *Business Combinations (Topic 805)* (“ASU 2010-29”). ASC Topic 350 has required pro forma revenue and earnings disclosure requirements for business combinations. ASU 2010-29 clarifies the requirements for disclosure of supplementary pro forma information for business combinations. The amendments in this Update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in this Update also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The modifications to ASC Topic 805 resulting from the issuance of ASU 2010-28 are effective for fiscal years beginning after December 15, 2010 and interim periods within those

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

years. Early adoption is permitted. The Company believes that the impact, if any, the application of the amendments in ASU 2010-29 may have on its financial statements will not be significant.

NOTE 2 —LONG-TERM DEBT AND NOTE PAYABLE

Long-term debt consists of the following:

	2010	2009
(In thousands)		
Senior Term Notes, payable \$1.0 million quarterly from January 2011 through October 2012, \$2.0 million quarterly in 2013 with a balloon payment of \$5.0 million in January 2014. Interest is at LIBOR plus between 2.75% and 4.0% (3.31% at December 31, 2010)	\$21,000	\$26,000
Subordinated promissory note with interest fixed at 6.0% payable in 2014	5,000	5,000
Series 2007 Industrial Revenue Bonds issued through the Erie County, New York Industrial Development Agency payable \$340 from 2011 through 2027 with interest reset weekly (3.50% at December 31, 2010)	5,740	6,000
Series 1999 Industrial Revenue Bonds issued through the Erie County, New York Industrial Development Agency payable \$350 annually through 2019 with interest reset weekly (3.50% at December 31, 2010)	2,595	2,945
Series 1998 Industrial Revenue Bonds issued through the Business Finance Authority of the State of New Hampshire payable \$400 annually through 2018 with interest reset weekly (3.50% at December 31, 2010)	3,250	3,650
Note Payable at Canadian Prime payable \$11 monthly through 2016 plus interest (Canadian Prime was 3.00% at December 31, 2010)	906	1,027
Capital Lease Obligations and Other	87	154
	38,578	44,776
Less current maturities	5,314	6,238
	<u>\$33,264</u>	<u>\$38,538</u>

Principal maturities of long-term debt are approximately \$5.3 million in 2011 and 2012, \$9.3 million in 2013, \$11.2 million in 2014 and \$1.3 million in 2015.

The Company's Credit Agreement provides for a revolving credit line of \$35 million for working capital requirements and is committed through January 2012, with interest at LIBOR plus between 2.75% and 4.50%. In addition, the Company is required to pay a commitment fee of between 0.30% and 0.50% on the unused portion of the total credit commitment for the preceding quarter, based on the Company's leverage ratio under the Credit Agreement. The credit facility allocates up to \$20 million of the \$35 million revolving credit line for the issuance of letters of credit, including certain existing letters of credit. The credit facility contains various covenants. The covenant for minimum fixed charge coverage, defined as the ratio of the sum of net income, interest expense, provision for taxes based on income, total depreciation expense, total amortization expense, other non-cash items reducing net income minus other non-cash items increasing net income minus capital expenditures, minus cash taxes paid and dividends paid to interest expense plus scheduled principal payments on long-term debt calculated on a rolling four-quarter basis ranges from 1.05 to 1.25 from December 31, 2010 through March 31, 2012, when it becomes fixed at 1.25. The covenant for maximum leverage, defined as the ratio of the sum of net income, interest expense, provision for taxes based on income, total depreciation expense, total amortization expense, other non-cash items reducing net income minus other non-cash items increasing net income to funded debt calculated on a rolling four-quarter basis now ranges from 3.25 to 2.75 from December 31, 2010 through September 30, 2011 when it becomes fixed at 2.75. The covenant for minimum net worth, defined as total stockholder equity shall not be less than \$57.0 million

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

increased annually by adding 50% of net income. The covenant for maximum capital expenditures is \$10 million annually. The agreement also restricts the payment of dividends.

There was no balance outstanding on our revolving credit facility at December 31, 2010 and 2009. The credit facility allocates up to \$20 million of the revolving credit line for the issuance of letters of credit, including certain existing letters of credit totaling approximately \$12.5 million at December 31, 2010. For working capital requirements, the Company had available on its credit facility, \$22.5 million and \$15.5 million at December 31, 2010 and December 31, 2009, respectively.

At December 31, 2010, we were in compliance with all of the covenants pursuant to the credit facility and the Company believes it will be compliant with all the credit facility covenants for the foreseeable future.

The Industrial Revenue Bonds are held by institutional investors and are guaranteed by a bank letter of credit, which is collateralized by certain property, plant and equipment assets, the carrying value of which approximates the principal balance on the bonds. The Company has a standby unsecured bank letter of credit guaranteeing the note payable in Canada, the carrying value of which approximates the principal balance on the note.

NOTE 3 — STOCK OPTION AND PURCHASE PLANS

The Company has stock option plans that authorize the issuance of options for shares of Common Stock to directors, officers and key employees. Stock option grants are designed to reward long-term contributions to the Company and provide incentives for recipients to remain with the Company. The exercise price, determined by a committee of the Board of Directors, may not be less than the fair market value of the Common Stock on the grant date. Options become exercisable over periods not exceeding ten years. The Company's practice has been to issue new shares upon the exercise of the options.

Stock compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Vesting requirements vary for directors, officers and key employees. In general, options granted to outside directors vest six months from the date of grant and options granted to officers and key employees straight line vest over a five-year period from the date of grant.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. The weighted average fair value of the options was \$10.27, \$3.90 and, \$4.02 for options granted during the year ended December 31, 2010, 2009 and 2008, respectively.

The weighted average fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2010	2009	2008
Risk-free interest rate	2.33% - 3.04%	2.50% - 2.87%	2.09% - 3.73%
Dividend yield	0.0%	0.0%	0.0%
Volatility factor	0.41 - 0.53	0.40 - 0.41	0.37 - 0.39
Expected life in years	7.0 - 8.0	7.5 - 8.0	7.0 - 8.0

To determine expected volatility, the Company uses historical volatility based on weekly closing prices of its Common Stock and considers currently available information to determine if future volatility is expected to differ over the expected terms of the options granted. The risk-free rate is based on the United States Treasury yield curve at the time of grant for the appropriate term of the options granted. Expected dividends are based

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

on the Company's history and expectation of dividend payouts. The expected term of stock options is based on vesting schedules, expected exercise patterns and contractual terms.

The following table provides compensation expense information based on the fair value of stock options for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
(In thousands)			
Stock compensation expense	\$884	\$773	\$803
Tax benefit	(84)	(74)	(87)
Stock compensation expense, net of tax	<u>\$800</u>	<u>\$699</u>	<u>\$716</u>

A summary of the Company's stock option activity and related information for the years ended December 31 follows:

	2010			2009			2008		
	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
(Aggregate intrinsic value in thousands)									
Outstanding at January 1	1,233,326	\$ 7.58	\$16,551	1,059,693	\$ 7.48	\$ 1,134	996,549	\$ 7.04	\$ 1,853
Options Granted	91,950	17.86	289	200,420	7.82	147	144,985	8.68	31
Options Exercised	(70,841)	4.98	(1,135)	(20,787)	4.68	(80)	(81,841)	4.33	(374)
Options Forfeited	—	—	—	(6,000)	7.35	(7)	—	—	—
Outstanding at December 31	<u>1,254,435</u>	<u>\$ 8.48</u>	<u>\$15,706</u>	<u>1,233,326</u>	<u>\$ 7.58</u>	<u>\$ 1,194</u>	<u>1,059,693</u>	<u>\$ 7.48</u>	<u>\$ 1,510</u>
Exercisable at December 31	<u>945,494</u>	<u>\$ 7.30</u>	<u>\$12,953</u>	<u>874,966</u>	<u>\$ 6.77</u>	<u>\$ 1,557</u>	<u>755,120</u>	<u>\$ 6.46</u>	<u>\$ 1,842</u>

The aggregate intrinsic value in the preceding table represents the total pretax option holder's intrinsic value, based on the Company's closing stock price of Common Stock which would have been received by the option holders had all option holders exercised their options as of that date. The Company's closing stock price of Common Stock was \$21.00, \$8.55 and \$8.90 as of December 31, 2010, 2009 and 2008, respectively.

The weighted average fair value of options vested during 2010, 2009 and 2008 was \$4.71, \$8.14 and \$8.80, respectively. At December 31, 2010, total compensation costs related to non-vested awards not yet recognized amounts to \$1.9 million and will be recognized over a weighted average period of 2.4 years.

The following is a summary of weighted average exercise prices and contractual lives for outstanding and exercisable stock options as of December 31, 2010:

Exercise Price Range	Outstanding			Exercisable		
	Shares	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Shares	Weighted Average Remaining Life in Years	Weighted Average Exercise Price
\$4.07-\$6.12	522,353	3.1	\$ 4.48	522,353	3.1	\$ 4.48
\$7.35-\$10.73	520,481	6.8	8.12	304,845	5.6	8.30
\$13.89-\$15.29	110,663	6.2	14.14	97,905	6.2	14.17
\$21.26-\$31.85	100,938	8.9	24.83	20,393	7.0	31.85
	<u>1,254,435</u>	5.4	8.48	<u>945,494</u>	4.3	7.30

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company established Incentive Stock Option Plans for the purpose of attracting and retaining executive officers and key employees, and to align management's interest with those of the shareholders. Generally, the options must be exercised within ten years from the grant date and vest ratably over a five-year period. The exercise price for the options is equal to the fair market value at the date of grant. At December 31, 2010, the Company had options outstanding for 1,058,202 shares under the plan. At December 31, 2010, 172,734 options were available for future grant under the plan established in 2001.

The Company established the Directors Stock Option Plans for the purpose of attracting and retaining the services of experienced and knowledgeable outside directors, and to align their interest with those of the shareholders. The options must be exercised within ten years from the grant date. The exercise price for the option is equal to the fair market value at the date of grant and vests six months from the grant date. At December 31, 2010, the Company had options outstanding for 196,233 shares under the plans. At December 31, 2010, there were 133,880 options available for future grants under the plan established in 2005.

In addition to the options discussed above, the Company has established the Employee Stock Purchase Plan to encourage employees to invest in Astronics Corporation. The plan provides employees that have been with the Company for at least a year the opportunity to invest up to 20% of their cash compensation (up to an annual maximum of approximately \$21,000) in Astronics common stock at a price equal to 85% of the fair market value of the Astronics common stock, determined each October 1. Employees are allowed to enroll annually. Employees indicate the number of shares they wish to obtain through the program and their intention to pay for the shares through payroll deductions over the annual cycle of October 1 through September 30. Employees can withdraw anytime during the annual cycle, and all money withheld from the employees pay is returned with interest. If an employee remains enrolled in the program, enough money will have been withheld from the employees' pay during the year to pay for all the shares that the employee opted for under the program. At December 31, 2010, employees had subscribed to purchase 73,811 shares at \$15.12 per share. The weighted average fair value of the options was \$4.17, \$2.09 and \$4.15 for options granted during the year ended December 31, 2010, 2009 and 2008, respectively. None of the 2008 options were exercised.

The fair value for the options granted under the Employee Stock Purchase Plan was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2010	2009	2008
Risk-free interest rate	0.25%	0.41%	1.53%
Dividend yield	0.0%	0.0%	0.0%
Volatility factor	.40	.40	.38
Expected life in years	1.0	1.0	1.0

NOTE 4 —INCOME TAXES

Pretax income from the Company's foreign subsidiary amounted to \$0.1 million, \$0.3 million and \$0.5 million for 2010, 2009 and 2008, respectively. The balances of pretax earnings for each of those years were domestic.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The provision (benefit) for income taxes consists of the following:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
(In thousands)			
Current			
US Federal	\$5,327	\$ 3,840	\$ 7,331
State	131	198	137
Foreign	38	(68)	19
Deferred	1,385	(7,914)	(3,558)
	<u>\$6,881</u>	<u>\$(3,944)</u>	<u>\$ 3,929</u>

The effective tax rates differ from the statutory federal income tax as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutory Federal Income Tax (Benefit) Rate	35.0%	(35.0)%	35.0%
Permanent Items, Net	(1.3)%	(0.8)%	(1.9)%
Foreign Taxes (benefits)	(0.1)%	(2.4)%	(1.4)%
State Income Tax, Net of Federal Income Tax Benefit	0.6%	(2.7)%	0.1%
Research and Development Tax Credits	(3.0)%	(10.5)%	—%
Other	0.3%	0.5%	0.2%
Effective tax rates	<u>31.5%</u>	<u>(50.9)%</u>	<u>32.0%</u>

For 2010, the difference between our effective tax rates and the federal statutory rate resulted primarily from foreign earnings taxed at rates lower than the federal statutory rates and the utilization of available research and development tax credits. For 2009, the difference between our effective tax rates and the federal statutory rate resulted primarily from foreign earnings taxed at rates lower than the federal statutory rates and the utilization of available research and development tax credits. For 2008, the majority of the difference was due to the impact of permanent differences, utilization of foreign research and development tax credits and foreign taxes as a percentage of pretax income. At December 31, 2010, state and foreign tax credit forwards amounted to approximately \$1.2 million. These state and foreign tax credit forwards will expire between 2015 through 2025.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
(In thousands)		
Deferred tax assets:		
Goodwill and Intangibles	\$ 6,487	\$ 7,095
Asset reserves	3,259	3,654
Deferred compensation	3,363	3,321
State and Foreign tax credit carryforwards, net of federal tax	890	731
Customer Advanced Payments and Deferred Revenue	342	531
Other	<u>342</u>	<u>298</u>
Total gross deferred tax assets	14,683	15,630
Valuation allowance for deferred tax assets related to state and foreign tax credit carryforwards, net of federal tax	<u>(890)</u>	<u>(731)</u>
Deferred tax assets	<u>13,793</u>	<u>14,899</u>
Deferred tax liabilities:		
Depreciation	<u>3,350</u>	<u>3,103</u>
Deferred tax liabilities	<u>3,350</u>	<u>3,103</u>
Net deferred tax asset	<u>\$10,443</u>	<u>\$11,796</u>

The net deferred tax assets and liabilities are presented in the consolidated balance sheet as follows at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
(In thousands)		
Deferred tax asset — current	\$ 3,560	\$ 3,665
Deferred tax asset — long-term	<u>6,883</u>	<u>8,131</u>
Net deferred tax asset	<u>\$10,443</u>	<u>\$11,796</u>

We have unrecognized tax benefits which, if ultimately recognized, will reduce our annual effective tax rate. Reserves for uncertain income tax positions have been recorded pursuant to ASC Topic 740-10. An estimate of the range of possible change during 2011 to the reserves cannot be made as of December 31, 2010. A reconciliation of the total amounts of unrecognized tax benefits, excluding interest and penalties, is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
(In thousands)			
Balance at beginning of period	\$ 940	\$ 130	\$ 230
Decreases as a result of tax positions taken in prior years	(270)	(130)	(100)
Increases as a result of tax positions taken in current year	<u>800</u>	<u>940</u>	<u>—</u>
Balance at end of period	<u>\$1,470</u>	<u>\$ 940</u>	<u>\$ 130</u>

NOTE 5 — PROFIT SHARING/401(K) PLAN

The Company and all its subsidiaries excluding DME participate in a qualified profit sharing/401(k) Plan for the benefit of its eligible full-time employees. The plan provides for annual contributions based on

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

percentages of pretax income. In addition, employees may contribute a portion of their salary to the 401(k) plan which is partially matched by the Company. The plan may be amended or terminated at any time. Total charges to income before income taxes for the plan were \$1.9 million, \$1.0 million and \$1.5 million in 2010, 2009 and 2008, respectively.

DME has a qualified Profit Sharing/401(k) Savings Plan and Trust for the benefit of its eligible full-time employees. The Profit Sharing Plan provides for annual contributions based on management's discretion. Employees may contribute a portion of their salary to the 401(k) plan which is partially matched by the Company at management's discretion. The plan may be amended or terminated at any time. Total charges to income before income taxes for the plan were \$0.2 million in both 2010 and 2009. Starting on January 1, 2011, the DME Profit Sharing/401(k) Savings Plan and Trust was merged into the Astronics Corporation's qualified Profit Sharing/401(k) Plan for the benefit of its eligible full-time employees.

NOTE 6 — SUPPLEMENTAL RETIREMENT PLAN AND RELATED POST RETIREMENT BENEFITS

The Company has a nonqualified supplemental retirement defined benefit plan (the "Plan") for certain current and retired executives. The Plan provides for benefits based upon average annual compensation and years of service, less offsets for Social Security and Profit Sharing benefits. It is the Company's intent to fund the benefits as they become payable, since no plan assets exist at December 31, 2010 or 2009.

The Company accounts for the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plan in accordance with the recognition and disclosure provisions of ASC Topic 715 "*Compensation, Retirement Benefits*" ("ASC Topic 715"), which requires the Company to recognize the funded status in its balance sheet, with a corresponding adjustment to accumulated other comprehensive income, net of tax. The adjustment to accumulated other comprehensive income at adoption represented the net unrecognized actuarial losses, unrecognized prior service costs, and unrecognized transition obligation remaining from the initial adoption of ASC Topic 715, all of which were previously netted against the plan's funded status in the Company's balance sheet. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Company's historical policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in accumulated other comprehensive income.

Unrecognized prior service costs of \$0.6 million (\$0.4 million net of tax) and unrecognized actuarial losses \$0.8 million (\$0.5 million net of tax) are included in accumulated other comprehensive income at December 31, 2010 and have not yet been recognized in net periodic pension cost. The prior service cost included in accumulated other comprehensive income and expected to be recognized in net periodic pension cost during the fiscal year-ended December 31, 2011 is \$0.1 million (\$0.1 million net of tax). The actuarial loss included in accumulated other comprehensive income expected to be recognized in net periodic pension cost during the fiscal year-ended December 31, 2011 is insignificant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The reconciliation of the beginning and ending balances of the projected benefit obligation for the year ended December 31, 2010 and 2009 is as follows:

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
(In thousands)		
Funded Status		
Projected Benefit Obligation		
Beginning of Year — January 1	\$ 5,669	\$ 6,498
Service Cost	38	51
Interest Cost	330	365
Actuarial (Gain) Loss	452	(897)
Benefits Paid	(348)	(348)
End of Year — December 31	<u>\$ 6,141</u>	<u>\$ 5,669</u>

The increase in the 2010 projected benefit obligation is due primarily to the decrease in the discount rate and differences between estimated and actual salaries. The decrease in the 2009 projected benefit obligation is due primarily to the increase in the discount rate, differences between estimated and actual salaries and changes in beneficiary status

The assumptions used to calculate the benefit obligation as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Discount Rate	5.50%	6.00%
Future Average Compensation Increases	5.00%	5.00%

The unfunded status of the plan of \$6.1 million at December 31, 2010 is recognized in the accompanying statement of financial position as a current accrued pension liability of \$0.3 million and a long-term accrued pension liability of \$5.8 million. This also is the expected Company contribution to the plan, since the plan is unfunded.

The following table summarizes the components of the net periodic cost for the years ended December 31, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
(In thousands)			
Net Periodic Cost			
Service Cost — Benefits Earned During Period	\$ 38	\$ 51	\$ 48
Interest Cost	330	365	355
Amortization of Prior Service Cost	109	108	109
Amortization of Losses	—	33	29
Net Periodic Cost	<u>\$477</u>	<u>\$557</u>	<u>\$541</u>

The assumptions used to determine the net periodic cost are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Discount Rate	6.00%	5.75%	5.75%
Future Average Compensation Increases	5.00%	5.00%	5.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company expects the benefits to be paid in each of the next five years to be \$0.3 million and \$1.7 million in the aggregate for the next five years after that. This also is the expected Company contribution to the plan, since no plan assets exist at December 31, 2010 or 2009.

Participants in the nonqualified supplemental retirement plan are entitled to paid medical, dental and long-term care insurance benefits upon retirement under the plan. The measurement date for determining the plan obligation and cost is December 31.

The reconciliation of the beginning and ending balances of the projected benefit obligation for the year ended December 31, 2010 and 2009 is as follows:

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
(In thousands)		
Funded Status		
Projected Benefit Obligation		
Beginning of Year — January 1	\$ 871	\$ 903
Service Cost	4	7
Interest Cost	50	50
Actuarial (Gain)	(361)	(37)
Benefits Paid	(53)	(52)
End of Year — December 31	<u>\$ 511</u>	<u>\$ 871</u>

The decrease in the projected benefit obligation in 2010 was result of a change from a traditional medical insurance plan to a medical plan supplemented by Medicaid.

The assumptions used to calculate the post retirement benefit obligation as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Discount Rate	5.50%	6.00%

The following table summarizes the components of the net periodic cost for the years ended December 31, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
(In thousands)			
Net Periodic Cost			
Service Cost — Benefits Earned During Period	\$ 4	\$ 7	\$ 6
Interest Cost	50	50	48
Amortization of Prior Service Cost	25	34	34
Amortization of Losses	11	11	9
Net Periodic Cost	<u>\$ 90</u>	<u>\$102</u>	<u>\$ 97</u>

The assumptions used to determine the net periodic cost are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Discount Rate	6.00%	5.75%	5.75%
Future Average Healthcare Benefit Increases	10.00%	10.00%	12.00%

The Company estimates that the prior service costs and net losses in accumulated other comprehensive income for medical, dental and long-term care insurance benefits as of December 31, 2010, that will be recognized as components of net periodic benefit cost during the year ended December 31, 2011 for the Plan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

will be insignificant. For measurement purposes, a 9% annual increase in the cost of health care benefits was assumed for 2011 gradually decreasing to 5.0% in 2015 and years thereafter. A one percentage point increase or decrease in this rate would change the post retirement benefit obligation insignificantly. The Company expects the benefits to be paid in each of the next five years to be approximately thirty-four thousand per year and \$0.2 million in the aggregate for the next five years after that. This also is the expected Company contribution to the plan, as it is unfunded.

NOTE 7 —SELECTED QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected quarterly financial information for 2010 and 2009:

	Quarter Ended							
	Dec. 31, 2010	Oct. 2, 2010	July 3, 2010	April 3, 2010	Dec. 31, 2009	Oct. 3, 2009	July 4, 2009	April 4, 2009
(Unaudited)								
(In thousands, except for per share data)								
Sales	\$51,823	\$49,906	\$47,089	\$46,936	\$ 45,576	\$48,586	\$47,024	\$50,015
Gross Profit (sales less cost of products sold)	12,443	12,893	10,685	11,546	9,899	10,120	8,724	8,530
Income (Loss) before Tax	5,850	6,573	3,887	5,519	(16,122)	3,618	2,704	2,054
Net Income (Loss)	4,471	4,647	2,430	3,400	(9,655)	2,496	1,956	1,401
Basic Earnings (Loss) per Share	0.41	0.43	0.22	0.31	(.90)	0.23	0.18	0.13
Diluted Earnings (Loss) per Share	0.39	0.41	0.22	0.31	(.90)	0.23	0.18	0.13

In the fourth quarter of 2009, the Company recorded an impairment loss of approximately \$19.4 million relating to the purchased intangibles and goodwill in its Test System segment. See Notes 9 and 10 for further discussion.

There is no dilutive effect of the stock options for the quarter-ended December 31, 2009 as the impact would be anti-dilutive.

NOTE 8 —COMMITMENTS AND CONTINGENCIES

The Company leases certain office and manufacturing facilities as well as equipment under various lease contracts with terms that meet the accounting definition of operating leases. These arrangements may include fair value renewal or purchase options. Rental expense for the years ended December 31, 2010, 2009 and 2008 was \$3.5 million, \$3.3 million and \$1.9 million, respectively. The following table represents future minimum lease payment commitments as of December 31, 2010:

	2011	2012	2013	2014	2015	Thereafter	Total
(In thousands)							
Minimum Lease Payments	\$3,022	\$3,047	\$1,687	\$1,321	\$756	\$ —	\$9,833

From time to time the Company may enter into purchase agreements with suppliers under which there is a commitment to buy a minimum amount of product. Purchase commitments outstanding at December 31, 2010 were \$37.5 million. These commitments are not reflected as liabilities in the Company's Balance Sheet.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Legal Proceedings

The Company is subject to various legal proceedings, claims, and litigation arising in the ordinary course of business. While the outcome of these matters is currently not determinable, we do not expect these matters will have a material adverse effect on our business, financial position, results of operations, or cash flows. However, the results of these matters cannot be predicted with certainty. Should the Company fail to prevail in any legal matter or should several legal matters be resolved against the Company in the same reporting period, then the financial results of that particular reporting period could be materially adversely affected.

On November 11, 2010, AE Liquidation Inc. filed an action in the Bankruptcy Court seeking to recover \$1.4 million of alleged preferential payments received from Eclipse Aviation Corporation. The Company disputes the Trustee's allegations and believes any loss, as a result of future proceedings is neither probable nor estimable at December 31, 2010, and we intend to defend this claim vigorously.

Other than this proceeding, we are not party to any significant pending legal proceedings that management believes will result in material adverse effect on our financial condition or results of operations.

NOTE 9 —GOODWILL

The following table summarizes the changes in the carrying amount of goodwill for 2010 and 2009:

	2010	2009
(In thousands)		
Balance at Beginning of period — Net	7,493	2,582
Acquisition	—	18,729
Impairment charge	—	(14,142)
Foreign currency translations	117	324
Balance at December 31,	<u>\$ 7,610</u>	<u>\$ 7,493</u>
Goodwill	\$ 21,752	\$ 21,635
Accumulated Impairment Losses	<u>(14,142)</u>	<u>(14,142)</u>
Goodwill — Net	<u>\$ 7,610</u>	<u>\$ 7,493</u>

As discussed in Note 1, goodwill is not amortized but is periodically tested for impairment, in accordance with the provisions of ASC Topic 350 "*Intangibles — Goodwill and Other*" ("ASC Topic 350"). Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The fair value of a reporting unit is determined using a discounted cash flow methodology. The Company's reporting units are determined based upon whether discrete financial information is available and regularly reviewed, whether those units constitute a business, and the extent of economic similarities between those reporting units for purposes of aggregation. The Company's reporting units identified under ASC Topic 350 are at the component level, or one level below the reporting segment level as defined under ASC Topic 280 "*Segment Reporting*" ("ASC Topic 280"). The Company has four reporting units however only three reporting units have goodwill.

Under ASC Topic 350, the measurement of impairment of goodwill consists of two steps. In the first step, we compare the fair value of each reporting unit to its carrying value. As part of our impairment analysis, we determined the fair value of each of our reporting units with goodwill using the income approach. The income approach uses a discounted cash flow methodology to determine fair value. This methodology recognizes value based on the expected receipt of future economic benefits. Key assumptions in the income approach include a free cash flow projection, an estimated discount rate, a long-term growth rate and a terminal value. These assumptions are based upon our experience, current market trends and future expectations. During fiscal 2010, based on the evaluation, we determined that none of the reporting units' fair

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

value was less than its carrying value. For the year ended December 31, 2010, the Company did not record an impairment charge related to goodwill.

During fiscal 2009, the generally weak economic conditions resulted in a decline in business and a reduction in forecasted cash flows. Based on the evaluation, we determined that the fair value of one of the reporting units was less than its carrying value. Following this assessment, ASC Topic 350 required us to perform a second step in order to determine the implied fair value of goodwill in this reporting unit and to compare it to its carrying value. The activities in the second step included hypothetically valuing all of the tangible and intangible assets of the impaired reporting unit using market participant assumptions, as if the reporting unit had been acquired in a business combination as of the date of the valuation.

As a result of this assessment in 2009, the Company recorded an impairment charge of approximately \$14.2 million in the December 31, 2009 consolidated statement of operations. The impairment loss was incurred in the Test Systems segment and is reported on the Impairment Loss line of the Consolidated Statements of Operations. None of this loss related to goodwill is immediately deductible for tax purposes. The majority of goodwill is amortized over 15 years for tax purposes.

No impairment losses related to goodwill were recorded during 2008.

NOTE 10 — INTANGIBLE ASSETS

The following table summarizes acquired intangible assets as follows:

	December 31, 2010			December 31, 2009	
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
(In thousands)					
Patents	12 Years	\$ 1,271	\$ 586	\$ 1,271	\$ 487
Trade Names	N/A	1,053	—	1,053	—
Completed and Unpatented Technology	10 - 15 Years	3,177	972	3,177	718
Government Contracts	6 Years	347	342	347	284
Backlog and Customer relationships	3 - 20 Years	3,385	2,293	3,385	2,153
Total Intangible Assets		\$ 9,233	\$ 4,193	\$ 9,233	\$ 3,642

Amortization is computed on the straight-line method for financial reporting purposes based on amounts recorded at December 31, 2010. Amortization expense was \$0.6 million, \$2.5 million and \$0.2 million for 2010, 2009 and 2008, respectively. Amortization expense for each of the next five years is expected to amount to approximately \$0.4 million each year from 2011 through 2015.

For indefinite-lived intangible assets, the impairment test consists of comparing the fair value, determined using the relief from royalty method, with its carrying amount. An impairment loss would be recognized for the carrying amount in excess of its fair value. For the year ended December 31, 2010, the Company recorded no impairment charge to any of its indefinite-lived intangible assets. For the year ended December 31, 2009, the Company recorded a \$0.7 million impairment charge related to Trade Names assigned to the Company's Test Systems reporting unit, as of the annual impairment test date of November 1. There was no impairment loss taken in 2008. The impairment loss is reported on the Impairment Loss line of the Consolidated Statement of Operations.

Intangible assets that are amortized are evaluated for recoverability whenever adverse effects or changes in circumstances indicate that the carrying value may not be recoverable. The recoverability test consists of comparing the undiscounted projected cash flows with the carrying amount. Should the carrying amount exceed undiscounted projected cash flows, an impairment loss would be recognized to the extent the carrying amount exceeds fair value. For the year ended December 31, 2010, the Company recorded no impairment charge to any of its amortizable intangible assets. For the year ended December 31, 2009, the Company recorded an impairment charge related to its amortizable intangible assets of its test systems reporting unit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

amounting to approximately \$4.5 million, based upon an evaluation as of November 1, 2009. There was no impairment loss taken in 2008. The impairment loss is reported on the Impairment Loss line of the Consolidated Statement of Operations.

NOTE 11 — WARRANTY

In the ordinary course of business, the Company warrants its products against defects in design, materials and workmanship typically over periods ranging from twelve to sixty months. The Company determines warranty reserves needed by product line based on experience and current facts and circumstances. Activity in the warranty accrual is summarized as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
(In thousands)			
Balance at beginning of year	\$ 3,147	\$ 1,212	\$ 1,164
Warranties issued	2,259	3,419	1,128
Reassessed warranty exposure	(1,144)	—	—
Warranties settled	<u>(2,563)</u>	<u>(1,484)</u>	<u>(1,080)</u>
Balance at end of the year	<u>\$ 1,699</u>	<u>\$ 3,147</u>	<u>\$ 1,212</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 12 — SEGMENTS

Segment information for the years ended 2010, 2009 and 2008 and reconciliations to consolidated amounts are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Sales:			
Aerospace	\$179,586	\$155,605	\$173,722
Test Systems	<u>16,168</u>	<u>35,596</u>	<u>—</u>
Sales	<u>\$195,754</u>	<u>\$191,201</u>	<u>\$173,722</u>
Operating profit (loss) and margins:			
Aerospace	\$ 30,120	\$ 16,274	\$ 16,253
	16.8%	10.5%	9.4%
Test Systems	(1,806)	(18,219)	—
	(11.2)%	(51.2)%	—%
Total operating profit (loss)	<u>28,314</u>	<u>(1,945)</u>	<u>16,253</u>
	14.5%	(1.0)%	9.4%
Deductions from operating profit (loss):			
Interest expense	(2,551)	(2,533)	(694)
Corporate and other expenses, net	<u>(3,934)</u>	<u>(3,268)</u>	<u>(3,269)</u>
Earnings (loss) before income taxes	<u>\$ 21,829</u>	<u>\$ (7,746)</u>	<u>\$ 12,290</u>
Depreciation and amortization:			
Aerospace	\$ 3,695	\$ 4,053	\$ 4,038
Test Systems	659	2,585	—
Corporate	<u>527</u>	<u>704</u>	<u>104</u>
Total depreciation and amortization	<u>\$ 4,881</u>	<u>\$ 7,342</u>	<u>\$ 4,142</u>
Identifiable assets:			
Aerospace	\$ 96,393	\$ 92,472	\$ 92,279
Test Systems	17,752	16,073	—
Corporate	<u>36,743</u>	<u>30,169</u>	<u>12,395</u>
Total assets	<u>\$150,888</u>	<u>\$138,714</u>	<u>\$104,674</u>
Capital expenditures:			
Aerospace	\$ 2,438	\$ 2,116	\$ 4,298
Test Systems	619	350	—
Corporate	<u>511</u>	<u>—</u>	<u>27</u>
Total capital expenditures	<u>\$ 3,568</u>	<u>\$ 2,466</u>	<u>\$ 4,325</u>

Operating profit is net sales less cost of sales and other operating expenses, excluding interest expense and other corporate expenses. Cost of sales and other operating expenses are directly identifiable to the respective segment.

For the year ended December 31, 2010, there was no goodwill or purchased intangible impairment losses in either the Aerospace or Test System segment. For the year ended December 31, 2009, the operating loss in the Test Systems segment includes a goodwill impairment loss of approximately \$14.2 million and a purchased intangible impairment loss of approximately \$5.2 million. In the Aerospace segment, goodwill amounted to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

\$5.2 million and \$5.1 million at December 31, 2010 and 2009, respectively. In the Test Systems segment goodwill amounted to \$2.4 million at both December 31, 2010 and 2009.

The following table summarizes the Company's sales by geographic region:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
(In thousands)			
North America	\$168,556	\$165,123	\$147,944
Asia	13,026	10,867	10,221
Europe	11,294	13,391	13,802
South America	2,457	1,659	1,486
Other	421	161	269
	<u>\$195,754</u>	<u>\$191,201</u>	<u>\$173,722</u>

Sales recorded by the Company's Canadian operations were \$9.1 million in 2010, \$10.1 million in 2009 and \$11.2 million in 2008. Net income from this location was \$0.1 million in 2010, \$0.4 million in 2009 and \$0.5 million in 2008. Net Assets held outside of the United States total \$5.3 million at December 31, 2010 and \$4.6 million at December 31, 2009. The exchange gain included in determining net income was \$0.1 million, \$0.3 million and \$0.2 million in 2010, 2009 and 2008, respectively. Cumulative translation adjustments amounted to \$1.3 million and \$1.1 million at December 31, 2010 and 2009, respectively.

The Company has a significant concentration of business with two major customers, Panasonic Aviation Corporation and the U.S. Government. Sales to Panasonic Avionics in the Aerospace segment accounted for approximately 26.5% of sales in 2010, 19.4% of sales in 2009 and 24.9% of sales in 2008. Accounts receivable from this customer at December 31, 2010 and 2009 were approximately \$6.5 million and \$3.9 million, respectively. In the Aerospace segment sales to the U.S. Government accounted for approximately 10.9% of Aerospace segment sales in 2010, 8.1% of sales in 2009 and 4.0% of sales in 2008. In the Test Systems segment sales to the U.S. Government accounted for approximately 61.2% of the Test System segment's sales in 2010 and 69.4% of sales in 2009. Accounts receivable from this customer at December 31, 2010 and 2009 were \$7.0 million and \$2.6 million, respectively.

All the Company's property, plant and equipment is located in North America.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

Not applicable.

ITEM 9A. *CONTROLS AND PROCEDURES*

Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of Company Management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective as of the end of the period covered by this report, to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is made known to them on a timely basis, and that these disclosure controls and procedures are effective to ensure such information is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

Management's report on Internal Control over Financial Reporting

See the report appearing under item 8, Financial Statements and Supplemental Data on page 30 of this report.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. *OTHER INFORMATION*

Not applicable.

PART III**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information regarding directors is contained under the captions “Election of Directors” and “Security Ownership of Certain Beneficial Owners and Management” is incorporated herein by reference to the 2011 Proxy to be filed within 120 days of the end of our fiscal year is incorporated herein by reference.

The executive officers of the Company, their ages, their positions and offices with the Company, and the date each assumed their office with the Company, are as follows:

Name and Age of Executive Officer	Positions and Offices with Astronics	Year First Elected Officer
Peter J. Gundermann Age 48	President, Chief Executive Officer and Director of the Company	2001
David C. Burney Age 48	Vice President-Finance, Treasurer, Secretary and Chief Financial Officer of the Company	2003
Mark A. Peabody Age 51	Astronics Advanced Electronic Systems Executive Vice President	2010
James S. Kramer Age 47	Luminescent Systems Inc. Executive Vice President	2010

The principal occupation and employment for all executives listed above for the past five years has been with the Company.

The Company has adopted a Code of Business Conduct and Ethics that applies to the Chief Executive Officer, Chief Financial Officer as well as other directors, officers and employees of the Company. This Code of Business Conduct and Ethics is available upon request without charge by contacting Astronics Corporation, Investor Relations at (716) 805-1599. The Code of Business Conduct and Ethics is also available on the Investor Relations section of the Company’s website at www.astronics.com

ITEM 11. EXECUTIVE COMPENSATION

The information contained under the caption “Executive Compensation” and “Summary Compensation Table” in the Company’s definitive Proxy Statement to be filed within 120 days of the end of our fiscal year is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained under the captions “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” and “Executive Compensation” in the Company’s definitive Proxy Statement to be filed within 120 days of the end of our fiscal year is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information contained under the captions “Certain Relationships and Related Party Transactions and Director Independence” and “Proposal One: Election of Directors — Board Independence” in the Company’s definitive Proxy Statement to be filed within 120 days of the end of our fiscal year is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information contained under the caption “Audit and Non-Audit Fees” in the Company’s definitive Proxy Statement to be filed within 120 days of the end of our fiscal year is incorporated herein by reference.

PART IV

ITEM 15. *EXHIBITS AND FINANCIAL STATEMENT SCHEDULES*

(a) The documents filed as a part of this report are as follows:

1. The following financial statements are included:

- (i) Consolidated Statements of Operations for the years ended December 31, 2010, December 31, 2009 and December 31, 2008
- (ii) Consolidated Balance Sheets as of December 31, 2010 and December 31, 2009
- (iii) Consolidated Statements of Cash Flows for the years ended December 31, 2010, December 31, 2009 and December 31, 2008
- (iv) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2010, December 31, 2009 and December 31, 2008
- (v) Notes to Consolidated Financial Statements
- (vi) Reports of Independent Registered Public Accounting Firm
- (vii) Management's Report on Internal Control Over Financial Reporting

2. Financial Statement Schedules

Schedule II. Valuation and Qualifying Accounts

All other consolidated financial statement schedules are omitted because they are inapplicable, not required, or the information is included elsewhere in the consolidated financial statements or the notes thereto.

3. Exhibits

Exhibit No.	Description
3(a)	Restated Certificate of Incorporation, as amended; filed herewith
(b)	By-Laws, as amended, incorporated by reference to the registrant's 2008 Annual Report on Form 10-K, Exhibit 3(b), filed March 11, 2009
4.1(a)	\$60,000,000 Credit Agreement with HSBC Bank USA, dated May 13, 2008, incorporated by reference to the registrant's Form 8-K, Exhibit 10.1, filed May 16, 2008
(b)	Amended and Restated Credit Agreement with HSBC Bank USA, dated January 27, 2009, incorporated by reference to the registrant's Form 8-K, Exhibit 10.1, filed January 30, 2009
(c)	Amendment No. 2 to the Amended and Restated Credit Agreement dated as of December 23, 2009 among Astronics Corporation, the Lenders party thereto, HSBC Bank USA, National Association., incorporated by reference to the registrant's Form 8-K, Exhibit 10.1, filed December 28, 2009
10.1*	Restated Thrift and Profit Sharing Retirement Plan; filed herewith
10.2*	1992 Incentive Stock Option Plan; filed herewith
10.3*	1997 Director Stock Option Plan; filed herewith
10.4*	2001 Stock Option Plan; filed herewith
10.5*	Non-Qualified Supplemental Retirement Plan; filed herewith
10.6*	Employment Termination Benefits Agreement dated December 16, 2003 between Astronics Corporation and Peter J. Gundermann, President and Chief Executive Officer of Astronics Corporation; filed herewith
10.7*	Employment Termination Benefits Agreement dated December 16, 2003 between Astronics Corporation and David C. Burney, Vice President and Chief Financial Officer of Astronics Corporation; filed herewith
10.8*	2005 Director Stock Option Plan; filed herewith
10.9	Stock Purchase Agreement By and Among Astronics Corporation, DME Corporation and the Shareholders of DME Corporation dated January 28, 2009, incorporated by reference to the registrant's Form 8-K, Exhibit 10.1, filed January 30, 2009

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<u>Exhibit No.</u>	<u>Description</u>
10.10*	First Amendment of the Astronics Corporation Supplemental Retirement Plan, incorporated by reference to the registrant's 2008 Annual Report on Form 10-K, Exhibit 10.10, filed March 11, 2009
10.11*	First Amendment of the Employment Termination Benefits Agreement dated December 30, 2008 between Astronics Corporation and Peter J. Gundermann, President and Chief Executive Officer of Astronics, incorporated by reference to the registrant's 2008 Annual Report on Form 10-K, Exhibit 10.11, filed March 11, 2009 of Astronics Corporation.
10.12*	First Amendment of the Employment Termination Benefits Agreement dated December 30, 2008 between Astronics Corporation and David C. Burney, Vice President and Chief Financial Officer of Astronics Corporation, incorporated by reference to the registrant's 2008 Annual Report on Form 10-K, Exhibit 10.12, filed March 11, 2009
10.13*	Employment Termination Benefits Agreement Dated February 18, 2005 between Astronics Corporation and Mark A. Peabody, Executive Vice President of Astronics Advanced Electronic Systems, Inc.; filed herewith
10.14*	First Amendment of the Employment Termination Benefits Agreement dated December 31, 2008 between Astronics Corporation and Mark A. Peabody, Executive Vice President of Astronics Advanced Electronic Systems, Inc.; filed herewith
10.15*	Form of Indemnification Agreement as executed by each of Astronics Corporation's Directors and Executive Officers, filed herewith
21	Subsidiaries of the Registrant; filed herewith.
23	Consent of Independent Registered Public Accounting Firm; filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002; filed herewith
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002; filed herewith
32	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002; filed herewith

* identifies a management contract or compensatory plan or arrangement as required by Item 15(a) (3) of Form 10-K.

SCHEDULE II

Valuation and Qualifying Accounts

Year	Description	Balance at the Beginning of Period	Acquisitions	Charged to Cost and Expense	(Write-Offs) Recoveries	Balance at End of Period
(In thousands)						
2010	Allowance for Doubtful Accounts	\$ 372	\$ —	\$ 17	\$ (115)	\$ 274
	Reserve for Inventory Valuation	11,621	—	1,117	(1,555)	11,183
	Deferred Tax Valuation Allowance	731	—	264	(105)	890
2009	Allowance for Doubtful Accounts	305	20	(22)	69	372
	Reserve for Inventory Valuation	10,465	443	1,036	(323)	11,621
	Deferred Tax Valuation Allowance	680	—	62	(11)	731
2008	Allowance for Doubtful Accounts	514	—	898	(1,107)	305
	Reserve for Inventory Valuation	4,082	—	8,008	(1,625)	10,465
	Deferred Tax Valuation Allowance	769	—	(35)	(54)	680

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, on March 3, 2011.

Astronics CorporationBy /s/ Peter J. Gundermann

Peter J. Gundermann

President and Chief Executive Officer

By /s/ David C. Burney

David C. Burney,

Vice President-Finance, Chief

Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Peter J. Gundermann</u> Peter J. Gundermann	President and Chief Executive Officer (Principal Executive Officer)	March 3, 2011
<u>/s/ David C. Burney</u> David C. Burney	Vice President — Finance, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 3, 2011
<u>/s/ Raymond W. Boushie</u> Raymond W. Boushie	Director	March 3, 2011
<u>/s/ Robert T. Brady</u> Robert T. Brady	Director	March 3, 2011
<u>/s/ John B. Drenning</u> John B. Drenning	Director	March 3, 2011
<u>/s/ Peter J. Gundermann</u> Peter J. Gundermann	Director	March 3, 2011
<u>/s/ Kevin T. Keane</u> Kevin T. Keane	Director	March 3, 2011
<u>/s/ Robert J. McKenna</u> Robert J. McKenna	Director	March 3, 2011

EXHIBIT 3(a)

ASTRONICS CORPORATION

RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED

**CERTIFICATE OF AMENDMENT OF
THE CERTIFICATE OF INCORPORATION OF
ASTRONICS CORPORATION**

Under Section 805 of the Business Corporation Law

IT IS HEREBY CERTIFIED THAT:

1. The name of the Corporation is Astronics Corporation. The Corporation was formed under the name Astronics Luminescent, Inc.
2. The Certificate of Incorporation was filed at the Department of State of the State of New York on the 5th day of December 1968.
3. Paragraph Fourth of the Certificate of Incorporation, setting forth the authorized shares of the Corporation, is hereby amended to read, in its entirety, as follows:

FOURTH: The aggregate number of shares which the Corporation shall have authority to issue is fifteen million (15,000,000) shares, consisting of ten million (10,000,000) shares of Common Stock, Par Value \$.01 per share, and five million (5,000,000) shares of Class B Stock, Par Value \$.01 per share.

The relative rights, preferences and limitations of each class of capital stock are to be fixed as follows:

A. Dividends

Holders of Common Stock and Class B Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefore, provided that in the case of cash dividends, no dividend may be paid on the Class B Stock unless an equal or greater dividend is paid concurrently on the Common Stock, and cash dividends may be paid on the Common Stock in excess of dividends paid, or without paying dividends, on the Class B Stock. In the case of dividends or other distributions payable in stock of the Corporation, including share distributions or stock splits or divisions of stock of the Corporation, such distributions, splits or divisions shall be in the same proportion with respect to each class of stock, and the Common Stock and Class B Stock will be treated equally. A dividend or share distribution declared in shares of Common Stock will be distributed pro rata, as Common Stock, to the holders of Common Stock and Class B Stock. A dividend or share distribution declared in shares of Class B Stock will be distributed pro rata, as Class B Stock, to the holders of Common Stock and Class B Stock. In the case of any combination or reclassification of the Common Stock, the shares of Class B Stock shall also be combined or reclassified so that the relationship between the number of shares of Class B Stock and Common Stock outstanding immediately following such combination or reclassification shall be the same as the relationship between the Class B Stock and the Common Stock immediately prior to such combination or reclassification.

B. Voting

(1) At every meeting of the shareholders every holder of Common Stock shall be entitled to one (1) vote in person or by proxy for each share of Common Stock standing in his name on the transfer books of the Corporation and every holder of Class B Stock shall be entitled to ten (10) votes in person or by proxy for each share of Class B Stock standing in his name on the transfer books of the Corporation.

(2) Except in connection with share distributions, stock splits and stock dividends and anti-dilutive adjustments determined by the Board of Directors for options, stock subscriptions and warrants outstanding on the date of record for the share distribution, stock split or stock dividend, the Corporation may not effect the issuance of any shares of Class B Stock unless and until such issuance is authorized by the holders of a majority of the voting power of the shares of Common Stock and of Class B Stock entitled to vote, each voting separately as a class.

(3) No shareholder shall have the right to cumulate votes in the election of directors.

(4) Except as may be otherwise required by law or the Certificate of Incorporation, the holders of Common Stock and Class B stock shall vote together as a single class.

C. Transfer

(1) No person holding shares of Class B Stock of record (hereinafter called a "Class B Holder") may transfer the Class B Stock, except by gift, devise or bequest, by a transfer to the estate of a shareholder upon the death of such shareholder, or by a transfer of shares held in a trust to the grantor of such trust or to any person to whom or for whose benefit the principal of such trust may be distributed; and the Corporation and the transfer agent shall not register the transfer of such shares of Class B Stock, whether by sale, assignment, appointment or otherwise. Any purported transfer of shares of Class B Stock, other than a transfer of the type described above, shall be null and void and of no effect and the purported transfer by a Class B Holder will result in the immediate and automatic conversion of the shares of Class B Stock held by such Class B Holder into shares of Common Stock, on a one (1) share for one (1) share basis. The purported transferee shall have no rights as a shareholder of the Corporation and no other rights against, or with respect to, the Corporation except the right to receive shares of Common Stock upon the immediate and automatic conversion of his shares of Class B Stock into shares of Common Stock. The estate of any deceased shareholder, a transferee upon the distribution of the assets of such an estate, any transferee of the Class B Stock by gift, devise or bequest or a transferee from a trust of which such transferee was the grantor or a principal beneficiary shall hold the transferred shares of Class B Stock subject to the same restrictions on transferability as apply to all Class B Holders under this Paragraph Fourth.

(2) Shares of Class B Stock shall be registered in the name(s) of the beneficial Owner(s) thereof (as hereafter defined) and not in "street" or "nominee" names; provided, however, certificates representing shares of Class B Stock issued as or in connection with a share distribution, stock split or stock dividend on the Corporation's then outstanding Common Stock or Class B Stock may be registered in the same name and manner the certificates representing the shares of Common Stock or Class B Stock with respect to which the shares of Class B Stock are issued. For the purposes of this Section C, the term "beneficial owner(s)" of any shares of Class B Stock shall mean the person or persons who possess the power to dispose, or to direct the disposition of such shares. Any shares of Class B Stock registered in "street" or "nominee" name may be transferred to the beneficial owner of such shares on the record date for such share distribution, stock split or stock dividend, upon proof satisfactory to the Corporation and the transfer agent that such person was in fact the beneficial owner of such shares on the record date for such share distribution, stock split or stock dividend.

(3) Notwithstanding anything to the contrary set forth herein, any Class B Holder may pledge such holder's shares of Class B Stock to a pledgee pursuant to a bona fide pledge of such shares as collateral security for indebtedness due to the pledgee, provided that such shares shall not be transferred to or registered in the name of the pledgee and shall remain subject to the provisions of this Section C. In the event of foreclosure or other similar action by the pledgee, such pledged shares of Class B Stock may not be transferred to the pledgee without first being converted into shares of Common Stock.

(4) For purposes of this Section C.:

- (a) Each joint owner of shares of Class B Stock shall be considered a "Class B Holder" of such shares.
- (b) A minor for whom shares of Class B Stock are held pursuant to a Uniform Gifts to Minors Act or similar law shall be considered a Class B Holder of such shares.
- (c) Unless otherwise specified, the term "person" means both natural persons and legal entities.
- (d) Persons participating in a thrift or employee stock purchase plan of the Corporation (or any similar or successor plans) shall be deemed to be the Class B Holders of the shares of Class B Stock allocated to their accounts pursuant to such plans.

(5) Any transfer of share of Class B Stock not permitted hereunder shall result in the conversion of the transferee's shares of Class B Stock into shares of Common Stock, on a one (1) share for one (1) share basis, effective the date on which certificates representing such shares are presented for transfer on the books of the Corporation. The Corporation may, in connection with preparing a list of shareholders entitled to vote at any meeting of shareholders, or as a condition to the transfer or the registration of shares of Class B Stock on the Corporation's books, require the furnishing of such affidavits or other proof as it deems necessary to establish that any person is the beneficial owner of shares of Class B Stock.

D. Conversion Rights

(1) Subject to the terms and conditions of this Section D, each share of Class B Stock shall be convertible at any time or from time to time, at the option of the respective holder thereof, at the office of any transfer agent for Class B Stock, and at such other

place or places, if any, as the Board of Directors may designate, or, if the Board of Directors shall fail so to designate, at the principal office of the Corporation (attention of the Secretary of the Corporation), into one (1) fully paid and non-assessable share of Common Stock. Upon conversion, the Corporation shall make no payment or adjustment on account of dividends accrued or in arrears on Class B Stock surrendered for conversion or on account of any dividends on the Common Stock issuable on such conversion. Before any holder of Class B Stock shall be entitled to convert the same into Common Stock, he shall surrender the certificate or certificates for such Class B Stock at the office of said transfer agent (or other place as provided above), which certificate or certificates, if the Corporation shall so request, shall be duly endorsed to the Corporation or in blank or accompanied by proper instruments of transfer to the Corporation (such endorsements or instruments of transfer to be in form satisfactory to the Corporation), and shall give written notice to the Corporation at said office that he elects so to convert said Class B Stock in accordance with the terms of this Section D, and shall state in writing therein the name or names in which he wishes the certificate or certificates for Common Stock to be issued. Subject to the provision of subsection (3) of this Section D, such conversion shall be deemed to have been made as of the date of such surrender of the Class B Stock to be converted; and the person or persons entitled to receive the Common Stock issuable upon conversion of such Class B Stock shall be treated for all purposes as the record holder or holders of such Common Stock on such date.

(2) The issuance of certificates for shares of Common Stock upon conversion of shares of Class B Stock shall be made without charge for any stamp or other similar tax in respect of such issuance. However, if any such certificate is to be issued in a name other than that of the holder of the share or shares of Class B Stock converted, the person or persons requesting the issuance thereof shall pay to the Corporation the amount of any tax which may be payable in respect of any transfer involved in such issuance or shall establish to the satisfaction of the Corporation that such tax has been paid.

(3) The Corporation shall not be required to convert Class B Stock, and no surrender of Class B Stock shall, be effective for that purpose, while the stock transfer books of the Corporation are closed for any purpose; but the surrender of Class B Stock for conversion during any period while such books are so closed shall become effective for conversion immediately upon the reopening of such books, as if the conversion had been made on the date such Class B Stock was surrendered.

(4) The Corporation covenants that it will at all times reserve and keep available, solely for the purpose of issue upon conversion of the outstanding shares of Class B Stock, such number of shares of Common Stock as shall be issuable upon the conversion of all such outstanding shares, provided that nothing contained herein shall be construed to preclude the Corporation from satisfying its obligations in respect of the conversion of the outstanding shares of Class B Stock by delivery of shares of Common Stock which are held in the treasury of the Corporation. The Corporation covenants that all shares of Common Stock which shall be issued upon conversion of the shares of Class B Stock, will, upon issue, be fully paid and non-assessable and not entitled to any preemptive rights. All shares of Class B Stock converted into Common Stock shall be cancelled and restored to the status of authorized but unissued shares of Class B Stock.

(5) At any time when the Board of Directors and the holders of a majority of the outstanding shares of Class B Stock approve the conversion of all of the Class B Stock into Common Stock, then the outstanding shares of Class B Stock shall be converted into shares of Common Stock. In the event of such a conversion, certificates formerly representing outstanding shares of Class B Stock shall thereupon and thereafter be deemed to represent the like number of shares of Common Stock.

E. Liquidation Rights

In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Corporation, the remaining assets and funds of the Corporation, if any, shall be divided among and paid ratably to the holders of Common Stock and the holders of Class B Stock. A merger or consolidation of the Corporation with or into any other corporation or a sale or conveyance of all or any part of the assets of the Corporation (which shall not in fact result in the liquidation of the Corporation and the distribution of assets to shareholders) shall not be deemed to be a voluntary or involuntary liquidation or dissolution or winding up of the Corporation within the meaning of this Section E.

F. Preemptive Rights

Subject to any conversion rights of any shares of Class B Stock, no holder of stock of the Corporation of any class shall be entitled as of right to subscribe for or receive any part of the authorized stock of the Corporation or any part of any new, additional or increased issues of stock of any class or of any obligations convertible into any class or classes of stock, but the Board of Directors may, without offering any such shares of stock or obligations convertible into stock to shareholders of any class, issue and sell or dispose of the same to such persons and for such consideration permitted by law as it may from time to time in its absolute discretion determine.

4. The foregoing amendment to the Certificate of Incorporation was duly authorized at a meeting of the Board of Directors, followed by approval of a majority of the shareholders entitled to vote thereon at a meeting of shareholders held on April 24, 1987.

IN WITNESS WHEREOF, this Certificate has been subscribed this 30th day of April, 1987, by the undersigned, who affirm that the statements made herein are true under penalties of perjury.

Kevin T. Keane
President and Chief Executive Officer

John B. Drenning
Secretary

CERTIFICATE OF AMENDMENT OF
THIS CERTIFICATE OF INCORPORATION OF
ASTRONICS CORPORATION

Under Section 805 of the Business Corporation Law

IT IS HEREBY CERTIFIED THAT:

1. The name of the Corporation is Astronics Corporation. The Corporation was formed under the name Astronics Luminescent, Inc.
2. The Certificate of Incorporation was filed at the Department of State of the State of New York on the 5th day of December 1968.
3. A new paragraph SEVENTH shall be added to the Restated Certificate of Incorporation to read as-follows:

“SEVENTH: No director of the Corporation shall be personally liable to the Corporation or its shareholders for damages for any breach of his duty as a director; provided, however, that nothing in this paragraph SEVENTH shall eliminate or limit the liability of any director if a judgment or other final adjudication adverse to him establishes that his acts or omissions were in bad faith or involved intentional misconduct or a knowing violation of law or that he personally gained in fact a financial profit or other advantages to which he was not legally entitled or that his acts violated Section 719 of the Business Corporation Law of the State of New York. Notwithstanding the foregoing, nothing in this paragraph SEVENTH shall eliminate or limit the liability of a director for any act or omission occurring prior to the date of the filing of the Certificate of Amendment to the Certificate of Incorporation of the Corporation that includes this paragraph SEVENTH.”

4. The foregoing amendment to the Certificate of Incorporation was duly authorized at a meeting of the Board of Directors, followed by approval of a majority of the shareholders entitled to vote thereon at a meeting of shareholders held on April 22, 1988.

IN WITNESS WHEREOF, this Certificate has been subscribed this 16th day of May, 1988, by the undersigned, who affirm that the statements made herein are true under penalties of perjury.

Kevin T. Keane
President and Chief Executive Officer

John B. Drenning
Secretary

**CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION OF
ASTRONICS CORPORATION**

Under Section 805 of the
Business Corporation Law

THE UNDERSIGNED does hereby certify:

The name of the Corporation is ASTRONICS CORPORATION and the name under which it was formed is ASTRONICS LUMINESCENT, INC.

The Certificate of Incorporation of the Corporation was filed by the Department of State of the State of New York on December 5, 1968.

The Certificate of Incorporation of the Corporation shall be amended to increase the number of shares which the Corporation is authorized to issue. To affect such amendment, Paragraph FOURTH of the Certificate of Incorporation of the Corporation is hereby amended to read in its entirety as follows:

“FOURTH: The aggregate number of shares which the Corporation shall have authority to issue is twenty five million (25,000,000) shares, consisting of twenty million (20,000,000) shares of Common Stock, Par Value \$.01 per shares, and five million (5,000,000) shares of Class B Stock, Par Value \$.01 per share.”

The foregoing amendment of the Certificate of Incorporation was (1) adopted by a majority of the directors of the Corporation at a meeting duly held on February 14, 2002, and (2) approved by a majority of the holders of all classes of shares of the Corporation entitled to vote thereon, at a meeting duly held on April 25, 2002.

IN WITNESS WHEREOF, the undersigned has subscribed this Certificate and affirmed it as true under penalties of perjury this 19th day of July, 2002.

John B. Drenning
Secretary

EXHIBIT 10.1
ASTRONICS CORPORATION
RESTATED THRIFT AND PROFIT SHARING RETIREMENT PLAN

Vanguard Fiduciary Trust Company
Prototype Basic Plan Document
(as amended for EGTRRA)

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QUALIFIED RETIREMENT PLAN AND TRUST

Defined Contribution Basic Plan Document 01

DEFINITIONS

When used in the Plan with initial capital letters, the following words and phrases have the meanings set forth below unless the context indicates that other meanings are intended.

ACP TEST SAFE HARBOR MATCHING CONTRIBUTIONS

Means Matching Contributions described in Plan Section 3.03(B).

ACTUAL CONTRIBUTION PERCENTAGE (ACP)

Means the average of the Contribution Percentages of the Eligible Participants in a group of either Highly Compensated Employees or non-Highly Compensated Employees.

ACTUAL DEFERRAL PERCENTAGE (ADP)

Means, for a specified group of Participants (either Highly Compensated Employees or non-Highly Compensated Employees) for a Plan Year, the average of the ratios (calculated separately for each Participant in such group) of (1) the amount of Employer Contributions actually paid to the Fund on behalf of such Participant for the Plan Year to (2) the Participant's Compensation for such Plan Year. For purposes of calculating the ADP, Employer Contributions on behalf of any Participant shall include: (1) any Elective Deferrals (other than Catch-up Contributions) made pursuant to the Participant's salary deferral election or pursuant to automatic Elective Deferral enrollment, if applicable (including Excess Elective Deferrals of Highly Compensated Employees), but excluding (a) Excess Elective Deferrals of Participants who are non-Highly Compensated Employees that arise solely from Elective Deferrals made under the Plan or plans of this Employer and (b) Elective Deferrals that are taken into account in the Actual Contribution Percentage test (provided the ADP test is satisfied both before and after exclusion of these Elective Deferrals); and (2) if elected by the Employer, Qualified Nonelective Contributions and/or Qualified Matching Contributions. For purposes of computing Actual Deferral Percentages, an Employee who would be a Participant but for the failure to make Elective Deferrals shall be treated as a Participant on whose behalf no Elective Deferrals are made.

ADOPTING EMPLOYER

Means any corporation, sole proprietor, or other entity named in the Adoption Agreement and any successor who by merger, consolidation, purchase, or otherwise assumes the obligations of the Plan. The Adopting Employer shall be a named fiduciary for purposes of ERISA Section 402(a).

ADOPTION AGREEMENT

Means the document executed by the Adopting Employer through which it adopts the Plan and trust and thereby agrees to be bound by all terms and conditions of the Plan and trust.

ADP TEST SAFE HARBOR CONTRIBUTIONS

Means any Basic Matching Contributions, Enhanced Matching Contributions, and Safe Harbor Nonelective Contributions.

ALTERNATE PAYEE

Means any Spouse, former Spouse, child, or other dependent of a Participant who is recognized by a Domestic Relations Order as having a right to receive all, or a portion of, the benefits payable under the Plan with respect to such Participant.

ANNUAL ADDITIONS

Means the sum of the following amounts credited to a Participant for the Limitation Year:

- a. Employer Contributions,
- b. Nondeductible Employee Contributions,
- c. Forfeitures,
- d. amounts allocated to an individual medical account, as defined in Code Section 415(l)(2), which is part of a pension or annuity plan maintained by the Employer. Also amounts derived from contributions paid or accrued which are attributable to post-retirement medical benefits, allocated to the separate account of a key employee (as defined in Code Section 419A(d)(3)), under a welfare benefit fund (as defined in Code Section 419(e)), maintained by the Employer,
- e. amounts allocated under a simplified employee pension plan,
- f. Excess Contributions (including amounts recharacterized), and
- g. Excess Aggregate Contributions.

For this purpose, any Excess Annual Additions applied in Plan Section 3.12(A)(4) or 3.12(B)(6) in the Limitation Year to reduce Employer Contributions will be considered Annual Additions for such Limitation Year.

ANNUITY STARTING DATE

Means the first day of the first period for which an amount is paid as an annuity or any other form.

BASIC MATCHING CONTRIBUTIONS

Means Matching Contributions made pursuant to the Safe Harbor CODA formula described in Section Three of the Adoption Agreement, if applicable.

BASIC PLAN DOCUMENT

Means this prototype Plan and trust document.

BENEFICIARY

Means the individual(s) or entity(ies) designated pursuant to Plan Section Five.

BREAK IN ELIGIBILITY SERVICE

Means a 12-consecutive month period which coincides with an Eligibility Computation Period during which an Employee fails to complete more than 500 Hours of Service (or such lesser number of Hours of Service specified in the Adoption Agreement for this purpose) or such periods specified in the Elapsed Time definition, if applicable.

BREAK IN VESTING SERVICE

Means a Plan Year (or other vesting computation period described in the definition of Year of Vesting Service) during which an Employee fails to complete more than 500 Hours of Service (or such lesser number of Hours of Service specified in the Adoption Agreement for this purpose) or such period specified in the Elapsed Time definition, if applicable.

CATCH-UP CONTRIBUTIONS

Means Elective Deferrals made pursuant to Plan Section Three, that are in excess of an otherwise applicable Plan limit and that are made by Participants who are age 50 or older by the end of their taxable years. An otherwise applicable Plan limit is a limit in the Plan that applies to Elective Deferrals without regard to Catch-up Contributions, such as the limits on Annual Additions, the dollar limitation on Elective Deferrals under Code Section 402(g) (not counting Catch-up Contributions), the limit imposed by the Actual Deferral Percentage (ADP) test under Code Section 401(k)(3), or any other allowable limit imposed by the Employer. Catch-up Contributions for a Participant for a taxable year may not exceed (1) the dollar limit on Catch-up Contributions under Code Section 414(v)(2)(B)(i) for the taxable year or (2) when added to other Elective Deferrals, an amount that would enable the Employer to satisfy other statutory or regulatory requirements (e.g., income tax withholding, FICA and FUTA withholding, etc.). The dollar limit on Catch-up Contributions in Code Section 414(v)(2)(B)(i) is \$1,000 for taxable years beginning in 2002, increasing by \$1,000 for each year thereafter up to \$5,000 for taxable years beginning in 2006 and later years. After 2006, the \$5,000 limit will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 414(c)(2)(C). Any such adjustments will be in multiples of \$500. Different limits apply to Catch-up Contributions under SIMPLE 401(k) Plans.

CODE

Means the Internal Revenue Code of 1986 as amended from time to time.

COMPENSATION

A. General Definition

The following definition of Compensation shall apply.

As elected by the Adopting Employer in the Adoption Agreement (and if no election is made, W-2 wages will apply), Compensation shall mean one of the following:

1. W-2 wages — Compensation is defined as information required to be reported under Code Sections 6041, 6051, and 6052 (wages, tips, and other compensation as reported on Form W-2). Compensation is further defined as wages within the meaning of Code Section 3401(a) and all other payments of compensation to an Employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Employee a written statement under Code Sections 6041(d), 6051(a)(3), and 6052. Compensation must be determined without regard to any rules in Code Section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)).

2. Section 3401(a) wages — Compensation is defined as wages within the meaning of Code Section 3401(a), for the purposes of income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)).

3. 415 safe-harbor compensation — Compensation is defined as wages, salaries, and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of

employment with the Employer maintaining the Plan to the extent that the amounts are includible in gross income (including, but not limited to, commissions paid to salespersons, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements or other expense allowances under a nonaccountable plan (as described in Treasury Regulation 1.62-2(c)), and excluding the following:

- a. Employer contributions to a plan of deferred compensation which are not includible in the Employee's gross income for the taxable year in which contributed, or employer contributions under a simplified employee pension plan to the extent such contributions are deductible by the Employee, or any distributions from a plan of deferred compensation;
- b. Amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;
- c. Amounts realized from the sale, exchange, or other disposition of stock acquired under a qualified stock option; and
- d. Other amounts which received special tax benefits, or contributions made by the Employer (whether or not under a salary reduction agreement) towards the purchase of an annuity contract described in Code Section 403(b) (whether or not the contributions are actually excludable from the gross income of the Employee).

For any Self-Employed Individual covered under the Plan, Compensation will mean Earned Income.

B. Determination Period And Other Rules

Unless otherwise indicated in the Adoption Agreement or required by law or regulation, where an Employee becomes an Eligible Participant on any date subsequent to the first day of the applicable Determination Period, Compensation shall include only that Compensation paid to the Employee during the portion of the Determination Period they were an Eligible Participant, unless otherwise required by either the Code or ERISA (e.g., full year compensation used in the calculation of the minimum allocation in a Top-Heavy Plan). Except as otherwise provided in this Plan (e.g., continued coverage of disabled Participants), Compensation received by an Employee during a Determination Period in which the Employee does not perform services for the Employer will be disregarded. Unless otherwise indicated in the Adoption Agreement, Compensation shall include (a) any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includible in the gross income of the Employee under Code Sections 125, 132(f)(4), 402(e)(3), 402(h)(1)(B), 403(b); (b) compensation deferred under an eligible deferred compensation plan within the meaning of Code Section 457(b) (deferred compensation plans of state and local governments and tax-exempt organizations); and (c) employee contributions (under government plans) described in Code Section 414(h)(2) but shall not include deemed Code Section 125 compensation. For purposes of applying the limitations of Plan Section 3.12, Compensation for a Limitation Year is the Compensation actually paid or made available in gross income during such Limitation Year. Notwithstanding the preceding sentence, Compensation for a defined contribution plan Participant who is permanently and totally disabled (as defined in Code Section 22(e)(3)) is the Compensation such Participant would have received for the Limitation Year if the Participant had been paid at the rate of Compensation paid immediately before becoming permanently and totally disabled. Compensation paid or made available during such Limitation Year shall include any elective deferral (as defined in Code Section 402(g)(3)) and any amount which is contributed or deferred by the Employer at the election of the Employee and which is not includible in the gross income of the Employee by reason of Code Section 125, 132(f), or 457. If elected by the Employer in the Adoption Agreement, amounts under Code Section 125 include any amounts not available to a Participant in cash in lieu of group health coverage (deemed Code Section 125 compensation). An amount will be treated as an amount under Code Section 125 only if the Employer does not request or collect information regarding the Participants' other health coverage as part of the enrollment process for the health plan. For Limitation Years beginning after 2004, except as otherwise elected in the Adoption Agreement, payments made within 2½ months after Severance from Employment will be Compensation within the meaning of Code Section 415(c)(3) if they are payments that, absent a Severance from Employment, would have been paid to the Employee if the Employee continued in employment with the Employer and are regular compensation for services during the Employee's regular working hours, compensation for services outside the Employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar compensation. For Limitation Years beginning after 2004, except as otherwise elected in the Adoption Agreement, payments made within 2½ months after Severance from Employment will not be Compensation within the meaning of Code Section 415(c)(3) if they are payments for accrued bona fide sick, vacation, or other leave, but only if the Employee would have been able to use the leave if employment had continued. Any payments not described above are not considered Compensation if paid after Severance from Employment, even if they are paid within 2½ months following Severance from Employment, except for payments to an individual who does not currently perform services for the Employer by reason of qualified military service (within the meaning of Code Section 414(u)(1)) to the extent these payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the Employer rather than entering qualified military service.

C. Compensation for ADP, ACP and Code Section 401(a)(4) Testing

Compensation for purposes of ADP, ACP and Code Section 401(a)(4) testing will be W-2 wages unless another definition of Compensation is elected on the Adoption Agreement for allocation and other general purposes or another definition is required by law or regulation. Notwithstanding the foregoing, a Plan Administrator has the option from year to year to use a different definition of Compensation for testing purposes provided the definition of Compensation satisfies Code Section 414(s) and the regulations thereunder.

D. Limits On Compensation

The annual Compensation of each Participant taken into account in determining allocations shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B). Annual Compensation means Compensation during the Plan Year or such other consecutive 12-month period over which Compensation is otherwise determined under the Plan (Determination Period). The cost-of-living adjustment in effect for the calendar year applies to annual Compensation for the Determination Period that begins with or within such calendar year.

If a Determination Period consists of fewer than 12 months, the annual Compensation limit is an amount equal to the otherwise applicable annual Compensation limit multiplied by a fraction, the numerator of which is the number of months in the short Determination Period, and the denominator of which is 12.

If Compensation for any prior Determination Period is taken into account in determining an Employee's allocations or benefits for the current Determination Period, the Compensation for such prior Determination Period is subject to the applicable annual compensation limit in effect for that prior period.

E. SIMPLE 401(k) Rules

Notwithstanding anything in this Plan to the contrary, if an Eligible Employer has established a SIMPLE 401(k) plan, Compensation means, for purposes of the definition of Eligible Employer and for purposes of Plan Sections 3.01(H) and 3.02, the sum of the wages, tips, and other compensation from the Employer subject to federal income tax withholding (as described in Code Section 6051(a)(3)) and the Employee's Elective Deferral contributions made under this or any other 401(k) plan, and, if applicable, elective deferrals under a Section 408(p) SIMPLE IRA plan, a SARSEP plan, or a Section 403(b) annuity contract and compensation deferred under a Code Section 457 plan, required to be reported by the Employer on Form W-2 (as described in Code Section 6051(a)(8)). Compensation also includes amounts paid for domestic service (as described in Code Section 3401(a)(3)). For Self-Employed Individuals, Compensation means net earnings from self-employment determined under Code Section 1402(a) before subtracting any contributions made under this Plan on behalf of the individual. The provisions of the Plan implementing the limit on Compensation under Code Section 401(a)(17) apply to the Compensation in Plan Sections 3.01(H) and 3.02.

F. Safe Harbor CODA Rules

Notwithstanding anything in this Plan to the contrary, if an Adopting Employer has elected in the Adoption Agreement to apply the Safe Harbor CODA provisions to this Plan, Compensation means Compensation as defined in this Definitions Section of the Plan and, if applicable, the definition of Compensation for allocation and other general purposes selected in the Adoption Agreement, except, for purposes of Section 3.03, no dollar limit, other than the limit imposed by Code Section 401(a)(17), applies to the Compensation of a non-Highly Compensated Employee. However, solely for purposes of determining the Compensation subject to a Participant's salary reduction agreement, the Employer may use an alternative definition to the one described in the preceding sentence, provided such alternative definition is a reasonable definition within the meaning of Treasury Regulation 1.414(s)-1(d)(2) and permits each Participant to elect sufficient Elective Deferrals to receive the maximum amount of Matching Contributions (determined using the definition of Compensation described in the preceding sentence) available to the Participant under the Plan.

CONTRIBUTING PARTICIPANT

Means a Participant who has enrolled as a Contributing Participant pursuant to either Plan Sections 3.01 or 3.10 and on whose behalf the Employer is contributing Elective Deferrals to the Plan (or is making Nondeductible Employee Contributions).

CONTRIBUTION PERCENTAGE

Means the ratio (expressed as a percentage) of the Participant's Contribution Percentage Amounts to the Participant's Compensation for the Plan Year.

CONTRIBUTION PERCENTAGE AMOUNTS

Means the sum of the Nondeductible Employee Contributions, Matching Contributions, and Qualified Matching Contributions (to the extent not taken into account for purposes of the ADP test) made under the Plan on behalf of the Participant for the Plan Year. Such Contribution Percentage Amounts shall not include Matching Contributions that are forfeited either to correct Excess Aggregate Contributions or because the contributions to which they relate are Excess Deferrals, Excess Contributions, Excess Aggregate Contributions, or Excess Annual Additions which are distributed pursuant to Plan Section 3.12(A)(4)(c). The Employer may elect, in a uniform and nondiscriminatory manner, to use either Qualified Nonelective Contributions or Elective Deferrals, or both, in the Contribution Percentage Amounts. Elective Deferrals may only be included in the Contribution Percentage Amounts if the Plan passes the ADP test both before and after the exclusion of such Elective Deferrals.

CUSTODIAN

Means an entity appointed in the Adoption Agreement (or, if applicable, in a separate custodial agreement) by the Adopting Employer to hold the assets of the trust as Custodian or any duly appointed successor as provided in Plan Section 8.05.

DEDUCTIBLE EMPLOYEE CONTRIBUTIONS

Means any qualified voluntary employee contributions (as defined in Code Section 219(e)(2)) made after December 31, 1981, in a taxable year beginning after such date and made for a taxable year beginning before January 1, 1987, and allowable as a deduction under Code Section 219(a) for such taxable year.

DEFINED CONTRIBUTION DOLLAR LIMITATION

Means \$40,000, as adjusted under Code Section 415(d).

DESIGNATED BENEFICIARY

Means the individual who is designated by the Participant as the Beneficiary of the Participant's interest under the Plan and who is the designated Beneficiary under Code Section 401(a)(9) and Treasury Regulation 1.401(a)(9)-4.

DETERMINATION DATE

Means for any Plan Year after the first Plan Year, the last day of the preceding Plan Year. For the first Plan Year of the Plan, Determination Date means the last day of that year.

DETERMINATION PERIOD

Means, except as provided elsewhere in this Plan, the Plan Year unless the Adopting Employer has selected another period in the Adoption Agreement.

DIRECT ROLLOVER

Means a payment by the Plan to the Eligible Retirement Plan specified by the Recipient (or, if necessary pursuant to Plan Section 5.01(B) (1), an individual retirement account (IRA) under Code Sections 408(a), 408(b), or 408A (for Roth Elective Deferrals), as selected by the Adopting Employer in the Adoption Agreement).

DIRECTED TRUSTEE

Means the Trustee that is designated as the Directed Trustee in the Adoption Agreement. The Directed Trustee shall be responsible for investing the Fund and performing the responsibilities of the Trustee set forth in the Plan in accordance with specific instructions provided by the Adopting Employer or the Plan Administrator (or Participant or Beneficiary) in accordance with instructions (either in writing or in any other form permitted by rules promulgated by the IRS or DOL) from one of the foregoing.

DISABILITY

Unless the Adopting Employer has elected a different definition in the Adoption Agreement or as otherwise provided in the Plan, Disability means the inability to engage in any substantial, gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. The permanence and degree of such impairment shall be supported by medical evidence satisfactory to the Plan Administrator.

DISCRETIONARY TRUSTEE

Means a Trustee that is designated as a Discretionary Trustee in the Adoption Agreement and enters into an agreement with the Adopting Employer whereby the Trustee and not the Adopting Employer will select the appropriate investments for the Fund in accordance with the Plan's funding policy statement or will perform such other tasks identified in such agreement between the Trustee and Adopting Employer.

DISTRIBUTION CALENDAR YEAR

Means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin pursuant to Plan Section 5.05(D). The required minimum distribution for the Participant's first Distribution Calendar Year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other Distribution Calendar Years, including the required minimum distribution for the Distribution Calendar Year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that Distribution Calendar Year.

DOMESTIC RELATIONS ORDER

Means any judgment, decree, or order (including approval of a property settlement agreement) that:

- a. relates to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child, or other dependent of a Participant, and
- b. is made pursuant to state domestic relations law (including applicable community property laws).

EARLIEST RETIREMENT AGE

Means, for purposes of the Qualified Joint and Survivor Annuity provisions of the Plan, the earliest date on which, under the Plan, the Participant could elect to receive retirement benefits.

EARLY RETIREMENT AGE

Means the age specified in the Adoption Agreement. The Plan will not have an Early Retirement Age if none is specified in the Adoption Agreement.

EARNED INCOME

Means the net earnings from self-employment in the trade or business with respect to which the Plan is established, for which personal services of the individual are a material income-producing factor. Net earnings will be determined without regard to items not included in gross income and the deductions allocable to such items. Net earnings are reduced by contributions by the Employer to a qualified plan to the extent deductible under Code Section 404. Net earnings shall be determined with regard to the deduction allowed to the Employer by Code Section 164(f).

EFFECTIVE DATE

Means the date the Plan or amendment or restatement of the Plan becomes effective as indicated in the Adoption Agreement. Notwithstanding the foregoing, unless otherwise provided in this Basic Plan Document, the Effective Date of mandatory Plan changes resulting from the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Job Creation and Worker Assistance Act of 2002 (JCWAA) shall be the later of the original Effective Date of the Plan or the first day of the Plan Year in which the legislative or regulatory change became effective. For optional changes made available by EGTRRA, the Effective Date shall be the date the plan began to operate in accordance with such optional change, as indicated by a Plan amendment if a written amendment was required for such change.

ELAPSED TIME — Means

A. Special Rules Where Elapsed Time Method is Being Used

If elected by the Adopting Employer in the Adoption Agreement, the following definition of Elapsed Time shall apply for purposes of determining service. When this definition applies, the definitions of break in service and hour of service in the Elapsed Time definition will replace the definitions of Break in Eligibility Service, Break in Vesting Service, and Hours of Service found in the Definitions Section of the Plan.

For purposes of determining an Employee's initial or continued eligibility to participate in the Plan or the Vested interest in the Participant's Individual Account balance derived from Employer Contributions, an Employee will receive credit for the aggregate of all time periods commencing with the Employee's first day of employment or reemployment and ending on the date a break in service begins. The first day of employment or reemployment is the first day the Employee performs an hour of service. An Employee will also receive credit for any period of severance of less than 12 consecutive months. Fractional periods of a year will be expressed in terms of months or days.

For purposes of this definition, hour of service will mean each hour for which an Employee is paid or entitled to payment for the performance of duties for the Employer. Break in service is a period of severance of at least 12 consecutive months. Period of severance is a continuous period of time during which the Employee is not employed by the Employer. Such period begins on the date the Employee retires, quits, or is discharged, or if earlier, the 12-month anniversary of the date on which the Employee was otherwise first absent from service.

In the case of an individual who is absent from work for maternity or paternity reasons, the 12-consecutive month period beginning on the first anniversary of the first date of such absence shall not constitute a break in service. For purposes of this Elapsed Time definition, an absence from work for maternity or paternity reasons means an absence 1) by reason of the pregnancy of the individual, 2) by reason of the birth of a child of the individual, 3) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or 4) for purposes of caring for such child for a period beginning immediately following such birth or placement.

Each Employee will share in Employer Contributions for the period beginning on the date the Employee commences participation under the Plan and ending on the date on which such Employee severs employment with the Employer or is no longer a member of an eligible class of Employees. If the Employer is a member of an affiliated service group (under Code Section 414(m)), a controlled group of corporations (under Code Section 414(b)), a group of trades or businesses under common control (under Code Section 414(c)), or any other entity required to be aggregated with the Employer pursuant to Code Section 414(o), service will be credited for any employment for any period of time for any other member of such group. Service will also be credited for any individual required under Code Section 414(n) or Code Section 414(o) to be considered an Employee of any Employer aggregated under Code Section 414(b), (c), or (m).

B. Changes In Methods of Crediting Service

The Plan may be amended to change the method of crediting service between the general rules discussed in this Elapsed Time definition and the Hours of Service method discussed in the Hours of Service definition provided each Employee with respect to whom the method of crediting service is changed is afforded the protection described in Treasury Regulation 1.410(a)-7(g) and other applicable rules promulgated by the IRS.

ELECTION PERIOD

Means the period which begins on the first day of the Plan Year in which the Participant attains age 35 and ends on the date of the Participant's death. If a Participant separates from service before the first day of the Plan Year in which age 35 is attained, with respect to the account balance as of the date of separation, the Election Period shall begin on the date of separation.

ELECTIVE DEFERRALS

Means any Employer Contributions made either as a Pre-Tax Elective Deferral or, effective on or after January 1, 2006, as a Roth Elective Deferral to the Plan at the election of the Participant or pursuant to automatic Elective Deferral enrollment, in lieu of cash compensation, and shall include contributions made pursuant to a salary reduction agreement. With respect to any taxable year, a Participant's Elective Deferrals are the sum of all Employer contributions made on behalf of such Participant pursuant to an election to defer under any qualified cash or deferred arrangement as described in Code Section 401(k), any simplified employee pension plan

cash or deferred arrangement as described in Code Section 408(k)(6), any SIMPLE IRA Plan described in Code Section 408(p), any plan as described under Code Section 501(c)(18), any Employer contributions made on the behalf of a Participant for the purchase of an annuity contract under Code Section 403(b) pursuant to a salary reduction agreement. Elective Deferrals shall not include any deferrals properly distributed as Excess Annual Additions.

No Participant shall be permitted to have Elective Deferrals made under this Plan, or any other qualified plan maintained by the Employer, during any taxable year of the Participant, in excess of the dollar limitation contained in Code Section 402(g) in effect at the beginning of such taxable year. In the case of a Participant age 50 or over by the end of the taxable year, the dollar limitation described in the preceding sentence is increased by the amount of Elective Deferrals that can be Catch-up Contributions. The dollar limitation contained in Code Section 402(g) is \$10,500 for taxable years beginning in 2000 and 2001 increasing to \$11,000 for taxable years beginning in 2002 and increasing by \$1000 for each year thereafter up to \$15,000 for taxable years beginning in 2006 and later years. After 2006, the \$15,000 limit will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 402(g)(4). Any adjustments will be in multiples of \$500.

ELIGIBILITY COMPUTATION PERIOD

Means, with respect to an Employee's initial Eligibility Computation Period, the 12-consecutive month period commencing on the Employee's Employment Commencement Date. Unless otherwise specified in the Adoption Agreement, the Employee's subsequent Eligibility Computation Periods shall be the Plan Year commencing with the Plan Year beginning during the Employee's initial Eligibility Computation Period. An Employee shall not be credited with a Year of Eligibility Service before the end of the 12-consecutive month period regardless of when during such period the Employee completes the required number of Hours of Service.

ELIGIBLE EMPLOYEE

Means, if the Employer has adopted a SIMPLE 401(k) Plan, any Employee who is entitled to make Elective Deferrals under the terms of the Plan. Notwithstanding the foregoing, if the Employer has elected to apply the Safe Harbor CODA provisions of Plan Section 3.03, Eligible Employee means an Employee eligible to make Elective Deferrals under the Plan for any part of the Plan Year or who would be eligible to make Elective Deferrals but for a suspension due to a hardship distribution described in Plan Section 5.01(C)(2) or to statutory limitations, such as Code Sections 402(g) and 415.

ELIGIBLE EMPLOYER FOR SIMPLE 401(k) PLAN

Means, with respect to any SIMPLE 401(k) Year, an Employer that had no more than 100 Employees who received at least \$5,000 of Compensation, or such lesser amount indicated in the Adoption Agreement, from the Employer for the preceding SIMPLE 401(k) Year and is therefore eligible to establish a SIMPLE 401(k) Plan. In applying the preceding sentence, all Employees of controlled groups of corporations under Code Section 414(b), all Employees of trades or businesses (whether incorporated or not) under common control under Code Section 414(c), all Employees of affiliated service groups under Code Section 414(m), and Leased Employees required to be treated as the Employer's Employees under Code Section 414(n), are taken into account. An Eligible Employer that adopts a SIMPLE 401(k) and that fails to be an Eligible Employer for any subsequent SIMPLE 401(k) Year, is treated as an Eligible Employer for the two SIMPLE 401(k) Years following the last SIMPLE 401(k) Year the Employer was an Eligible Employer. If the failure is due to any acquisition, disposition, or similar transaction involving an Eligible Employer, the preceding sentence applies only if the provisions of Code Section 410(b)(6)(C)(i) are satisfied.

ELIGIBLE PARTICIPANT

Means any Employee who is eligible to make a Nondeductible Employee Contribution or an Elective Deferral (if the Employer takes such contributions into account in the calculation of the Contribution Percentages), or to receive a Matching Contribution (including Forfeitures) or a Qualified Matching Contribution. If a Nondeductible Employee Contribution is required as a condition of participation in the Plan, any Employee who would be a Participant in the Plan if such Employee made such a contribution shall be treated as an Eligible Participant on behalf of whom no Nondeductible Employee Contributions are made.

ELIGIBLE RETIREMENT PLAN

Means, for purposes of the Direct Rollover provisions of the Plan, an individual retirement account described in Code Sections 408(a) or 408A, an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a), an annuity contract described in Code Section 403(b), an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state (and which agrees to separately account for amounts transferred into such plan from this Plan), or a qualified trust described in Code Section 401(a) that accepts the Recipient's Eligible Rollover Distribution. The definition of Eligible Retirement Plan shall also apply in the case of a distribution to a surviving Spouse, or to a Spouse or former Spouse who is the Alternate Payee under a Qualified Domestic Relations Order, as defined in Code Section 414(p). If any portion of an Eligible Rollover Distribution is attributable to payments or distributions from a designated Roth account, an Eligible Retirement Plan with respect to such portion shall include only another designated Roth account of the individual from whose account the payments or distributions were made, or a Roth IRA of such individual.

ELIGIBLE ROLLOVER DISTRIBUTION

Means any distribution of all or any portion of the balance to the credit of the Recipient, except that an Eligible Rollover Distribution does not include

- a. any distribution that is one of a series of substantially equal periodic payments (paid at least annually) made for the life (or Life Expectancy) of the Recipient or the joint lives (or joint life expectancies) of the Recipient and the Recipient's Designated Beneficiary, or for a specified period of ten years or more;
- b. any distribution to the extent such distribution is required under Code Section 401(a)(9);
- c. the portion of any other distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities);
- d. any hardship distribution described in Plan Section 5.01(C)(2); and
- e. any other distribution(s) that is reasonably expected to total less than \$200 during a year.

For distributions made after December 31, 2001, a portion of a distribution shall not fail to be an Eligible Rollover Distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

EMPLOYEE

Means any person employed by an Employer maintaining the Plan or by any other employer required to be aggregated with such Employer under Code Sections 414(b), (c), (m) or (o). The term Employee shall also include any Leased Employee deemed to be an Employee of any Employer described in the previous paragraph as provided in Code Sections 414(n) or (o).

EMPLOYER

Means the Adopting Employer, and, unless otherwise provided in the Adoption Agreement, all members of a controlled group of corporations (as defined in Code Section 414(b) as modified by Code Section 415(h)), all commonly controlled trades or businesses (as defined in Code Section 414(c) as modified by Code Section 415(h)) or affiliated service groups (as defined in Code Section 414(m)) of which the Adopting Employer is a part, and any other entity required to be aggregated with the Employer pursuant to Treasury regulations under Code Section 414(o). A partnership is considered to be the Employer of each of the partners and a sole proprietorship is considered to be the Employer of a sole proprietor.

EMPLOYER CONTRIBUTION

Means the amount contributed by the Employer each year as determined under this Plan. The term Employer Contribution shall include Elective Deferrals made to the Plan unless such contributions are intended to be excluded for purposes of either the Plan or any act under the Code, ERISA, or any additional rules, regulations, or other pronouncements promulgated by either the IRS or DOL.

EMPLOYER MONEY PURCHASE PENSION CONTRIBUTION

Means an Employer Contribution made pursuant to the section of the Money Purchase Pension Plan Adoption Agreement titled "Employer Money Purchase Pension Contributions." The Employer must make Employer Money Purchase Pension Contributions without regard to current or accumulated earnings or profits.

EMPLOYER TARGET BENEFIT PENSION CONTRIBUTION

Means an Employer Contribution made pursuant to the section of the Target Benefit Pension Plan Adoption Agreement titled "Employer Target Benefit Pension Contributions." The Employer must make Employer Target Benefit Pension Contributions without regard to current or accumulated earnings or profits.

EMPLOYER PROFIT SHARING CONTRIBUTION

Means an Employer Contribution made pursuant to the section of the Adoption Agreement titled "Employer Profit Sharing Contributions." The Employer may make Employer Profit Sharing Contributions without regard to current or accumulated earnings or profits, unless otherwise indicated in the Adoption Agreement.

EMPLOYMENT COMMENCEMENT DATE

Means, with respect to an Employee, the date such Employee first performs an Hour of Service for the Employer.

ENHANCED MATCHING CONTRIBUTIONS

Means Matching Contributions described in Code Section 401(k)(12)(B)(iii) and made pursuant to the Safe Harbor CODA formula elected by the Employer in the Adoption Agreement.

ENTRY DATES

Means the first day of the Plan Year and the first day of the seventh month of the Plan Year, unless the Adopting Employer has specified different dates in the Adoption Agreement.

ERISA

Means the Employee Retirement Income Security Act of 1974 as amended from time to time.

EXCESS AGGREGATE CONTRIBUTIONS

Means, with respect to any Plan Year, the excess of

- a. the aggregate Contribution Percentage Amounts taken into account in computing the numerator of the Contribution Percentage actually made on behalf of Highly Compensated Employees for such Plan Year, over
- b. the maximum Contribution Percentage Amounts permitted by the ACP test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in order of their Contribution Percentages beginning with the highest of such percentages).

Such determination shall be made after first determining Excess Elective Deferrals pursuant to the definition provided herein and then determining Excess Contributions pursuant to the definition provided herein.

EXCESS ANNUAL ADDITIONS

Means the excess of the Participant's Annual Additions for the Limitation Year over the Maximum Permissible Amount.

EXCESS CONTRIBUTIONS

Means, with respect to any Plan Year, the excess of a. the aggregate amount of Employer Contributions actually taken into account in computing the ADP of Highly Compensated Employees for such Plan Year, over b. the maximum amount of such contributions permitted by the ADP test (determined by hypothetically reducing contributions made on behalf of Highly Compensated Employees in order of the ADPs, beginning with the highest of such percentages).

EXCESS ELECTIVE DEFERRALS

Means those Elective Deferrals that either (1) are made during the Participant's taxable year and exceed the dollar limitation under Code Section 402(g) (increased, if applicable, by the dollar limitation on Catch-up Contributions defined in Code Section 414(v)) for such year; or (2) are made during a calendar year and exceed the dollar limitation under Code Section 402(g) (increased, if applicable, by the dollar limitation on Catch-up Contributions defined in Code Section 414(v)) for the Participant's taxable year beginning in such calendar year, counting only Elective Deferrals made under this Plan and any other plan, contract or arrangement maintained by the Employer. Excess Elective Deferrals shall be treated as Annual Additions under the Plan, unless such amounts are distributed no later than the first April 15 following the close of the Participant's taxable year.

FIDUCIARY

Means a person who exercises any discretionary authority or control with respect to management of the Plan, renders investment advice as defined in ERISA Section 3(21) or has any discretionary authority or responsibility regarding the administration of the Plan. The Employer and such other individuals either appointed by the Employer or deemed to be fiduciaries as a result of their actions shall serve as Fiduciaries under this Plan and fulfill the fiduciary responsibilities described in Part 4, Title I of ERISA.

FORFEITURE

Means that portion of a Participant's Individual Account derived from Employer Contributions that the Participant is not entitled to receive (i.e., the nonvested portion).

FUND

Means the Plan assets received and held by the Trustee for which it serves as Trustee (or Custodian, if applicable) for the Participants' exclusive benefit.

HIGHEST AVERAGE COMPENSATION

Means the average compensation for the three consecutive years of service with the Employer that produces the highest average.

HIGHLY COMPENSATED EMPLOYEE

Means any Employee who 1) was a five-percent owner at any time during the year or the preceding year, or 2) for the preceding year had Compensation from the Employer in excess of \$80,000 and, if elected by the Adopting Employer in the Adoption Agreement, was in the top-paid group for the preceding year. The \$80,000 amount is adjusted at the same time and in the same manner as under Code Section 415(d), except that the base period is the calendar quarter ending September 30, 1996.

For this purpose the applicable year of the Plan for which a determination is being made is called a determination year and the preceding 12-month period is called a look-back year unless the Adopting Employer has made a calendar year data election in the Adoption Agreement. If a calendar year data election is made, the look-back year shall be the calendar year ending within the Plan Year for purposes of determining who is a Highly Compensated Employee (other than as a five-percent owner).

A highly compensated former employee is based on the rules applicable to determining Highly Compensated Employee status as in effect for that determination year, in accordance with Treasury Regulation 1.414(q)-1T, A-4, Notice 97-45 and any subsequent guidance issued by the IRS. The determination of who is a Highly Compensated Employee, including, but not limited to, the determinations of the number and identity of Employees in the top-paid group and the Compensation that is considered, will be made in accordance with Code Section 414(q) and the regulations thereunder.

HOURS OF SERVICE — Means

A. General Rules for Crediting Hours of Service

1. Each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer. These hours will be credited to the Employee for the computation period in which the duties are performed; and
2. Each hour for which an Employee is paid, or entitled to payment, by the Employer on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including Disability), layoff, jury duty, military duty or leave of absence. No more than 501 Hours of Service will be credited under this paragraph for any single continuous period (whether or not such period occurs in a single computation period). Hours under this paragraph shall be calculated and credited pursuant to Labor Regulation Section 2530.200b-2 which is incorporated herein by this reference.
3. Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer. The same Hours of Service will not be credited both under paragraph (1) or paragraph (2), as the case may be, and under this paragraph (3). These hours will be credited to the Employee for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement, or payment is made.
4. Solely for purposes of determining whether a Break in Eligibility Service or a Break in Vesting Service has occurred in a computation period (the computation period for purposes of determining whether a Break in Vesting Service has occurred is the Plan Year or other vesting computation period described in the definition of a Year of Vesting Service), an individual who is absent from work for maternity or paternity reasons shall receive credit for the Hours of Service which would otherwise have been credited to such individual but for such absence, or in any case in which such hours cannot be determined, eight Hours of Service per day of such absence. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence
 - 1) by reason of the pregnancy of the individual,
 - 2) by reason of a birth of a child of the individual,
 - 3) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or
 - 4) for purposes of caring for such child for a period beginning immediately following such birth or placement. The Hours of Service credited under this paragraph shall be credited
 - 1) in the Eligibility Computation Period or Plan Year or other vesting computation period described in the definition of a Year of Service in which the absence begins if the crediting is necessary to prevent a Break in Eligibility Service or a Break in Vesting Service in the applicable period, or
 - 2) in all other cases, in the following Eligibility Computation Period or Plan Year or other vesting computation period described in the definition of a Year of Service.
5. Hours of Service will be credited for employment with other members of an affiliated service group (under Code Section 414(m)), a controlled group of corporations (under Code Section 414(b)), or a group of trades or businesses under common control (under Code Section 414(c)) of which the Adopting Employer is a member, and any other entity required to be aggregated with the Employer pursuant to Code Section 414(o) and the regulations thereunder. Hours of Service will also be credited for any individual considered an Employee for purposes of this Plan under Code Sections 414(n) or 414(o) and the regulations thereunder.
6. Where the Employer maintains the plan of a predecessor employer, service for such predecessor employer shall be treated as service for the Employer. If the Employer does not maintain the plan of a predecessor employer, service for such predecessor employer will not be treated as service for the Employer unless specifically elected in the Adoption Agreement.
7. The above method for determining Hours of Service may be altered as specified in the Adoption Agreement.
8. Hours of Service shall apply unless the Adopting Employer has indicated in the Adoption Agreement that a method other than Hours of Service will be used for determining service.

B. Changes In Methods of Crediting Service

The Plan may be amended to change the method of crediting service between the general rules discussed in paragraph (A) and the Elapsed Time method discussed in the Elapsed Time definition provided each Employee with respect to whom the method of crediting service is changed is afforded the protection described in Treasury Regulation 1.410(a)-7(g) and other applicable rules promulgated by the IRS.

INDIRECT ROLLOVER

Means a rollover contribution received by this Plan from an Employee that previously received a distribution from another plan rather than having such amount directly rolled over to this Plan from the distributing plan.

INDIVIDUAL ACCOUNT

Means the account established and maintained under this Plan for each Participant in accordance with Plan Section 7.02(A).

INVESTMENT FIDUCIARY

Means the Employer, a Trustee with full trust powers, any Individual Trustee(s), or any investment manager, as applicable, that under the terms of the Plan is vested with the responsibility and authority to select investment options for the Plan and to direct the investment of the assets of the Fund. In no event shall a Custodian or a Directed Trustee be an Investment Fiduciary for any purpose whatsoever.

INVESTMENT FUND

Means a subdivision of the Fund established pursuant to Plan Section 7.01(B).

KEY EMPLOYEE

Means, for Plan Years beginning after December 31, 2001, any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the Determination Date is an officer of the Employer and whose annual compensation is greater than \$130,000 (as adjusted under Code Section 416(i)(1) for Plan Years beginning after December 31, 2002), a five percent owner of the Employer, or a one percent owner of the Employer who has annual compensation of more than \$150,000. For Plan Years beginning on or after January 1, 2001, except as otherwise provided in the Adoption Agreement, Compensation shall also include elective amounts that are not includible in the gross income of the Employee by reason of Code Section 132(f)(4).

In determining whether a plan is top-heavy for Plan Years beginning before January 1, 2002, Key Employee means any Employee or former Employee (including any deceased Employee) who at any time during the five-year period ending on the Determination Date, is an officer of the Employer having annual compensation that exceeds 50 percent of the dollar limitation under Code Section 415(b)(1)(A), an owner (or considered an owner under Code Section 318) of one of the ten largest interests in the Employer if such Participant's compensation exceeds 100 percent of the dollar limitation under Code Section 415(c)(1)(A), a five-percent owner of the Employer, or a one-percent owner of the Employer who has annual compensation of more than \$150,000. Annual compensation means compensation as defined in Code Section 415(c)(3), but including amounts contributed by the Employer pursuant to a salary reduction agreement which are excludable from the Employee's gross income in Code Sections 125, 402(e)(3), 402(h)(1)(B) 403(b). The determination period is the Plan Year containing the Determination Date and the four preceding Plan Years. The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the Treasury Regulations thereunder.

LEASED EMPLOYEE

Means, any person (other than an Employee of the recipient Employer) who, pursuant to an agreement between the recipient Employer and any other person ("leasing organization"), has performed services for the recipient Employer (or for the recipient Employer and related persons determined in accordance with Code Section 414(n)(6)) on a substantially full time basis for a period of at least one year, and such services are performed under primary direction or control by the recipient Employer. Contributions or benefits provided to a Leased Employee by the leasing organization which are attributable to services performed for the recipient Employer shall be treated as provided by the recipient Employer. A Leased Employee shall not be considered an Employee of the recipient if: (1) such Leased Employee is covered by a money purchase pension plan providing a) a nonintegrated employer contribution rate of at least 10 percent of compensation, as defined in Code Section 415(c)(3), but including amounts contributed pursuant to a salary reduction agreement, which are excludable from the Leased Employee's gross income under Code Sections 125, 402(e)(3), 402(h)(1)(B) or 403(b), b) immediate participation, and c) full and immediate vesting; and (2) Leased Employees do not constitute more than 20 percent of the recipient's non-Highly compensated work force.

LIFE EXPECTANCY

Means life expectancy as computed by using the Single Life Table in Treasury Regulation 1.401(a)(9)-9, Q&A-1.

LIMITATION YEAR

Means the Plan Year, unless the Adopting Employer has selected another 12-consecutive month period in the Adoption Agreement. All qualified plans maintained by the Employer must use the same Limitation Year. If the Limitation Year is amended to a different 12-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

MASTER OR PROTOTYPE PLAN

Means a plan, the form of which is the subject of a favorable opinion letter from the IRS.

MATCHING CONTRIBUTION

Means an Employer Contribution made to this or any other defined contribution plan on behalf of a Participant on account of an Elective Deferral or a Nondeductible Employee Contribution made by such Participant under a plan maintained by the Employer.

MAXIMUM PERMISSIBLE AMOUNT

Means the maximum Annual Addition that may be contributed or allocated to a Participant's Individual Account under the Plan for any Limitation Year.

For Limitation Years beginning before January 1, 2002, the Maximum Permissible Amount shall not exceed the lesser of

- a. the Defined Contribution Dollar Limitation, or
- b. 25 percent of the Participant's Compensation for the Limitation Year.

For Limitation Years beginning on or after January 1, 2002, except for Catch-up Contributions, the Maximum Permissible Amount shall not exceed the lesser of

- a. \$40,000, as adjusted for increases in the cost-of-living under Code Section 415(d), or
- b. 100 percent of the Participant's Compensation (within the meaning of Code Section 415(c)(3)) for the Limitation Year.

The compensation limitation referred to in (b) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Code Section 401(h) or Section 419A(f)(2)) which is otherwise treated as an Annual Addition. If a short Limitation Year is created because of an amendment changing the Limitation Year to a different 12-consecutive month period, the Maximum Permissible Amount will not exceed the Defined Contribution Dollar Limitation multiplied by the following fraction: Number of months in the short Limitation Year/12

MONTH OF ELIGIBILITY SERVICE

Means the calendar month during which the Employee completes the number of Hours of Service designated in the Adoption Agreement. If the Adoption Agreement indicates a specific number of Months of Eligibility Service and no Hours of Service requirement is selected, the Employee will be deemed to be required to complete 83 Hours of Service if actual hours are used to determine eligibility. If an Hours of Service requirement is designated per month, that number when multiplied by the number of Months of Eligibility Service indicated in the Adoption Agreement cannot exceed 1000. Employees not meeting the hours requirement within the initial number of months indicated in the Adoption Agreement will satisfy the Month of Eligibility Service requirement when they complete 1,000 Hours of Service within the Eligibility Computation Period.

NONDEDUCTIBLE EMPLOYEE CONTRIBUTIONS

Means any contribution, other than Roth Elective Deferrals, made to the Plan by or on behalf of a Participant that is included in the Participant's gross income in the year in which made and that is maintained under a separate account to which earnings and losses are allocated.

NORMAL RETIREMENT AGE

Means the age specified in the Adoption Agreement. If the Employer enforces a mandatory retirement age, the Normal Retirement Age is the lesser of that mandatory age or the age specified in the Adoption Agreement. If no age is specified in the Adoption Agreement, the Normal Retirement Age shall be age 59½.

OWNER—EMPLOYEE

Means an individual who is a sole proprietor, or who is a partner owning more than 10 percent of either the capital or the profits interest of the partnership.

PARTICIPANT

Means any Employee or former Employee of the Employer who has met the Plan's age and service requirements, has entered the Plan, and who is or may become eligible to receive a benefit of any type from this Plan or whose Beneficiary may be eligible to receive any such benefit.

PARTICIPANT'S BENEFIT

Means the Participant's Individual Account as of the last Valuation Date in the calendar year immediately preceding the Distribution Calendar Year (valuation calendar year) increased by the amount of any contributions made and allocated or Forfeitures allocated to the Participant's Individual Account as of dates in the valuation calendar year after the Valuation Date and decreased by distributions made in the valuation calendar year after the Valuation Date. The Participant's Benefit for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the Distribution Calendar Year if distributed or transferred in the valuation calendar year.

PERMISSIVE AGGREGATION GROUP

Means the Required Aggregation Group of plans plus any other plan or plans of the Employer which, when considered as a group with the Required Aggregation Group, would continue to satisfy the requirements of Code Sections 401(a)(4) and 410.

PLAN

Means the prototype defined contribution plan adopted by the Employer that is intended to satisfy the requirements of Code Section 401 and ERISA Section 501. The Plan consists of this Basic Plan Document plus the corresponding Adoption Agreement as completed and signed by the Adopting Employer.

PLAN ADMINISTRATOR

The Adopting Employer shall be the Plan Administrator unless the managing body of the Adopting Employer designates a person or persons other than the Adopting Employer as the Plan Administrator and so notifies the Trustee (or Custodian, if applicable). The Adopting Employer shall also be the Plan Administrator if the person or persons so designated ceases to be the Plan Administrator. The Adopting Employer may establish an administrative committee that will carry out the Plan Administrator's duties. Members of the administrative committee may allocate the Plan Administrator's duties among themselves. If the managing body of the Adopting Employer designates a person or persons other than the Adopting Employer as Plan Administrator, such person or persons shall serve

at the pleasure of the Adopting Employer and shall serve pursuant to such procedures as such managing body may provide. Each such person shall be bonded as may be required by law. The term Plan Administrator shall include any person authorized to perform the duties of the Plan Administrator and properly identified to the Trustee or Custodian as such. The Prototype Sponsor shall in no case be designated as the Plan Administrator. The Plan Administrator shall be a named Fiduciary of the Plan for purposes of ERISA Section 402(a).

PLAN SEQUENCE NUMBER

Means the three digit number the Adopting Employer assigned to the Plan in the Adoption Agreement. The Plan Sequence Number identifies the number of qualified retirement plans the Employer maintains or has maintained. The Plan Sequence Number is 001 for the Employers first qualified retirement plan, 002 for the second, etc.

PLAN YEAR

Means the 12-consecutive month period which coincides with the Adopting Employer's tax year or such other 12-consecutive month period as is designated in the Adoption Agreement. Notwithstanding the foregoing, a Plan Year may be a period less than 12 months, as defined in the Adoption Agreement.

PRE-AGE 35 WAIVER

A Participant who will not yet attain age 35 as of the end of any current Plan Year may make a special Qualified Election to waive the Qualified Preretirement Survivor Annuity for the period beginning on the date of such election and ending on the first day of the Plan Year in which the Participant will attain age 35. Such election shall not be valid unless the Participant receives an explanation of the Qualified Preretirement Survivor Annuity in such terms as are comparable to the explanation required in Plan Section 5.10(D)(1). Qualified Preretirement Survivor Annuity coverage will be automatically reinstated as of the first day of the Plan Year in which the Participant attains age 35. Any new waiver on or after such date shall be subject to the full requirements of Plan Section 5.10.

PRE-TAX ELECTIVE DEFERRALS

Means Elective Deferrals that are not included in a Participant's gross income at the time deferred. Elective Deferrals will be characterized as Pre-Tax Elective Deferrals unless the Roth Elective Deferral option is selected in the Adoption Agreement and, if the Plan permits Roth Elective Deferrals in addition to Pre-Tax Elective Deferrals, the Qualifying Participant also designates the deferral as a Roth Elective Deferral.

PRESENT VALUE

Unless otherwise indicated in the Adoption Agreement, for purposes of establishing the Present Value of benefits under a defined benefit plan to compute the top-heavy ratio, any benefit shall be discounted only for mortality and interest based on the interest rate and mortality table specified for this purpose in the defined benefit plan.

PRIOR PLAN

Means a plan that was replaced by adoption of this Plan document as indicated in the Adoption Agreement.

PROJECTED ANNUAL BENEFIT

Means the annual retirement benefit (adjusted to an actuarially equivalent Straight Life Annuity if such benefit is expressed in a form other than a Straight Life Annuity or Qualified Joint and Survivor Annuity) to which the Participant would be entitled under the terms of the Plan, assuming that

- a. the Participant will continue employment until Normal Retirement Age under the Plan (or current age, if later), and
- b. the Participant's Compensation for the current Limitation Year and all other relevant factors used to determine benefits under the Plan will remain constant for all future Limitation Years.

PROTOTYPE SPONSOR

Means the entity specified in the Adoption Agreement that makes this prototype Plan available to employers for adoption.

QUALIFIED DOMESTIC RELATIONS ORDER

A. In General

Means a Domestic Relations Order

1. that creates or recognizes the existence of an Alternate Payee's rights to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable with respect to a Participant under the Plan, and
2. with respect to which the requirements described in the remainder of this section are met.

B. Specification of Facts

A Domestic Relations Order shall be a Qualified Domestic Relations Order only if the order clearly specifies

1. the name and last known mailing address (if any) of the Participant and the name and mailing address of each Alternate Payee covered by the order,

2. the amount or percentage of the Participant's benefits to be paid by the Plan to each such Alternate Payee, or the manner in which such amount or percentage is to be determined,
3. the number of payments or period to which such order applies, and
4. each plan to which such order applies.

C. Additional Requirements

In addition to paragraph (B) above, a Domestic Relations Order shall be considered a Qualified Domestic Relations Order only if such order

1. does not require the Plan to provide any type or form of benefit, or any option not otherwise provided under the Plan,
2. does not require the Plan to provide increased benefits, and
3. does not require benefit to an Alternate Payee that are required to be paid to another Alternate Payee under another order previously determined to be a Qualified Domestic Relations Order.

D. Exception for Certain Payments

A Domestic Relations Order shall not be treated as failing to meet the requirements above solely because such order requires that payment of benefits be made to an Alternate Payee

1. on or after the date on which the Participant attains (or would have attained) the earliest retirement age as defined in Code Section 414(p)(4)(B),
2. as if the Participant had retired on the date on which such payment is to begin under such order, and
3. in any form in which such benefits may be paid under the Plan to the Participant (other than in a Qualified Joint and Survivor Annuity) with respect to the Alternate Payee and their subsequent spouse.

QUALIFIED ELECTION

Means a waiver of a Qualified Joint and Survivor Annuity or a Qualified Preretirement Survivor Annuity. Any waiver of a Qualified Joint and Survivor Annuity or a Qualified Preretirement Survivor Annuity shall not be effective unless

- a) the Participant's Spouse consents to the election (either in writing or in any other form permitted under rules promulgated by the IRS and DOL),
- b) the election designates a specific Beneficiary, including any class of beneficiaries or any contingent beneficiaries, which may not be changed without spousal consent (or the Spouse expressly permits designations by the Participant without any further spousal consent),
- c) the Spouse's consent acknowledges the effect of the election, and
- d) the Spouse's consent is witnessed by a Plan representative or notary public.

Additionally, a Participant's waiver of the Qualified Joint and Survivor Annuity shall not be effective unless the election designates a form of benefit payment which may not be changed without spousal consent (or the Spouse expressly permits designations by the Participant without any further spousal consent). If it is established to the satisfaction of a Plan representative that there is no Spouse or that the Spouse cannot be located, a waiver by the Participant will be deemed a Qualified Election. In addition, if the Spouse is legally incompetent to give consent, the Spouse's legal guardian, even if the guardian is the Participant, may give consent. If the Participant is legally separated or the Participant has been abandoned (within the meaning of local law) and the Participant has a court order to such effect, spousal consent is not required unless a Qualified Domestic Relations Order provides otherwise. Any consent by a Spouse obtained under this provision (or establishment that the consent of a Spouse may not be obtained) shall be effective only with respect to such Spouse. A consent that permits designations by the Participant without any requirement of further consent by such Spouse must acknowledge that the Spouse has the right to limit consent to a specific Beneficiary, and a specific form of benefit where applicable, and that the Spouse voluntarily elects to relinquish either or both of such rights. A revocation of a prior waiver may be made by a Participant without the consent of the Spouse at any time before the commencement of benefits. The number of revocations shall not be limited. No consent obtained under this provision shall be valid unless the Participant has received notice as provided in Plan Section 5.10(D).

QUALIFIED JOINT AND SURVIVOR ANNUITY

Means an immediate annuity for the life of the Participant with a survivor annuity for the life of the Spouse which is not less than 50 percent and not more than 100 percent of the amount of the annuity which is payable during the joint lives of the Participant and the Spouse and which is the amount of benefit which can be purchased with the Participant's vested account balance. The percentage of the survivor annuity under the Plan shall be 50 percent, unless a different percentage is elected by the Adopting Employer in the Adoption Agreement.

QUALIFIED MATCHING CONTRIBUTIONS

Means Matching Contributions that are nonforfeitable when made to the Plan and that are distributable only in accordance with the distribution provisions (other than for hardships) applicable to Elective Deferrals.

QUALIFIED NONELECTIVE CONTRIBUTIONS

Means Employer Contributions (other than Matching Contributions, Qualified Matching Contributions, or Employer Profit Sharing

Contributions) allocated to Participants' Individual Accounts that the Participants may not elect to receive in cash until distributed from the Plan; that are nonforfeitable when made to the Plan; and that are distributable only in accordance with the distribution provisions (other than hardships) that are applicable to Elective Deferrals.

QUALIFIED PRERETIREMENT SURVIVOR ANNUITY

Means a survivor annuity for the life of the surviving Spouse of the Participant if the payments are not less than the amounts which would be payable as a survivor annuity under the Qualified Joint and Survivor Annuity under the Plan in accordance with Code Section 417(c).

QUALIFYING CONTRIBUTING PARTICIPANT

Means a Contributing Participant who satisfies the requirements described in Plan Section 3.02 to be entitled to receive a Matching Contribution (and Forfeitures, if applicable) for a Plan Year.

QUALIFYING EMPLOYER SECURITY(IES)

Means stock that is issued by the Employer and transferred to this Plan and that is subject to the requirements of ERISA Section 407 and meets the requirements of ERISA Section 407(d)(5).

QUALIFYING PARTICIPANT

A Participant is a Qualifying Participant and is entitled to share in the Employer Contribution for any Plan Year if the Participant was a Participant on at least one day during the Plan Year and satisfies any additional conditions specified in the Adoption Agreement. If this Plan is a standardized plan, unless the Employer specifies more favorable conditions in the Adoption Agreement, a Participant will be a Qualifying Participant for a Plan Year if the Participant either completes more than 500 Hours of Service (three consecutive calendar months if the Elapsed Time method of determining service applies) during the Plan Year or is employed on the last day of the Plan Year. The determination of whether a Participant is entitled to share in the Employer Contribution shall be made as of the last day of each Plan Year. If the Elapsed Time method of determining service applies, each Employee will share in Employer Contributions for the period beginning on the date the Employee commences participation under the Plan and ending on the date on which such Employee severs employment with the Employer or is no longer a member of an eligible class of Employees.

RECIPIENT

A Recipient includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving Spouse and the Employee's or former Employee's Spouse or former Spouse who is the Alternate Payee under a Qualified Domestic Relations Order, as defined in Code Section 414(p), are Recipients with regard to the interest of the Spouse or former Spouse.

REQUIRED AGGREGATION GROUP

Means (a) each qualified plan of the Employer in which at least one Key Employee participates or participated at any time during the Plan Year containing the Determination Date or any of the four preceding Plan Years (regardless of whether the Plan has terminated), and (b) any other qualified plan of the Employer which enables a plan described in (a) to meet the requirements of Code Section 401(a)(4) or 410.

REQUIRED BEGINNING DATE

Means April 1 of the calendar year following the calendar year in which the Participant attains age 70 ¹/₂ or retires, whichever is later, except that benefit distributions to a five-percent owner must commence by the April 1 of the calendar year following the calendar year in which the Participant attains age 70 ¹/₂. Notwithstanding the foregoing, the Required Beginning Date is one of the following as selected by the Adopting Employer in the Adoption Agreement:

(a) the Required Beginning Date of a Participant is April 1 of the calendar year following the calendar year in which the Participant attains age 70 ¹/₂;

(b) the Required Beginning Date of a Participant is April 1 of the calendar year following the calendar year in which the Participant attains age 70 ¹/₂, except that benefit distributions to a Participant (other than a five-percent owner) with respect to benefits accrued after the later of the adoption or effective date of an amendment to the Plan that implements the changes to the Required Minimum Distribution rules of this Definition must commence by the later of the April 1 of the calendar year following the calendar year in which the Participant attains age 70 ¹/₂ or retires; or

(c) the Required Beginning Date of a Participant is April 1 of the calendar year following the later of the calendar year in which the Participant attains age 70 ¹/₂ or the calendar year in which the Participant retires except that benefit distributions to a five-percent owner must commence by the April 1 of the calendar year following the calendar year in which the Participant attains age 70 ¹/₂;

(1) any Participant (other than a five-percent owner) attaining age 70 ¹/₂ after 1995 may elect by the April 1 of the calendar year following the year in which the Participant attained age 70 ¹/₂, (or by December 31, 1997, in the case of a Participant attaining age 70 ¹/₂ in 1996) to defer distributions until the calendar year following the calendar year in which the Participant retires. If no such election is made the Participant will begin receiving distributions by April 1 of

the calendar year following the year in which the Participant attained age 70 ¹/₂ (or by December 31, 1997, in the case of a Participant attaining age 70 ¹/₂ in 1996);

(2) any Participant (other than a five-percent owner) attaining age 70 ¹/₂ before 1997 may elect to stop distributions and recommence by April 1 of the calendar year following the year in which the Participant retires. To satisfy the Joint and Survivor Annuity Requirements described in Section 5.10, the requirements in Notice 97-75, Q&A-8, must be satisfied for any Participant who elects to stop distributions. There is either (as elected by the Employer in the Adoption Agreement)

- a) a new annuity starting date upon recommencement, or
- b) no new annuity starting date upon recommencement.

A Participant is treated as a five-percent owner for purposes of this section if such Participant is a five-percent owner as defined in Code Section 416 at any time during the Plan Year ending with or within the calendar year in which such owner attains age 70 ¹/₂. Once distributions have begun to a five-percent owner under this section, they must continue to be distributed, even if the Participant ceases to be a five-percent owner in a subsequent year.

ROTH ELECTIVE DEFERRALS

Means Elective Deferrals that are includible in a Participant's gross income at the time deferred and have been irrevocably designated as Roth Elective Deferrals by the Participant in their deferral election.

ROTH IRA

Means an individual retirement account as defined in Code Section 408A.

SAFE HARBOR CODA

Means a Plan that has elected to make contributions in accordance with Plan Section 3.03.

SAFE HARBOR NONELECTIVE CONTRIBUTIONS

Means Employer Contributions made in an amount equal to at least three percent of each Participant's Compensation on behalf of each Eligible Employee, unless otherwise specified in the Adoption Agreement. Such contributions shall be made without regard to whether a Participant makes an Elective Deferral or a Nondeductible Employee Contribution.

SELF-EMPLOYED INDIVIDUAL

Means an individual who has Earned Income for the taxable year from the trade or business for which the Plan is established, including an individual who would have had Earned Income but for the fact that the trade or business had no net profits for the taxable year.

SEPARATE FUND

Means a subdivision of the Fund held in the name of a particular Participant or Beneficiary representing certain assets held for that Participant or Beneficiary. The assets that comprise a Participant's Separate Fund are those assets earmarked for the Participant and those assets subject to the Participant's individual direction pursuant to Plan Section 7.22(B).

SEVERANCE FROM EMPLOYMENT

Means an Employee ceases to be an Employee of the Employer maintaining the Plan. An Employee does not have a Severance from Employment if, in connection with a change of employment, the employee's new employer maintains such plan with respect to the employee.

SIMPLE 401(k) YEAR

Means the calendar year and is applicable only if the Employer has adopted a SIMPLE 401(k) Plan.

SIMPLE IRA

Means an individual retirement account that satisfies the requirements of Code Sections 408(p) and 408(a).

SPOUSE

Means the Spouse or surviving Spouse of the Participant, provided that a former Spouse will be treated as the Spouse or surviving Spouse and a current Spouse will not be treated as the Spouse or surviving Spouse to the extent provided under a Qualified Domestic Relations Order.

STRAIGHT LIFE ANNUITY

Means an annuity payable in equal installments for the life of the Participant, that terminates upon the Participant's death.

TAXABLE WAGE BASE

Means, with respect to any taxable year, the contribution and benefit base in effect in Section 230 of the Social Security Act at the beginning of the Plan Year.

TERMINATION OF EMPLOYMENT

Means that the employment status of an Employee ceases for any reason other than death. An Employee who does not return to work for the Employer on or before the expiration of an authorized leave of absence from such Employer shall be deemed to have incurred a Termination of Employment when such leave ends.

TOP-HEAVY PLAN

Means a Plan determined to be a Top-Heavy Plan for any Plan Year pursuant to Plan Section 7.19.

TRADITIONAL IRA

Means an individual retirement account as defined in Code section 408(a).

TRUSTEE

Means, if applicable, an individual, individuals, or corporation specified in the Adoption Agreement as Trustee or any duly appointed successor as provided in Plan Section 8.05. A corporate Trustee must be a bank, trust company, broker, dealer or clearing agency as defined in Labor Regulation 2550.403(a)-1(b).

VALUATION DATE

Means the valuation date or dates as specified in the Adoption Agreement. If no date is specified in the Adoption Agreement, the Valuation Date shall be the last day of the Plan Year and each additional date designated by the Plan Administrator which is selected in a uniform and nondiscriminatory manner when the assets of the Fund are valued at their then fair market value. Notwithstanding the foregoing, for purposes of calculating the top heavy ratio, the Valuation Date shall be the last day of the initial Plan Year and the last day of the preceding Plan Year for each subsequent Plan Year.

VESTED

Means nonforfeitable, that is, an unconditional and legally enforceable claim against the Plan that is obtained by a Participant or the Participant's Beneficiary to that part of an immediate or deferred benefit under the Plan that arises from a Participant's Years of Vesting Service.

VESTED ACCOUNT BALANCE

Means the aggregate value of the Participant's Vested account balances derived from Employer and Nondeductible Employee Contributions (including rollovers), whether Vested before or upon death, including the proceeds of insurance contracts, if any, on the Participant's life. This definition shall apply to a Participant who is vested in amounts attributable to Employer Contributions, Nondeductible Employee Contributions, or both at the time of death or distribution.

YEAR OF ELIGIBILITY SERVICE

Means a 12-consecutive month period which coincides with an Eligibility Computation Period during which an Employee completes at least 1,000 Hours of Service (or such lesser number of Hours of Service specified in the Adoption Agreement). An Employee does not complete a Year of Eligibility Service before the end of the 12-consecutive month period regardless of when during such period the Employee completes the required number of Hours of Service.

YEAR OF VESTING SERVICE

Means a Plan Year during which an Employee completes at least 1,000 Hours of Service (or such lesser number of Hours of Service specified in the Adoption Agreement for this purpose). Notwithstanding the preceding sentence, if the Adopting Employer so indicates in the Adoption Agreement, vesting shall be computed by reference to the 12-consecutive month period beginning with the Employee's Employment Commencement Date and each successive 12-month period commencing on the anniversaries thereof, or some other 12-consecutive month period.

Years of Vesting Service shall not include any period of time excluded from Years of Vesting Service in the Adoption Agreement. However, if an Employee becomes ineligible to participate in the Plan because they are no longer a member of an eligible class of Employees, but has not incurred a Break in Vesting Service, such Employee shall continue to accumulate Years of Vesting Service. In the event the Plan Year is changed to a new 12-month period, Employees shall receive credit for Years of Vesting Service, in accordance with the preceding provisions of this definition, for each of the Plan Years (the old and new Plan Years) that overlap as a result of such change.

SECTION ONE: EFFECTIVE DATES

Pursuant to the Definitions section of the Plan, the Effective Date means the date the Plan becomes effective as indicated in the Adoption Agreement. However, certain provisions of the Plan may have effective dates different from the Plan Effective Date, if, for example, the Plan is amended subsequent to the Effective Date.

SECTION TWO: ELIGIBILITY REQUIREMENTS**2.01 ELIGIBILITY TO PARTICIPATE**

Each Employee, except an Employee who belongs to a class of Employees excluded from participation as indicated in the Adoption Agreement, shall be eligible to participate in this Plan upon satisfying the age and Years of Eligibility Service requirements specified in the Adoption Agreement. If no age is specified in the Adoption Agreement, there will not be an age requirement. If no option for Years of Eligibility Service is selected, no Years of Eligibility Service will be required. Notwithstanding the preceding paragraph, if the Adoption Agreement does not permit Employers to restrict participation of certain classes of Employees, the following Employees will be excluded from participation in the Plan.

A. Union Employees — Employees included in a unit of Employees covered by a collective bargaining agreement between the Employer and Employee representatives, if retirement benefits were the subject of good faith bargaining and if two percent or less of the Employees who are covered pursuant to that agreement are professionals as defined in Treasury Regulation 1.410(b)-9. For this purpose, the term “Employee representatives” does not include any organization in which more than half of the members are Employees who are owners, officers, or executives of the Employer.

B. Non-resident Aliens — Employees who are non-resident aliens (within the meaning of Code Section 7701(b)(1)(B)) who received no earned income (within the meaning of Code Section 911(d)(2)) from the Employer which constitutes income from sources within the United States (within the meaning of Code Section 861(a)(3)).

C. Acquired Employees — Employees who became Employees as the result of certain acquisitions or dispositions as described under Code Section 410(b)(6)(C). Such Employees will be excluded from participation during the transition period beginning on the date of the change in the members of the group and ending on the last day of the first Plan Year beginning after the date of the change. A transaction under Code Section 410(b)(6)(C) is an asset or stock acquisition, merger, or similar transaction involving a change in the employer of the employees of a trade or business. Notwithstanding the preceding, Employees who are not eligible to participate in the Plan because of their classification as “part-time, seasonal or temporary employees, or any other employment classification that is directly or indirectly based on the number of Hours of Service that an Employee is customarily scheduled to work, will become eligible to participate in the Plan as of the Entry Date coincident with or next following such Employee’s satisfaction of 1,000 Hours of Service in an Eligibility Computation Period.

2.02 PLAN ENTRY

A. Plan Restatement — If this Plan is an amendment or restatement of a Prior Plan, each Employee who was a Participant in the Prior Plan before the Effective Date shall continue to be a Participant in this Plan.

B. Effective Date — An Employee will become a Participant in the Plan as of the Effective Date if the Employee has met the eligibility requirements of Plan Section 2.01 as of such date. After the Effective Date, each Employee will become a Participant on the first Entry Date coinciding with or following the date the Employee satisfies the eligibility requirements of Plan Section 2.01, unless the Adopting Employer selects retroactive Entry Dates in the Adoption Agreement.

C. Notification — The Plan Administrator shall notify each Employee who becomes eligible to be a Participant under this Plan and shall furnish the Employee with the enrollment forms or other documents which are required of Participants. Such notification shall be in writing (or in any other form permitted under rules promulgated by the IRS or DOL). The eligible Employee shall execute such forms or documents and make available such information as may be required in the administration of the Plan.

2.03 TRANSFER TO OR FROM INELIGIBLE CLASS

If an Employee who had been a Participant becomes ineligible to participate because they are no longer a member of an eligible class of Employees, but has not incurred a Break in Eligibility Service, such Employee shall participate immediately following the date of reemployment upon their return to an eligible class of Employees. If such Employee incurs a Break in Eligibility Service, their eligibility to participate shall be determined by Plan Section 2.04. An Employee who is not a member of the eligible class of Employees will become a Participant immediately upon becoming a member of the eligible class, provided such Employee has satisfied the age and Years of Eligibility Service requirements. If such Employee has not satisfied the age and Years of Eligibility Service requirements as of the date they become a member of the eligible class, such Employee shall become a Participant on the first Entry Date coinciding with or following the date they satisfy those requirements, unless otherwise indicated in the Adoption Agreement.

2.04 RETURN AS A PARTICIPANT AFTER BREAK IN ELIGIBILITY SERVICE

A. Employee Not A Participant Before Break — If an Employee incurs a Break in Eligibility Service before satisfying the Plan’s eligibility requirements, such Employee’s Years of Eligibility Service before such Break in Eligibility Service will not be taken into account.

B. Employee A Participant Before Break — If a Participant incurs a Break in Eligibility Service, such Participant shall continue to participate in the Plan, or, if terminated, shall participate immediately following the date of reemployment, except as set forth in Plan Section 2.04(C).

2.05 DETERMINATIONS UNDER THIS SECTION

The Plan Administrator shall determine the eligibility of each Employee to be a Participant. This determination shall be conclusive and binding upon all persons except as otherwise provided herein or by law.

2.06 TERMS OF EMPLOYMENT

Nothing with respect to the establishment of the Plan and trust or any action taken with respect to the Plan, nor the fact that a common law Employee has become a Participant shall give to that Employee any right to employment or continued employment or to grant any other rights except as specifically set forth in this Plan document, ERISA, or other applicable law; nor shall the Plan or trust limit the right of the Employer to discharge an Employee or to otherwise deal with an Employee without regard to the effect such treatment may have upon the Employee's rights under the Plan.

SECTION THREE: CONTRIBUTIONS

3.01 ELECTIVE DEFERRALS

Each Employee who satisfies the eligibility requirements specified in the Adoption Agreement for making Pre-Tax Elective Deferrals and/or Roth Elective Deferrals, if applicable, may begin making such Elective Deferrals to the Plan by enrolling as a Contributing Participant.

A. Requirements To Enroll As A Contributing Participant — Each Employee who satisfies the eligibility requirements specified in the Adoption Agreement for Elective Deferrals may enroll as a Contributing Participant on the first Entry Date coinciding with or following the date the Employee satisfies the eligibility requirements, or if applicable, the first Entry Date following the date on which the Employee returns to the eligible class of Employees pursuant to Plan Section 2.03. A Participant who wishes to enroll as a Contributing Participant must deliver (either in writing or in any other form permitted by the IRS and the DOL) a salary reduction agreement (or agreement to make Nondeductible Employee Contributions) to the Plan Administrator except as set forth in Plan Section 3.01(E) below. Except for occasional, bona fide administrative considerations as set forth in the Treasury Regulations, contributions made pursuant to such election cannot precede the earlier of 1) the date on which services relating to the contribution are performed, and 2) the date on which the Compensation that is subject to the election would be payable to the Employee in the absence of an election to defer. Any limits on Elective Deferrals designated by the Employer in Adoption Agreement Section Three may be determined either periodically throughout the Plan Year (e.g., each payroll period) or at the end of the Plan Year so long as the determination is made in a uniform and nondiscriminatory manner.

Notwithstanding the dates set forth in Plan Section 3.01(A) as of which a Participant may enroll as a Contributing Participant, the Plan Administrator shall have the authority to designate, in a nondiscriminatory manner, additional enrollment dates during the 12-month period beginning on the Effective Date (or the date that Elective Deferrals may commence, if later) in order that an orderly first enrollment might be completed. In addition, if the Adopting Employer has indicated in the Adoption Agreement that Participants may make separate deferral elections with respect to bonuses, Participants shall be afforded a reasonable period of time before the issuance of such bonuses to elect to defer all or part of them into the Plan. Such an election to defer all or part of a bonus shall be independent of any other salary reduction agreement and shall not constitute a modification to any pre-existing salary reduction agreement. If a Plan permits both Pre-Tax and Roth Elective Deferrals and the Participant fails to designate whether their Elective Deferrals are Pre-Tax or Roth Elective Deferrals, the Participant will be deemed to have designated the Elective Deferral as Pre-Tax.

Notwithstanding anything in this Plan to the contrary, if this Plan is subject to ERISA, the Employer shall deliver Elective Deferrals to the Trustee (or Custodian, if applicable) as soon as such contributions can reasonably be segregated from the general assets of the Employer. In no event, however, shall Elective Deferrals be deposited with the Trustee (or Custodian, if applicable) later than the 15th business day of the month following the month in which the Elective Deferrals would otherwise have been payable to a Participant in cash or by such other deadline determined under rules promulgated by the DOL. If this Plan is not subject to ERISA, the Employer shall deposit Elective Deferrals with the Trustee (or Custodian, if applicable) as of such time as is required by the IRS and DOL.

B. Ceasing Elective Deferrals — Except as otherwise provided in the Adoption Agreement, a Participant may cease Elective Deferrals (or Nondeductible Employee Contributions) and thus withdraw as a Contributing Participant as of any such times established by the Plan Administrator in a uniform and nondiscriminatory manner by revoking the authorization to the Employer to make Elective Deferrals (or Nondeductible Employee Contributions) on their behalf. A Participant who desires to withdraw as a Contributing Participant shall give notice of withdrawal to the Plan Administrator at least 30 days (or such shorter period as the Plan Administrator shall permit in a uniform and nondiscriminatory manner) before the effective date of withdrawal. A Participant shall cease to be a Contributing Participant upon their Termination of Employment, or on account of termination of the Plan.

Notwithstanding anything in this Plan to the contrary, each Employee who has entered into a salary reduction agreement under a SIMPLE 401(k) Plan may terminate such agreement at any time during the year.

C. Return As A Contributing Participant After Ceasing Elective Deferrals — Except as otherwise provided in the Adoption Agreement, a Participant who has withdrawn as a Contributing Participant in Plan Section 3.01(B) (or because the Participant has taken a hardship distribution pursuant to Plan Section 5.01(C)(2)(b)) may not again become a Contributing Participant until the first day of the Plan Year and the first day of the seventh month of the Plan Year following such withdrawal, unless the Plan Administrator, in a uniform and nondiscriminatory manner, permits withdrawing Participants to resume their status as Contributing Participants sooner (provided that Participants who take withdrawals pursuant to Plan Section 5.01(C)(2)(b) shall be subject to the conditions of that Section).

D. Changing Elective Deferral Amounts — A Contributing Participant or a Participant who has met the eligibility requirements in the Adoption Agreement but who is not currently making Elective Deferrals (or Nondeductible Employee Contributions), may modify their salary reduction agreement (or agreement to make Nondeductible Employee Contributions) to increase or decrease (within the limits placed on Elective Deferrals or Nondeductible Employee Contributions in the Adoption Agreement) the amount of their Compensation deferred into the Plan or change the type of their future Elective Deferrals (Roth or Pre-Tax), if applicable. Except as otherwise provided in the Adoption Agreement, such modification may be made as of such times established by the Plan Administrator in a uniform and nondiscriminatory manner. A Contributing Participant who desires to make such a modification shall complete and deliver (either in writing or in any other form permitted by the IRS and the DOL) a new salary reduction agreement (or agreement to make Nondeductible Employee Contributions to the Plan Administrator). The Plan Administrator may prescribe such uniform and nondiscriminatory rules it deems appropriate to carry out the terms of this Plan Section 3.01(D).

E. Automatic Elective Deferrals and Automatic Elective Deferral Increases

1. Automatic Elective Deferrals — Each Employee who satisfies the eligibility requirements specified in the Adoption Agreement for Elective Deferrals will be given a reasonable opportunity to enroll as a Contributing Participant. Notwithstanding the foregoing, if the Adopting Employer so elected in the Adoption Agreement, eligible Employees who fail to provide the Employer a salary reduction agreement indicating either 1) their desire not to make Elective Deferrals, or 2) the amount or percentage of Compensation to be deferred, will automatically have the amount or percentage of Compensation listed in the Adoption Agreement withheld from their Compensation and contributed as an Elective Deferral. Elective Deferrals for such Contributing Participants shall continue at the rate specified in the Adoption Agreement until 1) the Contributing Participant provides the Employer a salary reduction agreement (either in writing or in any other form permitted under rules promulgated by the IRS and the DOL) to the contrary, or unless 2) the Employer reduces or ceases Elective Deferrals for such Participant pursuant to Plan Section 3.13(B)(8), or 3) Elective Deferrals are increased in accordance with Plan Section 3.01(E)(2). Contributions made pursuant to this Plan Section 3.01(E) will be characterized as Pre-Tax Elective Deferrals unless designated as Roth Elective Deferrals in the Adoption Agreement and will not be characterized as Nondeductible Employee Contributions. An Employer who adopts automatic Elective Deferrals as described in this Plan Section 3.01(E)(1) shall establish uniform and nondiscriminatory procedures designed to ensure that each eligible Employee is provided an effective opportunity to make a salary deferral election. Such procedures shall include, but are not limited to, the means by which notice will be provided to each eligible Employee of their right to complete a salary reduction agreement specifying a different amount or percentage of Compensation (including no Compensation) to be contributed to the Plan and a reasonable period of time for completing such a salary reduction agreement.

2. Automatic Elective Deferral Increases — If the Adopting Employer so elects in the Adoption Agreement, the Elective Deferral percentage or amount for Contributing Participants will be adjusted automatically by the Employer in the increments and time periods stated in the Adoption Agreement. Automatic Elective Deferral increases will be initiated by the Adopting Employer only for those Contributing Participants who fail to provide the Employer a salary reduction agreement on or before the date indicated in the Adoption Agreement and who are automatically enrolled pursuant to this Plan Section 3.01(E)(1) unless otherwise elected on the Adoption Agreement. In addition to the foregoing, the Plan Administrator, in a uniform and nondiscriminatory manner, may establish operational procedures to enable all Contributing Participants, including those who were not automatically enrolled as Contributing Participants pursuant to Plan Section 3.01(E)(1), to elect to have their Elective Deferrals automatically increased.

An Employer who adopts the automatic Elective Deferral increase feature described in this Plan Section 3.01(E)(2) shall establish uniform and nondiscriminatory procedures designed to ensure that each Contributing Participant is provided an effective opportunity to make and modify their salary deferral election such that automatic Elective Deferral increases will not apply to such Participant. Such procedures shall include, but are not limited to, the means by which notice will be provided to each Contributing Participant of their right to complete a salary reduction agreement discontinuing automatic Elective Deferral increases and a reasonable period of time for completing such a salary reduction agreement.

F. Pre-Tax vs. Roth Elective Deferrals — If the Adopting Employer so elects in the Adoption Agreement, each Employee who enrolls as a Contributing Participant may specify whether their Elective Deferrals are to be characterized as Pre-Tax Elective Deferrals, Roth Elective Deferrals, or a specified combination. A Contributing Participant's election will remain in effect until

superseded by another election. Elective Deferrals contributed to the Plan as one type, either Roth or Pre-Tax, may not later be reclassified as the other type. A Contributing Participant's Roth Elective Deferrals will be deposited in the Contributing Participant's Roth Elective Deferral subaccount in the Plan. No contributions other than Roth Elective Deferrals and properly attributable earnings will be credited to each Contributing Participant's Roth Elective Deferral account, and gains, losses, and other credits or charges will be allocated on a reasonable and consistent basis to such subaccount.

G. Catch-up Contributions — Unless elected otherwise in the Adoption Agreement, all Employees who are eligible to make Elective Deferrals under this Plan and who are age 50 or older by the end of their taxable year will be eligible to make Catch-up Contributions. Catch-up Contributions are not subject to the limits on Annual Additions under Code Section 415, are not counted in the ADP test, and are not counted in determining the minimum allocation under Code Section 416 (but Catch-up Contributions made in prior years are counted in determining whether the Plan is top-heavy). Provisions in the Plan relating to Catch-up Contributions apply to Elective Deferrals made after 2001.

H. Elective Deferrals to a SIMPLE 401(k) Plan — Notwithstanding anything in this Plan to the contrary, if the Employer is an Eligible Employer for SIMPLE 401(k) Plans and has established a SIMPLE 401(k) Plan, each Eligible Employee may deliver (either in writing or in any other form permitted by the IRS and the DOL) a salary reduction election and have their Compensation reduced for the SIMPLE 401(k) Year in any amount selected by the Employee subject to the limitation described below. The Employer will make Elective Deferral contributions to this Plan in the amount by which the Employee's Compensation has been reduced.

The total Elective Deferrals to a SIMPLE 401(k) for any Eligible Employee cannot exceed the limitation on Elective Deferrals in effect for the SIMPLE 401(k) Year. The limitation on Elective Deferrals to a SIMPLE 401(k) Plan is \$6,000 for 2000, \$6,500 for 2001, \$7,000 for 2002 and increased by \$1,000 for each SIMPLE 401(k) Year thereafter up to \$10,000 for 2005 and later years. After 2005, the \$10,000 limit will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 408(p)(2)(E). Any such adjustments will be in multiples of \$500. Beginning in 2002, the amount of an Eligible Employee's Elective Deferrals permitted for a SIMPLE 401(k) Year is increased for Employees age 50 or older by the end of the SIMPLE 401(k) Year by the amount of allowable Catch-up Contributions. The amount of allowable Catch-up Contributions is \$500 for 2002, increasing by \$500 for each year thereafter up to \$2,500 for 2006. After 2006, the \$2,500 limit will be adjusted by the Secretary of the Treasury for the cost-of-living increases under Code Section 414(v)(2)(C). Catch-up Contributions are otherwise treated the same as other Elective Deferrals.

In addition to any other election periods provided under the Plan, each Eligible Employee in a SIMPLE 401(k) Plan may make or modify a salary reduction agreement during the 60-day period immediately preceding each January 1.

For the SIMPLE 401(k) Year an Employee becomes eligible to make Elective Deferral contributions under a SIMPLE 401(k) Plan, the 60-day election period requirement described above is deemed satisfied if the Employee may make or modify a salary reduction agreement during a 60-day period that includes either the date the Employee becomes eligible or the day before.

I. SIMPLE 401(k) Notice Requirements — The Employer will notify each Eligible Employee before the 60-day election period described in Plan Section 3.01(H) that they can complete a salary reduction agreement or modify a prior salary reduction agreement during that period. The notification must indicate whether the Employer will provide the three-percent Matching Contribution or a two-percent nonelective contribution described in Plan Section 3.02.

3.02 MATCHING CONTRIBUTIONS

The Employer may elect to make Matching Contributions under the Plan on behalf of Qualifying Contributing Participants as provided in the Adoption Agreement. To be a Qualifying Contributing Participant for a Plan Year, the Participant must make Elective Deferrals (or Nondeductible Employee Contributions, if the Employer has agreed to match such contributions) for the Plan Year, satisfy any age and Years of Eligibility Service and other requirements that are specified for Matching Contributions in the Adoption Agreement, and also satisfy any additional conditions set forth in the Adoption Agreement for this purpose. The Employer may make Matching Contributions at the same time as it contributes Elective Deferrals or at any other time as permitted by law and regulation. The proper Matching Contribution amount may be determined by the Employer at any time during a Plan Year, including, but not limited to, such time as Matching Contributions are delivered to the Trustee (or Custodian, if applicable) or at the end of the Plan Year so long as the amount of Matching Contributions is determined in a uniform and nondiscriminatory manner.

For Plan Years beginning in 2006 (or such earlier date on which the final regulations under Treasury Regulation Section 1.401(k) and 1.401(m) became effective), Matching Contributions with respect to a non-Highly Compensated Employee taken into account under the Actual Contribution Percentage (ACP) test cannot exceed the greatest of 1) 5 percent of Compensation, 2) the amount of the Qualifying Contributing Participant's Elective Deferrals, and 3) the product of two times the plan's representative matching rate and the Qualifying Contributing Participant's Elective Deferrals for a year. The "representative matching rate," for this purpose, is the lowest matching rate for any eligible non-Highly Compensated Employee among a group of eligible non-Highly Compensated Employees that consists of one half of all non-Highly Compensated Employees for the Plan Year who make Elective Deferrals for the Plan Year (or if greater, the lowest matching rate for all eligible non-Highly Compensated Employees in the Plan who are employed by the Employer on the last day of the Plan Year and who make Elective Deferrals for the Plan Year). The "matching rate" is generally the Matching Contribution made for a Qualifying Contributing Participant, divided by their Elective Deferrals for the year. If the matching rate is not the same for all levels of Elective Deferrals, the matching rate is determined assuming that a Qualifying Contributing Participant's Elective Deferrals are equal to six percent of Compensation.

Notwithstanding the foregoing, if an Eligible Employer has established a SIMPLE 401(k) Plan, the Employer will contribute a Matching Contribution to the Plan on behalf of each Employee who makes an Elective Deferral contribution as set forth in Plan Section 3.01(H). The amount of the Matching Contribution will be equal to the Employee's Elective Deferral contribution up to a limit of three percent of the Employee's Compensation for the entire SIMPLE 401(k) Year. For any year, instead of a Matching Contribution to a SIMPLE 401(k) Plan, however, the Employer may elect to contribute a nonelective contribution of two percent of Compensation for the full SIMPLE 401(k) Year for each Eligible Employee who received at least \$5,000 of Compensation (or such lesser amount as elected by the Employer in the Adoption Agreement) for the SIMPLE 401(k) Year.

3.03 SAFE HARBOR CODA

If the Adopting Employer has elected the Safe Harbor CODA option in the Adoption Agreement, and if the provisions of this Plan Section 3.03 are followed for the Plan Year, then any provisions relating to the ADP Test described in Code Section 401(k)(3) or the ACP Test described in Code Section 401(m)(2) shall not apply. To the extent that any other provision of the Plan is inconsistent with the provisions of this Plan Section 3.03, the provisions of this Section shall apply.

A. ADP Test Safe Harbor Contributions — The Employer will make the ADP Test Safe Harbor Contributions, if any, indicated in the Adoption Agreement on behalf of each Eligible Employee unless such contributions are otherwise limited in the Adoption Agreement. If the Adopting Employer so provides in the Adoption Agreement, the ADP Test Safe Harbor Contributions will be made to the defined contribution plan indicated in the Adoption Agreement and not to this Plan. However, even though another plan is listed in the Adoption Agreement, such contributions will be made to this Plan unless 1) each Eligible Employee under this Plan is also eligible under the other plan, and 2) the other plan has the same Plan Year as this Plan. The Employer may make ADP Test Safe Harbor Contributions at the same time as it contributes Elective Deferrals or at any other time as permitted by law and regulation. The proper ADP Test Safe Harbor Contribution amount may be determined by the Employer at any time during a Plan Year, including, but not limited to, such time as ADP Test Safe Harbor Contributions are delivered to the Trustee (or Custodian, if applicable) or at the end of the Plan Year so long as the amount of ADP Test Safe Harbor Contributions is determined in a uniform and nondiscriminatory manner. In addition, such contributions cannot be made with regard to permitted disparity rules under Code Section 401(l).

B. ACP Test Safe Harbor Matching Contributions — In addition to the ADP Test Safe Harbor Contributions described in the Definition Section of the Plan, the Employer will make the ACP Test Safe Harbor Matching Contributions, if any, indicated in the Adoption Agreement on behalf of each Eligible Employee for the Plan Year. The Employer may make ACP Test Safe Harbor Contributions at the same time as it contributes Elective Deferrals or at any other time as permitted by law and regulation. The proper ACP Test Safe Harbor Contribution amount may be determined by the Employer at any time during a Plan Year, including, but not limited to, such time as ACP Test Safe Harbor Contributions are delivered to the Trustee (or Custodian, if applicable) or at the end of the Plan Year so long as the amount of ACP Test Safe Harbor Contributions is determined in a uniform and nondiscriminatory manner.

C. Notice Requirement — At least 30 days, but not more than 90 days, or any other reasonable period before the beginning of the Plan Year (or such other times if permitted by the IRS), the Employer will provide each Eligible Employee a comprehensive notice of the Employee's rights and obligations under the Plan, written in a manner calculated to be understood by the average Eligible Employee. If an Employee becomes eligible after the 90th day before the beginning of the Plan Year and does not receive the notice for that reason, the notice must be provided no more than 90 days before the Employee becomes eligible but not later than the date the Employee becomes eligible. Notwithstanding the foregoing, the Employer may change this notice requirement pursuant to rules promulgated by the IRS.

Notwithstanding the foregoing, the Employer will also satisfy the notice requirements of this Plan Section 3.03(C) if the Employer provides a contingent notice that would otherwise satisfy the requirements in the preceding paragraph except that in lieu of specifying the amount of the ADP Test Safe Harbor Contribution, the notice states that the Employer will determine during the Plan Year whether to make a Safe Harbor Nonelective Contribution. If a contingent notice is provided and the Employer decides to make a Safe Harbor Nonelective Contribution, the Employer must deliver a follow-up notice to each Eligible Employee no later than 30 days or any other reasonable period before the last day of the Plan Year notifying them of the Safe Harbor Nonelective Contribution and must execute all necessary Plan amendments. If an Employer fails to provide a follow-up notice, no Safe Harbor Nonelective Contribution will be required and the Plan will not qualify as a Safe Harbor CODA for that year. The Plan may qualify as a Safe Harbor CODA for subsequent years following proper notice and contributions.

D. Election Periods — In addition to any other election periods provided under the Plan, each Eligible Employee may make or modify a deferral election during the 30-day period immediately following receipt of the notice described in Plan Section 3.03(C) above. Notwithstanding the foregoing, the Employer may change the election periods described above pursuant to rules promulgated by the IRS.

3.04 EMPLOYER CONTRIBUTIONS

A. Obligation to Contribute — Except as otherwise indicated in the Adoption Agreement, the Employer may contribute an amount to be determined from year to year. If this Plan is a profit sharing plan, the Employer may, in its sole discretion, make

contributions without regard to current or accumulated earnings or profits unless otherwise indicated in the Adoption Agreement.

B. Allocation Formula and the Right to Share in the Employer Contribution

1. General — Except as otherwise indicated in the Adoption Agreement, Employer Profit Sharing Contributions shall be allocated to all Qualifying Participants using a pro rata allocation formula. Under the pro rata allocation formula, Employer Profit Sharing Contributions shall be allocated to the Individual Accounts of Qualifying Participants in the ratio that each Qualifying Participant's Compensation for the Plan Year bears to the total Compensation of all Qualifying Participants for the Plan Year. The Employer Contribution for any Plan Year will be deemed allocated to each Participant's Individual Account as of the last day of that Plan Year. Notwithstanding the foregoing, Employer Profit Sharing Contributions, Employer Money Purchase Pension Contributions, and Employer Target Benefit Pension Contributions shall be allocated to the Plan on behalf of each Participant who has incurred a Disability and who is a non-Highly Compensated Employee if so specified in the Adoption Agreement. Any Employer Contribution for a Plan Year must satisfy Code Section 401(a)(4) and the Treasury Regulations thereunder for such Plan Year.

2. Special Rules for Integrated Plans —

a. *Excess Integrated Allocation Formula* — If the Adopting Employer has selected the excess integrated allocation formula in the Adoption Agreement, subject to the overall permitted disparity limits, Employer Profit Sharing Contributions shall be allocated as follows (the Employer may start with Step 3 if this Plan is not top-heavy).

Step 1. Employer Profit Sharing Contributions shall first be allocated pro rata to Qualifying Participants in the manner described in Plan Section 3.04(B)(1). The percent so allocated under Step 1 shall not exceed three percent of each Qualifying Participant's Compensation.

Step 2. Any Employer Profit Sharing Contributions remaining after the allocation in Step 1 shall be allocated to each Qualifying Participant's Individual Account in the ratio that each Qualifying Participant's Compensation for the Plan Year in excess of the integration level bears to all Qualifying Participants' Compensation in excess of the integration level, but not in excess of three percent of each Qualifying Participant's Compensation. For purposes of this Step 2, in the case of any Qualifying Participant who has exceeded the cumulative permitted disparity limit described below, such Qualifying Participant's total compensation for the Plan Year will be taken into account.

Step 3. Any Employer Profit Sharing Contributions remaining after the allocation in Step 2 shall be allocated to each Qualifying Participant's Individual Account in the ratio that the sum of each Qualifying Participant's total Compensation and Compensation in excess of the integration level bears to the sum of all Qualifying Participants' total Compensation and Compensation in excess of the integration level, but not in excess of the applicable profit sharing maximum disparity rate as described below. For purposes of this Step 3, in the case of any Qualifying Participant who has exceeded the cumulative permitted disparity limit described below, two times such Qualifying Participant's total compensation for the Plan Year will be taken into account.

Step 4. Any Employer Profit Sharing Contributions remaining after the allocation in Step 3 shall be allocated pro rata to Qualifying Participants in the manner described in Plan Section 3.04(B)(1).

b. *Base Integrated Allocation Formula* — If the Adopting Employer has selected the base integrated allocation formula in the Adoption Agreement, subject to the overall permitted disparity limits, Employer Profit Sharing Contributions shall be allocated as follows. The Base Integrated Allocation Formula is not available for years in which the Plan is top heavy.

Step 1. Employer Profit Sharing Contributions shall first be allocated to each Qualifying Participant's Individual Account in the ratio that the sum of each Qualifying Participant's total Compensation and Compensation in excess of the integration level bears to the sum of all Qualifying Participants' total Compensation and Compensation in excess of the integration level, but not in excess of the non-top heavy profit sharing maximum disparity rate as described below.

Step 2. Any Employer Profit Sharing Contributions remaining after the allocation in Step 1 shall be allocated pro rata to Qualifying Participants in the manner described in Plan Section 3.04(B)(1).

c. *Maximum Disparity Rate* — If the Adopting Employer has selected the integrated contribution or allocation formula in the Adoption Agreement, the integration level shall be defined in the Adoption Agreement. If the Adopting Employer has selected the integrated contribution or allocation formula and no integration level is selected in the Adoption Agreement, the Taxable Wage Base will be the integration level. The maximum disparity rate shall be determined in accordance with the following table.

MAXIMUM DISPARITY RATE

Top-Heavy Integration Level Money Purchase Profit Sharing Non-Top-Heavy Profit Sharing

Taxable Wage Base (TWB) 5.7% 2.7% 5.7%

More than \$0 but not more than 20 percent of TWB 5.7% 2.7% 5.7%

More than 20 percent of TWB but not more than 80 percent of TWB 4.3% 1.3% 4.3%

More than 80 percent of TWB but less than TWB 5.4% 2.4% 5.4%

d. Annual overall permitted disparity limit: Notwithstanding the preceding paragraphs, for any Plan Year this Plan benefits any Participant who benefits under another qualified plan or simplified employee pension, as defined in Code Section

408(k), maintained by the Employer that provides for permitted disparity (or imputes disparity), if this is a profit sharing plan, Employer Profit Sharing Contributions and forfeitures shall be allocated to the account of each Qualifying Participant in the ratio that such Qualifying Participant's total Compensation bears to the total Compensation of all Qualifying Participants. If this Plan is a money purchase pension plan, Employer Money Purchase Pension Contributions shall be made to the account of each Qualifying Participant in an amount equal to the excess contribution percentage multiplied by the Participant's total Compensation.

e. Cumulative permitted disparity limit: Effective for Plan Years beginning on or after January 1, 1995, the cumulative permitted disparity limit for a Participant is 35 total cumulative permitted disparity years. Total cumulative permitted years means the number of years credited to the Participant for allocation or accrual purposes under this Plan, any other qualified plan or simplified employee pension plan (whether or not terminated) ever maintained by the Employer. For purposes of determining the Participant's cumulative permitted disparity limit, all years ending in the same calendar year are treated as the same year. If the Participant has not benefited under a defined benefit or target benefit plan for any year beginning on or after January 1, 1994, the Participant has no cumulative disparity limit.

Compensation shall mean compensation as defined in the Definition section of the Plan, without regard to any exclusions selected in Section Six of the Adoption Agreement.

3. Special Rules for Government Contract Plans — If this is a nonstandardized Plan and the Employer so elects in the Adoption Agreement, for each Hour of Service of covered employment under a government contract, the Employer shall contribute to the Plan such amounts for each Qualifying Participant as determined by the hourly rate designated for each Qualifying Participant's work classification on the wage determination sheet, or part thereof, as determined by the Employer pursuant to the terms of the contracts to which the Employer is a party and which are subject to the provisions of any federal, state, or municipal prevailing wage law to which the Employer is a party.

4. Minimum Coverage Test — This paragraph shall apply to any nonstandardized Plan if, for any Plan Year, the Plan fails to satisfy the ratio percentage test described in Code Section 410(b)(1) as of the last day of any such Plan Year. The ratio percentage test is satisfied if, on the last day of the Plan Year, taking into account all Employees, or former Employees who were employed by the Employer on any day during the Plan Year, either the Plan benefits at least 70 percent of Employees who are not Highly Compensated Employees or the Plan benefits a percentage of Employees who are not Highly Compensated Employees which is at least 70 percent of the percentage of Highly Compensated Employees benefiting under the Plan. A Participant is treated as benefiting under the Plan for any Plan Year during which the Participant received or is deemed to receive an allocation in accordance with Code Section 1.410(b)-3(a). If the Plan fails the ratio percentage test, the Employer Contribution for the Plan Year will be allocated to Participants in the first class of Participants set forth below. If the Plan still fails, then the Employer Contribution will also be allocated to Participants in the next class and each succeeding class until the Plan satisfies the minimum coverage requirements. A class shall be covered only if necessary to satisfy those requirements. The classes, in order of priority, are as follows.

- a. Participants who are still employed on the last day of the Plan Year who have completed 90 percent of the number of Hours of Service to otherwise be a Qualifying Participant or Qualifying Contributing Participant, if applicable;
- b. Participants who are still employed on the last day of the Plan Year who have completed 80 percent of the number of Hours of Service to otherwise be a Qualifying Participant or Qualifying Contributing Participant, if applicable;
- c. Participants who are still employed on the last day of the Plan Year who have completed 70 percent of the number of Hours of Service to otherwise be a Qualifying Participant or Qualifying Contributing Participant, if applicable;
- d. Participants who are still employed on the last day of the Plan Year who have completed 60 percent of the number of Hours of Service to otherwise be a Qualifying Participant or Qualifying Contributing Participant, if applicable;
- e. Participants who are still employed on the last day of the Plan Year who have completed 50 percent of the number of Hours of Service to otherwise be a Qualifying Participant or Qualifying Contributing Participant, if applicable;
- f. Any Participant still employed on the last day of the Plan Year;
- g. Participants who are not employed on the last day of the Plan Year because the Participant has died, incurred a Disability, or attained Normal Retirement Age;
- h. Participants who are not employed on the last day of the Plan Year who have completed at least 1,000 Hours of Service during the Plan Year;
- i. Participants who are not employed on the last day of the Plan Year who have completed at least 750 Hours of Service for the Plan Year;
- j. Participants who are not employed on the last day of the Plan Year who have completed at least 500 Hours of Service for the Plan Year.

If the minimum coverage test is performed after any Employer Contribution has been allocated and the Plan fails the minimum coverage test, the Employer shall make an additional contribution to the Plan on behalf of those Participants that are entitled thereto pursuant to items (a) through (j) above. The amount of the contribution for such Participants shall be determined pursuant to the Plan's allocation formula.

Notwithstanding the foregoing, an Employer may utilize the average benefits test in lieu of the ratio percentage test and the correction option described above, to satisfy minimum coverage.

5. Special Rule for Owner-Employees — If this Plan provides contributions or benefits for one or more Owner-Employees, contributions on behalf of any Owner-Employee may be made only with respect to the Earned Income of such Owner-Employee.

6. Inclusion of Ineligible Employees — If any Employee who is not a Qualifying Participant is erroneously treated as a Qualifying Participant during a Plan Year, then, except as otherwise provided in Plan Section 3.04(F), the Employer will not be eligible to receive any portion of the contribution erroneously allocated to the Individual Account of the ineligible Employee. The Employer must correct the inclusion of ineligible employees using any method permitted under the Employee Plans Compliance Resolution System (EPCRS) or allowed by the IRS or DOL under regulations or other guidance. The EPCRS is currently described in IRS Revenue Procedure 2006-27.

7. Exclusion of Eligible Participant — If the Plan is a profit sharing plan, and if in any Plan Year, any Participant is erroneously excluded and discovery of such exclusion is not made until after the Employer Contribution has been made and allocated, then the Employer must contribute for the excluded Participant the amount, including earnings thereon, which the Employer would have contributed for the Employee. The Employer must correct the exclusion of eligible employees using any method permitted under the Employee Plans Compliance Resolution System (EPCRS) or allowed by the IRS or DOL under regulations or other guidance. The EPCRS is currently described in IRS Revenue Procedure 2006-27.

8. Cross-Tested Allocation Formula — If elected by the Adopting Employer in the Adoption Agreement, the Employer will determine the total amount of Employer Profit Sharing Contributions for each Plan Year and either (1) allocate such total amount to Participant groups (the “participant group allocation method”), or (2) allocate such total amount using age weighted allocation rates (the “age weighted allocation method”). Employer Profit Sharing Contributions will be allocated to each Qualifying Participant.

a. *Participant Group Allocation (New Comparability) Method* — If the Employer has elected the Participant group allocation method in the Adoption Agreement, either each Participant will constitute a “separate allocation group” for purposes of allocating Employer Profit Sharing Contributions or Participants will be divided into groups specified on the Adoption Agreement. Only a limited number of allocation rates (defined below) is permitted, and the number of allocation rates cannot be greater than the maximum allowable number of allocation rates. The maximum allowable number of allocation rates is equal to the sum of the allowable number of allocation rates for eligible non-Highly Compensated Employees and the allowable number of allocation rates for eligible Highly Compensated Employees. The allowable number of allocation rates for eligible Highly Compensated Employees is equal to the number of eligible Highly Compensated Employees, limited to 25. The allowable number of non-Highly Compensated Employee allocation rates depends on the number of eligible non-Highly Compensated Employees, limited to 25.

The allocation will be made as follows: First, the total amount of Employer Profit Sharing Contributions is allocated among the deemed aggregated allocation groups in portions determined by the Employer. A deemed aggregated allocation group consists of all of the separate allocation groups that have the same allocation rate. Second, within each deemed aggregated allocation group, the allocated portion is allocated to each Qualifying Participant in the ratio that such Qualifying Participant’s Compensation bears to the total Compensation of all Qualifying Participants in the group. An allocation rate is the amount of Employer Profit Sharing Contributions allocated to a Qualifying Participant for a year, expressed as a percentage of Compensation. The number of eligible non-Highly Compensated Employees to which a particular allocation rate applies must reflect a reasonable classification of Employees, and no Employee can be assigned to more than one deemed aggregated allocation group for a Plan Year.

For a Plan with only one or two eligible non-Highly Compensated Employees, the allowable number of non-Highly Compensated Employee allocation rates is one.

For a Plan with 3 to 8 eligible non-Highly Compensated Employees, the allowable number of non-Highly Compensated Employee allocation rates cannot exceed two.

For a Plan with 9 to 11 eligible non-Highly Compensated Employees, the allowable number of non-Highly Compensated Employee allocation rates cannot exceed three.

For a Plan with 12 to 19 eligible non-Highly Compensated Employees, the allowable number of non-Highly Compensated Employee allocation rates cannot exceed four.

For a Plan with 20 to 29 eligible non-Highly Compensated Employees, the allowable number of non-Highly Compensated Employee allocation rates cannot exceed five.

For a Plan with 30 or more eligible non-Highly Compensated Employees, the allowable number of non-Highly Compensated Employee allocation rates cannot exceed the number of eligible non-Highly Compensated Employees divided by five (rounded down to the next whole number if the result of dividing is not a whole number), but shall not exceed 25.

b. *Age Weighted Allocation Method* — If the age weighted allocation method is elected in the Adoption Agreement, the total Employer Profit Sharing Contribution will be allocated to each Qualifying Participant such that the equivalent benefit accrual rate for each Qualifying Participant is identical. The equivalent benefit accrual rate is the annual annuity

commencing at the Qualifying Participant's testing age, expressed as a percentage of the Qualifying Participant's Compensation which is provided from the allocation of Employer Profit Sharing Contributions and forfeitures for the Plan Year, using standardized actuarial assumptions that satisfy Treasury Regulation 1.401(a)(4)-12. The Qualifying Participant's testing age is the later of Normal Retirement Age, or the Qualifying Participant's current age.

i. If the age-weighted formula for allocations and the safe harbor requirements of Section 1.401(a)(4)-2(b)(3) of the Income Tax Regulations are selected in the Adoption Agreement, then, to the extent necessary, the following steps shall be taken:

- (a) Identify the Employees of the Employer who are not Highly Compensated Employees of such Employer who participate in the Plan and determine the average allocation rate for such group of Employees.
- (b) Identify the Employees of the Employer who are Highly Compensated Employees of such Employer who participate in the Plan and determine the average allocation rate for such group of Employees.
- (c) As of the date of allocation, determine that amount by which the average allocation rate for the group of Participants who are not Highly Compensated Employees is less than the average allocation rate of the group of the Participants who are Highly Compensated Employees.
- (d) Lower the aggregate allocation to all of the Highly Compensated Employees by the amount necessary to cause the average allocation rate of the Participants who are not Highly Compensated Employees (as determined after including the amount by which the Highly Compensated Employees' allocation is lowered and that is subsequently allocated to the Participants who are not Highly Compensated) to equal the average allocation rate of the Participants who are Highly Compensated Employees (as determined after the Highly Compensated Employees' allocation has been lowered).
- (e) Reallocate the aggregate amount of the contributions after the reduction in (d) above to the Participants who are Highly Compensated Employees using the allocation formula in the Adoption Agreement; provided that for purposes of this allocation, "Qualifying Participants" shall mean only those Participants who are Highly Compensated Employees and "Employer Profit Sharing Contributions" shall mean only those contributions allocated to Participants who are Highly Compensated Employees.
- (f) Reallocate the aggregate amount of the contributions after the increase in (d) above to the Participants who are not Highly Compensated Employees using the allocation formula in the Adoption Agreement; provided that for purposes of this allocation, "Qualifying Participants" shall mean only those Participants who are not Highly Compensated Employees and "Employer Profit Sharing Contributions" shall mean only those contributions allocated to Participants who are not Highly Compensated Employees.

ii. If the age-weighted formula for allocations and the general test requirements of Section 1.401(a)(4)-2(c) of the Income Tax Regulations are selected in the Adoption Agreement, then, to the extent necessary, the following steps shall be taken for each rate group of the Employer which fails to satisfy the rules of that Section:

- (a) Identify the Employees of the Employer who are not Highly Compensated Employees of such Employer who participate in the Plan and who are not part of the applicable rate group because their allocation rates are too low and arrange them in order of their allocation rates from the highest to the lowest.
- (b) Identify the Highly Compensated Employees who participate in the Plan and are in the rate group and arrange them in order of their allocation rates from the highest to the lowest.
- (c) As of the date of allocation, lower the allocation of the Highly Compensated Employee with the highest allocation rate determined in (b) above. The reduction shall equal the amount which when added to the Individual Account of the individual in (a) above who has the highest allocation rate will cause that rate to be increased to equal that of the Highly Compensated Employee with respect to whom the rate group is constructed. As of the date of allocation, that reduction shall be added to such individual's Individual Account.
- (d) Repeat (c) above with respect to the individual in (a) above who has the next highest equivalent accrual rate and continue that process with the other individuals described in (a) above in the order of their allocation rates from the highest to the lowest until such rules are satisfied for the rate group. If the allocation rate of a Highly Compensated Employee is lowered under (c) above or this clause (d) to the point where it is equal to that of one or more other Highly Compensated Employees in the rate group, then any further reductions in allocations shall be apportioned between the former and latter Highly Compensated Employees in a manner that causes their allocation rates to be reduced by the same amount.

9. Minimum Gateway Requirements for New Comparability Plans — If a new comparability allocation formula is selected in the Adoption Agreement, the benefit provided under the allocation method of that formula must satisfy one of the following gateway tests by making the appropriate selections in the Adoption Agreement:

- a. The Plan must provide an allocation that uses broadly available allocation rates. The Plan will have broadly available allocation rates for the Plan Year if each allocation rate under the Plan is currently available during the Plan Year to a group of Employees that satisfies the requirements under Code Section 410(b) (without regard to the average benefit percentage test of Treasury Regulation 1.410(b)-5) and as otherwise specified in Treasury Regulation 1.401(a)(4)-8(b)(1)(iii).
- b. The Plan satisfies a minimum allocation gateway for a plan that is not a combination of permissively aggregated defined contribution and defined benefit plans, or a plan in which the aggregated plan is not considered primarily defined benefit in character, if it otherwise satisfies Treasury Regulation 1.401(a)(4)-8(b)(1)(vi). The Plan will satisfy such gateway if:

- i. each non-Highly Compensated Employee who is eligible to participate has an allocation rate that is at least one third of the allocation rate of the Highly Compensated Employee with the highest allocation rate; or
- ii. each non-Highly Compensated Employee who is eligible to participate receives an allocation of at least 5% of such Employee's Compensation, as defined in Code Section 415(c)(3), for the period during which the non-Highly Compensated Employee is eligible to receive an allocation under this Section.

For purposes of determining the allocation rate in (i) above, such allocation rate shall equal the quotient of the Employer Profit Sharing Contribution allocated to a Participant divided by the Participant's Compensation. The Employer must make additional contributions to a Participant who is a non-Highly Compensated Employee and who receives only a top-heavy minimum contribution or a Safe Harbor Nonelective Contribution, in order to satisfy the minimum allocation gateway. The amount of such additional contribution shall be equal to the difference between the amount required to satisfy the minimum allocation gateway and the top-heavy minimum or Safe Harbor Nonelective Contribution received by such Employee, whichever is applicable.

Notwithstanding the foregoing, this Plan document cannot be used if this Plan is a combination of permissively aggregated defined contribution and defined benefit plans, in which the aggregated plan is considered primarily defined benefit in character, as defined in Treasury Regulation 1.401(a)(4)-9(b)(2)(v)(B).

10. Minimum Allocation Gateway for New Comparability — One-Third Approach — If a selection is made in the Adoption Agreement to satisfy a minimum allocation gateway for new comparability purposes and to reallocate contributions from Highly Compensated Employees to non-Highly Compensated Employees in order to provide each a non-Highly Compensated Employee with an allocation rate which is equal to at least one-third of the allocation rate of the Highly Compensated Employee with the highest allocation rate, then, to the extent necessary, the following steps shall be taken:

- a. Identify the Employees of the Employer who participate in the Plan who are non-Highly Compensated Employees of such Employer and arrange them in order of their allocation rates from the highest to the lowest.
- b. Identify the Highly Compensated Employees of the Employer who participate in the Plan and arrange them in order of their allocation rates from the highest to the lowest.
- c. As of the date of allocation, lower the allocation to the Highly Compensated Employee with the highest allocation rate determined in (b) above. The reduction shall equal the lesser of (i) the amount necessary so that the non-Highly Compensated Employee with the lowest allocation rate receives an allocation equal to one-third of the allocation rate of the Highly Compensated Employee with the highest allocation rate, or (ii) the amount which would cause such Highly Compensated Employee's allocation rate to equal the allocation rate of the Highly Compensated Employee with the next highest allocation rate. As of the date of allocation, that reduction shall be added to the Individual Account of the non-Highly Compensated Employee described in (i) above.
- d. Repeat the procedures in (c) above until all non-Highly Compensated Employees have an allocation rate equal to at least one-third of the allocation rate of the Highly Compensated Employee with the highest allocation rate. If the allocation rate of a Highly Compensated Employee is lowered under (c) above or this clause (d) to the point where it is equal to that of the Highly Compensated Employees with the next highest allocation rate, then any further reductions in allocations shall be apportioned between the former and latter Highly Compensated Employees in a manner that causes their equivalent allocation rates to be reduced by the same amount.
- e. Participants whose sole allocation for a Plan Year consists of either a minimum allocation made pursuant to Plan Section 3.04(E) or a Safe Harbor Nonelective Contribution are considered benefiting for purposes of the minimum allocation gateway. Allocation rates shall include such contributions when determining whether the minimum gateway allocation has been satisfied.

11. Minimum Allocation Gateway for New Comparability — Five Percent Approach — If a selection is made in the Adoption Agreement to satisfy a minimum allocation gateway under new comparability and to reallocate contributions from Highly Compensated Employees to non-Highly Compensated Employees in order to provide each non-Highly Compensated Employee with an allocation of at least 5% of such Employee's Compensation, as defined in Code Section 415(c)(3), for the period during which the non-Highly Compensated Employee is eligible to receive an allocation under this Section, then, to the extent necessary, the following steps shall be taken.

- a. Identify the Employees of the Employer who participate in the Plan who are non-Highly Compensated Employees of such Employer and arrange them in order of their allocation rates from the highest to the lowest.
- b. Identify the Highly Compensated Employees of the Employer who participate in the Plan and arrange them in order of their allocation rates from the highest to the lowest.
- c. As of the date of allocation, lower the allocation to the Highly Compensated Employee with the highest allocation rate determined in (b) above. The reduction shall equal the lesser of (i) the amount necessary so that the non-Highly Compensated Employee with the lowest allocation rate receives an allocation equal to 5% of such Employee's Compensation, as defined in Code Section 415(c)(3), for the period during which the non-Highly Compensated Employee is eligible to receive an allocation under this Section, or (ii) the amount which would cause such Highly Compensated Employee's allocation rate to equal the allocation rate of the Highly Compensated Employee with the next highest allocation rate. As of the date of allocation, that reduction shall be added to the Individual Account of the non-Highly Compensated Employee described in (i) above.
- d. Repeat the procedures in (c) above until all Employees of the non-Highly Compensated Employees have an allocation rate equal to at least 5% of such Employee's Compensation, as defined in Code Section 415(c)(3), for the period during which the each of the non-Highly Compensated Employees are eligible to receive an allocation under this Section. If the

allocation rate of a Highly Compensated Employee is lowered under (c) above or this clause (d) to the point where it is equal to that of the Highly Compensated Employees with the next highest allocation rate, then any further reductions in allocations shall be apportioned between the former and latter Highly Compensated Employees in a manner that causes their equivalent allocation rates to be reduced by the same amount.

e. If the allocation rate of the Highly Compensated Employees are less than 5%, either before any reallocation pursuant to this (11), or as a result of any reallocation pursuant to this (11), then for that Plan Year, the Employer Profit Sharing Contributions shall be allocated as if the Employer had elected a pro rata allocation formula (as described in Adoption Agreement Section Three).

f. Participants whose sole allocation for a Plan Year consists of either a minimum allocation made pursuant to Plan Section 3.04(E) or a Safe Harbor Nonelective Contribution are considered benefiting for purposes of the minimum allocation gateway. Allocation rates shall include such contributions when determining whether the minimum gateway allocation has been satisfied.

C. Allocation of Forfeitures — Forfeitures may be, at the Employer's discretion, applied first to the payment of the Plan's administrative expenses in accordance with Plan Section 7.04 or applied to the restoration of Participants' Individual Accounts pursuant to Plan Section 4.01(C)(3). Any remaining Forfeitures shall be allocated as follows:

1. Profit Sharing Plan — If this is a profit sharing plan, unless the Adoption Agreement indicates otherwise, Forfeitures will be used to reduce Employer Contributions. Notwithstanding the foregoing, Forfeitures arising under Plan Section 3.12 (Excess Annual Additions) may be allocated to Qualifying Participants in accordance with Plan Section 3.04(B).

2. 401(k) Profit Sharing Plan — If this is a 401(k) profit sharing plan, unless the Adoption Agreement indicates otherwise, Forfeitures of Employer Profit Sharing Contributions, Matching Contributions, ACP Test Safe Harbor Matching Contributions, and Excess Aggregate Contributions shall be used to reduce Employer Contributions. Notwithstanding the foregoing, Forfeitures arising under Plan Section 3.12 (Excess Annual Additions) may be allocated to Qualifying Participants in accordance with Plan Section 3.04(B).

3. Money Purchase Pension Plan and Target Benefit Pension Plan — If this Plan is a money purchase pension plan or a target benefit pension plan, unless the Adoption Agreement indicates otherwise, Forfeitures shall be used to reduce Employer Money Purchase Pension Contributions or Employer Target Benefit Pension Contributions to the Plan. Notwithstanding the foregoing, Forfeitures arising under Plan Section 3.12 (Excess Annual Additions), other than forfeitures arising under a target benefit plan, may be allocated to Qualifying Participants in accordance with Plan Section 3.04(B).

Forfeitures must be applied as of the last day of the Plan Year in which the Forfeitures arose or, if necessary, any subsequent Plan Year following the Plan Year in which the Forfeiture arose. Notwithstanding the foregoing, Forfeitures must be applied in a uniform and nondiscriminatory manner if applied either to the payment of the Plan's administrative expenses or to the restoration of Participants' Individual Accounts pursuant to Plan Section 4.01(C)(3). Forfeitures that are reallocated to Participants' Individual Accounts need not be reallocated to the same contribution source from which they were forfeited.

D. Timing of Employer Contribution — Unless otherwise specified in the Plan or permitted by law or regulation, the Employer Contribution made by an Employer for each Plan Year shall be deposited with the Trustee (or Custodian, if applicable) not later than the due date for filing the Employer's income tax return for its tax year in which the Plan Year ends, including extensions thereof. Notwithstanding the foregoing, Employer Contributions may be deposited during the Plan Year for which they are being made.

E. Minimum Allocation for Top-Heavy Plans — The contribution and allocation provisions of this Plan Section 3.04(E) shall apply for any Plan Year with respect to which this Plan is a Top-Heavy Plan and shall supersede any conflicting provisions in the Plan or Adoption Agreement.

1. Except as otherwise provided in (3) and (4) below, the Employer Contributions and Forfeitures allocated on behalf of any Participant who is not a Key Employee shall not be less than the lesser of three percent of such Participant's Compensation or (in the case where the Employer does not maintain a defined benefit plan in addition to this Plan which designates this Plan to satisfy Code Section 401, the largest percentage of Employer Contributions and Forfeitures, as a percentage of the Key Employee's Compensation, as limited by Code Section 401(a)(17), allocated on behalf of any Key Employee for that year. The minimum allocation is determined without regard to any Social Security contribution. Unless the Adopting Employer, in the Adoption Agreement, elects to allocate a top-heavy contribution to Participants who are Key Employees, only Participants who are not Key Employees will be entitled to receive the minimum allocation. Notwithstanding the foregoing, if the Employer maintains a defined benefit plan in addition to this Plan and specifies in the Adoption Agreement that the minimum allocation will be made to this Plan, then except as provided in (3) and (4) below, Employer Contributions and Forfeitures allocated on behalf of any Participant who is not a Key Employee shall not be less than five percent of such Participant's Compensation. For purposes of the preceding sentences, the largest percentage of Employer Contributions and Forfeitures as a percentage of each Key Employee's Compensation shall be determined by treating Elective Deferrals as Employer Contributions. This minimum allocation shall be made even though under other Plan provisions, the Participant would not otherwise be entitled to receive an allocation, or would have received a lesser allocation for the year because of

- 1) the Participant's failure to complete 1,000 Hours of Service (or any comparable period provided in the Plan), or
- 2) the Participant's failure to make mandatory Nondeductible Employee Contributions to the Plan, or
- 3) Compensation less than a stated amount.

2. For purposes of computing the minimum allocation, Compensation shall mean Compensation as provided in the Definitions Section of the Plan as limited by Code Section 401(a)(17) and shall include any amounts contributed by the Employer pursuant to a salary reduction agreement and which is not includible in gross income under Code Sections 402(g), 125, 132(f)(4), or 457. Compensation for the full Determination Year will be used in calculating the minimum allocation.
3. The provision in (1) above shall not apply to any Participant who was not employed by the Employer on the last day of the Plan Year.
4. The provision in (1) above shall not apply to any Participant to the extent the Participant is covered under any other plan or plans of the Employer and the Adopting Employer has provided in the Adoption Agreement that the minimum allocation or benefit requirement applicable to Top-Heavy Plans will be met in the other plan or plans.
5. The minimum allocation required under this Section 3.04(E) (to the extent required to be nonforfeitable under Code Section 416(b)) may not be forfeited under Code Section 411(a)(3)(B) or 411(a)(3)(D).
6. Elective Deferrals (and for Plan Years beginning before 2002, Matching Contributions) may not be taken into account for purposes of satisfying the minimum allocation requirement applicable to Top-Heavy Plans described in Plan Section 3.04(E)(1). Qualified Nonelective Contributions may, however, be taken into account for such purposes.

F. Return of the Employer Contribution to the Employer Under Special Circumstances — Any contribution made by the Employer because of a mistake of fact must be returned to the Employer within one year of the contribution.

In the event that the Commissioner of Internal Revenue determines that the Plan is not initially qualified under the Code, any contributions made incident to that initial qualification by the Employer must be returned to the Employer within one year after the date the initial qualification is denied, but only if the application for qualification is made by the time prescribed by law for filing the Employer's return for the taxable year in which the Plan is adopted, or such later date as the Secretary of the Treasury may prescribe.

In the event that a contribution made by the Employer under this Plan is conditioned on deductibility and is not deductible under Code Section 404, the contribution, to the extent of the amount disallowed, must be returned to the Employer within one year after the deduction is disallowed.

If applicable, no contract will be purchased under the Plan unless such contract or a separate definite written agreement between the Employer and the insurer provides that no value under contracts providing benefits under the Plan or credits determined by the insurer (on account of dividends, earnings, or other experience rating credits, or surrender or cancellation credits) with respect to such contracts may be paid or returned to the Employer or diverted to or used for other than the exclusive benefit of the Participants or their Beneficiaries. However, any contribution made by the Employer because of a mistake of fact must be returned to the Employer within one year of the contribution.

3.05 QUALIFIED NONELECTIVE CONTRIBUTIONS

The Employer may elect to make Qualified Nonelective Contributions under the Plan. The amount of such contribution, if any, to the Plan for each Plan Year, shall be determined by the Employer.

A. Qualified Nonelective Contributions Used to Satisfy Testing Requirements — Unless another allocation formula is specified in the Adoption Agreement, or in the situation in which an Employer wishes to allocate a Qualified Nonelective Contribution in addition to the allocation formula in the Adoption Agreement, Qualified Nonelective Contributions will be allocated to the Individual Accounts of non-Highly Compensated Employees who are eligible Participants following any allocation formula permitted under the law or regulation for purpose of satisfying the Actual Deferral Percentage test, the Actual Contribution Percentage test, or both. Notwithstanding the foregoing, no allocation shall be required in excess of the amount required to satisfy the Actual Deferral Percentage test, the Actual Contribution Percentage test, or both. Qualified Nonelective Contributions may be made during the Plan Year for which they are being made; however, the Employer must follow the allocation requirements set forth in this Section 3.05 and must adhere to the eligibility requirements applicable to Elective Deferrals, including a forfeiture of allocations where such eligibility requirements are not satisfied.

For Plan Years beginning in 2006 (or such earlier date on which the final regulations under Treasury Regulation 1.401(k) and 1.401(m) became effective), Qualified Nonelective Contributions taken into account under the Actual Deferral Percentage (ADP) test cannot exceed the product of the non-Highly Compensated Employee's Compensation and the greater of i) 5 percent (10 percent if the Qualified Nonelective Contribution is made in connection with an Employer's obligation to pay prevailing wages under the Davis-Bacon Act plan) or ii) two times the Plan's representative contribution rate. The "representative contribution rate," for this purpose, is the lowest applicable contribution rate of any eligible non-Highly Compensated Employee among a group of eligible non-Highly Compensated Employees that consists of one half of all non-Highly Compensated Employees for the Plan Year (or if greater, the lowest applicable percentage contribution rate of any eligible non-Highly Compensated Employee in the group of all eligible non-Highly Compensated Employees for the Plan Year and who is employed by the Employer on the last day of the Plan Year). The "applicable contribution rate" for these purposes is the sum of the Qualified Matching Contributions taken into account for the ADP test for the eligible non-Highly Compensated Employees for the Plan Year and the Qualified Nonelective Contributions made for the eligible non-Highly Compensated Employee for the Plan Year, divided by the eligible non-Highly compensated Employee's Compensation for the same period.

If the current year testing rules apply to the Plan, in lieu of distributing Excess Contributions or Excess Aggregate Contributions as provided in Plan Sections 5.13 and 5.14, the Employer may, if permitted in the Adoption Agreement, use all or any portion of

the Qualified Nonelective Contributions to satisfy either the Actual Deferral Percentage test, the Actual Contribution Percentage test, or both. The option to use all or any portion of the Qualified Nonelective Contributions to satisfy either the Actual Deferral Percentage test or the Actual Contribution Percentage test is not available if prior year testing rules apply to the Plan

B. Special Rules for Government Contract Plans — If the Employer so elects in the Adoption Agreement, for each Hour of Service of covered employment under a government contract, the Employer shall contribute to the Plan such Qualified Nonelective Contribution amounts for each eligible Participant as determined by the hourly rate designated for each eligible Participant's work classification on the wage determination sheet, or part thereof, as determined by the Employer pursuant to the terms of the contracts to which the Employer is a party and which are subject to the provisions of any federal, state, or municipal prevailing wage law to which the Employer is a party. In addition to any Qualified Nonelective Contribution made under this Plan Section 3.05(B), the Employer may contribute additional Qualified Nonelective Contributions to be allocated to the Individual Accounts of non-Highly Compensated Employees who are eligible Participants following any allocation formula permitted under the law or regulation for the purpose of satisfying the Actual Deferral Percentage test, the Actual Contribution Percentage test, or both, as set forth in Plan Section 3.05(A). Such additional Qualified Nonelective Contributions can be taken into account for a Plan Year for a non-Highly Compensation Employee only to the extent such contributions do not exceed 10 percent of that non-Highly Compensated Employee's Compensation.

3.06 QUALIFIED MATCHING CONTRIBUTIONS

The Employer may elect to make Qualified Matching Contributions under the Plan. Unless specified otherwise in the Adoption Agreement, the amount of such contribution, if any, to the Plan for each Plan Year, shall be determined by the Employer. In addition, in lieu of distributing Excess Contributions or Excess Aggregate Contributions as provided in Plan Sections 5.13 and 5.14, the Employer may use Qualified Matching Contributions to satisfy either the Actual Deferral Percentage test, the Actual Contribution Percentage test, or both, pursuant to Treasury Regulations under Code Sections 401(k) and 401(m).

Unless another allocation formula is specified in the Adoption Agreement, Qualified Matching Contributions, if made, shall be in an amount equal to that percentage of the Elective Deferrals (and Nondeductible Employee Contributions) of each non-Highly Compensated Employee that would be sufficient to cause the Plan to satisfy the Actual Contribution Percentage test, the Actual Deferral Percentage test, or both. For Plan Years beginning in 2006 (or such earlier date on which the final regulations under Treasury Regulation 1.401(k) and 1.401(m) became effective), if Qualified Matching Contributions exceed 100 percent of a Qualifying Contributing Participant's Elective Deferrals, the additional ACP testing restrictions listed in Plan Section 3.02 will apply.

Notwithstanding anything in this Section to the contrary, all or any portion of the Qualified Matching Contributions may be included in the ADP and ACP tests if the Employer has elected to use the current year testing rules.

3.07 ROLLOVER CONTRIBUTIONS

Unless otherwise indicated in the Adoption Agreement, an Employee may make Indirect Rollover and/or Direct Rollover contributions to the Plan from distributions made from plans described in Code Sections 401(a), 403(a), 403(b), 408, and 457(b) (if maintained by a governmental entity) (excluding Nondeductible Employee Contributions and Roth Elective Deferrals except as otherwise indicated in the Adoption Agreement) unless an Employee is either an Employee of a related employer that does not participate in this Plan or a member of any excluded class in Adoption Agreement Section Two and Plan Section 2.01. The Plan Administrator may require the Employee to certify, either in writing or in any other form permitted under rules promulgated by the IRS and DOL, that the contribution qualifies as a rollover contribution under the applicable provisions of the Code. If it is later determined that all or part of a rollover contribution was ineligible to be contributed to the Plan, the Plan Administrator shall direct that any ineligible amounts, plus earnings or losses attributable thereto (determined in the manner described in Plan Section 7.02(B)), be distributed from the Plan to the Employee as soon as administratively feasible.

A separate account shall be maintained by the Plan Administrator for each Employee's rollover contributions, which will be nonforfeitable at all times. Such account will share in the income and gains and losses of the Fund in the manner described in Plan Section 7.02(B). Where the Adoption Agreement does not permit Employer designation with respect to rollover contributions, the Employer may, in a uniform and nondiscriminatory manner, allow only Employees who have become Participants in the Plan to make rollover contributions.

3.08 TRANSFER CONTRIBUTIONS

Unless otherwise indicated in the Adoption Agreement, the Trustee (or Custodian, if applicable) may receive any amounts transferred to it in the name of an Employee from the trustee or custodian of another plan qualified under Code Section 401(a), unless an Employee is either employed by a related employer that does not participate in this Plan or a member of any excluded class in Adoption Agreement Section Two and Plan Section 2.01. Whether any particular transfer may be accepted by the Plan, and the procedures for the receipt of such transfers by the Plan, will be determined by the requirements of Treasury Regulation 1.411(d)-4, Q&A-3 and other rules promulgated by the IRS. Nothing in this Plan prohibits the Plan Administrator from permitting (or prohibiting) Participants to transfer their Individual Accounts to other eligible plans, provided such transfers are permitted (or prohibited) in a uniform and nondiscriminatory manner. If it is later determined that all or part of a transfer contribution was ineligible to be transferred into the Plan, the Plan Administrator shall direct that any ineligible amounts, plus earnings or losses attributable thereto (determined in the manner

described in Plan Section 7.02(B)), be distributed from the Plan to the Employee as soon as administratively feasible. Notwithstanding the foregoing, the Employer may, at its discretion, also return the amount transferred to the transferor plan or correct the ineligible transfer using any other method permitted by the IRS under regulation or other guidance.

A separate account shall be maintained by the Plan Administrator for each Employee's transfer contributions, which will, if applicable, be nonforfeitable at all times. Such account will share in the income and gains and losses of the Fund in the manner described in Plan Section 7.02(B). Where the Adoption Agreement does not permit Employer designation with respect to transfer contributions, the Employer may, in a uniform and nondiscriminatory manner, allow only Employees who have become Participants in the Plan to make transfer contributions. Notwithstanding the foregoing, an Employee's separate account established solely on account of an event described in Code Section 414(l) shall continue to be subject to the Plan's vesting schedule except as otherwise provided therein. If transfers are associated with distributable events and the Employees are eligible to receive single sum distributions consisting entirely of Eligible Rollover Contributions, the transfers will be considered Direct Rollovers.

3.09 DEDUCTIBLE EMPLOYEE CONTRIBUTIONS

The Plan Administrator will not accept Deductible Employee Contributions that are made for a taxable year beginning after December 31, 1986. Contributions made before that date will be maintained in a separate account, which will be nonforfeitable at all times. The account will share in the gains and losses of the Fund in the same manner as described in Plan Section 7.02(B). No part of the Deductible Employee Contributions account will be used to purchase life insurance. Subject to Plan Section 5.10 (if applicable), the Participant may withdraw any part of the Deductible Employee Contribution account by making a written application to the Plan Administrator.

3.10 NONDEDUCTIBLE EMPLOYEE CONTRIBUTIONS

If this Plan is subject to Code Section 401(k) and the Adopting Employer so allows in the Adoption Agreement, a Participant may contribute Nondeductible Employee Contributions to the Plan by enrolling as a Contributing Participant pursuant to the applicable provisions of Plan Section 3.01. The Employer shall establish uniform and nondiscriminatory rules and procedures for Nondeductible Employee Contributions as it deems necessary and advisable including, but not limited to, rules describing any amounts or percentages of Compensation Participants may or must contribute to the Plan. Nondeductible Employee Contributions for Plan Years beginning after December 31, 1986, together with any Matching Contributions, will be limited so as to satisfy the Actual Contribution Percentage test in Plan Section 3.14. Notwithstanding the foregoing, contributions made to the Plan on an after-tax basis (e.g., to repay defaulted loans or to buy back previously forfeited amounts as described in Plan Section 4.01(C)(3)) do not constitute Nondeductible Employee Contributions and will not, therefore, be subject to the nondiscrimination test of Code Section 401(m) or the Annual Additions limits of Code Section 415. A separate account will be maintained by the Plan Administrator for the Nondeductible Employee Contributions of each Participant.

3.11 OTHER LIMITATIONS ON SIMPLE 401(K) CONTRIBUTIONS

If the Employer has established a SIMPLE 401(k) Plan, no Employer or Employee contributions may be made to this Plan for the SIMPLE 401(k) Year other than Elective Deferrals described in Plan Section 3.01(H), Matching or nonelective contributions described in Plan Section 3.02, and rollover contributions described in Plan Section 3.07.

3.12 LIMITATION ON ALLOCATIONS

A. If the Participant does not participate in, and has never participated in another qualified plan maintained by the Employer, a welfare benefit fund (as defined in Code Section 419(e)) maintained by the Employer, an individual medical account (as defined in Code Section 415(l)(2)) maintained by the Employer, or a simplified employee pension plan (as defined in Code Section 408(k)) maintained by the Employer, which provides an Annual Addition as defined in the Definitions Section of the Plan, the following rules shall apply.

1. The amount of Annual Additions which may be credited to the Participant's Individual Account for any Limitation Year will not exceed the lesser of the Maximum Permissible Amount or any other limitation contained in this Plan. If the Employer Contribution that would otherwise be contributed or allocated to the Participant's Individual Account would cause the Annual Additions for the Limitation Year to exceed the Maximum Permissible Amount, the amount contributed or allocated may be reduced so that the Annual Additions for the Limitation Year will equal the Maximum Permissible Amount.
2. Before determining the Participant's actual Compensation for the Limitation Year, the Employer may determine the Maximum Permissible Amount for a Participant on the basis of a reasonable estimate of the Participant's Compensation for the Limitation Year, uniformly determined for all Participants similarly situated.
3. As soon as is administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for the Limitation Year will be determined on the basis of the Participant's actual Compensation for the Limitation Year.
4. If, pursuant to Plan Section 3.12(A)(3) or as a result of the allocation of Forfeitures or a reasonable error in determining a Participant's maximum Elective Deferral or any other circumstance permitted under rules promulgated by the IRS, there is an Excess Annual Addition, the excess will be disposed of as follows.
 - a. *Profit Sharing Plan* — If this Plan is a profit sharing plan, the Excess Annual Additions shall be deemed Forfeitures and shall be allocated in accordance with Plan Section 3.04(C) to all Qualifying Participants that have not reached

their Annual Additions limit. If all Qualifying Participants have reached their Annual Additions limit before all Excess Annual Additions have been allocated, the remaining amount will be held unallocated in a suspense account. The suspense account will be applied to reduce future Employer Contributions (including allocation of any Forfeitures) for all remaining Participants in the next Limitation Year and each succeeding Limitation Year, if necessary.

b. *Money Purchase Pension Plan or Target Benefit Plan* — If this Plan is either a money purchase pension plan or a target benefit plan, Excess Annual Additions shall be held unallocated in a suspense account. The suspense account shall be used to reduce future Employer Contributions made to Qualifying Participants in the next Limitation Year and succeeding Limitation Years, if necessary.

c. *401(k) Profit Sharing Plan* — If this Plan is a 401(k) profit sharing plan, any Nondeductible Employee Contributions and Elective Deferrals, plus any income allocable thereto, shall be distributed to the Participant to the extent this would reduce the Excess Annual Additions. Income allocable to such Excess Annual Additions shall be computed in a manner consistent with the manner described in Plan Section 7.02(B) (i.e., the usual manner used by the Plan Administrator for allocating income or loss to Participants' Individual Accounts).

If, after distributing Nondeductible Employee Contributions (including any earnings thereon) and Elective Deferrals (including any earnings thereon), Excess Annual Additions still exist, the Excess Annual Additions attributable to Employer Profit Sharing Contributions shall be deemed Forfeitures and shall be allocated in accordance with Plan Section 3.04(C) to all Qualifying Participants who have not reached their Annual Additions limit. If all Qualifying Participants have reached their Annual Additions limit before all Excess Annual Additions have been allocated, the remaining amount will be held unallocated in a suspense account. The suspense account will be applied to reduce future Employer Contributions (including allocation of any Forfeitures) for all Qualifying Participants in the next Limitation Year and each succeeding Limitation Year, if necessary.

If a suspense account is in existence at any time during a Limitation Year pursuant to this Plan Section 3.12, it will participate in the allocation of the Fund's investment gains and losses. If a suspense account is in existence at any time during a particular Limitation Year, all amounts in the suspense account must be allocated and reallocated to Participants' Individual Accounts before any Employer Contributions or any Nondeductible Employee Contributions may be made to the Plan for that Limitation Year. Excess Annual Additions may not be distributed to Participants or former Participants.

B. If, in addition to this Plan, the Participant is covered under another qualified master or prototype defined contribution plan maintained by the Employer, a welfare benefit fund maintained by the Employer, an individual medical account maintained by the Employer, or a simplified employee pension plan maintained by the Employer that provides an Annual Addition as defined in the Definitions Section of the Plan during any Limitation Year, the following rules apply.

1. The Annual Additions which may be credited to a Participant's Individual Account under this Plan for any such Limitation Year will not exceed the Maximum Permissible Amount, reduced by the Annual Additions credited to a Participant under the other qualified Master or Prototype Plans, welfare benefit funds, individual medical account, and simplified employee pension plans for the same Limitation Year. If the Annual Additions with respect to the Participant under other qualified Master or Prototype defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pension plans maintained by the Employer are less than the Maximum Permissible Amount, and the Employer Contribution that would otherwise be contributed or allocated to the Participant's Individual Account under this Plan would cause the Annual Additions for the Limitation Year to exceed this limitation, the amount contributed or allocated may be reduced so that the Annual Additions under all such plans and funds for the Limitation Year will equal the Maximum Permissible Amount. If the Annual Additions with respect to the Participant under such other qualified Master or Prototype defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pension plans in the aggregate are equal to or greater than the Maximum Permissible Amount, no amount will be contributed or allocated to the Participant's Individual Account under this Plan for the Limitation Year.

2. Before determining the Participant's actual Compensation for the Limitation Year, the Employer may determine the Maximum Permissible Amount for a Participant in the manner described in Plan Section 3.12(A)(2).

3. As soon as is administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for the Limitation Year will be determined on the basis of the Participant's actual Compensation for the Limitation Year.

4. If, pursuant to Plan Section 3.12(B)(3) or as a result of the allocation of Forfeitures or a reasonable error in determining a Participant's Elective Deferral or any other circumstance permitted under rules promulgated by the IRS, a Participant's Annual Additions under this Plan and such other plans would result in Excess Annual Additions for a Limitation Year, the Excess Annual Additions will be deemed to consist of the Annual Additions last allocated, except that Annual Additions attributable to a simplified employee pension plan will be deemed to have been allocated first, followed by Annual Additions to a welfare benefit fund or individual medical account, regardless of the actual allocation date.

5. If Excess Annual Additions were allocated to a Participant on an allocation date of this Plan which coincides with an allocation date of another plan, the Excess Annual Additions attributed to this Plan will be the product of

- (i) the total Excess Annual Additions allocated as of such date, multiplied by
- (ii) the ratio of (a) the Annual Additions allocated to the Participant for the Limitation Year as of such date under this Plan to (b) the total Annual Additions allocated to the Participant for the Limitation Year as of such date under this and all the other qualified prototype defined contribution plans.

6. Any Excess Annual Additions attributed to this Plan will be disposed of in the manner described in Plan Section 3.12(A)(4).

7. If the Participant is covered under another qualified defined contribution plan maintained by the Employer, other than a Master or Prototype Plan, the provisions of Plan Section 3.12(B)(1) through 3.12(B)(6) will apply as if the other plan were a Master or Prototype Plan. In the event this method cannot be administered because of conflicting language in the other plan, the Employer must provide, through a written attachment to the Plan, the method under which the plans will limit total Annual Additions to the Maximum Permissible Amount, and will properly reduce any Excess Annual Additions in a manner that precludes Employer discretion.

C. The provisions of this Plan Section 3.12 shall apply to SIMPLE 401(k) contributions made pursuant to Plan Sections 3.01(H) and 3.02.

D. Adoption Agreement elections to include or exclude items from Compensation that are inconsistent with Code Section 415 and the corresponding regulations will be disregarded for purposes determining a Participant's Annual Additions limit.

3.13 ACTUAL DEFERRAL PERCENTAGE TEST (ADP)

A. Limits on Highly Compensated Employees — The Actual Deferral Percentage (hereinafter "ADP") for a Plan Year for Participants who are Highly Compensated Employees for each Plan Year and the ADP for Participants who are non-Highly Compensated Employees for the same Plan Year must satisfy one of the following tests.

1. The ADP for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the ADP for Participants who are non-Highly Compensated Employees for the same Plan Year multiplied by 1.25; or
2. The ADP for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the ADP for Participants who are non-Highly Compensated Employees for the same Plan Year multiplied by 2.0 provided that the ADP for Participants who are Highly Compensated Employees does not exceed the ADP for Participants who are non-Highly Compensated Employees by more than two percentage points.

The Plan must satisfy the ADP test using either the prior year testing or current year testing requirements described below. Notwithstanding the foregoing, the prior year testing method described below will apply to this Plan unless otherwise elected by the Employer.

3. **Prior Year Testing** — The ADP for a Plan Year for Participants who are Highly Compensated Employees for each Plan Year and the prior year's ADP for Participants who were non-Highly Compensated Employees for the prior Plan Year must satisfy one of the following tests.

- a. The ADP for a Plan Year for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the prior year's ADP for Participants who were non-Highly Compensated Employees for the prior Plan Year multiplied by 1.25; or
- b. The ADP for a Plan Year for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the prior year's ADP for Participants who were non-Highly Compensated Employees for the prior Plan Year multiplied by 2.0, provided that the ADP for Participants who are Highly Compensated Employees does not exceed the ADP for Participants who were non-Highly Compensated Employees in the prior Plan Year by more than two percentage points. For the first Plan Year the Plan permits any Participant to make Elective Deferrals and this is not a successor Plan, for purposes of the foregoing tests, the prior year's non-Highly Compensated Employees' ADP shall be three percent unless the Adopting Employer has elected in the Adoption Agreement to use the actual Plan Year's ADP for these Participants. Notwithstanding the foregoing, if the Adopting Employer has elected the Safe Harbor CODA option in the Adoption Agreement, the current year testing provisions described in Plan Section 3.13(A)(4) will apply.

4. **Current Year Testing** — If elected by the Employer in the Adoption Agreement, the ADP tests in this Plan Section 3.13(A)(1) and (2) above will be applied by comparing the current Plan Year's ADP for Participants who are Highly Compensated Employees with the current Plan Year's ADP for Participants who are non-Highly Compensated Employees. Once a current year testing election is made, the Employer can elect prior year testing for a Plan Year only if the Plan has used current year testing for each of the preceding five Plan Years (or if less, the number of Plan Years the Plan has been in existence) or if, as a result of a merger or acquisition described in Code Section 410(b)(6)(C)(i), the Employer maintains both a plan using prior year testing and a plan using current year testing and the change is made within the transition period described in Code Section 410(b)(6)(C)(ii).

Notwithstanding the foregoing, the Plan shall be treated as meeting the ADP test if, within a reasonable period before any Plan Year, each Participant eligible to participate is given a notice (either in writing or in any other form permitted by Treasury Regulations or other rules promulgated by the IRS) which satisfies the requirements of Code Section 401(k)(12)(D) and the Employer makes ADP Test Safe Harbor Contributions pursuant to Code Sections 401(k)(12)(B) and (C) respectively.

B. Special Rules

1. A Participant is a Highly Compensated Employee for a particular Plan Year if they meet the definition of a Highly Compensated Employee in effect for that Plan Year. Similarly, a Participant is a non-Highly Compensated Employee for a

particular Plan Year if they do not meet the definition of a Highly Compensated Employee in effect for that Plan Year.

2. The ADP for any Participant who is a Highly Compensated Employee for the Plan Year and who is eligible to have Elective Deferrals (and Qualified Nonelective Contributions or Qualified Matching Contributions, or both, if treated as Elective Deferrals for purposes of the ADP test) allocated to their Individual Accounts under two or more arrangements described in Code Section 401(k) that are maintained by the Employer, shall be determined as if such Elective Deferrals (and, if applicable, such Qualified Nonelective Contributions or Qualified Matching Contributions, or both) were made under a single arrangement. If a Highly Compensated Employee participates in two or more cash or deferred arrangements that have different Plan Years, all Elective Deferrals made during the Plan Year under all such arrangements shall be aggregated. For Plan Years beginning before 2006, cash or deferred arrangements ending with or within the same calendar year shall be treated as a single arrangement. Notwithstanding the foregoing, certain plans shall be treated as separate if mandatorily disaggregated under regulations under Code Section 401(k).

3. In the event that this Plan satisfies the requirements of Code Sections 401(k), 401(a)(4), or 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of such Code sections only if aggregated with this Plan, then this Plan Section 3.13(B)(3) shall be applied by determining the ADP of Participants as if all such plans were a single plan. If more than 10 percent of the Employer's non-Highly Compensated Employees are involved in a plan coverage change as defined in Treasury Regulation 1.401(k)-2(c)(4), then any adjustments to the non-Highly Compensated Employee ADP for the prior year will be made in accordance with such regulations, unless the Adopting Employer has elected in the Adoption Agreement to use the current year testing method. Plans may be aggregated in order to satisfy Code Section 401(k) only if they have the same Plan Year and use the same ADP testing method.

4. For purposes of satisfying the ADP test, Elective Deferrals, Qualified Nonelective Contributions, and Qualified Matching Contributions must be made before the end of the 12-month period immediately following the Plan Year to which contributions relate.

5. The Employer shall maintain records sufficient to demonstrate satisfaction of the ADP test and the amount of Qualified Nonelective Contributions or Qualified Matching Contributions, or both, used in such test.

6. The determination and treatment of the ADP amounts of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury.

7. If the Employer elects to take Qualified Matching Contributions into account as Elective Deferrals for purposes of the ADP test, then (subject to such other requirements as may be prescribed by the Secretary of the Treasury) the Employer may elect, in a uniform and nondiscriminatory manner, to either include all Qualified Matching Contributions in the ADP test or to include only the amount of such Qualified Matching Contributions that are needed to meet the ADP test.

8. In the event that the Plan Administrator determines that it is not likely that the ADP test will be satisfied for a particular Plan Year unless certain steps are taken before the end of such Plan Year, the Plan Administrator may require Contributing Participants who are Highly Compensated Employees to reduce or cease future Elective Deferrals for such Plan Year in order to satisfy that requirement. This reduction shall also be required by the Plan Administrator in the event that the Plan Administrator anticipates that the Employer will not be able to deduct all Employer Contributions from its income for federal income tax purposes. If the Plan Administrator requires Contributing Participants to reduce or cease making Elective Deferrals under this paragraph, the reduction or cessation shall begin with the Highly Compensated Employee with either the largest amount of Elective Deferrals or the highest Contribution Percentage for the Plan Year (on the date on which it is determined that the ADP test will not likely be satisfied), as elected by the Plan Administrator. All remaining Highly Compensated Employees' Elective Deferrals for the Plan Year shall be limited to such amount. Notwithstanding the foregoing, if it is later determined that the ADP test for the Plan Year will be satisfied, Highly Compensated Employees shall be permitted to enroll again as Contributing Participants in accordance with the terms of the Plan.

9. Elective Deferrals that are treated as Catch-up Contributions because they exceed a Plan limit or a statutory limit will be excluded from ADP testing. Amounts which are characterized as Catch-up Contributions as a result of the ADP test will reduce the amount of Excess Contributions distributed or Qualified Nonelective Contributions or Qualified Matching Contributions contributed to the Plan to correct an Excess Contribution.

10. Special Rule for Early Participation — If the Plan provides that Employees are eligible to become Contributing Participants before they have completed the minimum age and service requirements in Code Section 410(a)(1)(A), and if the Plan applies Code Section 410(b)(4)(B) in determining whether the Plan satisfies the requirements in Code Section 410(b)(1), then in determining whether the Plan satisfies the ADP test, either:

- a. pursuant to Code Section 401(k)(3)(F), the ADP test is performed under the Plan (determined without regard to disaggregation under Treasury Regulation 1.410(b)-7(c)(3)), using the ADP for all eligible Highly Compensated Employees for the Plan Year and the ADP of eligible non-Highly Compensated Employees for the applicable year, disregarding all non-Highly Compensated Employees who have not met the minimum age and services requirements in Code Section 410(a)(1)(A); or
- b. pursuant to Treasury Regulation 1.401(k)-1(b)(4), the Plan is disaggregated into separate plans and the ADP test is performed separately for all eligible Participants who have completed the minimum age and service requirements of Code Section 410(a)(1)(A) and for all eligible Participants who have not completed the minimum age and service requirements in Code Section 410(a)(1)(A).

C. Notwithstanding the foregoing, the ADP test described above is treated as satisfied for any SIMPLE 401(k) Year in which an Eligible Employer maintains this Plan as a SIMPLE 401(k) Plan.

3.14 ACTUAL CONTRIBUTION PERCENTAGE TEST (ACP)

A. Limits on Highly Compensated Employees — The Actual Contribution Percentage (hereinafter “ACP”) for Participants who are Highly Compensated Employees for each Plan Year and the ACP for Participants who are non-Highly Compensated Employees for the same Plan Year must satisfy one of the following tests.

1. The ACP for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the ACP for Participants who are non-Highly Compensated Employees for the same Plan Year multiplied by 1.25; or
2. The ACP for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the ACP for Participants who are non-Highly Compensated Employees for the same Plan Year multiplied by 2.0, provided that the ACP for the Participants who are Highly Compensated Employees does not exceed the ACP for Participants who are non-Highly Compensated Employees by more than two percentage points.

The Plan must satisfy the ACP test using either the prior year testing or current year testing requirements described below.

Notwithstanding the foregoing, the prior year testing method described below will apply to this Plan unless otherwise elected in the Adoption Agreement by the Adopting Employer.

3. Prior Year Testing — The ACP for a Plan Year for Participants who are Highly Compensated Employees for each Plan Year and the prior year’s ACP for Participants who were non-Highly Compensated Employees for the prior Plan Year must satisfy one of the following tests.

- a. The ACP for a Plan Year for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the prior year’s ACP for Participants who were non-Highly Compensated Employees for the prior Plan Year multiplied by 1.25; or
- b. The ACP for a Plan Year for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the prior year’s ACP for Participants who were non-Highly Compensated Employees for the prior Plan Year multiplied by 2.0, provided that the ACP for Participants who are Highly Compensated Employees does not exceed the ACP for Participants who were non-Highly Compensated Employees in the prior Plan Year by more than two percentage points. For the first Plan Year, if this Plan permits any Participant to make Nondeductible Employee Contributions, provides for Matching Contributions or both, and this is not a successor Plan, for purposes of the foregoing tests, the prior year’s non-Highly Compensated Employees’ ACP shall be three percent unless the Employer has elected in the Adoption Agreement to use the Plan Year’s ACP for these Participants.

Notwithstanding the foregoing, if the Adopting Employer has elected the Safe Harbor CODA option in the Adoption Agreement, the current year testing provisions described below will apply.

4. Current Year Testing — If elected by the Adopting Employer in the Adoption Agreement, the ACP tests in this Plan Section 3.14(A)(1) and (2), above, will be applied by comparing the current Plan Year’s ACP for Participants who are Highly Compensated Employees for each Plan Year with the current Plan Year’s ACP for Participants who are non-Highly Compensated Employees. Once an election to use current year testing is made, the Employer can elect prior year testing for a Plan Year only if the Plan has used current year testing for each of the preceding five Plan Years (or if lesser, the number of Plan Years the Plan has been in existence) or if, as a result of the merger or acquisition described in Section 410(b)(6)(C)(i), the Employer maintains both a plan using prior year testing and a plan using current year testing and the change is made within the transition period described in Code Section 410(b)(6)(C)(ii).

B. Special Rules

1. A Participant is a Highly Compensated Employee for a particular Plan Year if they meet the definition of a Highly Compensated Employee in effect for that Plan Year. Similarly, a Participant is a non-Highly Compensated Employee for a particular Plan Year if they do not meet the definition of a Highly Compensated Employee in effect for that Plan Year.

2. For purposes of this Plan Section 3.14, the Contribution Percentage for any Participant who is a Highly Compensated Employee and who is eligible to have Contribution Percentage Amounts allocated to their Individual Account under two or more plans described in Code Section 401(a), or arrangements described in Code Section 401(k) that are maintained by the Employer, shall be determined as if the total of such Contribution Percentage Amounts was made under each plan. If a Highly Compensated Employee participates in two or more such plans or arrangements that have different plan years, all Contribution Percentage Amounts made during the Plan Year under all such plans and arrangements shall be aggregated. For Plan Years beginning before 2006, all such plans and arrangements ending with or within the same calendar year shall be treated as a single plan or arrangement. Notwithstanding the foregoing, certain plans shall be treated as separate if mandatorily disaggregated under regulations under Code Section 401(m).

3. In the event that this Plan satisfies the requirements of Code Sections 401(m), 401(a)(4) or 410(b) only if aggregated with one or more other plans, or if one or more other plans satisfy the requirements of such sections of the Code only if aggregated with this Plan, then this Plan Section 3.14(B)(3) shall be applied by determining the Contribution Percentage of Employees as if all such plans were a single plan. If more than 10 percent of the Employer’s non-Highly Compensated Employees are involved in a plan coverage change as defined in Treasury Regulation 1.401(m)-2(c)(4), then any adjustments to the non-Highly Compensated Employee ACP for the prior year will be made in accordance with such regulations, unless the Employer has elected in the Adoption Agreement to use the current-year testing method. Plans may be aggregated in order to satisfy Code Section 401(m) only if they have the same Plan Year and use the same ACP testing method.

4. For purposes of determining the Actual Contribution Percentage test, Nondeductible Employee Contributions are considered to have been made in the Plan Year in which contributed to the Fund. Matching Contributions and Qualified Nonelective Contributions will be considered made for a Plan Year if made no later than the end of the 12-month period beginning on the day after the close of the Plan Year.

5. The Employer shall maintain records sufficient to demonstrate satisfaction of the ACP test and the amount of Qualified Nonelective Contributions or Qualified Matching Contributions, or both, used in such test.
6. The determination and treatment of the Contribution Percentage of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury.
7. If the Employer elects to take Qualified Nonelective Contributions into account as Contribution Percentage Amounts for purposes of the ACP test, then (subject to such other requirements as may be prescribed by the Secretary of the Treasury) the Employer may elect, in a uniform and nondiscriminatory manner, either to include all Qualified Nonelective Contributions in the ACP test or to include only the amount of such Qualified Nonelective Contributions that are needed to meet the ACP test.
8. If the Employer elects to take Elective Deferrals into account as Contribution Percentage Amounts for purposes of the ACP test, then (subject to such other requirements as may be prescribed by the Secretary of the Treasury) the Employer may elect, in a uniform and nondiscriminatory manner, either to include all Elective Deferrals in the ACP test or to include only the amount of such Elective Deferrals that are needed to meet the ACP test.
9. Special Rule for Early Participation — If the Plan provides for Matching Contributions or Nondeductible Employee Contributions and provides that Employees are eligible to participate with regard to such contributions before they have completed the minimum age and service requirements in Code Section 410(a)(1)(A), and if the Plan applies Code Section 410(b)(4)(B) in determining whether the Plan meets the requirements in Code Section 410(b)(1), then in determining whether the Plan meets the ACP test, either:
 - a. pursuant to Code Section 401(m)(5)(C), the ACP test is performed under the Plan (determined without regard to disaggregation under Treasury Regulation 1.410(b)-7(c)(3)), using the ACP for all eligible Highly Compensated Employees for the Plan Year and the ACP of eligible non-Highly Compensated Employees for the applicable year, disregarding all non-Highly Compensated Employees who have not met the minimum age and service requirements in Code Section 410(a)(1)(A); or
 - b. pursuant to Treasury Regulation 1.401(m)-1(b)(4), the Plan is disaggregated into separate plans and the ACP test is performed separately for all eligible Participants who have completed the minimum age and service requirements in Code Section 410(a)(1)(A) and for all eligible Participants who have not completed the minimum age and service requirements in Code Section 410(a)(1)(A).

C. Notwithstanding the foregoing, the ACP test described above is treated as satisfied for any SIMPLE 401(k) Year in which an Eligible Employer maintains this Plan as a SIMPLE 401(k) Plan.

SECTION FOUR: VESTING AND FORFEITURES

4.01 DETERMINING THE VESTED PORTION OF PARTICIPANT INDIVIDUAL ACCOUNTS

A. Determining the Vested Portion — In determining the Vested portion of a Participant's Individual Account, the following rules apply.

1. Employer Contributions — The Vested portion of a Participant's Individual Account derived from Employer Contributions other than Elective Deferrals is determined by applying the vesting schedule(s) selected in the Adoption Agreement (or the vesting schedule(s) described in Plan Section 4.01(B) if the Plan is a Top-Heavy Plan). In the event that there is not a vesting schedule option provided in the Adoption Agreement, a Participant shall be fully Vested in their Individual Account at all times. Notwithstanding the foregoing, a Participant with accrued benefits derived from Matching Contributions who has not completed at least one Hour of Service under the Plan in a Plan Year beginning after December 31, 2001, shall be subject to the vesting schedule in effect after January 1, 2002, unless otherwise elected by the Employer in an amendment adopting provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).
2. Other Contributions — A Participant is fully Vested in their rollover contributions and transfer contributions (subject to the exceptions provided in Plan Section 3.08), Elective Deferrals, Deductible Employee Contributions, Nondeductible Employee Contributions, Qualified Matching Contributions, and Qualified Nonelective Contributions and any earnings thereon. No Forfeiture will occur solely as a result of an Employee's withdrawal of such contributions. Separate accounts for such contributions shall be maintained for each Employee, including separate accounts for Pre-Tax Elective Deferrals and Roth Elective Deferrals. Each account will be credited with the applicable contributions and earnings thereon.
3. Fully Vested Under Certain Circumstances — An Employee is fully Vested in their Individual Account if any of the following occurs:
 - a. the Employee reaches Normal Retirement Age;
 - b. the Plan is terminated or partially terminated as defined by rules promulgated by the IRS; or
 - c. there exists a complete discontinuance of contributions under the Plan.

Further, unless otherwise indicated in the Adoption Agreement, an Employee is fully Vested if the Employee dies, incurs a Disability, or satisfies the conditions for Early Retirement Age (if applicable). Notwithstanding the foregoing, the portion of an Employee's Individual Account attributable to Employer Profit Sharing Contributions, Employer Money Purchase Pension Contributions, or Employer Target Benefit Pension Contributions that are made based on their imputed Compensation on account of incurring a Disability shall be fully Vested at all times. In the case of a partial termination, only those Employees who are affected by the partial termination of the Plan shall become fully Vested.

4. Participants in a Prior Plan — If a Participant was a participant in a Prior Plan on the Effective Date, their Vested percentage shall not be less than it would have been under such Prior Plan as computed on the Effective Date.

5. SIMPLE 401(k) Exception — Notwithstanding anything in this Plan to the contrary, all benefits attributable to contributions described in Plan Section 3.01(H) are nonforfeitable at all times, and all previous contributions made under the Plan are nonforfeitable as of the beginning of the SIMPLE 401(k) Year in which the SIMPLE 401(k) Plan is adopted.

6. ADP Test Safe Harbor Contribution Exception — Notwithstanding anything in this Plan to the contrary, all benefits attributable to ADP Test Safe Harbor Contributions shall be nonforfeitable at all times.

7. ACP Test Safe Harbor Matching Contributions — Notwithstanding anything in this Plan to the contrary, ACP Test Safe Harbor Matching Contributions will be Vested as indicated in the Matching Contributions vesting schedule in the Adoption Agreement, but, in any event, such contributions shall be fully Vested upon an Employee's attainment of Normal Retirement Age, upon the complete or partial termination of the Plan, or upon the complete discontinuance of Employer Contributions.

8. Government Contract Contributions — Notwithstanding anything in this Plan to the contrary, contributions made by an Employer pursuant to Plan Section 3.04(B)(3) shall be nonforfeitable at all times.

A Participant shall not be fully Vested in their Individual Account solely on account of a transaction described in Code Section 414(l), except as otherwise provided therein.

B. Minimum Vesting Schedule for Top-Heavy Plans — The following vesting provisions apply for any Plan Year in which this Plan is a Top-Heavy Plan. Notwithstanding the other provisions of this Plan Section 4.01 (unless those provisions provide for more rapid vesting), the topheavy Vested portion of a Participant's Individual Account derived from Employer Contributions and Forfeitures is determined by applying the vesting schedule(s) selected in the Adoption Agreement.

The vesting schedule(s) selected in the Adoption Agreement applies to all benefits within the meaning of Code Section 411(a)(7), except for those benefits which are nonforfeitable under the Code (e.g., Nondeductible Employee Contributions, including benefits accrued before the effective date of Code Section 416 and benefits accrued before the Plan became a Top-Heavy Plan, Elective Deferrals, Qualified Nonelective Contributions, Qualified Matching Contributions, and ADP Test Safe Harbor Contributions). Further, no decrease in a Participant's Vested percentage may occur in the event the Plan's status as a Top-Heavy Plan changes for any Plan Year. However, this Plan Section 4.01(B) does not apply to the Individual Account of any Employee who does not have an Hour of Service after the Plan has initially become a Top-Heavy Plan, and such Employee's Individual Account attributable to Employer Contributions and Forfeitures will be determined without regard to this Plan Section 4.01(B).

C. Termination of Employment — If a Participant incurs a Termination of Employment, any portion of their Individual Account which is not Vested shall be held in a suspense account. Such suspense account shall share in any increase or decrease in the fair market value of the assets of the Fund in accordance with Plan Section 7.02(B). The disposition of such suspense account shall be as follows.

1. Cashout of Certain Terminated Participants — If the Vested value of a terminated Participant's Individual Account does not exceed \$1,000 (or such other cashout level specified in the Adoption Agreement) the Vested value of the Participant's Individual Account may be paid from the Plan pursuant to Plan Sections 5.01(B)(1) and 5.04(A), subject to a uniform and non-discriminatory policy established by the Plan Administrator. The portion which is not Vested shall be treated as a Forfeiture and applied in accordance with Plan Section 3.04(C). If a Participant would have received the Vested portion of their Individual Account pursuant to the previous sentence but for the fact that the Participant's Vested Individual Account exceeded the cashout amount when the Participant terminated service, and if at a later time such Individual Account is reduced such that it is not greater than the cashout level, the Vested portion of the Participant's Individual Account will be paid from the Plan and the portion which is not Vested shall be treated as a Forfeiture and applied in accordance with Plan Section 3.04(C). For purposes of this Plan Section, if the value of the Vested portion of a Participant's Individual Account is zero, the Participant shall be deemed to have received a distribution of such Vested Individual Account.

2. Terminated Participants Who Elect to Receive Distributions — If such terminated Participant elects to receive a distribution of the entire Vested portion of their Individual Account in accordance with Plan Section 5.01(B)(2), the portion which is not Vested shall be treated as a Forfeiture. Such Forfeiture shall be applied in accordance with Plan Section 3.04(C). If such terminated Participant elects to receive a partial distribution of their Vested Individual Account, no Forfeiture may occur until the Participant elects to receive the remaining portion of their Vested Individual Account.

3. Reemployed Participants Who Received Distributions — If such Participant is deemed to receive a distribution pursuant to Plan Section 4.01(C)(1) and the Participant subsequently resumes employment before the date the Participant incurs five consecutive Breaks in Vesting Service, upon the reemployment of such Participant, the Employer-derived Individual Account balance will be restored to the amount on the date of the deemed distribution. If such Participant receives a distribution pursuant to Plan Section 4.01(C)(1) or (2) and the Participant subsequently resumes employment, the Participant's Employer derived Individual Account balance will be restored to the amount on the date of distribution if the Participant repays to the Plan the full amount of the distribution before the earlier of

- a. five years after the first date on which the Participant is subsequently re-employed by the Employer, or
- b. the date the Participant incurs five consecutive Breaks in Vesting Service following the date of the distribution.

Any restoration of a Participant's Individual Account pursuant to this Plan Section 4.01(C)(3) shall be made from other Forfeitures, income or gain to the Fund, or contributions made by the Employer.

4. Reemployed Participants Who Did Not Receive Distributions — If such Participant neither receives nor is deemed to receive a distribution pursuant to Plan Section 4.01(C)(1) or (2) and the Participant returns to the service of the Employer before

incurring five consecutive Breaks in Vesting Service, there shall be no Forfeiture. Rather, the amount in such suspense account shall be restored to such Participant's Individual Account.

D. Vesting Breaks in Service

1. Vesting of Pre-Break Accruals — Years of Vesting Service credited after a Participant incurs five consecutive Breaks in Vesting Service shall be disregarded in determining the Vested portion of such Participant's Individual Account that was accrued before the five consecutive Breaks in Vesting Service. If a Participant who has neither received a distribution nor has been deemed to receive a distribution incurs five consecutive Breaks in Vesting Service, the portion of the Participant's Individual Account which is not Vested shall be treated as a Forfeiture and applied in accordance with Plan Section 3.04(C).

2. Vesting of Post-Break Accruals — Years of Vesting Service credited before a Break in Vesting Service shall apply for purposes of determining the Vested portion of a Participant's Individual Account that is accrued after such Break in Vesting Service.

E. Distribution Before Full Vesting

If a distribution is made to a Participant who was not then fully Vested in their Individual Account derived from Employer Contributions, and if the Participant may increase their Vested percentage in their Individual Account, then the following rules shall apply:

1. a separate account will be established for the Participant's interest in the Plan as of the time of the distribution, and
2. at any relevant time, the Participant's Vested portion of the separate account will be equal to an amount ("X") determined in accordance with the standard formula described below unless the Employer chooses, in a uniform and nondiscriminatory manner, to apply the alternative formula.

Standard Formula: $X = P (AB + (R \times D)) - (R \times D)$

Alternative Formula: $X = P (AB + D) - D$

For purposes of the standard and alternative formulas described above, "P" is the Vested percentage at the relevant time; "AB" is the separate account balance at the relevant time; "D" is the amount of the distribution; and "R" is the ratio of the separate account balance at the relevant time to the separate account balance after distribution.

4.02 100 PERCENT VESTING OF CERTAIN CONTRIBUTIONS

The Participant's accrued benefit derived from Elective Deferrals, Qualified Nonelective Contributions, ADP Test Safe Harbor Contributions, Nondeductible Employee Contributions, and Qualified Matching Contributions is nonforfeitable. Separate accounts for Pre-Tax Elective Deferrals, Roth Elective Deferrals, Qualified Nonelective Contributions, Nondeductible Employee Contributions, Matching Contributions, and Qualified Matching Contributions will be maintained for each Participant. Each account will be credited with the applicable contributions and earnings thereon.

4.03 FORFEITURES AND VESTING OF MATCHING CONTRIBUTIONS

Matching Contributions, other than Qualified Matching Contributions, shall be Vested in accordance with the vesting schedule for Matching Contributions in the Adoption Agreement. In any event, an Employee's Matching Contributions shall be fully Vested at Normal Retirement Age, upon the complete or partial termination of the Plan, or upon the complete discontinuance of Employer Contributions. Notwithstanding any other provisions of the Plan, Matching Contributions or Qualified Matching Contributions must be forfeited if the contributions to which they relate are Excess Elective Deferrals (unless the Excess Elective Deferrals are for non-Highly Compensated Employees, in which event the Plan Administrator shall have discretion as to whether such amounts will be forfeited), Excess Contributions, Excess Aggregate Contributions or Excess Annual Additions which are distributed pursuant to Plan Section 3.12(A)(4)(c). Such Forfeitures shall be allocated in accordance with Plan Section 3.04(C). When a Participant incurs a Termination of Employment, whether a Forfeiture arises with respect to Matching Contributions shall be determined in accordance with Plan Section 4.01(C).

SECTION FIVE: DISTRIBUTIONS AND LOANS TO PARTICIPANTS

5.01 DISTRIBUTIONS

A. Eligibility for Distributions

1. Entitlement to Distribution — The Vested portion of a Participant's Individual Account attributable to Employer Contributions (including ACP Test Safe Harbor Matching Contributions) other than those described in Plan Section 5.01(A)(2) shall be distributable to the Participant upon 1) the Participant satisfying the distribution eligibility requirements specified in the Adoption Agreement, 2) the Participant's Termination of Employment after attaining Normal Retirement Age, 3) the termination of the Plan, and 4) if the Plan designates an Early Retirement Age, the Participant's Termination of Employment after satisfying any Early Retirement Age conditions. If a Participant separates from service before satisfying the Early Retirement Age requirement, but has satisfied the service requirement, the Participant will be entitled to elect an early retirement benefit upon satisfying such age requirement. With respect to item 1) above, if the Adoption Agreement does not allow an Employer to specify distribution eligibility requirements, the Vested portion of a Participant's Individual Account

shall be distributable to the Participant upon the Participant's Termination of Employment, attainment of Normal Retirement Age, Disability, attainment of age 59½, or the termination of the Plan. If a Participant who is entitled to a distribution is not legally competent to request or consent to a distribution, the Participant's court-appointed guardian, an attorney in fact acting under a valid power of attorney, or any other individual or entity authorized under state law to act on behalf of the Participant, may request and accept a distribution of the Vested portion of a Participant's Individual Account under this Plan Section 5.01(A).

2. Special Requirements For Certain 401(k) Contributions — Elective Deferrals, Qualified Nonelective Contributions, Qualified Matching Contributions, and income allocable to each are not distributable to a Participant or their Beneficiary or Beneficiaries, in accordance with such Participant's or Beneficiaries' election, earlier than upon the Participant's Severance from Employment (separation from service for Plan Years beginning before 2002), death, or Disability, except as listed below.

Such amounts may also be distributed upon any one of the following events:

- a. termination of the Plan without the establishment of another defined contribution plan, other than an employee stock ownership plan (as defined in Code Section 4975(e) or Code Section 409), a simplified employee pension plan (as defined in Code Section 408(k)), a SIMPLE IRA Plan (as defined in Code Section 408(p)), a plan or contract described in Code Section 403(b), or a plan described in Code Section 457(b) or (f), at any time during the period beginning on the date of Plan termination and ending twelve months after all assets have been distributed from the Plan;
- b. for Plan Years before 2002, disposition by a corporation to an unrelated corporation of substantially all of the assets (within the meaning of Code Section 409(d)(2)) used in a trade or business of such corporation if such corporation continues to maintain this Plan after the disposition, but only with respect to Employees who continue employment with the corporation acquiring such assets;
- c. for Plan Years before 2002, disposition by a corporation to an unrelated entity of such corporation's interest in a subsidiary (within the meaning of Code Section 409(d)(3)) if such corporation continues to maintain this Plan, but only with respect to Employees who continue employment with such subsidiary;
- d. attainment of age 59½ in the case of a profit sharing plan, if elected in the Adoption Agreement. Notwithstanding the foregoing, where no election is available in the Adoption Agreement, distribution of Elective Deferrals shall be permitted upon the attainment of age 59½; or
- e. existence of a hardship incurred by the Participant as described in Plan Section 5.01(C)(2)(b), if elected in the Adoption Agreement. Notwithstanding the foregoing, where no election is available in the Adoption Agreement, distribution of Elective Deferrals shall be permitted upon the existence of a hardship as described in Plan Section 5.01(C)(2)(b).

All distributions that may be made pursuant to one or more of the foregoing distribution eligibility requirements are subject to the spousal and Participant consent requirements (if applicable) contained in Code Section 401(a)(11) and 417. In addition, distributions which are triggered by either a., b., or c. above must be made in a lump sum.

Notwithstanding the foregoing, ADP Test Safe Harbor Contributions may not be distributed earlier than Severance from Employment, death, Disability, an event described in Code Section 401(k)(10), or, in the case of a profit sharing plan, the attainment of age 59½. For years beginning after 2005, if both Pre-Tax Elective Deferrals and Roth Elective Deferrals were made for the year, the Plan Administrator, in a uniform and nondiscriminatory manner, may establish operational procedures, including ordering rules as permitted under the law and related regulations, which specify whether distributions, including corrective distributions of Excess Elective Deferrals, Excess Contributions, Excess Aggregate Contributions, or Excess Annual Additions, will consist of a Participant's Pre-Tax Elective Deferrals, Roth Elective Deferrals, or a combination of both, to the extent such type of Elective Deferral was made for the year. The operational procedures may include an option for Participants to designate whether the distribution is being made from Pre-Tax or Roth Elective Deferrals.

3. Distribution Request: When Distributed — A Participant or Beneficiary entitled to a distribution who wishes to receive a distribution must submit a request (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) to the Plan Administrator. If required in writing, such request shall be made upon a form provided or approved by the Plan Administrator. Upon a valid request, the Plan Administrator shall direct the Trustee (or Custodian, if applicable) to commence distribution as soon as administratively feasible after the request is received, except as otherwise provided in the Adoption Agreement. Distributions will be made based on the value of the Vested portion of the Individual Account available at the time of actual distribution. To the extent the distribution request is for an amount greater than the Individual Account, the Trustee (or Custodian, if applicable) shall be entitled to distribute the entire Vested portion of the Individual Account.

B. Distributions Upon Termination Of Employment

1. Individual Account Balances Less Than or Equal to Cashout Level — If the value of the Vested portion of a Participant's Individual Account does not exceed the cashout level, the following rules shall apply regarding Plan Section 4.01(C)(1). If the value of the Vested portion of a Participant's Individual Account does not qualify as an Eligible Rollover Distribution, distribution from the Plan may be made to the Participant in a single lump sum in lieu of all other forms of distribution under the Plan following the Participant's Termination of Employment in accordance with a uniform and nondiscriminatory operational schedule established by the Plan Administrator. If the value of the Vested portion of a Participant's Individual Account does not exceed \$1,000 and qualifies as an Eligible Rollover Distribution, and the Participant does not elect to have such distribution paid directly to an Eligible Retirement Plan specified by the Participant in a Direct Rollover or to receive the distribution in accordance with this Section Five of the Plan, distribution shall be made to the Participant in a single lump sum in lieu of all other forms of distribution under the Plan, unless specified otherwise in the Adoption Agreement. If the

value of the Vested portion of a Participant's Individual Account exceeds \$1,000 and qualifies as an Eligible Rollover Distribution, and if the Participant does not elect to have such distribution paid directly to an Eligible Retirement Plan specified by the Participant in a Direct Rollover or to receive the distribution in accordance with this Section Five of the Plan, distribution shall be paid by the Plan Administrator in a Direct Rollover to an individual retirement arrangement (as described in Code Section 408(a), 408(b) or 408A) designated by the Plan Administrator. Notwithstanding the foregoing, if the Participant is reemployed by the Employer before the occurrence of the distribution, no distribution will be made under this paragraph. The value of the Participant's Vested Individual Account for purposes of this paragraph shall be determined by including rollover contributions (and earnings allocable thereto) within the meaning of Code Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(a)(ii), and 457(e)(16).

2. Individual Account Balances Exceeding Cashout Level — If distribution in the form of a Qualified Joint and Survivor Annuity is required with respect to a Participant and either the value of the Participant's Vested Individual Account exceeds the cashout level or there are remaining payments to be made with respect to a particular distribution option that previously commenced, and if the Individual Account is immediately distributable, the Participant must consent to any distribution of such Individual Account. If distribution in the form of a Qualified Joint and Survivor Annuity is not required with respect to a Participant and the value of such Participant's Vested Individual Account exceeds \$5,000, and if the Individual Account is immediately distributable, the Participant must consent to any distribution of such Individual Account.

The consent of the Participant and the Participant's Spouse shall be obtained (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) within the 90-day period ending on the Annuity Starting Date. The Plan Administrator shall notify the Participant and the Participant's Spouse of the right to defer any distribution until the Participant's Individual Account is no longer immediately distributable. Such notification shall include a general description of the material features, and an explanation of the relative values of the optional forms of benefit available under the Plan in a manner that would satisfy the notice requirements of Code Section 417(a)(3), and shall be provided no less than 30 days and no more than 90 days before the Annuity Starting Date.

If a distribution is one to which Code Sections 401(a)(11) and 417 do not apply, such distribution may commence less than 30 days after the notice required in Treasury Regulation 1.411(a)-11(c) is given, provided that:

- i. the Plan Administrator clearly informs the Participant that the Participant has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and
- ii. the Participant, after receiving the notice, affirmatively elects a distribution.

Notwithstanding the foregoing, only the Participant need consent to the commencement of a distribution which is either made in the form of a Qualified Joint and Survivor Annuity or is made from a Plan which meets the Retirement Equity Act safe harbor rules of Plan Section 5.10(E), while the Individual Account is immediately distributable. Neither the consent of the Participant nor the Participant's Spouse shall be required to the extent that a distribution is required to satisfy Code Section 401(a)(9) or Code Section 415. In addition, upon termination of this Plan, if the Plan does not offer an annuity option (purchased from a commercial provider), the Participant's Individual Account may, without the Participant's consent, be distributed to the Participant or transferred to another defined contribution plan (other than an employee stock ownership plan as defined in Code Section 4975(e)(7)) within the same controlled group.

An Individual Account is immediately distributable if any part of the Individual Account could be distributed to the Participant (or surviving Spouse) before the Participant attains or would have attained (if not deceased) the later of Normal Retirement Age or age 62.

3. Distribution Before Attainment of Normal Retirement Age — A Participant who has incurred a Termination of Employment before attaining Normal Retirement Age may elect to receive a distribution with regard to Matching Contributions, Employer Profit Sharing Contributions, Employer Money Purchase Pension Contributions, and Employer Target Benefit Pension Contributions as applicable, unless specified otherwise in the Adoption Agreement. A Participant who has incurred a Severance from Employment before attaining Normal Retirement Age may elect to receive a distribution with regard to Qualified Matching Contributions, Elective Deferrals, Qualified Nonelective Contributions and ADP Test Safe Harbor Contributions unless specified otherwise in the Adoption Agreement.

C. Distributions During Employment

1. In-Service Withdrawals — If this is a profit sharing plan, unless the Adoption Agreement provides otherwise, a Participant who is not otherwise eligible to receive a distribution of their Individual Account may elect to receive an in-service distribution of all or part of the Vested portion of their Individual Account attributable to Employer Contributions other than those described in Plan Sections 5.01(A)(2) and 5.01(C)(2)(b), subject to the requirements of Plan Section 5.10 and further subject to the following limits.

- a. *Participant for five or more years* — An Employee who has been a Participant in the Plan for five or more years may withdraw up to the entire Vested portion of their Individual Account.
- b. *Participant for less than five years* — Except as otherwise provided in the Adoption Agreement, an Employee who has been a Participant in the Plan for less than five years may withdraw only the amount which has been in their Individual Account attributable to Employer Contributions for at least two full Plan Years, measured from the date such contributions were allocated.

2. Hardship Withdrawals

a. *Hardship Withdrawals of Matching Contributions and Employer Profit Sharing Contributions* — If this is a profit sharing plan, then notwithstanding Plan Section 5.01(C)(1) (unless the Adoption Agreement provides otherwise) a Participant

may elect to receive a hardship distribution of all or part of the Vested portion of their Individual Account attributable to Employer Contributions other than those described in Plan Section 5.01(A)(2), subject to the requirements of Plan Section 5.10.

For purposes of this Section 5.01(C)(2)(a), hardship is defined as an immediate and heavy financial need of the Participant where such Participant lacks other available resources. Except as otherwise provided in the Adoption Agreement, financial needs considered immediate and heavy include, but are not limited to, 1) expenses incurred or necessary for medical care, described in Code Section 213(d), of the Employee, the Employee's Spouse or dependents, 2) the purchase (excluding mortgage payments) of a principal residence for the Employee, 3) payment of tuition and related educational fees for the next 12 months of post-secondary education for the Employee, the Employee's spouse, children or dependents, 4) payment to prevent the eviction of the Employee from, or a foreclosure on the mortgage of, the Employee's principal residence, 5) for Plan Years after 2005, funeral or burial expenses for the Participant's deceased parent, Spouse, child or dependent, and 6) for Plan Years after 2005, payment to repair damage to the Employee's principal residence that would qualify for a casualty loss deduction under Code Section 165 (determined without regard to whether the loss exceeds 10 percent of adjusted gross income).

A distribution will be considered necessary to satisfy an immediate and heavy financial need of the Employee only if

- (1) the Employee has obtained all distributions, other than hardship distributions, and all nontaxable loans available under all plans maintained by the Employer;
- (2) the distribution is not in excess of the amount of an immediate and heavy financial need (including amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution).

b. *Hardship Withdrawals of Elective Deferrals* — Unless the Adopting Employer has elected otherwise in the Adoption Agreement, distribution of Elective Deferrals (including Qualified Nonelective Contributions and Qualified Matching Contributions that are treated as Elective Deferrals and any earnings credited to a Participant's account as of the later of December 31, 1988, and the end of the last Plan Year ending before July 1, 1989) may be made to a Participant in the event of hardship. For the purposes of this Section 5.01(C)(2)(b), hardship is defined as an immediate and heavy financial need of the Employee where the distribution is needed to satisfy the immediate and heavy financial need of such Employee. Hardship distributions are subject to the spousal consent requirements contained in Code Sections 401(a)(11) and 417, if applicable.

For purposes of determining whether a Participant has a hardship, rules similar to those described in Plan Section 5.01(C)(2)(a) shall apply except that only the listed financial needs shall be considered. In addition, a distribution will be considered as necessary to satisfy an immediate and heavy financial need of the Employee only if

- (1) all plans maintained by the Employer provide that the Employee's Elective Deferrals (and Nondeductible Employee Contributions) will be suspended for six months (12 months for hardship distributions before 2002) after the receipt of the hardship distribution; and
- (2) for hardship distributions before 2002, all plans maintained by the Employer provide that the Employee may not make Elective Deferrals for the Employee's taxable year immediately following the taxable year of the hardship distribution in excess of the applicable limit under Code Section 402(g) for such taxable year less the amount of such Employee's Elective Deferrals for the taxable year of the hardship distribution.

D. Miscellaneous Distribution Issues

1. *Distribution of Rollover, Transfer, and Nondeductible Employee Contributions* — The following rules shall apply with respect to entitlement to distribution of rollover and transfer contributions and Nondeductible Employee Contributions.

a. *Entitlement to Distribution* — If no election is available in the Adoption Agreement, rollover contributions (including rollovers of Nondeductible Employee Contributions) and earnings thereon may be distributed at any time upon request. If the Adopting Employer specifies in the Adoption Agreement that Rollover contributions may not be distributed at any time, such contributions will be subject to the Plan's provisions governing distributions of either Employer Profit Sharing Contributions (if this Plan is a profit sharing plan), Employer Money Purchase Pension Contributions (if this Plan is a money purchase pension plan), or Employer Target Benefit Pension Contributions (if this Plan is a target benefit pension plan). If the Adopting Employer specifies in the Adoption Agreement that transfer contributions may be distributed at any time or if no election is available in the Adoption Agreement, transfer contributions may be distributed at any time upon request subject to the restrictions below and any other restrictions required by either the Code or applicable regulations. If the Adopting Employer specifies in the Adoption Agreement that transfer contributions may not be distributed at any time, such contributions will be subject to the Plan's provisions governing distributions of either Employer Profit Sharing Contributions (if this is a profit sharing plan), Employer Money Purchase Pension Contributions (if this Plan is a money purchase pension plan), or Employer Target Benefit Pension Contributions (if this Plan is a target benefit pension plan). Notwithstanding the foregoing, to the extent that any optional form of benefit under this Plan permits a distribution before the Employee's retirement, death, Disability, attainment of Normal Retirement Age, or Termination of Employment, and before Plan termination, the optional form of benefit is not available with respect to benefits attributable to assets (including the post-transfer earnings thereon) and liabilities that are transferred (within the meaning of Code Section 414(l)) to this Plan from a money purchase pension plan or a target benefit pension plan qualified under Code Section 401(a) (other than any portion of those assets and liabilities attributable to voluntary employee contributions). In addition, if such transfers consist of Elective Deferrals or amounts treated as Elective Deferrals (including earnings thereon) from a 401(k) plan, the assets transferred shall continue to be subject to the distribution restrictions under Code Sections 401(k)(2) and 401(k)(10), unless otherwise provided in the Adoption Agreement. A

Participant may at any time, and upon a request submitted to the Plan Administrator (either in writing or in any other form permitted under rules promulgated by the IRS and DOL), withdraw an amount from their Individual Account attributable to Nondeductible Employee Contributions (including earnings thereon). In the event the portion of a Participant's Individual Account attributable to Nondeductible Employee Contributions experiences a loss such that the amount remaining in such subaccount is less than the amount of Nondeductible Employee Contributions made by the Participant, the maximum amount which the Participant may withdraw is an amount equal to the remaining portion of the Participant's Individual Account attributable to Nondeductible Employee Contributions. Subject to Plan Section 5.10, Joint and Survivor Annuity Requirements (if applicable), the Participant may withdraw any part of the Deductible Employee Contribution account by delivering an application (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) to the Plan Administrator.

b. *Direct Rollovers of Eligible Rollover Distributions* — Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Recipient's election under this Plan Section 5.01(D)(1)(b), a Recipient may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution that is equal to at least \$500 (or such lesser amount if the Plan Administrator permits in a uniform and nondiscriminatory manner) paid directly to an Eligible Retirement Plan specified by the Recipient in a Direct Rollover.

2. *Option to Limit Frequency of In-Service Distributions* — If this is a profit sharing plan and the Adopting Employer has elected to limit the number of in-service distributions in the Adoption Agreement, then a Participant will be permitted only the number of in-service distributions indicated in the Adoption Agreement during the course of such Participant's employment with the Employer. The amount which the Participant can withdraw will be limited to the lesser of the amount determined under the limits set forth in Plan Section 5.01(C) or the percentage of the Participant's Individual Account specified by the Adopting Employer in the Adoption Agreement. Distributions under this Section 5.01(D)(2) will be subject to the requirements of Plan Section 5.10.

3. *Commencement of Benefits* — Notwithstanding any other provision, unless the Participant elects otherwise, distribution of benefits will begin no later than the 60th day after the latest of the close of the Plan Year in which

- a. the Participant attains age 65 (or Normal Retirement Age, if earlier),
- b. the Participant reaches the 10th anniversary of the year in which the Participant commenced participation in the Plan, or
- c. the Participant incurs a Termination of Employment.

Notwithstanding the foregoing, the failure of a Participant (and Spouse, if applicable) to consent to a distribution while a benefit is immediately distributable, within the meaning of Plan Section 5.01(B)(2), shall be deemed to be an election to defer commencement of payment of any benefit sufficient to satisfy this Plan Section 5.01(D)(3).

5.02 FORM OF DISTRIBUTION TO A PARTICIPANT

If the value of the Vested portion of a Participant's Individual Account exceeds \$1,000 and the Participant has properly waived the Qualified Joint and Survivor Annuity (if applicable), as described in Plan Section 5.10, the Participant may request (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) that the Vested portion of their Individual Account be paid to them in one or more of the following forms of payment, unless specified otherwise in the Adoption Agreement: 1) in a lump sum, 2) in a partial payment, 3) in installment payments over a period not to exceed the Life Expectancy of the Participant or the joint and last survivor Life Expectancy of the Participant and their designated Beneficiary, or 4) applied to the purchase of an annuity contract. Notwithstanding anything in this Plan Section 5.02 to the contrary, a Participant cannot elect payments in the form of a life annuity if the Retirement Equity Act safe harbor rules of Plan Section 5.10(E) apply.

5.03 DISTRIBUTIONS UPON THE DEATH OF A PARTICIPANT

A. Designation of Beneficiary — Spousal Consent — Each Participant may designate, on a form provided or approved by and delivered to the Plan Administrator, one or more primary and contingent Beneficiaries to receive all or a specified portion of the Participant's Individual Account in the event of their death. A Participant may change or revoke such Beneficiary designation by completing and delivering the proper form to the Plan Administrator. If the Participant designates a Spouse Beneficiary and the individual later ceases to be a Spouse, such designation of the individual who becomes an ex-spouse (other than by death) will be deemed void and the ex-spouse shall have no rights as a Beneficiary unless redesignated as a Beneficiary by the Participant subsequent to becoming an ex-spouse.

In the event that a Participant wishes to designate a primary Beneficiary who is not their Spouse, their Spouse must consent (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) to such designation, and the Spouse's consent must acknowledge the effect of such designation and be witnessed by a notary public or plan representative. Notwithstanding this consent requirement, if the Participant establishes to the satisfaction of the Plan Administrator that such consent may not be obtained because there is no Spouse or the Spouse cannot be located, no consent shall be required. In addition, if the Spouse is legally incompetent to give consent, the Spouse's legal guardian, even if the guardian is the Participant, may give consent. If the Participant is legally separated or the Participant has been abandoned (within the meaning of local law) and the Participant has a court order to such effect, spousal consent is not required unless a Qualified Domestic Relations Order provides otherwise. Any change of Beneficiary will require a new spousal consent to the extent required by the Code or Treasury Regulations.

B. Payment to Beneficiary — If a Participant dies before the Participant's entire Individual Account has been paid to them, such

deceased Participant's Individual Account shall be payable to any surviving Beneficiary designated by the Participant, or, if no Beneficiary survives the Participant, to the Participant's Spouse, or, where no Spouse exists, to the Participant's estate. If the Beneficiary is a minor, distribution will be deemed to have been made to such Beneficiary if the portion of the Participant's Individual Account to which the Beneficiary is entitled is paid to their legal guardian or, if applicable, to their custodian under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act. If a Beneficiary is not a minor but is not legally competent to request or consent to a distribution, distributions will be deemed to have been made to such Beneficiary if the portion of the Participant's Individual Account to which the Beneficiary is entitled is paid to the Participant's court-appointed guardian, an attorney in fact acting under a valid power of attorney, or any other individual or entity authorized under state law to act on behalf of the Beneficiary.

C. Distribution Request: When Distributed — A Beneficiary of a deceased Participant entitled to a distribution who wishes to receive a distribution must submit a request (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) to the Plan Administrator. If required in writing, such request shall be made on a form provided or approved by the Plan Administrator. Upon a valid request, the Plan Administrator shall direct the Trustee (or Custodian, if applicable) to commence distribution as soon as administratively feasible after the request is received, except as otherwise provided in the Adoption Agreement.

5.04 FORM OF DISTRIBUTION TO BENEFICIARIES

A. Value of Individual Account Does Not Exceed \$5,000 — If the value of the Vested portion of a Participant's Individual Account does not exceed \$5,000, the value of the Vested portion of a Participant's Individual Account may be made to the Beneficiary in a single lump sum in lieu of all other forms of distribution under the Plan, as soon as administratively feasible.

The value of the Participant's Vested Individual Account for purposes of this paragraph shall be determined by including rollover contributions (and earnings allocable thereto) within the meaning of Code Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii) and 457(e)(16).

B. Value of Individual Account Exceeds \$5,000 — If the value of the Vested portion of a Participant's Individual Account exceeds \$5,000, the preretirement survivor annuity requirements of Plan Section 5.10 shall apply unless waived in accordance with that Plan Section 5.10 or unless the Retirement Equity Act safe harbor rules of Plan Section 5.10(E) apply. However, a surviving Spouse Beneficiary may elect any form of payment allowable under the Plan in lieu of the preretirement survivor annuity. Any such payment to the surviving Spouse must meet the requirements of Plan Section 5.05.

C. Other Forms of Distribution to Beneficiary — If the value of a Participant's Individual Account exceeds \$5,000, and the Participant has properly waived the preretirement survivor annuity, as described in Plan Section 5.10 (if applicable), or if the Beneficiary is the Participant's surviving Spouse, the Beneficiary may, subject to the requirements of Plan Section 5.05, request (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) that the Participant's Individual Account be paid in any form of distribution permitted to be taken by the Participant under this Plan other than applying the Individual Account toward the purchase of an annuity contract. Notwithstanding the foregoing, installment payments to a Beneficiary cannot be made over a period exceeding the Life Expectancy of such Beneficiary.

5.05 REQUIRED MINIMUM DISTRIBUTION REQUIREMENTS

A. General Rules

1. Subject to Plan Section 5.10, the requirements of this Section shall apply to any distribution of a Participant's interest and will take precedence over any inconsistent provisions of this Plan. Unless otherwise specified, the provisions of Plan Section 5.05 apply to calendar years beginning after December 31, 2002.

2. All distributions required under this Plan Section 5.05 shall be determined and made in accordance with Treasury Regulation 1.401(a)(9), including the minimum distribution incidental benefit requirement of Code Section 401(a)(9)(G).

3. Limits on Distribution Periods — As of the first Distribution Calendar Year, distributions to a Participant, if not made in a single sum, may only be made over one of the following periods (or a combination thereof):

- a. the life of the Participant,
- b. the joint lives of the Participant and a designated Beneficiary,
- c. a period certain not extending beyond the Life Expectancy of the Participant, or
- d. a period certain not extending beyond the joint life and last survivor expectancy of the Participant and a Designated Beneficiary.

B. Time and Manner of Distribution

1. Required Beginning Date — The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

For purposes of this Plan Section 5.05(B) and Plan Section 5.05(D), unless Plan Section 5.05(D)(2)(a)(iii) applies, distributions are considered to begin on the Participant's Required Beginning Date. If Plan Section 5.05(D)(2)(a)(iii) applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Plan

Section 5.05(D)(2)(a)(i). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the Participant's surviving Spouse before the date distributions are required to begin to the surviving Spouse in Plan Section 5.05(D)(2)(a)(i)), the date distributions are considered to begin is the date distributions actually commence.

Except as provided in the Adoption Agreement (or in a separate IRS model amendment, if applicable), Participants or Beneficiaries may elect on an individual basis whether the five-year rule or the life expectancy rule in Plan Section 5.05(D) applies to distributions after the death of a Participant who has a Designated Beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin in this Plan Section 5.05(B), or by September 30 of the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, surviving Spouse's) death. If neither the Participant nor the Beneficiary makes an election under this paragraph, distributions will be made in accordance with this Plan Section 5.05(B) and Plan Section 5.05(D) and, if applicable, the election in the Adoption Agreement (or in a separate IRS model amendment, if applicable).

2. Forms of Distribution — Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Beginning Date, as of the first Distribution Calendar Year distributions will be made in accordance with Plan Section 5.05(C) and Plan Section 5.05(D). If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code Section 401(a)(9) and the related Treasury Regulations.

C. Required Minimum Distributions During Participant's Lifetime

1. Amount of Required Minimum Distribution for Each Distribution Calendar Year — During the Participant's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the lesser of

- a. the quotient obtained by dividing the Participant's Benefit by the distribution period in the Uniform Lifetime Table set forth in Treasury Regulation 1.401(a)(9)-9, Q&A-2, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year; or
- b. if the Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's Spouse, the quotient obtained by dividing the Participant's Benefit by the number in the Joint and Last Survivor Table set forth in Treasury Regulation 1.401(a)(9)-9, Q&A-3, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the Distribution Calendar Year.

2. Lifetime Required Minimum Distributions Continue Through Year of Participant's Death — Required minimum distributions will be determined under this Plan Section 5.05(C) beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death.

D. Required Minimum Distributions After Participant's Death

1. Death On or After Date Distributions Begin

a. *Participant Survived by Designated Beneficiary* — If the Participant dies on or after the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's benefit by the longer of the remaining Life Expectancy of the Participant or the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as follows:

- i. The Participant's remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.
- ii. If the Participant's surviving Spouse is the Participant's sole Designated Beneficiary, the remaining Life Expectancy of the surviving Spouse is calculated for each Distribution Calendar Year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that year. For Distribution Calendar Years after the year of the surviving Spouse's death, the remaining Life Expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year.
- iii. If the Participant's surviving Spouse is not the Participant's sole Designated Beneficiary, the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the Designated Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

b. *No Designated Beneficiary* — If the Participant dies on or after the date distributions begin and there is no Designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's benefit by the Participant's remaining Life Expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

2. Death Before Date Distributions Begin

a. *Participant Survived by Designated Beneficiary* — Except as provided in the Adoption Agreement (or in a separate IRS model amendment, if applicable), if the Participant dies before the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's benefit by the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as provided in Section 5.05(D)(1).

i. If the Participant's surviving Spouse is the Participant's sole Designated Beneficiary, then, except as provided in the Adoption Agreement (or in a separate IRS model amendment, if applicable), distributions to the surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.

ii. If the Participant's surviving Spouse is not the Participant's sole Designated Beneficiary, then, except as provided in the Adoption Agreement (or in a separate IRS model amendment, if applicable), distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

iii. If the Participant's surviving Spouse is the Participant's sole Designated Beneficiary and the surviving Spouse dies after the Participant but before distributions to the surviving Spouse are required to begin, this Plan Section 5.05(D)(2), other than Plan Section 5.05(D)(2)(a), will apply as if the surviving Spouse were the Participant.

b. *No Designated Beneficiary* — If the Participant dies before the date distributions begin and there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

3. Election to Allow Designated Beneficiary Receiving Distributions Under 5-Year Rule to Elect Life Expectancy Distributions Unless specified otherwise in a separate IRS model amendment, a Designated Beneficiary who is receiving payments under the five-year rule may make a new election to receive payments under the life expectancy rule until December 31, 2003, provided that all amounts that would have been required to be distributed under the life expectancy rule for all distribution calendar years before 2004 are distributed by the earlier of December 31, 2003 or the end of the five-year period.

E. TEFRA Section 242(b) Elections

1. Notwithstanding the other requirements of this Plan Section 5.05 and subject to the requirements of Plan Section 5.10, Joint and Survivor Annuity Requirements, distribution on behalf of any Employee (or former Employee), including a five-percent owner, who has made a designation in Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (a "Section 242(b)(2) Election") may be made in accordance with all of the following requirements (regardless of when such distribution commences).

a. The distribution by the Fund is one which would not have qualified such Fund under Code Section 401(a)(9) as in effect before amendment by the Deficit Reduction Act of 1984.

b. The distribution is in accordance with a method of distribution designated by the Employee whose interest in the Fund is being distributed or, if the Employee is deceased, by a Beneficiary of such Employee.

c. Such designation was in writing, was signed by the Employee or the Beneficiary, and was made before January 1, 1984.

d. The Employee had accrued a benefit under the Plan as of December 31, 1983.

e. The method of distribution designated by the Employee or the Beneficiary specifies the time at which distribution will commence, the period over which distributions will be made, and in the case of any distribution upon the Employee's death, the Beneficiaries of the Employee listed in order of priority.

2. A distribution upon death will not be covered by this transitional rule unless the information in the designation contains the required information described above with respect to the distributions to be made upon the death of the Employee.

3. If a designation is revoked, any subsequent distribution must satisfy the requirements of Code Section 401(a)(9) and the regulations thereunder. If a designation is revoked subsequent to the date distributions are required to begin, the Plan must distribute, by the end of the calendar year following the calendar year in which the revocation occurs the total amount not yet distributed which would have been required to have been distributed to satisfy Code Section 401(a)(9) and the regulations thereunder, but for an election made in Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act of 1982. For calendar years beginning after December 31, 1988, such distributions must meet the minimum distribution incidental benefit requirements. Any changes in the designation will be considered to be a revocation of the designation. However, the mere substitution or addition of another Beneficiary (one not named in the designation) under the designation will not be considered to be a revocation of the designation, so long as such substitution or addition does not alter the period over which distributions are to be made under the designation, directly or indirectly (for example, by altering the relevant measuring life).

4. In the case in which an amount is transferred or rolled over from one plan to another plan, the rules in Treasury Regulation 1.401(a)(9)-8, Q&A-14 and Q&A-15, shall apply.

F. Transition Rules

For plans in existence before 2003, required minimum distributions before 2003 were made pursuant to Plan Section 5.05(E), if applicable, and Sections 5.05(F)(1) through 5.05(F)(3) below.

1. 2000 and Before — Required minimum distributions for calendar years after 1984 and before 2001 were made in accordance with Code Section 401(a)(9) and the Proposed Treasury Regulations thereunder published in the Federal Register on July 27, 1987 (the "1987 Proposed Regulations").

2. 2001 — Required minimum distributions for calendar year 2001 were made in accordance with Code Section 401(a)(9) and the Proposed Treasury Regulations in Section 401(a)(9) as published in the Federal Register on January 17, 2001 (the "2001 Proposed Regulations") unless a prior IRS model amendment provisions was adopted that stated that the required minimum distributions for 2001 were made pursuant to the 1987 Proposed Regulations. If distributions were made in 2001 under the 1987 Proposed Regulations before the date in 2001 that the Plan began operating under the 2001 Proposed Regulations, the special transition rule in Announcement 2001-82, 2001-2 C.B. 123, applied.

3. 2002 — Required minimum distributions for calendar year 2002 were made in accordance with Code Section 401(a)(9) and the 2001 Proposed Regulations unless the prior IRS model amendment, if applicable, provided either a. or b. below applies.

a. Required minimum distributions for 2002 were made pursuant to the 1987 Proposed Regulations.

b. Required minimum distributions for 2002 were made pursuant to the Final and Temporary Treasury Regulations under Code Section 401(a)(9) published in the Federal Register on April 17, 2002 (the “2002 Final and Temporary Regulations”) which are described in Plan Sections 5.05(B) through 5.05(E). If distributions were made in 2002 under either the 1987 Proposed Regulations or the 2001 Proposed Regulations before the date in 2002 that the Plan began operating under the 2002 Final and Temporary Regulations, the special transition rule in Section 1.2 of the model amendment in Revenue Procedure 2002-29, 2002-1 C.B. 1176, applied.

5.06 ANNUITY CONTRACTS

Any annuity contract distributed under the Plan (if permitted or required by this Section Five) must be nontransferable. The terms of any annuity contract purchased and distributed by the Plan to a Participant or Spouse shall comply with the requirements of the Plan.

5.07 DISTRIBUTIONS IN-KIND

The Plan Administrator may, but need not, cause any distribution under this Plan to be made either in a form actually held in the Fund, or in cash by converting assets other than cash into cash, or in any combination of the two foregoing methods. Assets other than cash, or other assets with a readily ascertainable market value, must be subject to a third party appraisal before they may be distributed from the Plan.

5.08 PROCEDURE FOR MISSING PARTICIPANTS OR BENEFICIARIES

The Plan Administrator must take reasonable steps to locate Participants or Beneficiaries who are entitled to distributions from the Plan. Such measures may include, checking records of other plans maintained by the Employer, contacting the Participant’s Beneficiaries, using internet search tools, commercial locator services, and credit reporting agencies, using certified mail, or using a governmental letter-forwarding service. The Plan Administrator should consider the cost of the measures relative to the Individual Account balance when determining which measures are used.

In the event that the Plan Administrator cannot locate a Participant or Beneficiary who is entitled to a distribution from the Plan or to whom a distribution has been made but the distribution check remains uncashed after taking all reasonable measures, the Plan Administrator may, consistent with applicable laws, regulations, and other pronouncements under the Code and ERISA, use any reasonable procedure to dispose of distributable Plan assets, including treating the amount distributable as a Forfeiture and allocating it in accordance with the terms of the Plan, and if the Participant or Beneficiary is later located, restore such benefit in the amount of the Forfeiture, unadjusted for earnings and losses to the Plan.

In the event the Plan is terminated, payments must be made in a manner that protects the benefit rights of a Participant or Beneficiary. Benefit rights shall be deemed to be protected if the amount in a Participant’s or Beneficiary’s Individual Account is placed into an IRA, used to purchase an annuity contract, or transferred to another qualified retirement plan. Benefit rights need not, however, be protected if an Individual Account becomes subject to state escheat laws, or if a payment is made to satisfy Code Section 401(a)(9), or if such other process is followed that is consistent with applicable statutory or regulatory guidance.

5.09 CLAIMS PROCEDURES

A. Filing a Claim for Plan Distributions — A Participant or Beneficiary who has been denied a request for a distribution or loan and desires to make a claim for the Vested portion of the Participant’s Individual Account shall file a request (either in writing or in any other form permitted under rules promulgated by the IRS and DOL and acceptable to the Plan Administrator) with the Plan Administrator. If such request is required in writing, such request must be made on a form furnished to them by the Plan Administrator for such purpose. The request shall set forth the basis of the claim. The Plan Administrator is authorized to conduct such examinations as may be necessary to facilitate the payment of any benefits to which the Participant or Beneficiary may be entitled under the terms of the Plan.

B. Denial of a Claim — Whenever a claim for a Plan distribution or loan submitted in accordance with this Section 5.09 by any Participant or Beneficiary has been wholly or partially denied, the Plan Administrator must furnish such Participant or Beneficiary notice (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) of the denial within 90 days of the date the original claim was filed. This notice shall set forth the specific reasons for the denial, specific reference to pertinent Plan provisions on which the denial is based, a description of any additional information or material needed to perfect the claim, an explanation of why such additional information or material is necessary, and an explanation of the procedures for appeal.

C. Remedies Available — The Participant or Beneficiary shall have 60 days from receipt of the denial notice in which to make written application for review by the Plan Administrator. The Participant or Beneficiary may request that the review be in the nature of a hearing. The Participant or Beneficiary shall have the right to representation, to review pertinent documents, and to submit comments in writing (or in any other form permitted by the IRS or DOL). The Plan Administrator shall issue a decision on

such review within 60 days after receipt of an application for review as provided for in this Plan Section 5.09. Upon a decision unfavorable to the Participant or Beneficiary, such Participant or Beneficiary shall be entitled to bring such actions in law or equity as may be necessary or appropriate to protect or clarify their right to benefits under this Plan.

5.10 JOINT AND SURVIVOR ANNUITY REQUIREMENTS

A. Application — The provisions of this Section shall apply to any Participant who is credited with at least one Hour of Service with the Employer on or after August 23, 1984, and such other Participants as provided in Treasury Regulations.

B. Qualified Joint and Survivor Annuity — Unless an optional form of benefit is selected pursuant to a Qualified Election within the 90-day period ending on the Annuity Starting Date, a married Participant's Vested Account Balance will be paid in the form of a Qualified Joint and Survivor Annuity and an unmarried Participant's Vested Account Balance will be paid in the form of a life annuity. The Participant may elect to have such annuity distributed upon attainment of the Earliest Retirement Age under the Plan. In the case of a married Participant, the Qualified Joint and Survivor Annuity must be at least as valuable as any other optional form of benefit payable under the Plan at the same time.

C. Qualified Preretirement Survivor Annuity — Unless an optional form of benefit has been selected within the Election Period pursuant to a Qualified Election, if a Participant dies before the Annuity Starting Date then the Participant's Vested Account Balance shall be applied toward the purchase of an annuity for the life of the surviving Spouse. The surviving Spouse may elect to have such annuity distributed within a reasonable period after the Participant's death.

D. Notice Requirements

1. In the case of a Qualified Joint and Survivor Annuity, the Plan Administrator shall no less than 30 days and not more than 90 days before the Annuity Starting Date provide each Participant an explanation (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) of

- 1) the terms and conditions of a Qualified Joint and Survivor Annuity,
- 2) the Participant's right to make and the effect of an election to waive the Qualified Joint and Survivor Annuity form of benefit,
- 3) the rights of a Participant's Spouse, and
- 4) the right to make, and the effect of, a revocation of a previous election to waive the Qualified Joint and Survivor Annuity.

The Annuity Starting Date for a distribution in a form other than a Qualified Joint and Survivor Annuity may be less than 30 days after receipt of the explanation described in the preceding paragraph provided

- 1) the Participant has been provided with information that clearly indicates that the Participant has at least 30 days to consider whether to waive the Qualified Joint and Survivor Annuity and elect (with spousal consent) a form of distribution other than a Qualified Joint and Survivor Annuity,
- 2) the Participant is permitted to revoke any affirmative distribution election at least until the annuity starting date or, if later, at any time before the expiration of the seven-day period that begins the day after the explanation of the Qualified Joint and Survivor Annuity is provided to the Participant, and
- 3) the annuity starting date is a date after the date that the explanation was provided to the Participant.

2. In the case of a Qualified Preretirement Survivor Annuity as described in Plan Section 5.10(C), the Plan Administrator shall provide each Participant within the applicable period for such Participant an explanation (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) of the Qualified Preretirement Survivor Annuity in such terms and in such manner as would be comparable to the explanation provided for meeting the requirements of Plan Section 5.10(D)(1) applicable to a Qualified Joint and Survivor Annuity.

The applicable period for a Participant is whichever of the following periods ends last: 1) the period beginning with the first day of the Plan Year in which the Participant attains age 32 and ending with the close of the Plan Year preceding the Plan Year in which the Participant attains age 35, 2) a reasonable period ending after the individual becomes a Participant, 3) a reasonable period ending after Plan Section 5.10(D)(3) ceases to apply to the Participant, and 4) a reasonable period ending after this Plan Section 5.10 first applies to the Participant. Notwithstanding the foregoing, notice must be provided within a reasonable period ending after separation from service in the case of a Participant who separates from service before attaining age 35.

For purposes of applying the preceding paragraph, a reasonable period ending after the enumerated events described in 2), 3) and 4) is the end of the two-year period beginning one year before the date the applicable event occurs, and ending one year after that date. In the case of a Participant who separates from service before the Plan Year in which age 35 is attained, notice shall be provided within the two-year period beginning one year before separation and ending one year after separation. If such a Participant thereafter returns to employment with the Employer, the applicable period for such Participant shall be redetermined.

3. Notwithstanding the other requirements of this Plan Section 5.10(D), the respective notices prescribed by this Plan Section 5.10(D), need not be given to a Participant if 1) the Plan "fully subsidizes" the costs of a Qualified Joint and Survivor Annuity or Qualified Preretirement Survivor Annuity, and 2) the Plan does not allow the Participant to waive the Qualified Joint and Survivor Annuity or Qualified Preretirement Survivor Annuity and does not allow a married Participant to

designate a non-Spouse Beneficiary. For purposes of this Plan Section 5.10(D)(3), a plan fully subsidizes the costs of a benefit if no increase in cost, or decrease in benefits to the Participant may result from the Participant's failure to elect another benefit.

E. Retirement Equity Act Safe Harbor Rules

1. Except as provided otherwise in the Adoption Agreement, the safe harbor provisions of this Plan Section 5.10(E) shall apply to a Participant in a profit sharing plan, and shall always apply to any distribution made on or after the first day of the first Plan Year beginning after December 31, 1988, from or under a separate account attributable solely to accumulated deductible employee contributions, as defined in Code Section 72(o)(5)(B), and maintained on behalf of a Participant in a money purchase pension plan, (including a target benefit pension plan) if the following conditions are satisfied:

- a. the Participant does not or cannot elect payments in the form of a life annuity; and
- b. on the death of a Participant, the Participant's Vested Account Balance will be paid to the Participant's surviving Spouse, but if there is no surviving Spouse, or if the surviving Spouse has consented in a manner conforming to a Qualified Election, then to the Participant's designated Beneficiary. The surviving Spouse may elect to have distribution of the Vested Account Balance commence within the 90-day period following the date of the Participant's death. The Vested Account Balance shall be adjusted for gains or losses occurring after the Participant's death in accordance with the provisions of the Plan governing the adjustment of account balances for other types of distributions. This Plan Section 5.10(E) shall not apply to a Participant in a profit sharing plan if the plan is a direct or indirect transferee of a defined benefit plan, money purchase pension plan, a target benefit pension plan, stock bonus, or profit sharing plan which is subject to the survivor annuity requirements of Code Section 401(a)(11) and Section 417. If this Plan Section 5.10(E) applies, then no other provisions of this Plan Section 5.10 shall apply except as provided in Treasury Regulations.

2. The Participant may waive the spousal death benefit described in this Plan Section 5.10(E) at any time provided that no such waiver shall be effective unless it is a Qualified Election (other than the notification requirement referred to therein) that would apply to the Participant's waiver of the Qualified Preretirement Survivor Annuity.

3. For purposes of this Plan Section 5.10(E), Vested Account Balance shall mean, in the case of a money purchase pension plan or a target benefit pension plan, the Participant's separate account balance attributable solely to accumulated deductible employee contributions within the meaning of Code Section 72(o)(5)(B). In the case of a profit sharing plan, Vested Account Balance shall have the same meaning as provided in the Definitions Section of this Plan.

4. In the event this Plan is a direct or indirect transferee of or a restatement of a plan previously subject to the survivor annuity requirements of Code Sections 401(a)(11) and 417 and the Employer has selected to have this Plan Section 5.10(E) apply, the provisions of this Plan Section 5.10(E) shall not apply to any benefits accrued (including subsequent adjustments for earnings and losses) before the adoption of these provisions. Such amounts shall be separately accounted for in a manner consistent with Plan Section 7.02 and administered in accordance with the general survivor annuity requirements of Plan Section 5.10.

5.11 LIABILITY FOR WITHHOLDING ON DISTRIBUTIONS

The Plan Administrator shall be responsible for withholding federal income taxes from distributions from the Plan, unless the Participant (or Beneficiary, where applicable) elects not to have such taxes withheld. The Trustee (or Custodian, if applicable) or other payor may act as agent for the Plan Administrator to withhold such taxes and to make the appropriate distribution reports, provided the Plan Administrator furnishes all the information to the Trustee (or Custodian, if applicable) or other payor which such payor may need to properly perform withholding and reporting.

5.12 DISTRIBUTION OF EXCESS ELECTIVE DEFERRALS

A. General Rule — A Participant may assign to this Plan any Excess Elective Deferrals made during a taxable year of the Participant by notifying the Plan Administrator of the amount of the Excess Elective Deferrals to be assigned to the Plan. Unless specified otherwise in the Adoption Agreement, Participants who claim Excess Elective Deferrals for the preceding calendar year must submit their claims (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) to the Plan Administrator by March 1. A Participant is deemed to notify the Plan Administrator of any Excess Elective Deferrals that arise by taking into account only those Elective Deferrals made to this Plan and any other plan, contract, or arrangement of the Employer. Notwithstanding any other provision of the Plan, Excess Elective Deferrals, plus any income and minus any loss allocable thereto, shall be distributed no later than April 15th to any Participant to whose Individual Account Excess Elective Deferrals were assigned for the preceding year and who claims Excess Elective Deferrals for such taxable year except to the extent such Excess Elective Deferrals were classified as Catch-up Contributions. For years beginning after 2005, the Plan Administrator, in a uniform and nondiscriminatory manner, will determine whether the distribution of Excess Elective Deferrals for a year will be made first from the Participant's Pre-Tax Elective Deferral account or the Roth Elective Deferral account, or a combination of both, to the extent both Pre-Tax Elective Deferrals and Roth Elective Deferrals were made for the year, or may allow Participants to specify otherwise.

B. Determination of Income or Loss — Excess Elective Deferrals shall be adjusted for any income or loss up to the date of the distribution. The income or loss allocable to Excess Elective Deferrals is the sum of: 1) the income or loss allocable to the Participant's Elective Deferral account for the taxable year multiplied by a fraction, the numerator of which is such Participant's

Excess Elective Deferrals for the year and the denominator of which is the Participant's Individual Account balance attributable to Elective Deferrals without regard to any income or loss occurring during such taxable year, and 2) 10 percent of the amount determined under 1) multiplied by the number of whole calendar months between the end of the Participant's taxable year and the date of distribution, counting the month of distribution if distribution occurs after the 15th day of such month. Notwithstanding the preceding sentence, the Plan Administrator may compute the income or loss allocable to Excess Elective Deferrals in the manner described in Plan Section 7.02(B) (i.e., the usual manner used by the Plan for allocating income or loss to Participants' Individual Accounts or any reasonable method), provided such method is used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year. The Plan will not fail to use a reasonable method for computing the income or loss on Excess Elective Deferrals merely because the income allocable is based on a date that is no more than seven days before the distribution.

5.13 DISTRIBUTION OF EXCESS CONTRIBUTIONS

A. General Rule — Notwithstanding any other provision of this Plan, Excess Contributions, plus any income and minus any loss allocable thereto, shall be distributed no later than 12 months after a Plan Year to Participants to whose Individual Accounts such Excess Contributions were allocated for such Plan Year, except to the extent such Excess Contributions were classified as Catchup Contributions. Excess Contributions are allocated to the Highly Compensated Employees with the largest amounts of Employer Contributions taken into account in calculating the ADP test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such Employer Contributions and continuing in descending order until all the Excess Contributions have been allocated. Both the total amount of the Excess Contribution and, for purposes of the preceding sentence, the "largest amount" are determined after distribution of any Excess Deferrals. To the extent a Highly Compensated Employee has not reached their Catch-up Contribution limit under the Plan, Excess Contributions allocated to such Highly Compensated Employees as Catch-up Contributions will not be treated as Excess Contributions. If such Excess Contributions are distributed more than 2¹/₂ months after the last day of the Plan Year in which such Contributions arose, a 10 percent excise tax will be imposed on the Employer maintaining the Plan with respect to such amounts. Excess Contributions shall be treated as annual additions under the Plan even if distributed.

B. Determination of Income or Loss — Excess Contributions shall be adjusted for any income or loss up to the date of distribution. The income or loss allocable to Excess Contributions allocated to each Participant is the sum of: 1) the income or loss allocable to the Participant's Elective Deferral account(s) (and, if applicable, the Qualified Nonelective Contribution account or the Qualified Matching Contributions account or both) for the Plan Year multiplied by a fraction, the numerator of which is such Participant's Excess Contributions for the year and the denominator of which is the Participant's Individual Account balance attributable to Elective Deferrals (and Qualified Nonelective Contributions or Qualified Matching Contributions, or both, if any of such contributions are included in the ADP test) without regard to any income or loss occurring during such Plan Year, and 2) 10 percent of the amount determined under 1) multiplied by the number of whole calendar months between the end of the Plan Year and the date of distribution, counting the month of distribution if distribution occurs after the 15th day of such month. Notwithstanding the preceding sentence, the Plan Administrator may compute the income or loss allocable to Excess Contributions in the manner described in Plan Section 7.02(B) (i.e., the usual manner used by the Plan for allocating income or loss to Participants' Individual Accounts or any reasonable method), provided such method is used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year. The Plan will not fail to use a reasonable method for computing the income or loss on Excess Contributions merely because the income allocable is based on a date that is no more than seven days before the distribution.

C. Accounting for Excess Contributions — Excess Contributions allocated to a Participant shall be distributed from the Participant's Elective Deferral account(s) and Qualified Matching Contribution account (if applicable) in proportion to the Participant's Elective Deferrals and Qualified Matching Contributions (to the extent used in the ADP test) for the Plan Year. For years beginning after 2005, the Plan Administrator, in a uniform and nondiscriminatory manner, will either determine whether the distribution of Excess Contributions for a year will be made first from the Participant's Pre-Tax Elective Deferral account or the Roth Elective Deferral account, or a combination of both, to the extent both Pre-Tax Elective Deferrals and Roth Elective Deferrals were made for the year, or may allow Participants to specify otherwise. Excess Contributions shall be distributed from the Participant's Qualified Nonelective Contribution account only to the extent that such Excess Contributions exceed the balance in the Participant's Elective Deferral account(s) and Qualified Matching Contribution account.

5.14 DISTRIBUTION OF EXCESS AGGREGATE CONTRIBUTIONS

A. General Rule — Notwithstanding any other provision of this Plan, Excess Aggregate Contributions, plus any income and minus any loss allocable thereto, shall be forfeited, if forfeitable, or if not forfeitable, distributed no later than 12 months after a Plan Year to Participants to whose accounts such Excess Aggregate Contributions were allocated for such Plan Year. Excess Aggregate Contributions are allocated to the Highly Compensated Employees with the largest Contribution Percentage Amounts taken into account in calculating the ACP test for the year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such Contribution Percentage Amounts and continuing in descending order until all the Excess Aggregate Contributions have been allocated. If such Excess Aggregate Contributions are distributed more than 2¹/₂ months after

the last day of the Plan Year in which such Excess Aggregate Contributions arose, a 10 percent excise tax will be imposed on the Employer maintaining the Plan with respect to those amounts. Excess Aggregate Contributions shall be treated as annual additions under the Plan even if distributed.

B. Determination of Income or Loss — Excess Aggregate Contributions shall be adjusted for any income or loss up to the date of distributions. The income or loss allocable to Excess Aggregate Contributions allocated to each Participant is the sum of: 1) the income or loss allocable to the Participant's Nondeductible Employee Contribution account, Matching Contribution account, Qualified Matching Contributions account (if any, and if all amounts therein are not used in the ADP test) and, if applicable, Qualified Nonelective Contribution account and Elective Deferral account(s) for the Plan Year multiplied by a fraction, the numerator of which is such Participant's Excess Aggregate Contributions for the year and the denominator of which is the Participant's Individual Account balance(s) attributable to Contribution Percentage Amounts without regard to any income or loss occurring during such Plan Year; and 2) 10 percent of the amount determined under 1) multiplied by the number of whole calendar months between the end of the Plan Year and the date of distribution, counting the month of distribution if distribution occurs after the 15th day of such month. Notwithstanding the preceding sentence, the Plan Administrator may compute the income or loss allocable to Excess Aggregate Contributions in the manner described in Plan Section 7.02(B) (i.e., the usual manner used by the Plan for allocating income or loss to Participants' Individual Accounts or any reasonable method), provided such method is used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year. The Plan will not fail to use a reasonable method for computing the income or loss on Excess Aggregate Contributions merely because the income allocable is based on a date that is no more than seven days before the distribution.

C. Accounting for Excess Aggregate Contributions — Excess Aggregate Contributions allocated to a Participant shall be forfeited, if forfeitable, or distributed on a pro rata basis from the Participant's Nondeductible Employee Contribution account, Matching Contribution account, and Qualified Matching Contribution account (and, if applicable, the Participant's Qualified Nonelective Contribution account or Elective Deferral account, or both). For years beginning after 2005, the Plan Administrator, in a uniform and nondiscriminatory manner, will determine whether the distribution of Elective Deferrals that are Excess Aggregate Contributions for a year will be made first from the Participant's Pre-Tax Elective Deferral account or the Roth Elective Deferral account, or a combination of both, to the extent both Pre-Tax Elective Deferrals and Roth Elective Deferrals were made for the year, or may allow Participants to specify otherwise.

5.15 RECHARACTERIZATION

Provided the Plan allows Participants to make Nondeductible Employee Contributions, the Plan Administrator may, in a uniform and nondiscriminatory manner, permit a Participant to elect to treat all or a portion of an Excess Contribution allocated to them as an amount distributed to the Participant and then contributed by the Participant to the Plan as a Nondeductible Employee Contribution. Recharacterized amounts will remain nonforfeitable and subject to the same distribution requirements as Elective Deferrals. Amounts may not be recharacterized by a Highly Compensated Employee to the extent that such amount in combination with other Nondeductible Employee Contributions made by that Employee would exceed any stated limit under the Plan on Nondeductible Employee Contributions.

Recharacterization must occur no later than 2½ months after the last day of the Plan Year in which such Excess Contributions arose and is deemed to occur no earlier than the date the last Highly Compensated Employee is informed (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) of the amount recharacterized and the consequences thereof. Recharacterized amounts will be taxable to the Participant for the Participant's tax year in which the Participant would have received them in cash.

5.16 LOANS TO PARTICIPANTS

If the Adoption Agreement so indicates, a Participant may receive a loan from the Fund, subject to the following rules and the Plan's loan policy.

A. Loans shall be made available to all Participants on a reasonably equivalent basis. Notwithstanding the foregoing, new loans shall not be available to Participants who cease to be employed by the Employer, unless such Participants are parties-in-interest as defined in ERISA Section 3(14). In addition, existing loans shall be considered due and payable at such time as a Participant ceases to be an Employee and the loan will be considered in default and the Participant's Individual Account will be reduced by the outstanding amount of the loan unless otherwise specified in the loan policy statement or other loan documentation.

B. Loans shall not be made available to Highly Compensated Employees in an amount greater than the amount made available to other Employees.

C. Loans must be adequately secured and bear a reasonable interest rate.

D. No Participant loan shall exceed the Present Value of the Vested portion of a Participant's Individual Account.

E. A Participant must obtain the consent of their Spouse, if any, to the use of the Individual Account as security for the loan. Spousal consent shall be obtained no earlier than the beginning of the 90 day period that ends on the date on which the loan is to be so secured. The consent must be in writing (or any other form permitted by the IRS and DOL), must acknowledge the effect of the loan, and must be witnessed by a notary public or plan representative. Such consent shall thereafter be binding with respect to the consenting Spouse or any subsequent Spouse with respect to that loan. A new consent shall be required if the Individual Account is used for renegotiation, extension, renewal, or other revision of the loan. Notwithstanding the foregoing, no spousal consent is necessary if, at the time the loan is secured, no consent would be required for a distribution under Code Section 417(a)(2)(B). In addition, spousal consent is not required if the Plan or the Participant is not subject to Code Section 401(a)(11) at the time the Individual Account is used as security, or if the total Individual Account subject to the security is less than or equal to \$5,000.

F. In the event of default, foreclosure on the note and attachment of security will not occur until a distribution eligibility requirement is met under the Plan.

G. For plan loans made before January 1, 2002, no loans will be made to any shareholder-employee or Owner-Employee. For purposes of this requirement, a shareholder-employee means an employee or officer of an electing small business (Subchapter S) corporation who owns (or is considered as owning within the meaning of Code Section 318(a)(1)), on any day during the taxable year of such corporation, more than five percent of the outstanding stock of the corporation.

H. Loan repayments will be suspended under the Plan as permitted under Code Section 414(u)(4) (USERRA).

I. For years beginning after 2005, if the Participant's Individual Account contains both Pre-Tax Elective Deferrals and Roth Elective Deferrals, the specific rules governing the loan program may also designate the extent to which Pre-Tax Elective Deferrals, Roth Elective Deferrals, or a combination of both will 1) be used to calculate the maximum amount available for a loan, or 2) be available as a source from which loan proceeds may be taken or which may be used as security for a loan. To the extent permitted by law and related regulations, the rules established by the Plan Sponsor may specify the ordering rules to be applied in the event of a defaulted loan.

If a valid spousal consent has been obtained in accordance with Plan Section 5.16(E), then, notwithstanding any other provisions of this Plan, the portion of the Participant's Vested Individual Account used as a security interest held by the Plan by reason of a loan outstanding to the Participant shall be taken into account for purposes of determining the amount of the Individual Account payable at the time of death or distribution, but only if the reduction is used as repayment of the loan. If less than 100 percent of the Participant's Vested Individual Account (determined without regard to the preceding sentence) is payable to the surviving Spouse, then the Individual Account shall be adjusted by first reducing the Vested Individual Account by the amount of the security used as repayment of the loan, and then determining the benefit payable to the surviving Spouse.

To avoid taxation to the Participant, unless otherwise permitted by law or regulatory guidance, no loan to any Participant or Beneficiary can be made to the extent that such loan, when added to the outstanding balance of all other loans to the Participant, would exceed the lesser of 1) \$50,000 reduced by the excess (if any) of the highest outstanding balance of loans during the one year period ending on the day before the loan is made, over the outstanding balance of loans from the Plan on the date the loan is made, or 2) 50 percent of the Present Value of the nonforfeitable Individual Account of the Participant. For the purpose of the above limitation, all loans from all plans of the Employer and other members of a group of employers described in Code Sections 414(b), 414(c), and 414(m) are aggregated. Furthermore, any loan shall by its terms require that repayment (principal and interest) be amortized in level payments, not less frequently than quarterly, over a period not extending beyond five years from the date of the loan, unless such loan is used to acquire a dwelling unit which, within a reasonable time (determined at the time the loan is made), will be used as the principal residence of the Participant. Notwithstanding the foregoing, a Participant will suspend their loan repayments under this Plan as permitted under Code Section 414(u)(4). An assignment or pledge of any portion of the Participant's interest in the Plan and a loan, pledge, or assignment with respect to any insurance contract purchased under the Plan, will be treated as a loan under this paragraph.

The Plan Administrator shall administer the loan program in accordance with specific rules that are documented either in writing or in such other format as permitted by the IRS and the DOL. Such rules shall include, at a minimum, the following: 1) the identity of the person or positions authorized to administer the Participant loan program, 2) the procedure for applying for loans, 3) the basis on which loans will be approved or denied, 4) limitations (if any) on the types and amounts of loans offered, 5) the procedure under the program for determining a reasonable rate of interest, 6) the types of collateral which may secure a Participant loan, and 7) the events constituting default and the steps that will be taken to preserve Plan assets in the event of such default.

SECTION SIX: DEFINITIONS

Unless modified in Section Six of the Adoption Agreement, words and phrases used in the Plan with initial capital letters shall, for the purpose of this Plan, have the meanings set forth in the portion of the Plan entitled "Definitions" unless the context indicates that other meanings are intended.

SECTION SEVEN: MISCELLANEOUS

7.01 THE FUND

A. Establishment and Maintenance — By adopting this Plan, the Employer establishes the Fund, which shall consist of the assets of the Plan received and held by the Trustee for which it serves as Trustee (or Custodian, if applicable) pursuant to Section Eight. Assets within the Fund may be pooled on behalf of all Participants, earmarked on behalf of each Participant or be a combination of pooled and earmarked assets. To the extent that assets are earmarked for a particular Participant, they will be held in a Separate Fund for that Participant.

No part of the corpus or income of the Fund may be used for, or diverted to, purposes other than for the exclusive benefit of Participants or their Beneficiaries. The Fund will be valued each Valuation Date at fair market value.

B. Division Of Fund Into Investment Funds — The Employer may direct the Trustee (or Custodian, if applicable) to divide and redivide the Fund into one or more Investment Funds. Such Investment Funds may include, but not be limited to, Investment Funds representing the assets under the control of an investment manager pursuant to Plan Section 7.22(C) and Investment Funds representing investment options available for individual direction by Participants pursuant to Plan Section 7.22(B). Upon each division or redivision, the Employer may specify the part of the Fund to be allocated to each such Investment Fund and the terms and conditions, if any, under which the assets in such Investment Fund shall be invested.

7.02 INDIVIDUAL ACCOUNTS

A. Establishment and Maintenance — The Plan Administrator shall establish and maintain an Individual Account in the name of each Participant to reflect the total value of their interest in the Fund (including but not limited to Employer Contributions and earnings thereon). Each Individual Account established hereunder shall consist of such subaccounts as may be needed for each Participant, including:

1. a subaccount to reflect Employer Contributions and Forfeitures allocated on behalf of a Participant;
2. a subaccount to reflect a Participant's rollover contributions;
3. a subaccount to reflect a Participant's transfer contributions;
4. a subaccount to reflect a Participant's Nondeductible Employee Contributions;
5. a subaccount to reflect a Participant's Pre-Tax Elective Deferrals; and
6. a subaccount to reflect a Participant's Roth Elective Deferrals.

The Plan Administrator may establish additional accounts as it may deem necessary for the proper administration of the Plan, including, but not limited to, a suspense account for Forfeitures as required pursuant to Plan Section 4.01(C) or (D).

If this Plan is funded by individual contracts that provide a Participant's Benefit under the Plan, such individual contracts shall constitute the Participant's Individual Account. If this Plan is funded by group contracts under the group annuity or group insurance contract, premiums or other consideration received by the insurance company must be allocated to Participants' Individual Accounts under the Plan.

B. Valuation Of Individual Accounts

1. Where all or a portion of the assets of a Participant's Individual Account are invested in a Separate Fund for the Participant, then the value of that portion of such Participant's Individual Account at any relevant time equals the sum of the fair market values of the assets in such Separate Fund, less any applicable charges or penalties.

2. The fair market value of the remainder of each Individual Account is determined in the following manner:

a. *Separate Fund* — First, the portion of the Individual Account invested in each Investment Fund as of the previous Valuation Date is determined. Each such portion is reduced by any withdrawal made from the applicable Investment Fund to or for the benefit of a Participant or the Participant's Beneficiary, further reduced by any amounts forfeited by the Participant pursuant to Plan Section 4.01(C) or (D), and further reduced by any transfer to another Investment Fund since the previous Valuation Date, and is increased by any amount transferred from another Investment Fund since the previous Valuation Date. The resulting amounts are the net Individual Account portions invested in the Investment Funds.

b. *No Separate Fund* — Second, the net Individual Account portions invested in each Investment Fund are adjusted upwards or downwards, pro rata (i.e., using the ratio of each net Individual Account portion to the sum of all net Individual Account portions) so that the sum of all the net Individual Account portions invested in an Investment Fund will equal the then fair market value of the Investment Fund. Notwithstanding the previous sentence, for the first Plan Year only, the net Individual Account portions shall be the sum of all contributions made to each Participant's Individual Account during the first Plan Year.

c. *Allocations* — Third, any contributions to the Plan and Forfeitures are allocated in accordance with the appropriate allocation provisions of Section Three of the Plan. For purposes of this Section Seven of the Plan, contributions made by the Employer for any Plan Year but after that Plan Year will be considered to have been made on the last day of that Plan Year regardless of when paid to the Trustee (or Custodian, if applicable). Amounts contributed between Valuation Dates will not be credited with investment gains or losses until the next following Valuation Date.

d. *Aggregation of Portions* — Finally, the portions of the Individual Account invested in each Investment Fund (determined in accordance with (a), (b) and (c) above) are added together.

C. Modification Of Method For Valuing Individual Accounts — If necessary or appropriate, the Plan Administrator may establish different or additional procedures (which shall be uniform and nondiscriminatory) for determining the fair market value of the

Individual Accounts including, but not limited to, valuation on a daily basis pursuant to the number of shares of each permissible investment held on behalf of a Participant.

7.03 POWERS AND DUTIES OF THE PLAN ADMINISTRATOR

A. The Plan Administrator shall have the authority to control and manage the operation and administration of the Plan. The Plan Administrator shall administer the Plan for the exclusive benefit of the Participants and their Beneficiaries in accordance with the specific terms of the Plan.

B. The Plan Administrator may, by appointment, allocate the duties of the Plan Administrator among several individuals or entities. Such appointments shall not be effective until the party designated accepts such appointment in writing.

C. The Plan Administrator shall be charged with the duties of the general administration of the Plan, including, but not limited to, the following:

1. To determine all questions of interpretation or policy in a manner consistent with the Plan's documents. The Plan Administrator's construction or determination in good faith shall be conclusive and binding on all persons except as otherwise provided herein or by law. Any interpretation or construction shall be done in a nondiscriminatory manner and shall be consistent with the intent that the Plan shall continue to be deemed a qualified plan under the terms of Code Section 401(a), as amended from time to time, and shall comply with the terms of ERISA, as amended from time to time;
2. To determine all questions relating to the eligibility of Employees to become or remain Participants hereunder;
3. To compute the amounts necessary or desirable to be contributed to the Plan;
4. To compute the amount and kind of benefits to which a Participant or Beneficiary shall be entitled under the Plan and to direct the Trustee (or Custodian, if applicable) with respect to all disbursements under the Plan, and, when requested by the Trustee (or Custodian, if applicable), to furnish the Trustee (or Custodian, if applicable) with instructions, in writing, on matters pertaining to the Plan and the Trustee (or Custodian, if applicable) may rely and act thereon;
5. To maintain all records necessary for the administration of the Plan;
6. To prepare and file such disclosures and tax forms as may be required from time to time by the Secretary of Labor or the Secretary of the Treasury;
7. To furnish each Employee, Participant or Beneficiary such notices, information, and reports under such circumstances as may be required by law;
8. To periodically review the performance of each Fiduciary and all other relevant parties to ensure such individuals' obligations under the Plan are performed in a manner that is acceptable under the Plan and applicable law; and
9. To furnish a statement to each Participant or Beneficiary no later than 270 days after the close of each Plan Year, indicating the Individual Account balances of such Participant as of the last Valuation Date in such Plan Year.

D. The Plan Administrator shall have all of the powers necessary or appropriate to accomplish their duties under the Plan, including, but not limited to, the following:

1. To appoint and retain such persons as may be necessary to carry out the functions of the Plan Administrator;
2. To appoint and retain counsel, specialists, or other persons as the Plan Administrator deems necessary or advisable in the administration of the Plan;
3. To resolve all questions of administration of the Plan;
4. To establish such uniform and nondiscriminatory rules which it deems necessary to carry out the terms of the Plan;
5. To make any adjustments in a uniform and nondiscriminatory manner which it deems necessary to correct any arithmetical or accounting errors which may have been made for any Plan Year;
6. To correct any defect, supply any omission, or reconcile any inconsistency in such manner and to such extent as shall be deemed necessary or advisable to carry out the purpose of the Plan; and
7. If the Plan permits a form of distribution other than a lump sum, and a Participant elects such form of distribution, the Plan Administrator may place that Participant's Individual Account into a segregated Investment Fund for the purpose of maintaining the necessary liquidity to provide benefit installments on a periodic basis.

7.04 EXPENSES AND COMPENSATION

All reasonable expenses of administration, including, but not limited to, those involved in retaining necessary professional assistance, may be paid from the assets of the Fund. Alternatively, the Employer may, in its discretion, pay any or all such expenses. Pursuant to uniform and nondiscriminatory rules that the Plan Administrator may establish from time to time, administrative expenses and expenses unique to a particular Participant or group of Participants may be charged to the Individual Account of such Participant or may be assessed against terminated Participants even if not assessed against active Participants (subject to rules promulgated by the IRS and the DOL), or the Plan Administrator may allow Participants to pay such fees outside of the Plan. The Employer shall furnish the Plan Administrator with such clerical and other assistance as the Plan Administrator may need in the performance of their duties.

7.05 INFORMATION FROM EMPLOYER

To enable the Plan Administrator to perform their duties, the Employer shall supply complete, accurate, and timely information to the Plan Administrator (or their designated agents) on all matters relating to the Compensation of all Participants; their regular employment; retirement, death, Disability, Severance from Employment or Termination of Employment; and such other pertinent facts as the Plan Administrator (or their agents) may require. The Plan Administrator shall advise the Trustee (or Custodian, if applicable) of such of the foregoing facts as may be pertinent to the Trustee's (or Custodian's) duties under the Plan. The Plan Administrator (or their agents) is entitled to rely on such information as is supplied by the Employer and shall have no duty or responsibility to verify such information. Such information, including authorizations and directions, may be exchanged among the Employer, the Plan Administrator, the Trustee (or Custodian, if applicable), or their agents through electronic, telephonic, or other means (including, for example, through the Internet) pursuant to applicable servicing arrangements in effect for the Plan.

7.06 PLAN AMENDMENTS

A. Right Of Prototype Sponsor To Amend The Plan Or Terminate Sponsorship

1. The Employer, by adopting the Plan, expressly delegates to the Prototype Sponsor the power, but not the duty, to amend the Plan without any further action or consent of the Employer as the Prototype Sponsor deems either necessary for the purpose of adjusting the Plan to comply with all laws and regulations governing pension or profit sharing plans or desirable to the extent consistent with such laws and regulations. Specifically, it is understood that the amendments may be made unilaterally by the Prototype Sponsor. However, it shall be understood that the Prototype Sponsor shall be under no obligation to amend the Plan documents, and the Employer expressly waives any rights or claims against the Prototype Sponsor for not exercising this power to amend. For purposes of Prototype Sponsor amendments, the mass submitter shall generally be recognized as the agent of the Prototype Sponsor. If the Prototype Sponsor does not adopt IRS model amendments adopted by the mass submitter, the Plan will no longer be identical to or a minor modifier of the mass submitter plan and will be considered an individually designed plan. Notwithstanding the foregoing, the adoption of good faith IRS amendments must be accomplished pursuant to the rules for each such amendment as prescribed by the IRS.

2. An amendment by the Prototype Sponsor shall be accomplished by giving notice (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) to the Adopting Employer of the amendment to be made. The notice shall set forth the text of such amendment and the date such amendment is to be effective. Such amendment shall take effect unless within the 30 day period after such notice is provided, or within such shorter period as the notice may specify, the Adopting Employer gives the Prototype Sponsor written notice of refusal to consent to the amendment. Such written notice of refusal shall have the effect of withdrawing the Plan as a prototype plan and shall cause the Plan to be considered an individually designed plan.

3. In addition to the amendment rights described above, the Prototype Sponsor shall have the right to terminate its sponsorship of this Plan by providing notice (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) to the Adopting Employer of such termination. Such termination of sponsorship shall have the effect of withdrawing the Plan as a prototype plan and shall cause the Plan to be considered an individually designed plan. The Prototype Sponsor shall have the right to terminate its sponsorship of this Plan regardless of whether the Prototype Sponsor has terminated sponsorship with respect to other employers adopting its prototype Plan.

B. Right Of Adopting Employer To Amend The Plan — The Adopting Employer may amend the Plan to

1. change options previously selected in the Adoption Agreement;
2. add overriding language in the Adoption Agreement when such language is necessary to satisfy Code Section 415 or Code Section 416 because of the required aggregation of multiple plans;
3. amend administrative provisions of the trust or custodial document in the case of a nonstandardized plan and make more limited amendments in the case of a standardized plan, such as the name of the Plan, Employer, Trustee or Custodian, Plan Administrator and other Fiduciaries, the trust year, and the name of pooled trust in which the Plan's trust will participate;
4. add certain sample and model amendments published by the IRS or other required good faith amendments which specifically provide that their adoption will not cause the Plan to be treated as individually designed; and
5. add or change provisions permitted under the Plan or specify or change the Effective Date of a provision as permitted under the Plan and correct obvious and unambiguous typographical errors or cross-references that merely correct a reference but that do not in any way change the original intended meaning of the provisions.

An Adopting Employer that amends the Plan for any other reason, including a waiver of the minimum funding requirement under Code Section 412(d), will no longer participate in this prototype plan and will be considered to have an individually designed plan.

An Adopting Employer who wishes to amend the Plan shall document the amendment in writing, executed by a duly authorized officer of the Adopting Employer. If the amendment is in the form of a restated Adoption Agreement, the amendment shall become effective on the date provided in the Adoption Agreement. Any other amendment shall become effective as described therein upon execution by the Adopting Employer and, if appropriate, the Trustee (or Custodian, if applicable). A copy of a restated Adoption Agreement or other amendment must be provided to the Prototype Sponsor and the Trustee (or Custodian, if applicable) before the effective date of the amendment.

The Adopting Employer further reserves the right to replace the Plan in its entirety by adopting another retirement plan which the Adopting Employer designates as a replacement plan.

C. Limitation On Power To Amend — No amendment to the Plan shall be effective to the extent that it has the effect of decreasing a Participant's accrued benefit. Notwithstanding the preceding sentence, a Participant's Individual Account may be reduced to the extent permitted under Code Section 412(c)(8). For purposes of this paragraph, a Plan amendment which has the effect of decreasing a Participant's Individual Account with respect to benefits attributable to service before the amendment shall be treated as reducing an accrued benefit. For purposes of this paragraph, a Participant shall not accrue a right to an allocation of an Employer Profit Sharing Contribution, Employer Money Purchase Pension Contribution or Target Benefit Contribution for the current Plan Year until the last day of such Plan Year and after the application of all amendments required or permitted by the IRS.

No amendment to the Plan shall be effective to eliminate or restrict an optional form of benefit. The preceding sentence shall not apply to a Plan amendment that eliminates or restricts the ability of a Participant to receive payment of their Individual Account under a particular optional form of benefit if the amendment provides a single-sum distribution form. Where this Plan document is being adopted to amend another plan that contains a protected benefit not provided for in this document, the Employer must complete Attachment A, "Protected Benefit and Prior Plan Provisions," describing such protected benefit which shall become part of the Plan.

D. Amendment Of Vesting Schedule — If the vesting schedule of the Plan is amended, in the case of an Employee who is a Participant as of the later of the date such amendment is adopted or the date it becomes effective, the Vested percentage (determined as of such date) of such Employee's Individual Account derived from Employer Contributions will not be less than the percentage computed under the Plan as of that date without regard to such amendment. Furthermore, if the Plan's vesting schedule is amended, or the Plan is amended in any way that directly or indirectly affects the computation of the Participant's Vested percentage, or if the Plan is deemed amended by an automatic change to or from a top-heavy vesting schedule, each Participant with at least three Years of Vesting Service with the Employer may elect, within the time set forth below, to have the Vested percentage computed under the Plan without regard to such amendment.

The period during which the election may be made shall commence with the date the amendment is adopted or deemed to be made and shall end the later of

1. 60 days after the amendment is adopted;
2. 60 days after the amendment becomes effective; or
3. 60 days after the Participant is issued a notice (either in writing or in any other form permitted under rules promulgated by the IRS and DOL) of the amendment by the Employer or Plan Administrator.

7.07 PLAN MERGER OR CONSOLIDATION

In the case of any merger or consolidation of the Plan with, or transfer of assets or liabilities of such Plan to, any other plan, each Participant shall be entitled to receive benefits immediately after the merger, consolidation, or transfer (if the Plan had then terminated) which are equal to or greater than the benefits they would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated). The Trustee (or Custodian, if applicable) has the authority to enter into merger agreements or agreements to directly transfer the assets of this Plan, but only if such agreements are made with trustees or custodians of other retirement plans described in Code Section 401(a) or such other plans permitted by laws or regulations.

7.08 PERMANENCY

The Employer expects to continue this Plan and make the necessary contributions thereto indefinitely, but such continuance and payment is not assumed as a contractual obligation. Neither the Adoption Agreement nor the Plan nor any amendment or modification thereof nor the making of contributions hereunder shall be construed as giving any Participant or any other person any legal or equitable right against the Employer, the Trustee (or Custodian, if applicable), the Plan Administrator, or the Prototype Sponsor except as specifically provided herein, or as provided by law.

7.09 METHOD AND PROCEDURE FOR TERMINATION

The Plan may be terminated by the Adopting Employer at any time by appropriate action of its managing body. Such termination shall be effective on the date specified by the Adopting Employer. The Plan shall terminate, if required by either the IRS or the DOL, if the Adopting Employer is dissolved or terminated. Written notice of the termination and effective date thereof shall be given to the Trustee (or Custodian, if applicable), Plan Administrator, Prototype Sponsor, and the Participants and Beneficiaries of deceased Participants. The required filings (such as the Form 5500 series and others) must be made by the Adopting Employer with the IRS and any other regulatory body as required by current laws and regulations. Until all of the assets have been distributed from the Fund, the Adopting Employer must keep the Plan in compliance with current laws and regulations by making appropriate amendments to the Plan and by taking such other measures as may be required. If the Plan is abandoned by the Adopting Employer, however, a qualified termination administrator (QTA) (or other entity permitted by the IRS or DOL) may terminate the Plan according to rules promulgated by the IRS and DOL.

7.10 CONTINUANCE OF PLAN BY SUCCESSOR EMPLOYER

Notwithstanding the preceding Plan Section 7.09, a successor of the Adopting Employer may continue the Plan and be substituted in the place of the present Adopting Employer. The successor and the present Adopting Employer (or, if deceased, the executor of the estate of a deceased Self-Employed Individual who was the Adopting Employer) must execute a written instrument authorizing such substitution, and the successor shall amend the Plan in accordance with Plan Section 7.06.

7.11 FAILURE OF PLAN QUALIFICATION

If the Plan fails to retain its qualified status, the Plan will no longer be considered to be part of a prototype plan, and such Employer can no longer participate under this prototype. In such event, the Plan will be considered an individually designed plan.

7.12 GOVERNING LAWS AND PROVISIONS

To the extent such laws are not preempted by federal law, the terms and conditions of this Plan shall be governed by the laws of the state in which the Prototype Sponsor is located, unless otherwise agreed to in writing by the Prototype Sponsor and the Employer.

In the event of any conflict between the provisions of this Basic Plan Document and provisions of the Adoption Agreement, the summary plan description, or any related documents, the Basic Plan Document will control.

7.13 STATE COMMUNITY PROPERTY LAWS

The terms and conditions of this Plan shall be applicable without regard to the community property laws of any state.

7.14 HEADINGS

The headings of the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof.

7.15 GENDER AND NUMBER

Whenever any words are used herein in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and whenever any words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply.

7.16 STANDARD OF FIDUCIARY CONDUCT

The Employer, Plan Administrator, Trustee, and any other Fiduciary under this Plan shall discharge their duties with respect to this Plan solely in the interests of Participants and their Beneficiaries, and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. No Fiduciary shall cause the Plan to engage in any transaction known as a “nonexempt prohibited transaction” under either the Code or ERISA.

7.17 GENERAL UNDERTAKING OF ALL PARTIES

All parties to this Plan and all persons claiming any interest whatsoever hereunder agree to perform any and all acts and execute any and all documents and papers which may be necessary or desirable for the carrying out of this Plan and any of its provisions.

7.18 AGREEMENT BINDS HEIRS, ETC.

This Plan shall be binding upon the heirs, executors, administrators, successors, and assigns, as those terms shall apply to any and all parties hereto, present and future.

7.19 DETERMINATION OF TOP-HEAVY STATUS

A. In General — Except as provided in Plan Section 7.19(B), this Plan is a Top-Heavy Plan if any of the following conditions exist:

1. If the top-heavy ratio for this Plan exceeds 60 percent and this Plan is not part of any Required Aggregation Group or Permissive Aggregation Group of plans;
2. If this Plan is part of a Required Aggregation Group of plans but not part of a Permissive Aggregation Group and the top-heavy ratio for the group of plans exceeds 60 percent; or
3. If this Plan is a part of a Required Aggregation Group and part of a Permissive Aggregation Group of plans and the top-heavy ratio for the Permissive Aggregation Group exceeds 60 percent.

B. Top-Heavy Ratio

1. If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan) and the Employer has not maintained any defined benefit plan which during the five-year period ending on the Determination Date(s) has or has had accrued benefits, the top-heavy ratio for this Plan alone or for the Required or Permissive Aggregation Group

as appropriate is a fraction, the numerator of which is the sum of the account balances of all Key Employees as of the Determination Date(s) (including any part of any account balance distributed in the one-year period ending on the Determination Date(s) (five-year period ending on the Determination Date in the case of a distribution made for a reason other than Severance from Employment, death, or Disability and in determining whether the Plan is top-heavy for Plan Years beginning before January 1, 2002)) and the denominator of which is the sum of all account balances (including any part of any account balance distributed in the one-year period ending on the Determination Date(s), (five-year period ending on the Determination Date in the case of a distribution made for a reason other than Severance from Employment, death, or Disability and in determining whether the Plan is top-heavy for Plan Years beginning before January 1, 2002)) both computed in accordance with Code Section 416 and the regulations thereunder. Both the numerator and the denominator of the top-heavy ratio are increased to reflect any contribution not actually made as of the Determination Date, but which is required to be taken into account on that date under Code Section 416 and the regulations thereunder.

2. If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan) and the Employer maintains or has maintained one or more defined benefit plans which during the five-year period ending on the Determination Date(s) has or has had any accrued benefits, the top-heavy ratio for any Required or Permissive Aggregation Group, as appropriate, is a fraction, the numerator of which is the sum of account balances under the aggregated defined contribution plan or plans for all Key Employees, determined in accordance with 1) above, and the Present Value of accrued benefits under the aggregated defined benefit plan or plans for all Key Employees as of the Determination Date(s), and the denominator of which is the sum of the account balances under the aggregated defined contribution plan or plans for all Participants, determined in accordance with 1) above, and the Present Value of accrued benefits under the defined benefit plan or plans for all Participants as of the Determination Date(s), all determined in accordance with Code Section 416 and the regulations thereunder. The accrued benefits under a defined benefit plan in both the numerator and denominator of the top-heavy ratio are increased for any distribution of an accrued benefit made in the one-year period ending on the Determination Date (five-year period ending on the Determination Date in the case of a distribution made for a reason other than Severance from Employment, death, or Disability and in determining whether the Plan is top-heavy for Plan Years beginning before January 1, 2002).

3. For purposes of (1) and (2) above, the value of account balances and the Present Value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the 12-month period ending on the Determination Date, except as provided in Code Section 416 and the regulations thereunder for the first and second plan years of a defined benefit plan. The account balances and accrued benefits of a Participant 1) who is not a Key Employee but who was a Key Employee in a prior year, or 2) who has not been credited with at least one Hour of Service with any employer maintaining the plan at any time during the one-year period (five-year period ending on the Determination Date in the case of a distribution made for a reason other than Severance from Employment, death, or Disability and in determining whether the Plan is top-heavy for Plan Years beginning before January 1, 2002) ending on the Determination Date will be disregarded. The calculation of the top-heavy ratio, and the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Code Section 416 and the regulations thereunder. Deductible employee contributions will not be taken into account for purposes of computing the top-heavy ratio. When aggregating plans the value of account balances and accrued benefits will be calculated with reference to the Determination Dates that fall within the same calendar year.

The accrued benefit of a Participant other than a Key Employee shall be determined under 1) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Employer, or 2) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of Code Section 411(b)(1)(C).

C. SIMPLE 401(k) Plan Exception — Notwithstanding Plan Section 7.19(A) above, the Plan is not treated as a Top-Heavy Plan under Code Section 416 for any Year for which an Eligible Employer maintains this Plan as a SIMPLE 401(k) Plan.

D. Safe Harbor 401(k) Plan Exception — Notwithstanding Plan Section 7.19(A) above, the Plan is not treated as a Top-Heavy Plan under Code Section 416 for any Year for which an Eligible Employer makes only those contributions described in Code Sections 401(k) (12) and 401(m)(11) for any Plan Year. If any other contributions are made for a Plan Year (e.g., Employer Profit Sharing Contributions, forfeitures, etc.), the Top-Heavy rules describe in Code Section 416(g)(4)(H) will apply for that Plan Year.

7.20 INALIENABILITY OF BENEFITS

No benefit or interest available under the Plan will be subject to assignment or alienation, either voluntarily or involuntarily. The preceding sentence shall not apply to judgments and settlements described in Code Section 401(a)(13)(C) and ERISA Section 206(d)(4). Such sentence shall, however, apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant pursuant to a Domestic Relations Order, unless such order is determined to be a Qualified Domestic Relations Order as defined in the Definitions Section of the Plan.

Generally, a Domestic Relations Order cannot be a Qualified Domestic Relations Order until January 1, 1985. However, in the case of a Domestic Relations Order entered before January 1, 1985, the Plan Administrator:

- 1) shall treat such order as a Qualified Domestic Relations Order if the Plan Administrator is paying benefits pursuant to such order on January 1, 1985, and

2) may treat any other such order entered before January 1, 1985, as a Qualified Domestic Relations Order even if such order does not meet the requirements of Code Section 414(p).

Notwithstanding any provision of the Plan to the contrary, a distribution to an Alternate Payee under a Qualified Domestic Relations Order shall be permitted even if the Participant affected by such order is not otherwise entitled to a distribution, and even if such Participant has not attained the earliest retirement age as defined in Code Section 414(p).

7.21 BONDING

Every Fiduciary and every person who handles funds or other property of the Plan shall be bonded to the extent required by ERISA Section 412 and the regulations thereunder for purposes of protecting the Plan against loss by reason of acts of fraud or dishonesty on the part of the person, group, or class, alone or in connivance with others, to be covered by such bond. The amount of the bond shall be fixed at the beginning of each Plan Year and shall not be less than 10 percent of the amount of funds handled. The amount of funds handled shall be determined by the funds handled the previous Plan Year or, if none, the amount of funds estimated, in accordance with rules provided by the Secretary of Labor, to be handled during the current Plan Year. Notwithstanding the foregoing, no bond shall be less than \$1,000 nor more than \$500,000, except that the Secretary of Labor shall have the right to prescribe an amount in excess of \$500,000.

7.22 INVESTMENT AUTHORITY

A. Plan Investments — Except as provided in Plan Section 7.22(B) (relating to individual direction of investments by Participants), the Adopting Employer, not the Trustee (or Custodian, if applicable), shall have exclusive management and control over the investment of the Fund into any permitted investment. The Adopting Employer shall be responsible for establishing a funding policy statement on behalf of the Plan and shall provide a copy of such funding policy statement to the Discretionary Trustee, if any. Notwithstanding the foregoing, if the Trustee is designated as a Discretionary Trustee in the Adoption Agreement, such Discretionary Trustee may enter into an agreement with the Adopting Employer whereby the Discretionary Trustee will manage the investment of all or a portion of the Fund. Any such agreement shall be in writing and set forth such matters as the Discretionary Trustee deems necessary or desirable.

B. Direction Of Investments By Participants — Unless otherwise indicated in the Adoption Agreement, each Participant shall have the responsibility for directing the Trustee (or Custodian, if provided for under a separate agreement between the Adopting Employer and the Custodian), regarding the investment of all or part of their Individual Account. If all of the requirements of ERISA Section 404(c)(1) are satisfied, then to the extent so directed, the Adopting Employer, Plan Administrator, Trustee, the Custodian (if applicable), and all other Fiduciaries are relieved of Fiduciary liability under ERISA Section 404, provided that it shall be the Adopting Employer's responsibility to direct the Trustee (or Custodian, if applicable) as to permissible investments into which Participants may direct their individual investments.

The Plan Administrator shall direct that a Separate Fund be established in the name of each Participant who directs the investment of part or all of their Individual Account. Each Separate Fund shall be charged or credited (as appropriate) with the earnings, gains, losses, or expenses attributable to such Separate Fund. No Fiduciary shall be liable for any loss that results from a Participant's individual direction. The assets subject to individual direction shall not be invested in collectibles as that term is defined in Code Section 408(m).

The Plan Administrator shall establish such uniform and nondiscriminatory rules relating to individual direction as it deems necessary or advisable including, but not limited to, rules describing 1) which portions of Participants' Individual Accounts can be individually directed, 2) the frequency of investment changes, 3) the forms and procedures for making investment changes, and 4) the effect of a Participant's failure to make a valid direction.

The Plan Administrator may, in a uniform and nondiscriminatory manner, limit the available investments for Participants' individual direction to certain specified investment options (including, but not limited to, certain mutual funds, investment contracts, deposit accounts, and group trusts). The Plan Administrator may permit, in a uniform and nondiscriminatory manner, a Beneficiary of a deceased Participant or the Alternate Payee under a Qualified Domestic Relations Order to individually direct investments in accordance with this Plan Section 7.22(B).

Notwithstanding any provision hereof to the contrary, if the Adoption Agreement permits Participants to direct investments and also names a Directed Trustee, such Participants shall furnish investment instruction to the Plan Administrator under procedures adopted by the Adopting Employer and/or the Plan Administrator consistent with the Plan, and it shall be the responsibility of the Plan Administrator to provide direction to the Directed Trustee regarding the investment of such amounts. If a Participant who has the right to direct investments under the terms of the Plan fails to provide such direction to the Plan Administrator, the Plan Administrator shall direct the investment of such Participant's Individual Accounts. The Plan Administrator shall maintain records showing the interest of each Participant and/or Beneficiary in the Fund unless the Directed Trustee enters into a written agreement with the Adopting Employer to keep separate accounts for each such Participant or Beneficiary.

C. Investment Managers

1. Definition of Investment Manager — The Adopting Employer may appoint one or more investment managers to make investment decisions with respect to all or a portion of the Fund. The investment manager shall be any firm or individual

registered as an investment adviser under the Investment Advisers Act of 1940, a bank as defined in said Act, or an insurance company qualified under the laws of more than one state to perform services consisting of the management, acquisition, or disposition of any assets of the Plan.

2. **Investment Manager's Authority** — A separate Investment Fund shall be established representing the assets of the Fund invested at the direction of the investment manager. The investment manager so appointed shall direct the Trustee (or Custodian, if applicable) with respect to the investment of such Investment Fund. The investments which may be acquired at the direction of the investment manager are those described in Plan Section 7.22(D).

3. **Written Agreement** — The appointment of any investment manager shall be by written agreement between the Adopting Employer and the investment manager and a copy of such agreement (and any modification or termination thereof) must be given to the Trustee (or Custodian, if applicable). The agreement shall set forth, among other matters, the effective date of the investment manager's appointment and an acknowledgment by the investment manager that it is a Fiduciary of the Plan under ERISA.

4. **Concerning the Trustee (or Custodian, if applicable)** — Written notice of each appointment of an investment manager shall be given to the Trustee (or Custodian, if applicable) at least 60 days in advance of the effective date of such appointment. Such notice shall specify which portion of the Fund will constitute the Investment Fund subject to the investment manager's direction. If the separate Investment Fund subject to the direction of the Investment Manager is a permissible investment option to the Trustee (or Custodian, as applicable) pursuant to Plan Section 7.22(D), the Trustee (or Custodian, if applicable) shall comply with the investment direction given to it by the investment manager and will not be liable for any loss which may result by reason of any action (or inaction) it takes at the direction of the investment manager.

D. Permissible Investments — The Trustee (or Custodian, if applicable) may invest the assets of the Plan in property of any character, real or personal, including, but not limited to, the following: stocks, including Qualifying Employer Securities, and including shares of open-end investment companies (mutual funds); bonds; notes; debentures; proprietary mutual funds; deposit accounts; options; limited partnership interests; mortgages; real estate or any interests therein; unit investment trusts; Treasury Bills, and other U.S. Government obligations; common trust funds, combined investment trusts, collective trust funds or commingled funds maintained by a bank or similar financial organization (whether or not the Trustee hereunder); savings accounts, certificates of deposit, demand or time deposits or money market accounts of a bank or similar financial organization (whether or not the Trustee hereunder); annuity contracts that are "guaranteed benefit policies," as defined in ERISA Section 401(b)(2)(B); unless excluded in the Adoption Agreement, life insurance policies; or in such other investments as is deemed proper without regard to investments authorized by statute or rule of law governing the investment of trust funds but with regard to ERISA and this Plan. Notwithstanding the preceding sentence, the Prototype Sponsor may, as a condition of making the Plan available to the Adopting Employer, limit the types of property in which the assets of the Plan may be invested. The list of permissible investment options shall be further limited in accordance with any applicable law, regulations, or other restrictions applicable to the Trustee or Custodian, including, but not limited to, internal operational procedures adopted by such Trustee (or Custodian, if applicable). The actions of a Discretionary Trustee named in the Adoption Agreement shall also be subject to the funding policy statement provided by the Adopting Employer. If any Trustee (or Custodian, if applicable) invests all or any portion of the Fund pursuant to written instructions provided by the Adopting Employer (including an investment manager appointed by the Adopting Employer pursuant to Plan Section 7.22(C)) or any

Participant pursuant to Plan Section 7.22(B), the Trustee (or Custodian, if applicable) will be deemed to have invested pursuant to the Adopting Employer's funding policy statement.

To the extent the assets of the Plan are invested in a group trust, including a collective trust fund or commingled funds maintained by a bank or similar financial organization, the declaration of trust of such composite trust shall be deemed to be a part of the Plan, and any investment in such composite trust shall be subject to all of the provisions of such declaration of trust, as the same may be amended or supplemented from time to time.

If the responsibility for directing investments for Elective Deferrals (and earnings) is executed by someone other than the Participants, the acquisition of Qualifying Employer Securities will be limited to ten percent of the fair market value of the assets of the Plan, to the extent required by ERISA Section 407(b)(2).

E. Matters Relating To Insurance

1. If elected by the Plan Sponsor in the Adoption Agreement, a life insurance contract may be purchased on behalf of a Participant. No life insurance contract may be purchased unless the insured under the contract is the Participant or, where this Plan is a profit sharing or 401(k) plan, the Participant's Spouse or another individual in whom the Participant has an insurable interest. If a life insurance contract is to be purchased for a Participant, the aggregate premium for certain life insurance for each Participant must be less than a certain percentage of the aggregate Employer Contributions and Forfeitures allocated to a Participant's Individual Account at any particular time as follows.

a. *Ordinary Life Insurance* — For purposes of these incidental insurance provisions, ordinary life insurance contracts are contracts with both nondecreasing death benefits and nonincreasing premiums. If such contracts are purchased, less than 50 percent of the aggregate Employer Contributions and Forfeitures allocated to any Participant's Individual Account will be used to pay the premiums attributable to them.

b. *Term and Universal Life Insurance* — No more than 25 percent of the aggregate Employer Contributions and Forfeitures allocated to any Participant's Individual Account will be used to pay the premiums on term life insurance contracts, universal life insurance contracts, and all other life insurance contracts which are not ordinary life.

c. *Combination* — The sum of 50 percent of the ordinary life insurance premiums and all other life insurance premiums will not exceed 25 percent of the aggregate Employer Contributions and Forfeitures allocated to any Participant's Individual Account.

If this Plan is a profit sharing plan, the above incidental benefits limits do not apply to life insurance contracts purchased by an Employee who has been a Participant in the Plan for five or more years or purchased with Employer Contributions and Forfeitures that have been in the Participant's Individual Account for at least two full Plan Years, measured from the date such contributions were allocated. For purposes of this Plan Section 7.22(E)(1), rollover and transfer contributions shall be considered Employer Contributions, and therefore may be used to pay contract premiums. No part of the Deductible Employee Contribution account will be used to purchase life insurance.

2. Any dividends or credits earned on insurance contracts for a Participant shall be allocated to such Participant's Individual Account derived from Employer Contributions for whose benefit the contract is held.

3. Subject to Plan Section 5.10, the contracts on a Participant's life will be converted to cash or an annuity or distributed to the Participant upon separation from service with the Employer. In addition, contracts on the joint lives of a Participant and another person may not be maintained under this Plan if such Participant ceases to have an insurable interest in such other person.

4. Subject to Plan Section 7.22(D), the Trustee (or Custodian, if applicable) shall apply for and will be the owner of any insurance contract(s) purchased under the terms of this Plan. The insurance contract(s) must provide that proceeds will be payable to the trust fund. However, the Trustee (or Custodian, if applicable) shall be required to pay over all proceeds of the contract(s) to the Participant's Designated Beneficiary in accordance with the distribution provisions of this Plan. A Participant's Spouse will be the designated beneficiary of the proceeds in all circumstances unless a Qualified Election has been made in accordance with Plan Section 5.10. Under no circumstances shall the Fund retain any part of the proceeds. In the event of any conflict between the terms of this Plan and the terms of any insurance contract purchased hereunder, the Plan provisions shall control.

5. Subject to Plan Section 7.22(D), the Plan Administrator may direct the Trustee (or Custodian, if applicable) to sell and distribute insurance or annuity contracts to a Participant (or other party as may be permitted) in accordance with applicable law or regulations.

6. Notwithstanding any other provision herein, and except as may be otherwise provided by ERISA, the Employer shall indemnify and hold harmless the insurer, its officers, directors, employees, agents, heirs, executors, successors, and assigns, from and against any and all liabilities, damages, judgments, settlements, losses, costs, charges, or expenses (including legal expenses) at any time arising out of or incurred in connection with any action taken by such parties in the performance of their duties with respect to this Plan, unless there has been a final adjudication of gross negligence or willful misconduct in the performance of such duties.

Further, except as may be otherwise provided by ERISA, the Employer will indemnify the insurer from any liability, claim, or expense (including legal expense) that the insurer incurs by reason of, or which results in whole or in part from the reliance of the insurer on the facts and other directions and elections the Employer communicates or fails to communicate.

7.23 PROCEDURES AND OTHER MATTERS REGARDING DOMESTIC RELATIONS ORDERS

A. To the extent provided in any Qualified Domestic Relations Order, the former Spouse of a Participant shall be treated as a surviving Spouse of such Participant for purposes of any benefit payable in the form of either a Qualified Joint and Survivor Annuity or Qualified Preretirement Survivor Annuity.

B. The Plan shall not be treated as failing to meet the requirements of the Code, which generally prohibits payment of benefits before the Participant's Termination of Employment or Severance from Employment, as applicable, with the Employer, solely by reason of payments to an Alternate Payee pursuant to a Qualified Domestic Relations Order.

C. In the case of any Domestic Relations Order received by the Plan,

1. the Plan Administrator shall promptly notify the Participant and any other Alternate Payee of the receipt of such order and the Plan's procedure for determining the qualified status of Domestic Relations Orders, and
2. within a reasonable period after receipt of such order, the Plan Administrator shall determine whether such order is a Qualified Domestic Relations Order and notify the Participant and each Alternate Payee of such determination.

The Plan Administrator shall establish reasonable procedures to determine the qualified status of Domestic Relations Orders and to administer distributions under such qualified orders.

D. During any period in which the issue of whether a Domestic Relations Order is a Qualified Domestic Relations Order is being determined by the Plan Administrator, by a court of competent jurisdiction, or otherwise, the Plan Administrator shall segregate in a separate account in the Plan or in an escrow account the amounts which would have been payable to the Alternate Payee during such period if the order had been determined to be a Qualified Domestic Relations Order. If within 18 months the order or modification thereof is determined to be a Qualified Domestic Relations Order, the Plan Administrator shall pay the segregated amounts (plus any interest thereon) to the person or persons entitled thereto. If within 18 months either 1) it is determined that the order is not a Qualified Domestic Relations Order, or 2) the issue as to whether such order is a Qualified Domestic Relations Order is not resolved, then the Plan Administrator shall pay the segregated amounts (plus any interest thereon) to the person or persons who would have been entitled to such amounts if there had been no order. Any determination that an order is a Qualified

Domestic Relations Order which is made after the close of the 18-month period shall be applied prospectively only.

7.24 INDEMNIFICATION OF PROTOTYPE SPONSOR

Notwithstanding any other provision herein, and except as may be otherwise provided by ERISA, the Employer shall indemnify and hold harmless the Prototype Sponsor, its officers, directors, employees, agents, heirs, executors, successors, and assigns, from and against any and all liabilities, damages, judgments, settlements, losses, costs, charges, or expenses (including legal expenses) at any time arising out of or incurred in connection with any action taken by such parties in the performance of their duties with respect to this Plan, unless there has been a final adjudication of gross negligence or willful misconduct in the performance of such duties. Further, except as may be otherwise provided by ERISA, the Employer will indemnify the Prototype Sponsor from any liability, claim, or expense (including legal expense) that the Prototype Sponsor incurs by reason of, or which results in whole or in part from, the reliance of the Prototype Sponsor on the facts and other directions and elections the Employer, Plan Administrator, or Investment Fiduciary communicates or fails to communicate.

7.25 MILITARY SERVICE

Notwithstanding any provision of this Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u).

SECTION EIGHT: TRUSTEE AND CUSTODIAN

8.01 FINANCIAL ORGANIZATION AS CUSTODIAN

This Section 8.01 applies where the Adopting Employer, by execution of the Adoption Agreement, appoints the entity named therein as Custodian for the Plan, and the entity accepts such appointment, all subject to the terms of the Basic Plan Document. The Adopting Employer represents and warrants to the entity that it has all requisite right, power, and authority and has taken all required actions necessary under the Plan and applicable law to designate the financial organization as Custodian of the Plan pursuant to the terms of the Basic Plan Document. The Employer, Plan Administrator, any Trustee, any other Investment Fiduciary, and the Custodian so appointed shall be bound by all the terms of this Basic Plan Document and Adoption Agreement. Notwithstanding any provision hereof regarding the responsibilities of or granting powers to the Custodian, the Custodian shall serve as a non-discretionary, directed Custodian of the Fund, shall have no discretionary authority with respect to the management or administration of the Plan or the Fund, and will act only as directed by the entity or individual who has such authority.

A. Responsibilities of the Custodian — The Custodian's responsibilities may be further limited by the Plan Trustee(s) and, notwithstanding any provision hereof to the contrary, may also be further limited by the terms of a separate agreement between the Custodian and the Adopting Employer. Subject to the previous sentence, the responsibilities of the Custodian shall be limited to the following:

1. To receive Plan contributions and to hold, invest and reinvest, and distribute the Fund as authorized by the Adopting Employer or its designee without distinction between principal and interest; provided, however, that nothing in this Plan shall require the Custodian to maintain physical custody of stock certificates (or other indicia of ownership of any type of asset) representing assets within the Fund.
2. To maintain accurate records of contributions, investments, earnings, receipts, disbursements, withdrawals, and other transactions with respect to the Fund, and all accounts, books, and records relating thereto shall be open at all reasonable times to inspection and audit by any person designated by the Employer; provided, however, that the Custodian is given reasonable advance notice of such inspection by the Employer. On direction of the Adopting Employer or Plan Administrator, and if agreed to in writing by the Custodian, the Custodian may provide annual or interim accountings, valuations, or other reports concerning the assets of the custodial account subject to payment of all required additional fees for such reports. The Custodian's accounting will be at the Custodial Account level rather than the Participant level, and the Custodian will not be responsible for Participant-level record-keeping, reporting, or communication unless it agrees to do so in a separate written agreement with the Adopting Employer or Plan Administrator. The Custodian will also furnish the Adopting Employer with such other information as the Custodian possesses and which is necessary for the Adopting Employer to comply with the reporting requirements of ERISA, as applicable. An accounting will be deemed to have been approved by the Adopting Employer unless the Adopting Employer or Plan Administrator objects to the contents of an accounting within sixty (60) days of its mailing or electronic transmission by the Custodian. Any objections must set forth the specific grounds on which they are based. Upon approval, the Custodian shall be forever released from any and all liability with respect to the Account.
3. To make disbursements from the Fund to Participants or Beneficiaries upon the proper authorization of the Plan Administrator.
4. To furnish to the Plan Administrator an annual statement which reflects the value of the investments in the custody of the Custodian as of the end of the period and as of any other times as the Custodian and Plan Administrator may agree to in writing, including an agreement regarding the application of additional fees for such additional report.

B. Powers of the Custodian — Except as otherwise provided in this Plan, and subject to receipt of instructions from the Adopting Employer, Plan Administrator, or Investment Fiduciary, as appropriate, the Custodian shall have the power, but, in the absence of proper direction as provided in Section 8.01(A) above, not the duty to take any action with respect to the Fund which it deems necessary or advisable to discharge its responsibilities under this Plan including, but not limited to, the following powers:

1. To invest all or a portion of the Fund (including idle cash balances) in time deposits, savings accounts, money market accounts, or similar investments bearing a reasonable rate of interest in the Custodian's own savings department or the savings department of another financial organization;
2. To vote upon any stocks, bonds, or other securities; to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges or subscription rights and to make any payments incidental thereto; to oppose, or to consent to, or otherwise participate in, corporate reorganizations or other changes affecting corporate securities, and to pay any assessment or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities, or other property;
3. To hold securities or other property of the Fund in its own name, in the name of its nominee, or in bearer form; and
4. To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted.

8.02 TRUSTEE

This Section 8.02 applies where either a financial organization and/or one or more individuals has/have indicated in the Adoption Agreement that it will serve as Trustee with respect to all or a portion of the assets of the Fund. The responsibilities and powers of the Trustee may not be expanded except with its prior written consent and, notwithstanding any provision hereof to the contrary, may be further limited by the terms of a separate agreement between the Trustee and the Adopting Employer. Notwithstanding any provision hereof regarding the responsibilities of or granting powers to the Trustee, a Directed Trustee shall have no discretionary authority with respect to the management or administration of the Plan or the Fund, and will act only as directed by the entity or individual who has such authority.

A. Establishment Of The Trust

1. The Adopting Employer and the Trustee hereby agree to the establishment of a trust consisting of the Fund. The Trustee shall carry out the duties and responsibilities herein specified, but shall be under no duty to determine whether the amount of any contribution by the Employer or any Participant is in accordance with the terms of the Plan nor shall the Trustee be responsible for the collection of any contributions required under the Plan.
2. The Fund shall be held, invested, reinvested and administered by the Trustee in accordance with the terms of the Plan and this Agreement solely in the interest of Participants and their Beneficiaries and for the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan. Except as provided in Section 8.02(G)(2), no assets of the Plan shall inure to the benefit of the Employer.
3. The Trustee shall pay benefits and expenses from the Fund only upon the written direction of the Plan Administrator. The Trustee shall be fully entitled to rely on such directions furnished by the Plan Administrator, and shall be under no duty to ascertain whether the directions are in accordance with the provisions of the Plan.

B. Investment Of The Fund

1. The Adopting Employer shall have the exclusive authority and discretion to select the permissible investment funds ("Permissible Investment Funds") available for investment under the Plan. In making such selection, the Employer shall use the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The available investments under the Plan shall be sufficiently diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The Employer shall notify the Trustee in writing of the selection of the Permissible Investment Funds currently available for investment under the Plan, and any changes thereto.
2. Unless otherwise designated by the Employer in the Adoption Agreement, each Participant shall have the exclusive right, in accordance with the provisions of the Plan, to direct the investment by the Trustee of all amounts allocated to the separate accounts of the Participant under the Plan among any one or more of the available Permissible Investment Funds. All investment directions by Participants shall be timely furnished to the Trustee by the Plan Administrator, except to the extent such directions are transmitted telephonically or otherwise by Participants directly to the Trustee or its delegate in accordance with rules and procedures established and approved by the Plan Administrator and communicated to the Trustee. In making any investment of the assets of the Fund, the Trustee shall be fully entitled to rely on such directions furnished to it by the Plan Administrator or by Participants in accordance with the Plan Administrator's approved rules and procedures, and shall be under no duty to make any inquiry or investigation with respect thereto.
3. Notwithstanding Section 7.22(A) of the Plan, to the extent so designated by the Employer in the Adoption Agreement, the Trustee shall invest amounts allocated to the separate accounts of Participants under the Plan as directed by the Plan Administrator or other named fiduciary for the Plan (including any investment manager as defined in Section 3(38) of ERISA) identified by the Employer in the Adoption Agreement. In making any investments of the assets of the Fund, the Trustee shall be fully entitled to rely on such directions properly furnished to it by the Plan Administrator or named fiduciary and shall be under no duty to make any inquiry or investigation with respect thereto.

4. The Plan or Plan Administrator may designate a default fund under the Plan in which the Trustee shall deposit contributions to the Fund on behalf of Participants who have been identified by the Plan Administrator as having not specified investment choices under the Plan. If the Trustee receives any asset that is not accompanied by instructions directing its investment, the Trustee shall immediately notify the Plan Administrator of that fact, and the Trustee may, in its discretion, return or hold all or a portion of the received asset outside of the Fund without liability for loss of income or appreciation pending receipt of proper investment directions. Otherwise, it is specifically intended under the Plan and this Agreement that the Trustee shall have no discretionary authority to determine the investment of the assets of the Fund.

5. Except as may be authorized by regulations promulgated by the Secretary of Labor, the Trustee shall not maintain the indicia of ownership in any assets of the Fund outside of the jurisdiction of the district courts of the United States.

C. Powers Of The Trustee — Subject to the provisions of Sections 8.02(B)(1), 8.02(B)(2) & 8.02(B)(3), the Trustee shall have the authority, in addition to any authority given by law, to exercise the following powers in the administration of the Fund:

1. to invest and reinvest all or a part of the Fund in accordance with Participants' investment directions in any available Investment Fund selected by the Employer without restriction to investments authorized for fiduciaries, including, without limitation on the amount that may be invested therein, any common, collective or commingled trust fund. Any investment in, and any terms and conditions of, any common, collective or commingled trust fund available only to employee trusts which meets the requirements of the Code, or corresponding provisions of subsequent income tax laws of the United States, shall constitute an integral part of this Section 8.02 and the Plan;

2. to dispose of all or any part of the investments, securities, or other property which may from time to time or at any time constitute the Fund, and to make, execute and deliver to the purchasers thereof good and sufficient deeds of conveyance therefore, and all assignments, transfers and other legal instruments, either necessary or convenient for passing the title and ownership thereto, free and discharged of all trusts and without liability on the part of such purchasers to see to the application of the purchase money;

3. to hold that portion of the Fund as the Trustee may deem necessary for ordinary administration, the transfer of assets to another trust or fiduciary, pending investment instructions, and for the disbursement of funds in cash, without liability for interest, by depositing the same in any bank (including deposits that bear no interest or a reasonable rate of interest in a bank or similar financial institution supervised by the United States or a State, even where a bank or financial institution is the Trustee, or otherwise is a Fiduciary of the Plan, subject to the rules and regulations governing such deposits, and without regard to the amount of any such deposit);

4. to cause any investment of the Fund to be registered in the name of the Trustee or the name of its nominee or nominees or to retain such investment unregistered or in a form permitting transfer by delivery; provided that the books and records of the Trustee shall at all times show that all such investments are part of the Fund;

5. except as provided further in Section 8.02(E) hereof with respect to shares of Qualifying Employer Securities that are held by the Fund, to vote in person or by proxy with respect to all mutual fund shares which are held by the Plan solely in accordance with directions furnished to it by the Employer, and to vote in person or by proxy with respect to all other securities credited to a Participant's separate accounts under the Plan solely in accordance with directions furnished to it by the Participant;

6. to consult and employ any suitable agent to act on behalf of the Trustee and to contract for legal, accounting, clerical and other services deemed necessary by the Trustee to manage and administer the Fund according to the terms of the Plan and this Agreement;

7. upon the written direction of the Plan Administrator, to make loans from the Fund to Participants in amounts and on terms approved by the Plan Administrator in accordance with the provisions of the Plan; provided that the Plan Administrator shall have the responsibility for collecting all loan repayments required to be made under the Plan and for furnishing the Trustee with copies of all promissory notes evidencing such loans; and

8. to pay from the Fund all taxes imposed or levied with respect to the Fund or any part thereof under existing or future laws, and to contest the validity or amount of any tax, assessment, claim or demand respecting the Fund or any part thereof.

D. Duties And Responsibilities Of The Trustee

1. The Trustee, the Employer and the Plan Administrator shall each discharge their assigned duties and responsibilities under this Agreement and the Plan solely in the interest of Participants and their Beneficiaries in the following manner:

(a) for the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan;

(b) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

(c) by diversifying the available investments under the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

(d) in accordance with the provisions of the Plan and this Section 8.02 insofar as they are consistent with the provisions of ERISA.

2. The Trustee shall keep full and accurate accounts of all receipts, investments, disbursements and other transactions hereunder, including such specific records as may be agreed upon in writing between the Employer and the Trustee. All such accounts, books and records containing Plan information shall be open to inspection and audit at all reasonable times by any

authorized representative of the Employer or the Plan Administrator. A Participant may examine only those individual account records pertaining directly to him.

3. Within 120 days after the end of each Plan Year or within 120 days after its removal or resignation, the Trustee shall file with the Plan Administrator a written account of the administration of the Fund showing all transactions effected by the Trustee subsequent to the period covered by the last preceding account to the end of such Plan Year or date of removal or resignation and all property held at its fair market value at the end of the accounting period. Upon approval of such accounting by the Plan Administrator, neither the Employer nor the Plan Administrator shall be entitled to any further accounting by the Trustee. The Plan Administrator may approve such accounting by written notice of approval delivered to the Trustee or by failure to express objection to such accounting in writing delivered to the Trustee within 90 days from the date on which the accounting is delivered to the Plan Administrator.

4. The Trustee shall not be required to determine the facts concerning the eligibility of any Participant to participate in the Plan, the amount of benefits payable to any Participant or Beneficiary under the Plan, or the date or method of payment or disbursement. The Trustee shall be fully entitled to rely solely upon the written advice and directions of the Plan Administrator as to any such question of fact.

5. Unless resulting from the Trustee's negligence, willful misconduct, lack of good faith, or breach of its fiduciary duties under this Agreement or ERISA, the Employer shall indemnify and save harmless the Trustee from, against, for and in respect of any and all damages, losses, obligations, liabilities, liens, deficiencies, costs and expenses, including without limitation, reasonable attorney's fees incident to any suit, action, investigation, claim or proceedings suffered, sustained, incurred or required to be paid by the Trustee in connection with the Plan or this Section 8.02.

E. Voting And Other Rights Of Qualifying Employer Securities

1. Each Participant or Beneficiary of a deceased Participant (referred to herein collectively as Participant) shall have the right to direct the Trustee as to the manner of voting and the exercise of all other rights which a shareholder of record has with respect to shares (and fractional shares) of Qualifying Employer Securities which have been allocated to the Participant's separate account including, but not limited to, the right to sell or retain shares in a public or private tender offer.

2. All shares (and fractional shares) of Qualifying Employer Securities for which the Trustee has not received timely Participant directions shall be voted or exercised by the Trustee in the same proportion as the shares (and fractional shares) of Qualifying Employer Securities for which the Trustee received timely Participant directions, except in the case where to do so would be inconsistent with the provisions of Title I of ERISA. All reasonable efforts shall be made to inform each Participant that shares of Employer Stock for which the Trustee does not receive Participant direction shall be voted pro rata in proportion to the shares for which the Trustee has received Participant direction.

3. Notwithstanding anything to the contrary, in the event of a tender offer for Qualifying Employer Securities, the Trustee shall interpret a Participant's silence as a direction not to tender the shares of Qualifying Employer Securities allocated to the Participant's separate account and, therefore, the Trustee shall not tender any shares (or fractional shares) of Qualifying Employer Securities for which it does not receive timely directions to tender such shares (or fractional shares) from Participants, except in the case where to do so would be inconsistent with the provisions of Title I of ERISA. Furthermore, tender offer materials provided to Participants shall specifically inform Participants that the Trustee shall interpret a Participant's silence as a direction not to tender the Participant's shares of Qualifying Employer Securities.

4. Each Participant exercising his authority under this Article shall be considered a named fiduciary of the Plan within the meaning of ERISA section 402(a)(2) with respect to the voting directions or response to an offer provided by the Participant (including in the case where a Participant's silence is treated by the Trustee as a direction not to tender as provided under Section 8.02(E)(3) hereof).

5. Information relating to the purchase, holding and sale of securities and the exercise of voting, tender and other similar rights with respect to Qualifying Employer Securities by Participants and beneficiaries shall be maintained in accordance with procedures that are designed to safeguard the confidentiality of such information, except to the extent necessary to comply with Federal laws or State laws not preempted by ERISA. The Trustee shall be the fiduciary who is responsible for ensuring that such procedures are sufficient to safeguard the confidentiality of the information described above, and that such procedures are followed.

6. Notwithstanding any provision contained in the Plan to the contrary, this Section 8.02(E) shall govern the procedures to be followed in connection with the voting of Qualifying Employer Securities held by the Plan and the disposition of Qualifying Employer Securities pursuant to any tender or exchange offer therefor. In the event of any conflict or inconsistency between the provisions of this Section 8.02(E) and any other provisions of the Plan, the provisions of this Section 8.02(E) shall control.

F. Appointment Of Investment Managers

1. Subject to Plan Section 7.22(D), the Plan Administrator may appoint one or more Investment Managers with respect to some or all of the assets of the Fund as contemplated by section 402(c)(3) of ERISA. Any such investment manager shall acknowledge to the Plan Administrator in writing that it accepts such appointment and that it is an ERISA fiduciary with respect to the Plan and the Fund. The Plan Administrator shall provide the Trustee with a copy of the written agreement (and any amendments thereto) between the Plan Administrator and the Investment Manager. By notifying the Trustee of the appointment of an Investment Manager, the Plan Administrator shall be deemed to certify that such Investment Manager meets the requirements of section 3(38) of ERISA. The authority of the Investment Manager shall continue until the Plan Administrator rescinds the appointment or the Investment Manager has resigned.

2. The assets with respect to which a particular Investment Manager has been appointed shall be specified by the Plan Administrator and shall be segregated in a separate account for the Investment Manager (the "Separate Account") and the Investment Manager shall have the power to direct the Trustee in every aspect of the investment of the assets of the Separate Account. The Investment Manager will be the fiduciary responsible for the selecting, negotiating, placing (including the execution of) investment contracts, and valuing of all investments held under the Separate Account. The Trustee may rely on such valuations including but not limited to the Investment Manager's responsibility for determining, and promptly informing Trustee, if assets should be carried on the Plans' books at any value other than contract value. The Investment Manager shall be responsible for making any proxy voting or tender offer decisions with respect to securities held in the Separate Account and the Investment Manager shall maintain a record of the reasons for the manner in which it voted proxies or responded to tender offers. The Trustee shall not be liable for the acts or omissions of an Investment Manager and shall have no liability or responsibility for acting or not acting pursuant to the direction of, or failing to act in the absence of, any direction from an Investment Manager, unless the Trustee knows that by such action or failure to act it would be itself committing a breach of fiduciary duty or participating in a breach of fiduciary duty by such Investment Manager, it being the intention of the parties that the Trustee shall have the full protection of section 405(d) of ERISA.

G. Prohibition Of Diversion

1. Except as provided in Section 8.02(G)(2) of this Article, at no time prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries under the Plan shall any part of the corpus or income of the Fund be used for, or diverted to, purposes other than for the exclusive benefit of Participants or their Beneficiaries, or for defraying reasonable expenses of administering the Plan.

2. The provisions of Section 8.02(G)(1) notwithstanding, contributions made by the Employer under the Plan may be returned to the Employer under the following conditions:

(a) If a contribution is made by mistake of fact, such contribution may be returned to the Employer within one year of the payment of such contribution;

(b) Contributions to the Plan are specifically conditioned upon their deductibility under the Code. To the extent a deduction is disallowed for any such contribution, it may be returned to the Employer within one year after the disallowance of the deduction. Contributions which are not deductible in the taxable year in which made but are deductible in subsequent taxable years shall not be considered to be disallowed for purposes of this subsection; and

(c) Contributions to the Plan are specifically conditioned on initial qualification of the Plan under the Code. If the Plan is determined to be disqualified, contributions made in respect of any period subsequent to the effective date of such disqualification may be returned to the Employer within one year after the date of denial of qualification, but only if the application for the qualification is made by the time prescribed by law for filing the employer's return for the taxable year in which the plan is adopted, or such later date as the Secretary of the Treasury may prescribe.

H. Communication With Plan Administrator And Adopting Employer

1. Whenever the Trustee is permitted or required to act upon the directions or instructions of the Plan Administrator, the Trustee shall be entitled to act upon any written communication signed or electronic communication reasonably believed to be sent by any person or agent designated to act as or on behalf of the Plan Administrator. Such person or agent shall be so designated either under the provisions of the Plan or in writing by the Employer and their authority shall continue until revoked in writing. The Trustee shall incur no liability for failure to act on such person's or agent's instructions or orders without written communication, and the Trustee shall be fully protected in all actions taken in good faith in reliance upon any instructions, directions, certifications and communications believed to be genuine and to have been signed or communicated by the proper person.

2. The Adopting Employer shall notify the Trustee in writing as to the appointment, removal or resignation of any person designated to act as or on behalf of the Plan Administrator. After such notification, the Trustee shall be fully protected in acting upon the directions of, or dealing with, any person designated to act as or on behalf of the Plan Administrator until it receives notice to the contrary. The Trustee shall have no duty to inquire into the qualifications of any person designated to act as or on behalf of the Plan Administrator.

I. Trustee's Compensation — The Trustee shall be entitled to reasonable compensation for its services as may be agreed upon by the Trustee and the Adopting Employer. The Trustee shall also be entitled to reimbursement for all expenses properly and actually incurred on behalf of the Plan. Such compensation or reimbursement shall be paid to the Trustee out of the Fund unless paid directly by the Employer. The Trustee's compensation shall also include any earnings attributable to outstanding benefit checks issued to participants (with the earnings period beginning on the date the check is written and ending on the date the check is presented for payment) and assets received by the Trustee pending receipt of proper investment instructions pursuant to Section 8.02(B)(4) (with the earnings period beginning on the date the assets are received and ending on the date in which proper investment instructions are received). The approximate earnings rate on such amounts shall generally be based upon the federal funds rate.

J. Resignation And Removal Of Trustee

1. The Trustee may resign at any time by written notice to the Employer which shall be effective 30 days after delivery unless prior thereto a successor trustee shall have been appointed.

2. The Trustee may be removed by the Employer at any time upon 30 days written notice to the Trustee; such notice, however, may be waived by the Trustee.

3. The appointment of a successor trustee hereunder shall be accomplished by and shall take effect upon the delivery to the resigning or removed Trustee, as the case may be, of written notice of the Employer appointing such successor trustee, and an acceptance in writing of the office of successor trustee hereunder executed by the successor so appointed. Any successor trustee may be either a corporation authorized and empowered to exercise trust powers or one or more individuals. All of the provisions set forth herein with respect to the Trustee shall relate to each successor trustee so appointed with the same force and effect as if such successor trustee had been originally named herein as the Trustee hereunder. If within 30 days after notice of resignation has been given under the provisions of this Article a successor trustee has not been appointed, the resigning Trustee or the Employer may apply to any court of competent jurisdiction for the appointment of a successor trustee.

4. Upon the appointment of a successor trustee, the resigning or removed Trustee shall transfer and deliver the Fund to such successor trustee, after reserving such reasonable amount as it shall deem necessary to provide for its expenses in the settlement of its account, the amount of any compensation due to it and any sums chargeable against the Fund for which it may be liable. If the sums so reserved are not sufficient for such purposes, the resigning or removed Trustee shall be entitled to reimbursement for any deficiency from the successor trustee and the Employer who shall be jointly and severally liable therefor.

K. Amendment And Termination Of The Trust And Plan

1. The Employer may, by delivery to the Trustee of an instrument in writing, amend, terminate or partially terminate this Agreement at any time; provided, however, that no amendment shall increase the duties or liabilities of the Trustee without the Trustee's consent; and, provided further, that no amendment shall divert any part of the Fund to any purpose other than providing benefits to Participants and their Beneficiaries or defraying reasonable expenses of administering the Plan.

2. If the Plan is terminated in whole or in part, or if the Employer permanently discontinues its contributions to the Plan, the Trustee shall distribute the Fund or any part thereof in such manner and at such times as the Plan Administrator shall direct in writing. In the absence of receipt of such written directions after the effective date of such termination, the Trustee may distribute the Fund in accordance with the provisions of the Plan.

8.03 NO OBLIGATION TO QUESTION DATA

The Employer shall furnish the Trustee (or Custodian, if applicable) and Plan Administrator the information which each party deems necessary for the administration of the Plan including, but not limited to, changes in a Participant's status, eligibility, mailing addresses and other such data as may be required. The Trustee (or Custodian, if applicable) and Plan Administrator shall be entitled to act on such information as is supplied them and shall have no duty or responsibility to further verify or question such information.

8.04 DEGREE OF CARE — LIMITATIONS OF LIABILITY

The Trustee (or Custodian, if applicable) shall be under no duty to take any action other than its express responsibilities under this Plan unless the responsible party under the terms of the Plan shall furnish the Trustee (or Custodian, if applicable) with written instructions; provided that in no event may the Trustee's (or Custodian's, if applicable) responsibilities be expanded except with its prior written consent. Any instructions hereunder may be delivered to the Trustee (or Custodian, if applicable) directly by the responsible party or by other mutually agreed upon parties. The Trustee (or Custodian, if applicable) shall not be liable for any action taken or omitted by it in good faith in reliance upon any instructions received hereunder or any other notice, request, consent, certificate, or other instrument or paper reasonably believed by it to be genuine and to have been properly executed. A Directed Trustee (or Custodian, if applicable) shall have no duty to inquire into the purpose or propriety of any order, instruction, or other communication received hereunder and may conclusively presume that any such order, instruction, or other communication is accurate and complete. The Trustee (or Custodian, if applicable) shall not be responsible for determining that all instructions provided to the Trustee (or Custodian, if applicable) are being given by the appropriate party and are in proper form under the provisions of the Plan and applicable law. The Trustee (or Custodian, if applicable) may conclusively presume that any instructions received have been duly authorized by the Employer, Investment Fiduciary, Plan Administrator, Trustee, or Participant, as applicable, pursuant to the terms of the Plan and applicable law.

The Trustee (or Custodian, if applicable) shall not be responsible for the validity or effect or the qualification under the Code or the Plan. The Trustee (or Custodian, if applicable) shall not be required to take any action upon receipt of any notice from the IRS or other taxing authority (unless such notice relates to the performance of the Trustee (or Custodian, if applicable) responsibilities in Plan Sections 8.01(A) or 8.02(A)) except to promptly forward a copy thereof to the Employer. Further, it is specifically understood that the Trustee (or Custodian, if applicable) shall have no duty or responsibility with respect to the determination of matters pertaining to the eligibility of any Employee to become a Participant or remain a Participant hereunder, the amount of benefit to which a Participant or Beneficiary shall be entitled to receive hereunder, whether a distribution to Participant or Beneficiary is appropriate under the terms of the Plan, the size and type of any policy to be purchased from any insurer for any Participant hereunder, or any other similar matters, it being understood that all such responsibilities under the Plan are vested in the Plan Administrator.

8.05 MISCELLANEOUS

A. Governing Law — Notwithstanding any other section or provision of this Plan, the construction, validity and administration of this Plan Section Eight shall be governed by the laws of the Commonwealth of Pennsylvania, except to the extent that such laws have been specifically superseded by ERISA.

B. Necessary Parties — To the extent permitted by law, only the Employer and the Trustee (or Custodian, if applicable) shall be necessary parties in any application to the courts for an interpretation of Section 8.01 or 8.02 or for an accounting by the Trustee (or Custodian, if applicable), and no other Plan Fiduciary, Participant, Beneficiary, or other person having an interest in the Fund shall be entitled to any notice or service of process. Any final judgment entered in such an action or proceeding shall, to the extent permitted by law, be conclusive upon all persons claiming in Plan Sections 8.01 or 8.02.

C. Force Majeure — The Trustee (or Custodian, if applicable) shall not be responsible or liable for the failure or delay in performance of its obligations arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, or that could not be avoided by the exercise of due care, such as an act of God or any mechanical, electronic, or communications failure.

SECTION NINE: ADOPTING EMPLOYER SIGNATURE

Section Nine of the Plan Adoption Agreement must contain the signature of an authorized representative of the Adopting Employer evidencing the Employer's agreement to be bound by the terms of the Basic Plan Document, Adoption Agreement, and, if applicable, separate trust or custodial agreement.

EXHIBIT 10.2

ASTRONICS CORPORATION 1992 INCENTIVE STOCK OPTION PLAN

I. PURPOSE

ASTRONICS CORPORATION (the “Company”), a New York corporation, establishes this 1992 Incentive Stock Option Plan (the “Plan”) to further the Company’s growth and development by providing to officers and other key employees of the Company and its subsidiaries who are in a position to contribute materially to the prosperity of the Company, through ownership of common stock of the Company (“Common Stock”), an incentive to increase their interest in the Company’s welfare and continue their services and to afford a means through which the Company can attract to its service other employees of outstanding ability.

II. ADMINISTRATION

2.1 Stock Option Committee. The Plan shall be administered by the Stock Option committee (the “Committee”) which shall be composed of at least three directors of the Company who are not eligible to participate in the Plan. The committee shall be appointed by the Board of Directors of the Company. Subject to the provisions of the Plan, the Committee shall have full and complete power and authority to do all things necessary and proper for the administration of the Plan, including the power to interpret and construe its terms and provisions and to determine the individuals selected to receive options, the times when they shall receive them, the number of shares to be subject to each option, and the option price.

2.2 Rules and Regulations. The Committee, as it may deem advisable, may issue rules and regulations for the administration of the Plan. When so directed by the Committee, appropriate officers of the Company shall execute and deliver on behalf of the Company such options, agreements and other instruments as the Committee may determine necessary to the implementation of the Plan. The Committee may adopt and /or construe an appropriate form for any such options or agreements and instruments, which forms shall contain such provisions or conditions as the Committee deems necessary or advisable in carrying out the purposes of the Plan, provided, however, that no such provision or condition shall be inconsistent with the Plan.

2.3 Defects or Omissions. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any option or agreement in the manner and to the extent it shall deem expedient to carry it into effect, and shall be the sole and final judge of such expediency. The Committee’s determination shall be conclusive.

III. STOCK SUBJECT TO THE PLAN

3.1 Number of Shares. The total number of shares of Common Stock of the Company which may be sold pursuant to options granted under the Plan shall not exceed 250,000 shares, adjusted as provided in Section 3.2. The shares of Common Stock sold under the Plan may either be authorized and unissued shares or issued shares reacquired by the Company (“treasury shares”). Unless and until the Board of Directors shall determine to purchase shares of Common Stock in the market for the purpose of the Plan or to use treasury shares, the shares of Common Stock sold under the Plan shall be authorized and unissued shares reserved for this purpose. In the event that any options granted under the Plan shall terminate or expire for any reason without having been exercised in full, the shares not purchased under those options shall be available again for the purpose of the plan.

3.2 Adjustments. Notwithstanding any other provision of the Plan, in the event of any change in any shares of the outstanding Common Stock of the Company by reason of a stock dividend, recapitalization, merger, consolidation, split-up, combination or exchange of shares, or action of like nature, the aggregate number and class of shares of Common Stock as to which options may be granted to any individual and the number and class of shares of Common Stock subject to each outstanding option and the option prices shall be appropriately adjusted by the Committee, whose determination shall be conclusive.

IV. ELIGIBILITY AND PARTICIPATION

4.1 Officers and Certain Employees. Options may be granted only to full-time salaried officers and key employees of the Company or any of its subsidiaries. Directors of the Company who are not also full-time salaried officers or employees of the Company will not be eligible to receive options.

4.2 Annual Limitation. The aggregate fair market value (determined as of the time the option is granted) of the Common Stock with respect to which options) under the Plan and any other incentive stock option plan of the Company) are exercisable for the first time by an individual in any calendar year shall not exceed \$100,000, or such other limit as may then be in effect under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”).

4.3 Voting Power Limitation. If an option is to be granted to an individual who at the time the option is granted owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company (as determined under Section 424(d) of the Code), the option price set out in the applicable portion of Article V hereof shall read “but shall not be less than 110 percent of its Fair Market Value” and the period of exercise set out in the applicable portion of Article VI hereof shall read “and ending not more than 5 years after the date on which the option is granted.”

V. PRICE

The purchase price of the Common Stock under each option shall be as determined by the Committee, but in no event less than the fair market value of the shares optioned on the date of granting. “Fair market value” shall be deemed to be:

1. The closing price on the date of grant as reflected in reports of the automated quotation service or national securities exchange on which the price of the Common Stock is reported.

In all cases where the Common Stock is selling ex-dividend on the date of grant, the amount of the dividend shall be added to the ex-dividend quotation to determine the fair market value of the Common Stock as of the date of grant; or

2. If the fair market value cannot be established under the provisions of (1) above, then the “fair market value” shall be that value determined in good faith by the Board of Directors based on a consideration of the following relevant factors: the Company’s net worth, prospective earning power, its dividend paying capacity, the value of its underlying assets, and any other factors such as the goodwill of the business, the economic outlook in the industry, the Company’s position in the industry and its management, and the value of securities of corporations engaged in the same or similar businesses which are listed on a national securities exchange. The weight to be accorded by comparisons or any other evidentiary factors considered by the Board of Directors in the determination of value will depend on the particular circumstances applying at the time. In every case, the determination of the Board of Directors shall be final.

The purchase price of the shares purchased shall be paid in full upon exercise of the option with cash or, if permitted by the Committee, with stock of the Company. The proceeds of the issuance of Common Stock subject to option are to be added to the funds of the Company available for its general corporate purposes.

VI. EXERCISE OF OPTION

Each option granted under the Plan shall be exercisable only during such period as the Committee may determine beginning not less than one year and ending not more than ten years after the date upon which the option is granted, except as such period may be modified under the provisions of Articles VII and IX hereof. Within such limits, each option shall provide, as determined by the Committee, the time or times at which and the number of shares for which it may be exercised. Unless otherwise provided in the Committee’s action, each option shall be exercisable in whole at any time or in part from time to time (in blocks of 1,000 shares or any multiple thereof) during the term of the option. The holder of an option shall have no rights as a shareholder with respect to shares subject to the option until such shares shall have been issued to such holder upon exercise of the option. An option may be exercised during the lifetime of the holder thereof only by such holder, except as otherwise provided in Sections 9.1 and 9.2 hereof.

VII. NON TRANSFERABILITY OF OPTIONS

No option granted under the Plan shall be transferable otherwise than by will or the applicable laws of descent and distribution.

VIII. TERMINATION OF EMPLOYMENT

If employment of the holder of an option is terminated by the Company for any reason, other than by death or disability, the holder’s option may be exercised only within three months from the date of such termination of employment, but in no event after ten years from the granting of the option; provided, however, that if the holder is dismissed for cause, as to which the Committee shall be sole and exclusive judge, the option shall expire immediately.

IX. DEATH OR DISABILITY OF OPTION HOLDER

9.1 Death While Employed. If the holder of an option dies while employed by the Company, the option may be exercised by the personal representative of the option holder for a period of one year from the date of death, but in no event after the expiration date of the option.

9.2 Death After Termination. If the holder of an option dies within three months after termination of employment other than for cause, the option may be exercised by the personal representative of the option holder for a period of one year from the date the option holder was terminated by the Company, but in no event after the expiration date of the option.

9.3 Disability. If the holder of an option becomes disabled within the meaning of Section 22 (e) of the Code, the option may be exercised by the option holder, within one year after becoming disabled, but in no event after the expiration date of the option.

X. AMENDMENT AND TERMINATION

Unless the Plan has been terminated as hereinafter provided, the Plan shall terminate on December 31, 2002 and no option under it shall be granted thereafter. The Board of Directors of the Company at any time prior to that date may terminate the Plan, or make such changes in it and additions to it as the Board of Directors shall deem advisable; provided, however, the except as provided in Section 3.2 hereof, the Board of Directors may not, without further approval of the shareholders of the Company, increase the maximum number of shares as to which options may be granted under the Plan; and provided further that any such change or addition does not affect the Plan's status under Section 422 of the Code. No termination or amendment of the Plan may, without the consent of the holder of an option then existing, terminate such holder's option or materially and adversely affect such holder's rights under the option.

XI. MISCELLANEOUS PROVISIONS

11.1 Option Date. An option shall have been deemed to have been granted on the date fixed in the resolution of the Committee authorizing the granting of such option, provided such date shall not be prior to the date of the adoption of such resolution. If no date is fixed by such resolution, the option shall be deemed to have been granted on the date of adoption of the resolution, provided that the agreement relating to the option shall be executed and delivered within thirty days therefrom, otherwise the option shall be deemed to have been granted on the date of delivery of such agreement to the optionee.

11.2 Indemnification of Committee. Without limiting any other rights of indemnification, the members of the Committee shall be indemnified by the Company against the reasonable expenses (including attorneys' fees, judgments, fines, and amounts paid in settlement) actually incurred as a result of any action, suit or proceeding, or any appeal or in connection with the Plan, and against all amounts paid by them in settlement of such claim, to the full extent permissible under Section 721 through 726 of the Business Corporation Law of the State of New York; provided that within sixty days after institution of any such claim, the Committee member involved in writing offers the Company the opportunity, at its own expense, to handle and defend the same.

XII. EFFECTIVE DATE

The plan shall become effective when it shall have been approved by the affirmative vote of a majority of the total votes cast by the holders of record of the shares of Common Stock and Class B Stock of the Company outstanding and entitled to vote at a meeting of shareholders, which approval takes place within twelve months before or after the date the Plan is adopted by the Company.

XIII. TIME OF GRANTING OF OPTIONS

13.1 Ten Year Limit. Options may only be granted under the Plan within ten years from the date the Plan is adopted by the Board of Directors of the Company or the date the Plan is approved by the Company's shareholders, whichever is earlier.

13.2 Formal Granting. Nothing contained in the Plan or in any resolution adopted or to be adopted by the Board of Directors or the shareholders of the Company shall constitute the granting of an option hereunder. The granting of an option pursuant to the Plan and the acquisition of any rights as an option holder shall take place only when the Committee authorizes the issuance of the option, and a formal written and executed option agreement is delivered to the then holder of the option.

EXHIBIT 10.3
ASTRONICS CORPORATION
1997 DIRECTOR STOCK OPTION PLAN

ARTICLE I

PURPOSE

The purpose of this 1997 Director Stock Option Plan (the "Plan") is to advance the interest of ASTRONICS CORPORATION, a New York corporation (the "Company"), by encouraging the efforts of directors of the Company who are not employees, by heightening the desire of such persons to continue in their service and by assisting the Company to compete effectively with other enterprises for new directors.

ARTICLE II

GRANTING OF OPTIONS

Subject to the terms and conditions of this Plan, the Company may issue options ("Options") to purchase up to one hundred thousand (100,000) shares of its \$.01 par value Common Stock ("Shares") to persons eligible to participate under Section 4.1 below. One hundred thousand (100,000) of the Company's authorized but unissued shares of Common Stock are hereby reserved for issuance under this Plan; provided, however, that treasury shares shall also be available for issuance under this Plan at the Company's discretion. Any Share subject to an Option that terminates for any reason other than exercise may be made subject to a subsequent Option.

ARTICLE III

TERM

Section 3.1 Effective Date.

This plan shall become effective upon its adoption by the Board of Directors. The Plan shall be submitted to the shareholders of the Company for their approval within twelve months of such adoption. No Option shall be exercisable unless and until the shareholders of the Company have approved the Plan.

Section 3.2 Termination.

This Plan shall terminate when all of the Shares have been acquired through exercise of Options or ten (10) years from the effective date as set forth in Section 3.1 above, unless sooner terminated by the Board of Directors. Any Option outstanding under this Plan at the time of its termination shall remain in effect in accordance with its terms and conditions and those of this Plan.

ARTICLE IV

PARTICIPANTS

Section 4.1 Eligible Directors.

Options may be granted to directors of the Company unless at the time of grant they are also an officer or employee of the Company or any of its subsidiary corporations. As used in this Plan, "Participant" means a director of the Company and includes a director's legal representative if he or she is incompetent or deceased, or any other person who acquires the legal right to exercise a Participant's Options.

ARTICLE V
GENERAL TERMS

Section 5.1 Written Agreement.

Options shall be evidenced by a written Option Agreement that shall contain such terms and conditions as this Plan requires and such additional provisions as the Committee, as defined in Section 6.1, may deem necessary or appropriate in its sole discretion and that do not conflict with the provisions of this Plan. Each Option Agreement shall be signed by the Participant and an officer of the Company designated by the Committee. Options granted pursuant to this Plan need not be identical, but each Option shall be subject to the terms and conditions set forth in this Plan.

Section 5.2 Time of Grant.

Options shall be granted only during the thirty (30) day period commencing one week after a press release announcing quarterly or annual results of operations of the Company.

Section 5.3 Price.

The purchase price of the Shares under each Option shall be as determined by the Committee, but in no event less than the fair market value of the Shares optioned on the date of granting. "Fair market value" shall be deemed to be:

1. The closing price on the date of grant as reflected in reports of the automated quotation service or national securities exchange on which the price of the Shares is reported.

In all cases where the Shares are selling ex-dividend on the date of grant, the amount of the dividend shall be added to the ex-dividend quotation to determine the fair market value of the Shares as of the date of grant; or

2. If the fair market value cannot be established under the provisions of (1) above, then the "fair market value" shall be that value determined in good faith by the Board of Directors based on a consideration of the following relevant factors: the Company's net worth, prospective earning power, its dividend paying capacity, the value of its underlying assets, and any other factors such as the goodwill of the business, the economic outlook in the industry, the Company's position in the industry and its management, and the value of securities of corporations engaged in the same or similar businesses which are listed on a national securities exchange. The weight to be accorded by comparisons or any other evidentiary factors considered by the Board of Directors in the determination of value will depend on the particular circumstances applying at the time. In every case, the determination of the Board of Directors shall be final.

Section 5.4 Payment of Exercise Price; Taxes.

5.4.1. The exercise price of each Option shall be paid in full at the time of exercise by cash or certified check or the exchange of Shares, or a combination of both such that the sum of (a) the aggregate fair market value (as of the exercise date) of the Shares exchanged by the Participant (as determined by the Committee), and (b) the cash paid, equals the total exercise price of the Option.

5.4.2. If the exercise of an Option gives rise to an obligation of the Company to withhold state or federal income or other taxes, or gives rise to any other tax liability of the Company of any kind, the Participant shall tender the amount of such tax to the Company along with the exercise price, unless the incidence of such tax cannot lawfully be placed on the Participant.

Section 5.5 Exercise of Options.

Options shall be exercisable as provided in the Option Agreement. In no event shall Options be exercised during the six (6) month period immediately following such grant.

Section 5.6 Duration of Option.

Each Option shall be exercisable for so long as the Participant is a director of the Company and, to the extent that the Option is exercisable on the date of termination of the Participant's directorship, for thirty (30) days thereafter, but not longer than ten (10) years from the date the Option is granted. Nothing in this Plan requires Options to be exercisable upon grant.

Section 5.7 Death or Disability.

If a Participant dies or is "permanently and totally disabled" (within the meaning of section 22(e)(3) of the Internal Revenue Code of 1986, as amended ["Code"]) while serving as a director of the Company, the thirty (30) day period specified in Section 5.6 above shall be one (1) year.

Section 5.8 Misconduct.

If a Participant is determined by the Committee to have committed an act of embezzlement, fraud, dishonesty, deliberate or repeated disregard for the rules of the Company, unauthorized disclosure of any of the trade secrets or confidential information of the Company, unfair competition with the Company, inducement of any customer of the Company to breach a contract with the Company, inducement of any principal for whom the Company acts as agent to terminate that agency relationship or any culpable degree of negligence, then neither the Participant nor the Participant's estate shall be entitled to exercise any Option after termination of the Participant's directorship, whether or not, after termination of such directorship, such Participant may receive payment from the Company for services rendered prior to termination, services for the day on which termination occurs, or other benefits.

Section 5.9 Transferability of Option.

Options shall be transferable only by will or the laws of descent and distribution.

Section 5.10 No Employment Agreement.

No Option Agreement, nor anything contained in this Plan, shall confer upon any Participant any right to continue as a director of the Company nor limit in any way the right of the Company, or the shareholders thereof, to terminate a Participant's directorship at any time.

Section 5.11 Adjustments to Options.

Subject to the general limitations of this Plan, the Committee may make any adjustment in the exercise price, term, or any other provision of an Option by cancelling an outstanding Option and subsequently regranting the Option or by amendment or substitution of an outstanding Option. Options that have been so amended, substituted, or regranted may have higher or lower exercise prices, have longer or shorter terms, or be subject to different rights and restrictions than prior Options. The Committee may also adjust the number of Options granted to a Participant by cancelling outstanding Options or granting additional Options. Except for amendments necessary to ensure compliance with any applicable state or federal law, no such amendment shall impair a Participant's rights and privileges pursuant to the grant of an Option without the consent of the Participant.

Section 5.12 Form of Agreement.

The Committee shall adopt a form of Option Agreement to be used pursuant to this Plan and may modify, add to, or delete from the form as it shall deem appropriate, subject to the provisions set forth herein.

ARTICLE VI

ADMINISTRATION AND AMENDMENT OF THE PLAN

Section 6.1 The Committee.

This Plan shall be administered by a committee ("Committee") of at least two persons not eligible to participate in the Plan and who are appointed by the Board of Directors and may or may not be members of the Board. The Board of Directors shall fill vacancies on the Committee and may from time to time remove members from, or add members to, the Committee, provided that at all times the Committee shall have at least two members. The Committee shall act pursuant to the written consent of a majority of its members or the majority vote of its members at any meeting thereof.

Section 6.2 Committee Rights and Powers.

Subject to this Plan and to the supervision of the Board of Directors, the Committee shall have the authority and discretion:

- (a) to determine which of the Company's directors shall receive Options;
- (b) to determine when Options shall be granted (subject to Section 5.2 above);
- (c) to determine the terms and conditions of Options (which terms and conditions may differ between Options);
- (d) to interpret the Plan; and
- (e) to take such action as is necessary or appropriate to the administration of the Plan.

All decisions, determinations, and interpretations of the Committee shall be final and binding on all Participants (subject to review by the Board of Directors in its sole and absolute discretion).

Section 6.3 Administration.

The Committee from time to time may adopt rules and regulations for implementing this Plan, and it may from time to time suspend or terminate this Plan or make such changes and additions hereto as it may deem desirable, without further action on the part of the Board of Directors or the shareholders of the Company; provided, however, that unless the Company's shareholders shall have first given their approval, then (a) the total number of Shares that may be purchased under the Plan shall not be increased except as otherwise provided in this Plan; (b) the description of the persons eligible to receive Options shall not be changed; and (c) the minimum exercise price shall not be changed. The suspension, termination or amendment of this Plan shall not, without the consent of the Participant, alter or impair any rights or obligations under any Options theretofore granted under this Plan.

ARTICLE VII

ADJUSTMENT OF AND CHANGES IN STOCK

Section 7.1 Changes in Stock; Stock Dividends.

If the Shares presently constituted are changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, split-up, combination of shares, or otherwise), or if the number of Shares shall be increased through the payment of a stock dividend or other distribution, then notwithstanding any other provision of this Plan, there shall be substituted for or added to each Share subject to this Plan the number and kind of shares of stock or other securities into which each outstanding Share shall be entitled, as the case may be. Outstanding Options shall also be amended as to price and other terms if necessary to reflect the foregoing events. If there shall be any other change in the number or kind of the outstanding Shares, or of any stock or other securities into which it shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in any Option theretofore granted or that may be granted under this Plan, such adjustment shall be made in accordance with such determination.

Section 7.2 Termination of Business.

Upon any merger of the Company with another corporation where the Company is not the surviving corporation, dissolution or liquidation of the Company, sale of substantially all the property of the company, or the acquisition of more than 80% of the voting power of the stock of the Company by another corporation, then the Company shall have the right, at its option, to do any of the following:

- (a) provide for the continuance of this Plan and all outstanding Options granted hereunder;

- (b) permit the immediate exercise of all outstanding Options not otherwise immediately exercisable;
- (c) terminate all outstanding Options, whether exercisable or not, by paying each holder an amount equal to the aggregate current market price of Shares underlying the Options held by the holder less the aggregate exercise price of such Shares; or
- (d) terminate this Plan and all Options granted hereunder after giving written notice to all holders of exercisable Options informing them of the Company's intention to terminate the Options and giving the holders a reasonable opportunity to exercise their exercisable Options.

Section 7.3 Fractional Shares.

No right to purchase fractional Shares shall result from any adjustment in Options pursuant to this Article VII. In the case of any such adjustment, the Shares subject to Options of each Participant shall be rounded down to the nearest whole Share. Notice of any adjustment shall be given by the Company to each holder of Options that shall have been so adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

ARTICLE VIII

BINDING ON HEIRS, SUCCESSORS AND ASSIGNS

Except as provided in Section 7.2 above, this Plan shall inure to the benefit of, and be binding upon, each successor to the Company. All obligations imposed upon the Participants and all rights granted to the Company under this Plan shall be binding upon each Participant's heirs, legal representatives, and successors. This Plan and the Option Agreements executed between the Company and each Participant shall be the sole and exclusive source of any and all rights that each Participant and his or her heirs, legal representatives, or successors may have in respect to this Plan or any Options or Shares granted hereunder, whether to the Participant or to any other person.

ARTICLE IX

TAX STATUS

Options granted hereunder are not intended to be eligible for favorable tax treatment under Section 422 of the Code. The Company does not hereby, nor by way of any Plan, document, or otherwise, attempt to make any representation to any person, including the Participants, with respect to the tax effect on such person of the grant or exercise of an Option or the subsequent disposition of Shares obtained by the exercise of an Option pursuant to this Plan or any other aspect of this Plan.

ARTICLE X

PLAN GOVERNS

If there is any discrepancy between this Plan and any documents related to this Plan, including any Option Agreement, this Plan shall govern. Nothing contained in this Plan shall be construed to constitute, or be evidence of, any right in favor of any person to receive Options hereunder or any obligation on the part of the Company to issue Options.

EXHIBIT 10.4
ASTRONICS CORPORATION
2001 STOCK OPTION PLAN

I. PURPOSE

The purpose of the 2001 Stock Option Plan (the “Plan”) of ASTRONICS CORPORATION, a New York corporation (the “Company”), is to enable the Company to attract, retain, and motivate key employees responsible for the success and growth of the Company by offering selected officers and other key employees of the Company and its Subsidiaries an opportunity to purchase Shares of Company Stock. The Plan provides for the grant of Options to purchase Shares. Options granted under the Plan may include Non-Qualified Stock Options (“NQSOs”) as well as options that are intended to qualify as Incentive Stock Options (“ISOs”) under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”).

Certain capitalized terms used in this Plan are defined in Section 2.

II. DEFINITIONS

- a. “Board” means the Board of Directors of the Company.
- b. “Committee” means the Stock Option Committee of the Board, consisting of at least 2 Directors who are not eligible to participate in the Plan and who are appointed to the Committee by the Board.
- c. “Director” means a member of the Board.
- d. “Exercise Price” means the amount for which one Share may be purchased when an Option is exercised, as specified by the Committee in the applicable Stock Option Agreement.
- e. “Option” means an ISO or NQSO granted under the Plan that entitles the holder to purchase Shares.
- f. “Optionee” means a person who holds an Option.
- g. “Share” means a share of Stock issuable when an Option is exercised, as adjusted in accordance with Section 8 (if applicable).
- h. “Stock” means the Common Stock or Class B Stock of the Company.
- i. “Stock Option Agreement” means the agreement or other instrument between the Company and an Optionee that evidences and sets forth the terms, conditions and restrictions pertaining to the Optionee’s Option.
- j. “Subsidiary” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan will be considered a Subsidiary commencing as of the date.

III. ADMINISTRATION

a. Stock Option Committee. The Plan will be administered by the Committee. Subject to and not inconsistent with the provisions of the Plan, the Committee has the full authority and responsibility to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including the power to:

- i. Determine and designate those employees selected to receive Options, the time at which each Option will be granted, and the number of Shares subject to each Option;

- ii. Determine the time and manner of exercise, the duration of the exercise periods, and the exercise price of the Options granted;
- iii. Prescribe, amend, or rescind any rules and regulations necessary or appropriate for the administration of the Plan;
- iv. Correct any defect, supply any deficiency, and reconcile any inconsistency in the Plan or in any related Option or agreement; and
- v. Make other determinations and take such other action in connection with the administration of the Plan as it deems necessary or advisable.

b. Delegation of Duties. The Committee may direct appropriate officers of the Company to implement its rules, regulations and determinations and to execute and deliver on behalf of the Company such documents, forms, agreements and other instruments as are deemed by the Committee to be necessary for the administration and implementation of the Plan.

c. Interpretation of Plan. The Committee has the power to interpret and construe the Plan and all related Options and agreements. All decisions, interpretations and determinations of the Committee with respect to the Plan will be final and binding on all Optionees and all persons deriving their rights from Optionees.

d. Indemnification. Each member of the Board and the Committee is indemnified and held harmless by the Company against any cost or expense (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the Plan to the extent permitted by applicable law. This indemnification is in addition to any rights of indemnification a member may have as a Director or otherwise under the by-laws of the Company or a Subsidiary, any agreement, any vote of shareholders or disinterested directors, or otherwise.

IV. ELIGIBILITY

a. General Rule. Options may be granted to full-time salaried officers and key employees of the Company or any Subsidiary.

b. Ten-Percent Stockholders. An individual who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company or any of its Subsidiaries (as determined in accordance with Section 424(d) of the Code) will not be eligible for the grant of an ISO unless (i) the Exercise Price is at least 110% of the Fair Market Value of a Share on the date of grant and (ii) the Option by its terms is not exercisable after the expiration of 5 years from the date of grant.

V. STOCK SUBJECT TO PLAN

a. Basic Limitation. The aggregate number of Shares that may be issued under the Plan on exercise of Options may not exceed 800,000 Shares, subject to adjustment as provided in Section 8. Shares offered under the Plan may be authorized but unissued Shares or Shares reacquired by the Company ("Treasury Shares"). The number of Shares that are subject to Options outstanding at any time under the Plan must not exceed the number of Shares that then remain available for issuance under the Plan. The Company, during the term of the Plan, at all times will reserve and keep available sufficient Shares to satisfy the requirements of the Plan.

b. Additional Shares. If any outstanding Option expires, is canceled or otherwise terminates for any reason, the Shares allocable to the unexercised portion of that Option will be available again for purposes of the Plan. If Shares issued under the Plan are reacquired by the Company, those Shares will be available again for purposes of the Plan.

VI. TERMS AND CONDITIONS OF OPTIONS

a. Stock Option Agreement. Each grant of an Option under the Plan will be evidenced by a Stock Option Agreement between the Optionee and the Company. The Option will be subject to terms and conditions that are consistent with the Plan and that the Board deems appropriate for inclusion in a Stock Option Agreement. The provisions of Stock Option Agreements entered into under the Plan need not be identical.

b. Number of Shares. Each Stock Option Agreement will specify the number of Shares that are subject to the Option and will provide for the adjustment of that number in accordance with Section 8. The Stock Option Agreement also will specify whether the

Option is an ISO or NQSO. However, if any portion of an Option does not meet the requirements to qualify as an ISO, that portion will be a NQSO.

c. Exercise Price. Each Stock Option Agreement will specify the Exercise Price. The Exercise Price under any Option will be determined by the Committee in its sole discretion, except that the Exercise Price may not be less than 100% of the Fair Market Value of a Share on the date of grant, and any higher percentage required by Section 4(b).

For purposes of the Plan, "Fair Market Value" will be determined in the following manner:

If the Shares are listed or admitted to trading on a nationally recognized U.S. securities exchange or the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), the Fair Market Value will be determined with reference to the closing price of a Share on such exchange or on NASDAQ as of the last trading day prior to the date of grant.

If the Fair Market Value cannot be established under the provisions of subsection (i) above, the Fair Market Value will be determined by the Board, acting in good faith on the basis of such information as they, in their reasonable judgment, consider appropriate. The determination of the Board will be conclusive and binding.

d. Limitation on Amount. The aggregate Fair Market Value (determined with respect to each ISO as of the time the ISO is granted) of the Stock with respect to which ISOs are exercisable for the first time by an Optionee during any calendar year (under this Plan or any other ISO plan of the Company or any Subsidiary) may not exceed \$100,000.

e. Withholding Taxes. As a condition to the exercise of an Option, the Optionee will make such arrangements as the Committee may require for the satisfaction of any withholding tax obligations that may arise in connection with the exercise. Subject to Section 7(b), the Optionee may pay any or all required withholding taxes by delivering to the Company shares of Stock already owned. The Company may authorize the Optionee to pay any or all required withholding taxes by directing that Shares otherwise deliverable upon exercise of the Option be withheld.

The Optionee also will make such arrangements as the Committee may require for the satisfaction of any withholding tax obligations that may arise in connection with the disposition of Shares acquired by exercising an Option. Subject to Section 7(b), the Optionee may pay any or all such required withholding taxes by delivering to the Company shares of Stock already owned.

f. Exercisability. Each Stock Option Agreement will specify when all or any installment of the Option becomes exercisable. The exercisability provisions of any Stock Option Agreement will be determined by the Committee in its sole discretion.

g. Accelerated Exercisability. Unless the applicable Stock Option Agreement provides otherwise, all of an Optionee's Options will become exercisable in full upon the Optionee's termination of employment due to retirement on or after the Optionee's attainment of age 65 with 15 years of service with the Company or a Subsidiary. Unless the applicable Stock Option Agreement provides otherwise or the next sentence applies, all of an Optionee's Options may become exercisable in full, in the sole discretion of the Committee, if the Company is subject to a Change in Control before the Optionee's employment terminates. If the Company and the other party to the transaction constituting a Change in Control agree that the transaction is to be treated as a "pooling of interests" for financial reporting purposes, and if the transaction in fact is so treated, then the acceleration of exercisability will not occur to the extent that the Company's independent public accounts determine in good faith that the acceleration would preclude the use of "pooling of interests" accounting.

For purposes of the Plan, "Change in Control" means:

- i. The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after the merger, consolidation or other reorganization is owned by persons who were not stockholders of the Company immediately prior to the merger, consolidation or other reorganization; or
- ii. The sale, transfer or other disposition of all or substantially all of the Company's assets.

A transaction will not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before the transaction or if it is a Designated Exchange Transaction. A "Designated Exchange Transaction" is

any reorganization, share exchange or other transaction so designated by the Board, following the occurrence of which (i) the Options remain outstanding or (ii) the Options are assumed by a surviving or new corporation and new options with substantially the same terms are substituted.

h. Basic Term. The Stock Option Agreement will specify the term of the Option. The Committee, in its sole discretion, will determine when an Option is to expire, except that the term may not exceed 10 years from the date of grant, and any shorter term required by Section 4(b).

i. Nontransferability. No Option may be transferred by the Optionee other than by beneficiary designation, will or the laws of descent and distribution, except as may otherwise be determined by the Board with respect to NQSOs only. An Option may be exercised during the lifetime of the Optionee only by the Optionee or by the Optionee's guardian or legal representative or, with respect to NQSOs only, by any permitted transferee of the Optionee or by that permitted transferee's guardian or legal representative. No Option or interest in it may be pledged or hypothecated by the Optionee during the Optionee's lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

j. Termination of Employment (Except by Death). If an Optionee's employment terminates for any reason other than the Optionee's death, then the Optionee's Options will expire on the earliest of the following:

- i. The expiration date determined pursuant to subsection (h) above;
- ii. The date 90 days after the termination of the Optionee's employment for any reason other than Cause or permanent disability within the meaning of Section 22(e)(3) of the Code ("Disability");
- iii. The date of the termination of the Optionee's employment for Cause; or
- iv. The date 12 months after the termination of the Optionee's employment by reason of Disability.

Notwithstanding the provisions of subsection (j)(ii) above, and subject to subsection (h), the Committee in its sole discretion, may permit an Optionee to exercise his or her Options on a date more than 90 days after the termination of the Optionee's employment for reasons other than Cause, Disability or Death. If the Option is exercised after that date, the exercised Option may not qualify for favorable tax treatment as an ISO. For purposes of the Plan, "Cause" means (i) the unauthorized use or disclosure of the confidential information or trade secrets of the Company, (ii) conviction of, or a plea of "guilty" or "no contest" to, a felony under the laws of the United States or any state, (iii) negligence or misconduct in the performance of Optionee's duties or (iv) material breach of Optionee's obligations under any agreement or arrangement with the Company, a Subsidiary or any affiliate thereof (including under the terms of any loan made to the Optionee).

The Optionee may exercise all or part of his or her Options at any time before the expiration of the Options under this subsection, but only to the extent that the Options had become exercisable before the Optionee's employment terminated (or became exercisable as a result of the termination). If the Optionee dies after termination of employment but before the expiration of the Optionee's Options, all or part of the Options may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired the Options directly from the Optionee by beneficiary designation, bequest or inheritance, or in the case of NQSOs only, by other transfer, if permitted, but in any event only to the extent that the Options had become exercisable before the Optionee's employment terminated (or became exercisable as a result of the termination).

k. Leaves of Absence. For purposes of subsection (j) above, a bona fide leave of absence will not be deemed a termination of employment if the leave was approved by the Company in writing and if continued crediting of service for this purpose is expressly required by the terms of the leave or by applicable law (as determined by the Company).

l. Death of Optionee. If an Optionee dies while employed by the Company, then his or her Options expire on the earlier of the following dates:

- i. The expiration date determined pursuant to subsection (h) above; or
- ii. The date 12 months after the Optionee's death.

At any time before the expiration of the Options under the preceding sentence, all or part of the Optionee's Options may be exercised by the executors or administrators of the Optionee's estate or by any person who has acquired the Options directly from the Optionee by beneficiary designation, bequest or inheritance, or in the case of NQSOs only, by other transfer, if permitted, but in any event only to the extent that the Options had become exercisable before the Optionee's death or became exercisable as a result of death.

m. No Rights as a Stockholder. An Optionee, or a transferee of an Optionee, has no rights as a stockholder with respect to any Shares covered by an Option until the person becomes entitled to receive the Shares by filing a notice of exercise and paying the Exercise Price pursuant to the terms of the Option.

n. Modification, Extension and Assumption of Options. Within the limitations of the Plan, the Committee may modify or extend outstanding Options. However, without the consent of the Optionee, no modification may impair the Optionee's rights or increase the Optionee's obligations under the Option.

o. Restrictions on Transfer of Shares. Any Shares issued on exercise of an Option will be subject to such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Committee may determine. The restrictions will be set forth in the applicable Stock Option Agreement and will apply in addition to any restrictions that may apply to holders of Shares generally. The Company will be under no obligation to sell or deliver Shares on exercise of Options under the Plan unless the Optionee executes an agreement giving effect to the restrictions in the form prescribed by the Company.

p. Additional Grants. If otherwise eligible, an Optionee may be granted an additional Option or Options under this Plan or any other share option or purchase plan of the Company.

q. Cancellation and New Options. The Committee has the authority to grant to the holder of an outstanding Option, in exchange for the surrender and cancellation of that Option, a new Option having a purchase price lower than provided in the Option surrendered and canceled and containing other terms and conditions as the Committee may prescribe in accordance with the provisions of the Plan.

VII. PAYMENT FOR SHARES

a. General Rule. The entire Exercise Price of Shares issued under the Plan is payable in cash or cash equivalents when the Shares are purchased, except as otherwise provided in this Section.

b. Surrender of Stock. To the extent a Stock Option Agreement so provides, all or any part of the Exercise Price, plus the amount of any withholding taxes for which such payment is permitted by the Company, may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee and that are acceptable to the Committee. These Shares will be surrendered to the Company in good form for transfer and will be valued at their Fair Market Value on the date the Option is exercised. Unless the Committee otherwise determines, the Optionee will not surrender, or attest to the ownership of, Shares in payment of the Exercise Price or any withholding taxes if that action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

c. Exercise/Sale. To the extent that a Stock Option Agreement so provides, and if the Stock is publicly traded, payment may be made all or in part by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell the Shares and to deliver all or part of the sales proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

d. Exercise/Pledge. To the extent that a Stock Option Agreement so provides, and if the Stock is publicly traded, payment may be made all or in part by the delivery (on a form prescribed by the Company) of an irrevocable direction to pledge the Shares to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

VIII. ADJUSTMENT OF SHARES

a. General. If the outside shares of Stock of the Company are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Company through a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction, the Committee will make such appropriate and proportionate adjustments as

it deems necessary or appropriate in one or more of (i) the number of Shares specified in Section 5, (ii) the number of Shares covered by each outstanding Option and (iii) the Exercise Price under each outstanding Option.

b. Mergers and Consolidations. In the event that the Company is a party to a merger or consolidation, the Board may provide that outstanding Options will be subject to the agreement of merger or consolidation, which agreement, without the Optionees' consent, may provide for the cancellation of each outstanding Option after payment to the Optionee of an amount in cash or cash equivalents equal to (i) the Fair Market Value of the Shares subject to the Option at the time of the merger or consolidation minus (ii) the Exercise Price of the Shares subject to the Option.

c. Reservation of Rights. Except as provided in this Section, an Optionee has no rights by reason of (i) any subdivision or consolidation of shares of stock of any class, (ii) the payment of any dividend or (iii) any other increase or decrease in the number of shares of stock of any class. Any issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, will not affect the number or Exercise Price of Shares subject to an Option. The grant of an Option will not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

IX. SECURITIES LAW REQUIREMENTS

Shares may not be issued under the Plan unless the issuance and delivery of these Shares comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended (the "Securities Act"), the rules and regulations promulgated under it, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities then may be traded.

X. NO RETENTION RIGHTS

Nothing in the Plan or in any Option granted under the Plan will confer on the Optionee any right to continue in the employ of the Company for any period of time or will interfere with or otherwise restrict the rights of the Company (or any Subsidiary) or of the Optionee, which rights are expressly reserved by each, to terminate his or her employment at any time and for any reason.

XI. DURATION AND AMENDMENTS

a. Term of the Plan. Subject to the approval of the Company's shareholders, the Plan is effective as of February 15, 2001, the date of its adoption by the Board. If the shareholders fail to approve the Plan within 12 months after its adoption by the Board, any grants of Options that have already occurred will be rescinded, and no additional grants will be made. The Plan will terminate automatically on February 15, 2011, 10 years after its adoption by the Board, and may be terminated on any earlier date pursuant to subsection (b) below.

b. Right to Amend or Terminate the Plan. The Board or the Committee may amend, suspend or terminate the Plan at any time and for any reason. However, any amendment of the Plan that increases the number of Shares available for issuance under the Plan (except as provided in Section 8), or that materially changes the class of persons who are eligible for the grant of Options, is subject to the approval of the Company's shareholders. Shareholder approval will not be required for any other amendment of the Plan.

c. Effect of Amendment or Termination. No Shares will be issued or sold under the Plan after its termination, except on exercise of an Option granted prior to the termination. No amendment, suspension, or termination of the Plan will, without the consent of the holder, alter or impair any rights or obligations under any Option previously granted under the Plan.

XII. APPLICABLE LAW

The Plan and all Options granted under it will be construed and interpreted in accordance with, and governed by, the laws of the State of New York, other than its laws regarding choice of law.

EXHIBIT 10.5
ASTRONICS CORPORATION
NON-QUALIFIED SUPPLEMENTAL RETIREMENT PLAN

ARTICLE I

Purpose, Definitions, Administration, Amendment

This Astronics Corporation Supplemental Retirement Plan is an unfunded plan, not intended to qualify under the Internal Revenue Code, maintained for the purpose of providing additional retirement benefits for a select group of management or highly compensated employees of Astronics Corporation, and participation in the Astronics Corporation Supplemental Retirement Plan is limited consistent with that purpose. Benefits under the Astronics Corporation Supplemental Retirement Plan are intended to supplement benefits provided under the ATRO Companies Profit-Sharing Plan/401(k) Plan and benefits received from Social Security.

The following words and phrases as used herein have the following meanings:

“Cause” means any act that is materially inimical to the best interests of the Company and that constitutes, on the part of Participant, intentional or grievous wrong, including but not limited to, common law fraud, a felony, or other gross malfeasance of duty.

“Change of Control”, for purposes of determining whether there has been an Involuntary Termination of Employment Related to a Change of Control, means the transfer in one or more transactions, extending over a period of not more than 24 months of Common Stock of the Company possessing 25% or more of the total voting power of all shares of Common Stock. A transfer shall be deemed to occur if shares of Common Stock are either transferred or made the subject of options, warrants, or similar rights granting a third party the opportunity to acquire ownership or voting control of such Common Stock.

“Common Stock” means the Class A and Class B \$.01 par value shares of the capital stock of the Company, as well as all other securities with voting rights or convertible into securities with voting rights.

“Code” means the Internal Revenue Code of 1986, as amended and as it may be amended.

“Company” means Astronics Corporation, as well as any successors or assigns of Astronics Corporation, whether by transfer, merger, consolidation, acquisition of all or substantially all of the business assets, change in identity, or otherwise by operation of law.

“Compensation Committee” means the Executive Compensation Committee of the Board of Directors of the Company, as it is constituted from time to time.

“Eligible Officer” means: (i) an employee of the Company who participates in the ATRO Companies Profit-Sharing Plan/401(k) Plan and who is an officer of the Company; and (ii) an employee of a subsidiary of the Company who participates in the ATRO Companies Profit-Sharing Plan/401(k) Plan, who is an officer or executive of an affiliate or subsidiary of the Company and who the Board of Directors of the Company expressly designates an Eligible Officer.

“Involuntary Termination of Employment” means a severance of the Participant’s employment relationship, other than for death, Disability (as defined in Article II), retirement, or Cause, (i) by or at the instigation of Company or (ii) by or at the instigation of Participant where Participant’s pay has been diminished or reduced to a greater extent than any diminution or reduction of Company’s officers generally.

“Involuntary Termination of Employment Related to a Change of Control” means a termination of the Participant’s employment relationship (i) by the Company within two years after a Change of Control, or (ii) by Participant within two years of the Change of Control in those circumstances where the duties, responsibilities, status, base pay or perquisites of office and employment have been diminished or downgraded, or substantially increased (other than base pay and perquisites) without Participant’s actual or

implied consent; provided, however, that a general decrease in base pay which is approved by a majority of the affected Participants will be considered as having been consented to for purposes of this Plan.

“ATRO Companies Profit-Sharing Plan/401(k) Plan” means the tax-qualified retirement plan of the Company, as amended and restated effective as of April 1, 1997, as amended and as it may be amended, or any successor tax-qualified retirement plan maintained by the Company, as in effect as of the date that a benefit is calculated under the Plan.

“Participant” means an Eligible Officer who is a Participant in the Plan pursuant to Article II. The word “Participant” includes a person who has ceased to actively participate in the Plan but who has not received payment of all of his Plan benefits.

“Pay” means the base salary paid to the Eligible Officer for a calendar year plus any cash bonus or cash incentive payments earned for or attributable to that year, whether or not such bonus or incentive payments are paid during that year.

“Plan” means the Astronics Corporation Supplemental Retirement Plan, as set forth herein and as it may be amended.

“Spouse” means a surviving spouse who is a beneficiary entitled to receive some or all of the benefits, directly or indirectly, payable under the ATRO Companies Profit-Sharing Plan/401(k) Plan upon the death of a Participant.

“Supplemental Benefit” means the annual income, if any, payable to a Participant or Beneficiary pursuant to Article III of the Plan.

The Plan shall be operated under the direction of the Compensation Committee, which shall have all authority and powers necessary to administer the Plan and construe the Plan terms, make factual determinations, resolve any ambiguities or inconsistencies, determine eligibility for participation or benefits, and decide all questions arising in the Plan administration, interpretation or application. The Compensation Committee’s actions or decisions in all matters (other than matters regarding a Participant upon or after the Participant’s Involuntary Termination of Employment Related to a Change of Control) shall be final and binding upon all Participants, Spouses or other persons having or claiming an interest in this Plan.

While the Company expects to continue the Plan indefinitely, it reserves the right to amend the Plan at any time and from time to time or to discontinue the Plan at any time, by action of its Board of Directors. No amendment or discontinuance of the Plan shall impair or adversely affect any benefits accrued under the Plan as of the date of such action, except with the consent of the Participant or Spouse entitled to receive such benefits. In the event of an amendment of the Plan affecting benefits, or discontinuance of the Plan, the interest of each Participant shall be determined as if each Participant retired as of the date of such amendment or discontinuance.

ARTICLE II

Eligibility

Each Eligible Officer shall be a Participant eligible for Supplemental Benefits pursuant to Article III of the Plan, provided the Eligible Officer has at least ten years of continuous service with the Company and (except as provided in Article VIII) retires from the service of the Company (i) at age 65 or later or (ii) at age 60 or later with a combined total of age and years of service with the Company at least equal to 90; provided, however, that Supplemental Benefits shall be payable to an Eligible Officer who has a “Disability” (as defined in the ATRO Companies Profit-Sharing Plan/401(k) Plan), without regard to such Participant’s eligibility for early or normal retirement benefits under this Plan. Supplemental Benefits shall be payable to an individual who qualifies as a Spouse at the time of the Participant’s death.

Eligibility for the benefits of this Plan is limited to Eligible Officers of the Company and those officers or executives of any affiliate or subsidiary expressly so designated by the Board of Directors of the Company.

ARTICLE III

Benefits

For an Eligible Officer with twenty-five or more years of service with the Company, the Supplemental Benefit payable to the Eligible Officer under this Plan, payable in equal monthly installments for the life of the Participant, shall equal the excess, if any, of “(a)” over “(b)” + “(c)” where “(a)” is sixty-five percent of the average of the highest consecutive three-year Pay paid to such Eligible Officer prior to retirement, “(b)” is an amount equal to the accumulated Company contributions (other than employee pre-tax and after-tax contributions and matching contributions) allocated to an account or accounts for the Eligible Officer under the ATRO Companies Profit-Sharing Plan/401(k) Plan from time to time, adjusted for earnings each year at the one-year Treasury Bill rate compounded annually and assuming that each year’s contributions were deposited on the following March 1st, calculated at the Participant’s retirement, converted into an immediate annuity payment in the form of a joint and 100% survivor annuity payable to the Participant and his Spouse based on a discount factor equal to the prime rate as published in the Wall Street Journal on the date of retirement and the 1983 Group Annuity Mortality Tables weighted equally for males and females, and “(c)” is the primary Social Security benefit of such Eligible Officer at age 65. For an Eligible Officer with 10-24 years of service, “(a)” will be determined according to the following schedule:

Years of Service	(a) Total Combined Benefit Target
24	64%
23	63%
22	62%
21	61%
20	60%
19	59%
18	58%
17	57%
16	56%
15	55%
14	54%
13	53%
12	52%
11	51%
10	50%

Early payment of Supplemental Benefits under this Plan shall be made to an Eligible Officer who elects earlier retirement under this Plan; provided, however, that no early payment shall be made unless the Eligible Officer retires from the service of the Company at age 60 or later with a combined total of age and years of service with the Company at least equal to 90; provided, further, that the Supplemental Benefits payable under this Plan shall be reduced by 0.5% for each full month by which the date of the commencement of benefits precedes the Participant’s attainment of age 65. Notwithstanding the foregoing, Supplemental Benefits shall be payable to an Eligible Officer who has a “Disability”, without regard to such Participant’s eligibility for early or normal retirement benefits under this Plan, and without reduction for early payment.

In the event of commencement of Supplemental Benefits prior to attainment of age 62, the Supplemental Benefit payable under this Plan shall include a Social Security “bridge” payment equal to the amount of the Social Security benefit at age 62, until such time as the Eligible Officer attains age 62.

In the event of commencement of Supplemental Benefits between age 62 and age 65, the Social Security benefit amount to be used in determining the Supplemental Benefit payable under this Plan shall be the Social Security benefit amount payable on the actual date of retirement.

An individual who qualifies as a Spouse shall receive a payment of Supplemental Benefits, payable in equal monthly installments for the life of the Spouse, in an amount equal to 100% of the monthly amount determined under the above benefit formula for the Participant; provided, however, that if the Eligible Officer had not commenced payments under this Plan and had not attained age 65 when he died, the Supplemental Benefits shall be determined as if the Eligible Officer attained age 65 on the day before his death. In the event that the Eligible Officer had not commenced payments under this Plan at the time of death, early payment of Supplemental Benefits under this Plan may be elected by a Spouse who wants to receive survivor benefits before the date the Participant would have attained age 65; provided, however, that the Supplemental Benefits payable under this Plan to the

Spouse shall be reduced by 0.5% for each full month by which the date of commencement precedes the date the Participant would have attained age 65.

While receiving Supplemental Benefits under this Plan, Participant and his Spouse shall be entitled to Company paid medical and dental insurance, under medical and dental insurance plans made available to employed officers of the Company from time to time or under an equivalent insurance arrangement.

ARTICLE IV

Time and Form of Benefit Payment

Any benefit under this Plan shall be paid to the Participant or his Spouse in equal monthly installments for the life of the Participant or his Spouse, at such time as elected by the Participant or Spouse, except as otherwise provided in Article III.

ARTICLE V

Funding

This Plan shall be maintained as an unfunded Plan which is not intended to meet the qualification requirements of Section 401 of the Code. All rights of any Participant under this Plan shall at all times be entirely unfunded and no provision shall at any time be made with respect to segregating any assets of the Company for payment of any amounts due hereunder. No Participant shall have any interest in or any rights against any specific assets of the Company, and a Participant shall have only the rights of a general unsecured creditor of the Company. It is intended that the Plan is an unfunded nonqualified deferred compensation arrangement for income tax purposes. No benefits under this Plan shall be payable from the trust fund maintained under or in accordance with the provisions of the ATRO Companies Profit-Sharing Plan/401(k) Plan.

ARTICLE VI

Effective Date

The Effective Date of this Plan shall be December 17, 1999.

ARTICLE VII

Agreement Not to Compete

Payment of benefits under this Plan is contingent upon the Participant's agreement not to directly or indirectly engage in or compete with the business of the Company, either as owner, partner or employee for a period of the later to occur of the expiration of three years after retirement or the attainment of 65 years of age. In the event a Participant shall compete with the business of the Company, payment of benefits under this Plan shall be suspended so long as such Participant engages in activity deemed to be in competition with the business of the Company. Notwithstanding the foregoing, this Article VII shall not apply to a Participant after the Participant's Involuntary Termination of Employment Related to a Change of Control.

ARTICLE VIII

Benefits Upon Certain Terminations or Change of Control

The provisions of this Article VIII shall apply only where there has been an Involuntary Termination of Employment or an Involuntary Termination of Employment Related to a Change of Control.

Upon an Involuntary Termination of Employment, a Participant who would be eligible to receive benefits under this Plan if he was then age 65 or more, shall be vested in his benefits under this Plan upon the Involuntary Termination of Employment and, upon attainment of age 65, shall receive the benefits determined as follows: the benefit payable at age 65 shall be determined under Article III using the average of the highest consecutive 3-year Pay paid prior to the Involuntary Termination of Employment, instead of the average for the Pay paid prior to retirement, subject to further adjustment by reducing the combined benefit target of Article III (based upon the Participant's years of service) by a factor equal to (i) the benefit target multiplied by (ii) one percent multiplied by (iii) the number of years of the Participant's age under 65 at the time of the Involuntary Termination of Employment. For example, a Participant age 45 at the time of the Involuntary Termination of Employment, with 15 years of service to the Company, upon attaining age 65, would have a combined benefit target of 44 percent (55 percent [for 15 years of service] @ (55 percent x 1 percent x 20 [the difference between 65 years and 45 years old]) = 44 percent) instead of the combined benefit target of 55 percent that would be payable if the Participant were then 65 years of age with 15 years service.

Upon an Involuntary Termination of Employment Related to a Change of Control, a Participant who would be eligible to receive benefits under this Plan if he was then age 65 or more, shall be vested in his benefits under this Plan upon such Involuntary Termination of Employment Related to a Change of Control and, upon attainment of age 65, shall receive such benefits determined as follows: the benefit payable at age 65 shall be determined under Article III using the greater of the average of the highest consecutive 3-year Pay paid prior to such Change of Control or such average for the Pay paid prior to termination of employment.

ARTICLE IX

Miscellaneous

Social Security and ATRO Companies Profit-Sharing Plan/401(k) Plan: Any increases in Social Security benefits payable to a Participant after retirement under this Plan and any increases in the Participant's amounts under the ATRO Companies Profit-Sharing Plan/401(k) Plan after retirement under this Plan shall not be considered in determining any benefits payable under this Plan.

Nonassignability: No interest of any Participant under this Plan, or any right to receive any payment hereunder, shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind, nor may such interest or right to receive a payment be taken, voluntarily or involuntarily, for the satisfaction of the obligations or debts of, or other claims against such Participant, including, but not limited to, claims for alimony, support, separate maintenance, and claims in bankruptcy proceedings.

Nonguarantee of Employment: This Plan shall not be construed as giving any Participant the right to be retained in the employment of the Company.

Death Benefits: Except as provided in Article III hereof (with respect to the payment of benefits under this Plan to an individual who qualifies as a Spouse at the time of the Participant's death), there shall be no death benefit payable under this Plan.

Deferred Retirement: In the event that a Participant elects a deferred retirement date after age 65, the amount of benefit payable under this Plan shall be the Participant's benefit calculated at the deferred retirement date (rather than age 65) under the benefit formulas in Article III, and the amount of such benefit shall not be further adjusted for the period from age 65 to the deferred retirement date to take into account the delayed commencement date.

EXHIBIT 10.6

ASTRONICS CORPORATION

EMPLOYMENT TERMINATION BENEFITS AGREEMENT DATED DECEMBER 16, 2003 BETWEEN ASTRONICS CORPORATION AND PETER J. GUNDERMANN, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF ASTRONICS CORPORATION

AGREEMENT, made this 16th day of December, 2003, between ASTRONICS CORPORATION, a New York corporation with an office and place of business at 1801 Elmwood Avenue, Buffalo, New York 14207 (the "Company"), and Peter J. Gundermann, who resides at 11 Conant Road, Hanover, New Hampshire 03755 ("Executive").

RECITALS:

Executive is presently employed by Company and the Board of Directors of Company (the "Board") recognizes that Executive's contribution to the growth and success of Company has been substantial;

The Board desires to establish appropriate employment arrangements which the Board has determined will reinforce and encourage Executive's continued attention and dedication to the Company's business and success as a member of the Company's management, furthering the best interest of the Company and its shareholders; and

Executive is willing to commit himself to continue to serve Company on the terms and conditions herein provided.

NOW, THEREFORE, in consideration of the mutual promises and the respective covenants and agreements of the parties herein contained and intending to be legally bound hereby, the parties hereto agree as follows:

— DEFINITIONS

Terms Defined. In addition to any words and terms elsewhere defined herein, the following words and terms shall have the meanings indicated below unless the context or use indicates a different meaning:

"CAUSE" shall mean any act that is materially inimical to the best interests of the Company and that constitutes, on the part of the Executive, intentional or grievous wrong, including, but not limited to, common law fraud, a felony, or other gross malfeasance of duty.

A "CHANGE OF CONTROL" shall mean the transfer in one or more transactions, extending over a period of not more than 24 months, of Common Stock of the Company possessing 25% or more of the total combined voting power of all Class A and Class B Shares of Common Stock. A transfer shall be deemed to occur if shares of Common Stock are either transferred or made the subject of options, warrants, or similar rights granting a third party the opportunity to acquire ownership or voting control of such Common Stock.

"COMMON STOCK" shall mean the Class A and Class B \$1.00 par value shares of the capital stock of the Company, as well as all other securities with voting rights or convertible into securities with voting rights.

"COMPENSATION" shall mean the base salary paid to the Executive for a calendar year plus any cash bonus or cash incentive payments earned for or attributable to that year, whether or not the bonus or incentive payments are paid during that year. "AVERAGE ANNUAL COMPENSATION" shall mean the average of the Compensation paid to Executive for the two years preceding termination.

"COMPENSATION COMMITTEE" shall mean the Executive Compensation Committee of Board, as it is constituted from time to time.

"COMPANY" shall mean ASTRONICS CORPORATION, as well as any successors or assigns of ASTRONICS CORPORATION, whether by transfer, merger, consolidation, acquisition of all or substantially all of the business assets, change in

identity, or otherwise by operation of law and for purposes of employment of Executive shall also mean any parent, subsidiary or affiliated entity to whom Executive's services may be assigned.

"DISABILITY" shall mean the inability of Executive to perform a substantial portion of his duties hereunder for a continuous period of 6 months or more.

"EFFECTIVE DATE" shall mean the date of this Agreement.

"INVOLUNTARY TERMINATION OF EMPLOYMENT" shall mean a severance of the Executive's employment relationship prior to age 65, other than for death, Disability, Retirement, or Cause, by or at the instigation of Company or by or at the instigation of Executive where Executive's pay has been diminished or reduced to a greater extent than any diminution or reduction of Company's Executives generally. Where there has been a Change of Control, Involuntary Termination of Employment shall mean a termination of the employment relationship by or at the instigation of Company or by or at the instigation of Executive (whether before or after age 65) within two years of the Change of Control.

"RETIREMENT" shall mean the election of Executive to retire from active employment with Company at the end of the month in which Executive attains 65 years of age or thereafter. Retirement shall also mean a similar election by Executive prior to age 65, where Executive elects to receive early Retirement benefits under the Company's Profit Sharing Plan or any successor Company retirement plan.

"TERM OF EMPLOYMENT" means the period commencing on the effective date and expiring on the earliest to occur of (i) Executive's death, Disability or Retirement, (ii) the Voluntary Termination of Employment by Executive, or (iii) Termination for Cause of Executive's employment.

"TERMINATION FOR CAUSE" shall mean severance of the Employment relationship based upon or brought about by Cause as defined in paragraph (a) above.

"VOLUNTARY TERMINATION OF EMPLOYMENT" shall mean a severance of the Employment relationship by or at the instigation of Executive, other than a termination occurring upon a Change of Control as defined in paragraph (b) above, or upon death, Disability or Retirement.

— EMPLOYMENT, TERM, DUTIES

Employment. Company hereby hires Executive, and Executive agrees to serve Company, for a term beginning on the Effective Date of this Agreement, and ending on the last day of the Term of this Agreement.

Term. The term of this Agreement shall begin on the Effective Date, and shall end as provided in Section 5.01. Unless benefits under this Agreement are being provided at that time, this Agreement shall also end upon Executive's attainment of age 70.

Capacity. Executive shall serve in such executive or managerial capacity as the Board of Directors of the Company shall determine, and shall have all of the duties, responsibilities, obligations and privileges commensurate with such position.

Duties. Executive agrees to devote his full business time and energy to the business and affairs of Company and to utilize his best efforts, skill and abilities to promote such interest, performing such duties as may be assigned on the executive or managerial level. Company agrees that Executive shall have such powers and authority as shall reasonably be required to enable Executive to discharge his duties in an efficient manner.

Base of Operations. Company agrees that Executive's base of operations shall be Executive's location as of the Effective Date of this Agreement. Although Executive recognizes that substantial traveling may be required in connection with employment, Executive shall not be required to operate from any other area without Executive's prior consent.

— COMPENSATION AND BENEFITS

Base Salary and Profit Share. During the Term of Employment, Company shall pay Executive for all services to be rendered as set forth herein, a base salary as determined from time to time by the Compensation Committee, plus an annual bonus award based on the performance of the Company and of the Executive as the Compensation Committee may determine. The base salary shall be payable in periodic installments not less frequently than on a monthly basis. Any bonus award shall be payable annually in the month of January and shall be based on performance for the prior fiscal year.

This Agreement shall not be deemed abrogated or terminated if Company, in its discretion, shall determine to modify the base compensation of Executive for any period of time, and Executive accepts the modification, but nothing herein contained shall be deemed to obligate Company to make any increase in base compensation.

Other Employment Benefits. Executive shall be entitled to all rights and benefits for which he shall be eligible under any retirement, profit sharing, employee stock purchase plan, savings and investment plan, business travel, group life, disability, accident or health insurance, vacation, and other benefit plans which Company provides for its employees generally, as well as for any stock option, incentive compensation, club memberships, supplemental medical and life insurance coverages and similar benefit plans which Company provides for executive personnel having duties and responsibilities similar to those of Executive.

Reimbursement of Expenses. Company shall provide Executive with an automobile or an allowance for automobile use and shall pay or reimburse Executive for all reasonable traveling or other expenses incurred or paid by Executive in connection with the performance of his services under this Agreement upon presentation of expense statements or vouchers, and such other supporting information as it may from time to time request.

— NON COMPETITION, CONFIDENTIAL DATA

Non-Competition. During the term of this Agreement, and in the event of Involuntary Termination upon a Change in Control until the last payment of any benefits to Executive under this Agreement, Executive will not directly or indirectly engage in or compete with the business of the Company, either as owner, partner or employee. In the event that Executive shall compete with the business of the Company, payment of benefits under this Agreement will be suspended so long as Executive engages in activity deemed to be in competition with the business of the Company.

Confidential Information. Executive agrees, during the term of this Agreement and thereafter, not to use or make use of nor to divulge to anyone other than authorized personnel or representatives of Company, any information or knowledge relating to the business, business methods or techniques of Company including, without being limited to, information about accounting procedures, training methods or techniques, data, processes, research manufacturing formulae, costing, sales prospects, customers' or suppliers' lists, bidding formulae, sales, profits or costs, except to the extent that Executive can establish the same to be generally known to the public or recognized as standard practice in the business in which Company is engaged or to the extent Executive is required to divulge such information or knowledge in connection with any legal proceeding.

Patents and Inventions. Executive agrees that any patents, inventions, improvements, discoveries, formulae or processes which he may obtain, make or conceive during the period of employment hereunder, shall be the sole and exclusive property of Company, and that he will sign and execute any and all applications, assignments or other instruments necessary or appropriate to assign, convey or otherwise make available exclusively to Company all such patents, inventions, improvements, discoveries, formulae or processes.

Enforcement. Executive agrees that in the event of a breach or threatened breach by Executive of any provision of this Article, Company may institute legal proceedings to compel Employee compliance hereunder, including injunctive relief and any other remedy provided in law or equity. If the scope of any restriction contained in this Agreement is too broad to permit enforcement of such restriction to its full extent, then such restriction shall be enforced to the maximum extent permitted by law, and Executive hereby consents and agrees that such scope may be judicially modified accordingly in any proceeding brought to enforce such restriction.

In the event of such judicial modification, Company may, if it determines in its sole judgment that such action is contrary to the best interests of Company, within ten days after notification of such modification, terminate all obligations of Company under this Agreement by giving Executive not less than 15 days notice of such termination.

— TERMINATION

Termination of Employment. Executive's employment by Company shall terminate on the earliest to occur of (a) Executive's death, Disability or Retirement, (b) Voluntary Termination of Employment by Executive, or (c) Termination for Cause of Executive's employment. In any such event this Agreement shall also terminate other than for the provisions of Articles IV, VI and VII, which shall survive such Termination.

The existence of Disability, as defined herein, shall be determined in the sole judgment of the Compensation Committee, and effective upon delivery to Executive of written notice that such determination has been made, Executive's employment shall be terminated and Executive shall be removed from all positions, as an officer, director, or otherwise, with Company.

5.02 Effect of Involuntary Termination. This Agreement shall survive an Involuntary Termination of Employment.

5.03 Executive Obligations Upon Termination. Executive agrees that upon termination of services under this Agreement, for any cause whatsoever, he will deliver to Company all documents, drawings, papers, computer tapes or discs, notes, memoranda, handbooks, manuals, and all other tangible material on which information is stored or recorded, and all copies thereof which Executive has in his control or possession in any way related to the business of Company, its customers, suppliers or affiliates.

— BENEFITS UPON TERMINATION

Death, Disability, Retirement. In the event of termination upon death, or by virtue of Retirement or Disability, Executive's surviving spouse or estate shall be entitled to the benefits provided generally by the Company to its executives.

Termination For Cause. Upon termination of Executive's employment for Cause, Executive shall be entitled to his base salary up to the date of such termination, as well as any vested benefits under any Company retirement plan or supplemental retirement plan in which Executive may participate. Under such termination, Executive shall not be entitled to participate in any profit share award or incentive compensation payable after the date of termination, but will be eligible to receive a payment in cash for any unutilized vacation benefits accrued for Executive. Unless otherwise provided by law, Executive shall not have the right or privilege of exercising any stock options held by Executive and issued under any stock option plan or stock purchase plan of the Company.

Voluntary Termination of Employment. In the event of Executive's Voluntary Termination of Employment with Company, Executive shall be entitled to his employment benefits up to the date of termination, including any vested benefits under any Company profit sharing, retirement plan or supplemental retirement plan, in which Executive may participate, but unless any profit share award or incentive compensation is payable prior to such termination, Executive shall not receive any such payment. Executive shall receive a payment in cash for any unutilized vacation benefits accrued for Executive. Executive shall have the right to exercise any stock options previously granted to Executive to the extent permitted by the terms of the applicable stock option plan or the grant thereunder.

Involuntary Termination of Employment. In the event of the Involuntary Termination of Employment in the circumstance of a Change in Control, Executive shall be entitled to receive his base salary then in effect or his Average Annual Compensation, whichever is greater, for a period of two (2) years; any vested benefits under any Company retirement plan, profit sharing or supplemental retirement plan in which he may participate; the continuation at Company's expense for two (2) years of any club memberships held by Executive for which reimbursement was provided by Company; and, for a period of two (2) years, continue to be provided with an automobile, or reimbursement of automobile expense. In lieu of the continuation of the foregoing pay and benefits provided for in the foregoing sentence, Executive may elect to receive some or all of such pay and benefits in a lump sum, the same to be paid within sixty (60) days of Executive's written election, which election must be made within sixty (60) days of the Involuntary Termination of Employment. Executive shall have the right to exercise any vested or unvested stock options held by Executive at the date of termination within the one year period after the date of such Involuntary Termination of Employment but not later than the expiration date(s) of such stock options, or if such exercise is not permitted or, in any event, if Executive so elects, an amount equal to the bargain element of such options, vested or unvested, shall be paid. Executive shall also receive for two (2) years after Termination the same health, life and disability insurance coverages for which he was eligible during employment. Executive shall also receive a payment in cash for any unutilized vacation benefits accrued for Executive. Notwithstanding the foregoing, if the Executive dies within three months from the date of the Involuntary Termination of Employment, his vested and unvested stock options may be exercised within the one year period after the date of such Involuntary Termination of Employment but not later than the expiration date(s) of such stock options, or if such exercise is not permitted or, in any event, if Executive so elects, an amount

equal to the bargain element of such options, vested or unvested, shall be paid. For purposes of this Section 6.04, the bargain element of options shall be determined as of the date a Change of Control occurs.

— MISCELLANEOUS

Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when received, if personally delivered, electronically transmitted, or mailed, first class postage prepaid, addressed to Company at 130 Commerce Way, East Aurora, New York 14052 (with a copy to Hodgson Russ LLP, attention John B. Drenning, Esq., One M & T Plaza, Suite 2000 Buffalo, New York 14203), or to Executive at the address on the first page, or such other address as may be designated by notice in accordance with the provisions of this Section.

Arbitration. All disputes, differences and controversies arising under or in connection with this Agreement, including but not limited to its interpretation, construction, performance or application, shall be settled and finally determined by arbitration in the City of Buffalo, New York, under the then existing rules of the American Arbitration Association.

Entire Agreement. This instrument contains the entire agreement of the parties with respect to its subject matter, and supersedes and replaces any prior agreement or understanding, and no amendment, modification or waiver of any provision hereof shall be valid unless it be in writing and signed by Company and Executive.

Non-Waiver. The waiver of, or failure to take action with regard to, any breach of any term or condition of this Agreement shall not be deemed to constitute a continuing waiver or a waiver of any other breach of the same or any other term or condition.

Paragraph and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect in any way, the meaning or interpretation of this Agreement.

Gender and Number. The masculine gender used herein shall be deemed to include the feminine and neuter genders, and vice versa, and the singular or plural, shall be deemed to include the plural or singular, as the case may be, when required by the context, and the word “person” shall include corporation, firm, partnership or other form of association.

Counterparts. This Agreement may be executed simultaneously in two or more counterparts, any of which shall be deemed an original, and all of which together shall constitute one and the same instrument, notwithstanding that all of the parties are not signatory to the original or the same counterpart.

Persons Bound — Non-Assignment. This Agreement and all of the provisions hereof shall be binding upon the parties hereto, their legal representatives, heirs, distributees, successors and assigns. Except as expressly stated herein, nothing in this Agreement is intended to confer upon any other person any rights or remedies under or by reason of this Agreement. Neither this Agreement nor any rights hereunder shall be assignable by Executive.

Guarantee of Company. If Executive’s services are assigned to any parent, subsidiary or affiliate of Company, Company shall remain liable as a guarantor of the obligations hereunder.

Inconsistent Provisions. If any provision of this Agreement is inconsistent with any provision or any plan or resolution (including a severance pay resolution) providing benefits substantially similar to those provided by this Agreement or any other document required or executed pursuant to this Agreement, the provisions of this Agreement shall be controlling.

Severability. If any provision of this Agreement or the application thereof to any person or circumstances is held invalid, the remainder of this Agreement and the application of such provision to the other person and circumstances shall not be affected thereby and each term and condition of the Agreement shall be valid and enforced to the fullest extent permitted by law.

Choice of Law. This Agreement shall be construed as to both validity and performance and enforced in accordance with and governed by the laws of the State of New York, without giving effect to the choice of law principles of those laws.

No Conflicting Agreement. Executive represents and warrants to Company that he is not a party to, or bound by, any agreement, understanding or plan which would interfere with or prevent performance under this Agreement. Company similarly represents and warrants to Executive.

Attorney’s Fees. In the event that any dispute or difference arising under or in connection with this Agreement results in arbitration or litigation, Company shall reimburse Executive for all reasonable Attorney’s fees and expenses if Executive prevails in such proceeding.

Authorization. Company represents to Executive that this Agreement has been duly approved by its Board of Directors and execution by an appropriate officer duly authorized.

IN WITNESS WHEREOF, the undersigned parties hereto have duly executed this Agreement as of the day and year first above written

WITNESS:

ASTRONICS CORPORATION

By _____

WITNESS:

By _____
PETER J. GUNDERMANN

EXHIBIT 10.7

ASTRONICS CORPORATION

EMPLOYMENT TERMINATION BENEFITS AGREEMENT DATED DECEMBER 16, 2003 BETWEEN ASTRONICS CORPORATION AND DAVID C. BURNEY, VICE PRESIDENT AND CHIEF FINANCIAL OFFICER OF ASTRONICS CORPORATION

EMPLOYMENT TERMINATION BENEFITS AGREEMENT

AGREEMENT, made this 16th day of December, 2003, between ASTRONICS CORPORATION, a New York corporation with an office and place of business at 1801 Elmwood Avenue, Buffalo, New York 14207 (the "Company"), and David C. Burney who resides at 111 Pinewood Drive, West Seneca, New York 14224 ("Executive").

RECITALS:

Executive is presently employed by Company and the Board of Directors of Company (the "Board") recognizes that Executive's contribution to the growth and success of Company has been substantial;

The Board desires to establish appropriate employment arrangements which the Board has determined will reinforce and encourage Executive's continued attention and dedication to the Company's business and success as a member of the Company's management, furthering the best interest of the Company and its shareholders; and

Executive is willing to commit himself to continue to serve Company on the terms and conditions herein provided.

NOW, THEREFORE, in consideration of the mutual promises and the respective covenants and agreements of the parties herein contained and intending to be legally bound hereby, the parties hereto agree as follows:

— DEFINITIONS

Terms Defined. In addition to any words and terms elsewhere defined herein, the following words and terms shall have the meanings indicated below unless the context or use indicates a different meaning:

"CAUSE" shall mean any act that is materially inimical to the best interests of the Company and that constitutes, on the part of the Executive, intentional or grievous wrong, including, but not limited to, common law fraud, a felony, or other gross malfeasance of duty.

A "CHANGE OF CONTROL" shall mean the transfer in one or more transactions, extending over a period of not more than 24 months, of Common Stock of the Company possessing 25% or more of the total combined voting power of all Class A and Class B Shares of Common Stock. A transfer shall be deemed to occur if shares of Common Stock are either transferred or made the subject of options, warrants, or similar rights granting a third party the opportunity to acquire ownership or voting control of such Common Stock.

"COMMON STOCK" shall mean the Class A and Class B \$1.00 par value shares of the capital stock of the Company, as well as all other securities with voting rights or convertible into securities with voting rights.

"COMPENSATION" shall mean the base salary paid to the Executive for a calendar year plus any cash bonus or cash incentive payments earned for or attributable to that year, whether or not the bonus or incentive payments are paid during that year. "AVERAGE ANNUAL COMPENSATION" shall mean the average of the Compensation paid to Executive for the two years preceding termination.

"COMPENSATION COMMITTEE" shall mean the Executive Compensation Committee of Board, as it is constituted from time to time.

“COMPANY” shall mean ASTRONICS CORPORATION, as well as any successors or assigns of ASTRONICS CORPORATION, whether by transfer, merger, consolidation, acquisition of all or substantially all of the business assets, change in identity, or otherwise by operation of law and for purposes of employment of Executive shall also mean any parent, subsidiary or affiliated entity to whom Executive’s services may be assigned.

“DISABILITY” shall mean the inability of Executive to perform a substantial portion of his duties hereunder for a continuous period of 6 months or more.

“EFFECTIVE DATE” shall mean the date of this Agreement.

“INVOLUNTARY TERMINATION OF EMPLOYMENT” shall mean a severance of the Executive’s employment relationship prior to age 65, other than for death, Disability, Retirement, or Cause, by or at the instigation of Company or by or at the instigation of Executive where Executive’s pay has been diminished or reduced to a greater extent than any diminution or reduction of Company’s Executives generally. Where there has been a Change of Control, Involuntary Termination of Employment shall mean a termination of the employment relationship by or at the instigation of Company or by or at the instigation of Executive (whether before or after age 65) within two years of the Change of Control.

“RETIREMENT” shall mean the election of Executive to retire from active employment with Company at the end of the month in which Executive attains 65 years of age or thereafter. Retirement shall also mean a similar election by Executive prior to age 65, where Executive elects to receive early Retirement benefits under the Company’s Profit Sharing Plan or any successor Company retirement plan.

“TERM OF EMPLOYMENT” means the period commencing on the effective date and expiring on the earliest to occur of (i) Executive’s death, Disability or Retirement, (ii) the Voluntary Termination of Employment by Executive, or (iii) Termination for Cause of Executive’s employment.

“TERMINATION FOR CAUSE” shall mean severance of the Employment relationship based upon or brought about by Cause as defined in paragraph (a) above.

“VOLUNTARY TERMINATION OF EMPLOYMENT” shall mean a severance of the Employment relationship by or at the instigation of Executive, other than a termination occurring upon a Change of Control as defined in paragraph (b) above, or upon death, Disability or Retirement.

— EMPLOYMENT, TERM, DUTIES

Employment. Company hereby hires Executive, and Executive agrees to serve Company, for a term beginning on the Effective Date of this Agreement, and ending on the last day of the Term of this Agreement.

Term. The term of this Agreement shall begin on the Effective Date, and shall end as provided in Section 5.01. Unless benefits under this Agreement are being provided at that time, this Agreement shall also end upon Executive’s attainment of age 70.

Capacity. Executive shall serve in such executive or managerial capacity as the Board of Directors of the Company shall determine, and shall have all of the duties, responsibilities, obligations and privileges commensurate with such position.

Duties. Executive agrees to devote his full business time and energy to the business and affairs of Company and to utilize his best efforts, skill and abilities to promote such interest, performing such duties as may be assigned on the executive or managerial level. Company agrees that Executive shall have such powers and authority as shall reasonably be required to enable Executive to discharge his duties in an efficient manner.

Base of Operations. Company agrees that Executive’s base of operations shall be Executive’s location as of the Effective Date of this Agreement. Although Executive recognizes that substantial traveling may be required in connection with employment, Executive shall not be required to operate from any other area without Executive’s prior consent.

— COMPENSATION AND BENEFITS

Base Salary and Profit Share. During the Term of Employment, Company shall pay Executive for all services to be rendered as set forth herein, a base salary as determined from time to time by the Compensation Committee, plus an annual bonus award based on the performance of the Company and of the Executive as the Compensation Committee may determine. The base salary shall be payable in periodic installments not less frequently than on a monthly basis. Any bonus award shall be payable annually in the month of January and shall be based on performance for the prior fiscal year.

This Agreement shall not be deemed abrogated or terminated if Company, in its discretion, shall determine to modify the base compensation of Executive for any period of time, and Executive accepts the modification, but nothing herein contained shall be deemed to obligate Company to make any increase in base compensation.

Other Employment Benefits. Executive shall be entitled to all rights and benefits for which he shall be eligible under any retirement, profit sharing, employee stock purchase plan, savings and investment plan, business travel, group life, disability, accident or health insurance, vacation, and other benefit plans which Company provides for its employees generally, as well as for any stock option, incentive compensation, club memberships, supplemental medical and life insurance coverages and similar benefit plans which Company provides for executive personnel having duties and responsibilities similar to those of Executive.

Reimbursement of Expenses. Company shall provide Executive with an automobile or an allowance for automobile use and shall pay or reimburse Executive for all reasonable traveling or other expenses incurred or paid by Executive in connection with the performance of his services under this Agreement upon presentation of expense statements or vouchers, and such other supporting information as it may from time to time request.

— NON COMPETITION, CONFIDENTIAL DATA

Non-Competition. During the term of this Agreement, and in the event of Involuntary Termination upon a Change in Control until the last payment of any benefits to Executive under this Agreement, Executive will not directly or indirectly engage in or compete with the business of the Company, either as owner, partner or employee. In the event that Executive shall compete with the business of the Company, payment of benefits under this Agreement will be suspended so long as Executive engages in activity deemed to be in competition with the business of the Company.

Confidential Information. Executive agrees, during the term of this Agreement and thereafter, not to use or make use of nor to divulge to anyone other than authorized personnel or representatives of Company, any information or knowledge relating to the business, business methods or techniques of Company including, without being limited to, information about accounting procedures, training methods or techniques, data, processes, research manufacturing formulae, costing, sales prospects, customers' or suppliers' lists, bidding formulae, sales, profits or costs, except to the extent that Executive can establish the same to be generally known to the public or recognized as standard practice in the business in which Company is engaged or to the extent Executive is required to divulge such information or knowledge in connection with any legal proceeding.

Patents and Inventions. Executive agrees that any patents, inventions, improvements, discoveries, formulae or processes which he may obtain, make or conceive during the period of employment hereunder, shall be the sole and exclusive property of Company, and that he will sign and execute any and all applications, assignments or other instruments necessary or appropriate to assign, convey or otherwise make available exclusively to Company all such patents, inventions, improvements, discoveries, formulae or processes.

Enforcement. Executive agrees that in the event of a breach or threatened breach by Executive of any provision of this Article, Company may institute legal proceedings to compel Employee compliance hereunder, including injunctive relief and any other remedy provided in law or equity. If the scope of any restriction contained in this Agreement is too broad to permit enforcement of such restriction to its full extent, then such restriction shall be enforced to the maximum extent permitted by law, and Executive hereby consents and agrees that such scope may be judicially modified accordingly in any proceeding brought to enforce such restriction.

In the event of such judicial modification, Company may, if it determines in its sole judgment that such action is contrary to the best interests of Company, within ten days after notification of such modification, terminate all obligations of Company under this Agreement by giving Executive not less than 15 days notice of such termination.

— TERMINATION

Termination of Employment. Executive's employment by Company shall terminate on the earliest to occur of (a) Executive's death, Disability or Retirement, (b) Voluntary Termination of Employment by Executive, or (c) Termination for Cause of Executive's employment. In any such event this Agreement shall also terminate other than for the provisions of Articles IV, VI and VII, which shall survive such Termination.

The existence of Disability, as defined herein, shall be determined in the sole judgment of the Compensation Committee, and effective upon delivery to Executive of written notice that such determination has been made, Executive's employment shall be terminated and Executive shall be removed from all positions, as an officer, director, or otherwise, with Company.

5.02 Effect of Involuntary Termination. This Agreement shall survive an Involuntary Termination of Employment.

5.03 Executive Obligations Upon Termination. Executive agrees that upon termination of services under this Agreement, for any cause whatsoever, he will deliver to Company all documents, drawings, papers, computer tapes or discs, notes, memoranda, handbooks, manuals, and all other tangible material on which information is stored or recorded, and all copies thereof which Executive has in his control or possession in any way related to the business of Company, its customers, suppliers or affiliates.

— BENEFITS UPON TERMINATION

Death, Disability, Retirement. In the event of termination upon death, or by virtue of Retirement or Disability, Executive's surviving spouse or estate shall be entitled to the benefits provided generally by the Company to its executives.

Termination For Cause. Upon termination of Executive's employment for Cause, Executive shall be entitled to his base salary up to the date of such termination, as well as any vested benefits under any Company retirement plan or supplemental retirement plan in which Executive may participate. Under such termination, Executive shall not be entitled to participate in any profit share award or incentive compensation payable after the date of termination, but will be eligible to receive a payment in cash for any unutilized vacation benefits accrued for Executive. Unless otherwise provided by law, Executive shall not have the right or privilege of exercising any stock options held by Executive and issued under any stock option plan or stock purchase plan of the Company.

Voluntary Termination of Employment. In the event of Executive's Voluntary Termination of Employment with Company, Executive shall be entitled to his employment benefits up to the date of termination, including any vested benefits under any Company profit sharing, retirement plan or supplemental retirement plan, in which Executive may participate, but unless any profit share award or incentive compensation is payable prior to such termination, Executive shall not receive any such payment. Executive shall receive a payment in cash for any unutilized vacation benefits accrued for Executive. Executive shall have the right to exercise any stock options previously granted to Executive to the extent permitted by the terms of the applicable stock option plan or the grant thereunder

Involuntary Termination of Employment. In the event of the Involuntary Termination of Employment in the circumstance of a Change in Control, Executive shall be entitled to receive his base salary then in effect or his Average Annual Compensation, whichever is greater, for a period of one (1) year; any vested benefits under any Company retirement plan, profit sharing or supplemental retirement plan in which he may participate; the continuation at Company's expense for one (1) year of any club memberships held by Executive for which reimbursement was provided by Company; and, for a period of one (1) year, continue to be provided with an automobile, or reimbursement of automobile expense. In lieu of the continuation of the foregoing pay and benefits provided for in the foregoing sentence, Executive may elect to receive some or all of such pay and benefits in a lump sum, the same to be paid within sixty (60) days of Executive's written election, which election must be made within sixty (60) days of the Involuntary Termination of Employment. Executive shall have the right to exercise any vested or unvested stock options held by Executive at the date of termination within the one year period after the date of such Involuntary Termination of Employment but not later than the expiration date(s) of such stock options, or if such exercise is not permitted or, in any event, if Executive so elects, an amount equal to the bargain element of such options, vested or unvested, shall be paid. Executive shall also receive for one (1) year after Termination the same health, life and disability insurance coverages for which he was eligible during employment. Executive shall also receive a payment in cash for any unutilized vacation benefits accrued for Executive. Notwithstanding the foregoing, if the Executive dies within three months from the date of the Involuntary Termination of Employment, his vested and unvested stock

options may be exercised within the one year period after the date of such Involuntary Termination of Employment but not later than the expiration date(s) of such stock options, or if such exercise is not permitted or, in any event, if Executive so elects, an amount equal to the bargain element of such options, vested or unvested, shall be paid. For purposes of this Section 6.04, the bargain element of options shall be determined as of the date a Change of Control occurs.

— MISCELLANEOUS

Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when received, if personally delivered, electronically transmitted, or mailed, first class postage prepaid, addressed to Company at 130 Commerce Way, East Aurora, New York 14052 (with a copy to Hodgson Russ LLP, attention John B. Drenning, Esq., One M & T Plaza, Suite 2000 Buffalo, New York 14203), or to Executive at the address on the first page, or such other address as may be designated by notice in accordance with the provisions of this Section.

Arbitration. All disputes, differences and controversies arising under or in connection with this Agreement, including but not limited to its interpretation, construction, performance or application, shall be settled and finally determined by arbitration in the City of Buffalo, New York, under the then existing rules of the American Arbitration Association.

Entire Agreement. This instrument contains the entire agreement of the parties with respect to its subject matter, and supersedes and replaces any prior agreement or understanding, and no amendment, modification or waiver of any provision hereof shall be valid unless it be in writing and signed by Company and Executive.

Non-Waiver. The waiver of, or failure to take action with regard to, any breach of any term or condition of this Agreement shall not be deemed to constitute a continuing waiver or a waiver of any other breach of the same or any other term or condition.

Paragraph and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect in any way, the meaning or interpretation of this Agreement.

Gender and Number. The masculine gender used herein shall be deemed to include the feminine and neuter genders, and vice versa, and the singular or plural, shall be deemed to include the plural or singular, as the case may be, when required by the context, and the word “person” shall include corporation, firm, partnership or other form of association.

Counterparts. This Agreement may be executed simultaneously in two or more counterparts, any of which shall be deemed an original, and all of which together shall constitute one and the same instrument, notwithstanding that all of the parties are not signatory to the original or the same counterpart.

Persons Bound — Non-Assignment. This Agreement and all of the provisions hereof shall be binding upon the parties hereto, their legal representatives, heirs, distributees, successors and assigns. Except as expressly stated herein, nothing in this Agreement is intended to confer upon any other person any rights or remedies under or by reason of this Agreement. Neither this Agreement nor any rights hereunder shall be assignable by Executive.

Guarantee of Company. If Executive’s services are assigned to any parent, subsidiary or affiliate of Company, Company shall remain liable as a guarantor of the obligations hereunder.

Inconsistent Provisions. If any provision of this Agreement is inconsistent with any provision or any plan or resolution (including a severance pay resolution) providing benefits substantially similar to those provided by this Agreement or any other document required or executed pursuant to this Agreement, the provisions of this Agreement shall be controlling.

Severability. If any provision of this Agreement or the application thereof to any person or circumstances is held invalid, the remainder of this Agreement and the application of such provision to the other person and circumstances shall not be affected thereby and each term and condition of the Agreement shall be valid and enforced to the fullest extent permitted by law.

Choice of Law. This Agreement shall be construed as to both validity and performance and enforced in accordance with and governed by the laws of the State of New York, without giving effect to the choice of law principles of those laws.

No Conflicting Agreement. Executive represents and warrants to Company that he is not a party to, or bound by, any agreement, understanding or plan which would interfere with or prevent performance under this Agreement. Company similarly represents and warrants to Executive.

Attorney's Fees. In the event that any dispute or difference arising under or in connection with this Agreement results in arbitration or litigation, Company shall reimburse Executive for all reasonable Attorney's fees and expenses if Executive prevails in such proceeding.

Authorization. Company represents to Executive that this Agreement has been duly approved by its Board of Directors and execution by an appropriate officer duly authorized.

IN WITNESS WHEREOF, the undersigned parties hereto have duly executed this Agreement as of the day and year first above written

WITNESS:

ASTRONICS CORPORATION

By _____

WITNESS:

By _____
DAVID C. BURNEY

**FIRST AMENDMENT
of the
EMPLOYMENT TERMINATION BENEFITS AGREEMENT**

THIS AMENDMENT, dated as of December 31, 2008, is between **ASTRONICS CORPORATION** (the "Company"), and **DAVID C. BURNEY** (the "Executive").

RECITALS:

A. The Company and the Executive have entered into an Employment Termination Benefits Agreement dated as December 16, 2003 (the "Agreement").

B. It is intended that the Agreement comply with the provisions of Section 409A of the Code and the regulations and guidance of general applicability issued thereunder (referred to herein as "Section 409A") so as to not subject the Executive to the payment of additional interest and taxes under Section 409A. In furtherance of this intent, the Agreement shall be interpreted, operated and administered in a manner consistent with these intentions, and to the extent Section 409A would result in the Executive being subject to the payment of additional income taxes or interest under Section 409A, the parties agree to amend the Agreement in order to avoid the application of such taxes and interest. Consistent with this intent, the Company and the Executive desire to amend the Agreement to reflect certain changes to the terms and conditions of the Agreement by entering into this First Amendment to the Agreement (this "Amendment").

NOW THEREFORE, in consideration of the foregoing, the Company and the Executive agree to amend the Agreement effective as of December 31, 2008 as follows:

1. Termination of Employment. For purposes of Section 6.04 of the Agreement, no Involuntary Termination of Employment, shall be considered to have occurred unless such Involuntary Termination of Employment would also qualifies as a “separation from service” within the meaning of Section 409A.

2. Delayed Payments. Notwithstanding any provision in the Agreement to the contrary, if the Executive is a “specified employee” (within the meaning of Section 409A), to the extent needed to comply with Section 409A, payments due under Section 6.04 of the Agreement which are considered part of a deferred compensation arrangement under Section 409A will be subject to a six (6) month delay such that amounts otherwise payable during the six (6) month period following the Executive’s separation from service shall be accumulated and paid in a lump-sum catch-up payment as of the first day of the seventh month following the Executive’s separation from service (or, if earlier, the date of the Executive’s death).

3. Treatment as Separation Pay. Section 2 of this Amendment will not apply to the extent such payments can be considered to be “separation pay” that is not part of a deferred compensation arrangement under Section 409A. If permitted by Section 409A, payments to the Executive pursuant to Section 6.04 of the Agreement shall be considered first to come from “separation pay.”

4. Timing of Reimbursement Payments. Notwithstanding any provision in Section 6.04 of the Agreement to the contrary, any reimbursement of expenses provided for in this Section 6.04 will be made no later than the last day of the calendar year following the year in which the Executive incurred the expense.

5. The second sentence of Section 6.04 is deleted in its entirety.

Except as specifically amended hereby, the Agreement shall continue in full force and effect as written.

This Amendment may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Amendment as of this 31 day of December, 2008.

COMPANY:

ASTRONCIS CORPORATION

By _____
Name:
Title:

EXECUTIVE:

David C. Burney

EXHIBIT 10.8
ASTRONICS CORPORATION
2005 DIRECTOR STOCK OPTION PLAN

ARTICLE I

PURPOSE

The purpose of this 2005 Director Stock Option Plan (the "Plan") is to advance the interest of ASTRONICS CORPORATION, a New York corporation (the "Company"), by encouraging the efforts of directors of the Company who are not employees, by heightening the desire of such persons to continue in their service and by assisting the Company to compete effectively with other enterprises for new directors.

ARTICLE II

GRANTING OF OPTIONS

Subject to the terms and conditions of this Plan, the Company may issue options ("Options") to purchase up to two hundred thousand (200,000) shares of its \$.01 par value Common Stock ("Shares") to persons eligible to participate under Section 4.1 below. Two hundred thousand (200,000) of the Company's authorized but unissued shares of Common Stock are hereby reserved for issuance under this Plan; provided, however, that treasury shares shall also be available for issuance under this Plan at the Company's discretion. Any Share subject to an Option that terminates for any reason other than exercise may be made subject to a subsequent Option.

ARTICLE III

TERM

3.1 Effective Date.

This plan shall become effective upon its adoption by the Board of Directors. The Plan shall be submitted to the shareholders of the Company for their approval within twelve months of such adoption. No Option shall be exercisable unless and until the shareholders of the Company have approved the Plan.

3.2 Termination.

This Plan shall terminate when all of the Shares have been acquired through exercise of Options unless sooner terminated by the Board of Directors. Any Option outstanding under this Plan at the time of its termination shall remain in effect in accordance with its terms and conditions and those of this Plan.

ARTICLE IV

PARTICIPANTS

4.1 Eligible Directors.

Options may be granted to directors of the Company unless at the time of grant they are also an executive officer or employee of the Company or any of its subsidiary corporations. As used in this Plan, "Participant" means a director of the Company and includes a director's legal representative if he or she is incompetent or deceased, or any other person who acquires the legal right to exercise a Participant's Options.

ARTCILE V
GENERAL TERMS

5.1 Written Agreement.

Options shall be evidenced by a written Option Agreement that shall contain such terms and conditions as this Plan requires and such additional provisions as the Committee, as defined in Section 6.1, may deem necessary or appropriate in its sole discretion and that do not conflict with the provisions of this Plan. Each Option Agreement shall be signed by the Participant and an officer of the Company designated by the Committee. Options granted pursuant to this Plan need not be identical, but each Option shall be subject to the terms and conditions set forth in this Plan.

5.2 Time of Grant.

Options shall be granted only during the thirty (30) day period commencing one week after a press release announcing quarterly or annual results of operations of the Company.

5.3 Price.

The purchase price of the Shares under each Option shall be as determined by the Committee, but in no event less than the fair market value of the Shares optioned on the date of granting. "Fair market value" shall be deemed to be:

1. The closing price on the date of grant as reflected in reports of the automated quotation service or national securities exchange on which the price of the Shares is reported. In all cases where the Shares are selling ex-dividend on the date of grant, the amount of the dividend shall be added to the ex-dividend quotation to determine the fair market value of the Shares as of the date of grant; or
2. If the fair market value cannot be established under the provisions of (1) above, then the "fair market value" shall be that value determined in good faith by the Board of Directors based on a consideration of the following relevant factors: the Company's net worth, prospective earning power, its dividend paying capacity, the value of its underlying assets, and any other factors such as the goodwill of the business, the economic outlook in the industry, the Company's position in the industry and its management, and the value of securities of corporation engaged in the same or similar businesses which are listed on a national securities exchange. The weight to be accorded by comparison or any other evidentiary factors considered by the Board of Directors in the determination of value will depend on the particular circumstances applying at the time. In every case, the determination of the Board of Directors shall be final.

5.4 Payment of Exercise Price; Taxes.

5.4.1 The exercise price of each Option shall be paid in full at the time of exercise by cash or certified check or the exchange of Shares, or a combination of both such that the sum of (a) the aggregate fair market value (as of the exercise date) of the Shares exchanged by the Participant (as determined by the Committee), and (b) the cash paid, equals the total exercise price of the Option.

5.4.2 If the exercise of an Option gives rise to an obligation of the Company to withhold state or federal income or other taxes, or gives rise to any other tax liability of the Company of any kind, the Participant shall tender the amount of such tax to the Company along with the exercise price, unless the incidence of such tax cannot lawfully be placed on the Participant.

5.5 Exercise of Options.

Options shall be exercisable as provided in the Option Agreement. Except as provided in Section 5.6, in no event shall Options be exercised during the six (6) month period immediately following such grant.

5.6 Duration of Option.

Each Option shall be exercisable for so long as the Participant is a director of the Company and, to the extent that the Option is exercisable on the date of termination of the Participant's directorship, for thirty (30) days thereafter, but not longer than ten (10) years from the date the Option is granted. Unless otherwise expressly provided for by the Committee, on the date of termination of a Participant's directorship, Options granted but not yet exercisable shall thereupon become exercisable. Nothing in this Plan requires Options to be exercisable upon grant.

5.7 Death or Disability.

If a Participant dies or is "permanently and totally disabled" (within the meaning of section 22(e)(3) of the Internal Revenue Code of 1986, as amended ("Code")) while serving as a director of the Company, the thirty (30) day period specified in Section 5.6 above shall be one (1) year.

5.8 Misconduct.

If a Participant is determined by the Committee to have committed an act of embezzlement, fraud, dishonesty, deliberate or repeated disregard for the rules of the Company, unauthorized disclosure of any of the trade secrets or confidential information of the Company, unfair competition with the Company, inducement of any customer of the Company to breach a contract with the Company, inducement of any principal for whom the Company acts as agent to terminate that agency relationship or any culpable degree of negligence, then neither the Participant nor the Participant's estate shall be entitled to exercise any Option after termination of the Participant's directorship, whether or not, after termination of such directorship, such Participant may receive payment from the Company for services rendered prior to termination, services for the day on which termination occurs, or other benefits.

5.9 Transferability of Option.

Options shall be transferable only by will or the laws of descent and distribution.

5.10 No Employment Agreement.

No Option Agreement, nor anything contained in this Plan, shall confer upon any Participant any right to continue as a director of the Company nor limit in any way the right of the Company, or the shareholders thereof, to terminate a Participant's directorship at any time.

5.11 Adjustments to Options.

Subject to the general limitations of this Plan, the Committee may modify or extend existing Options. However, without the consent of the Optionee, no modification may impair the Optionee's rights or increase the Optionee's obligations under the Plan. No reductions in the purchase price of shares under Options previously granted may be made except as occasioned by Section 7.1.

5.12 Form of Agreement.

The Committee shall adopt a form of Option Agreement to be used pursuant to this Plan and may modify, add to, or delete from the form as it shall deem appropriate, subject to the provisions set forth herein.

ARTICLE VI

ADMINISTRATION AND AMENDMENT OF THE PLAN

6.1 The Committee.

This Plan shall be administered by a committee ("Committee") of at least two persons not eligible to participate in the Plan and who are appointed by the Board of Directors and may or may not be members of the Board. The Board of Directors shall fill vacancies on the Committee and may from time to time remove members from, or add members to, the Committee, provided that at all times the Committee shall have at least two members. The Committee shall act pursuant to the written consent of a majority of its members or the majority vote of its members at any meeting thereof.

6.2 Committee Rights and Powers.

Subject to this Plan and to the supervision of the Board of Directors, the Committee shall have the authority and discretion:

- (a) to determine which of the Company's directors shall receive Options;
- (b) to determine when Options shall be granted (subject to Section 5.2 above);
- (c) to determine the terms and conditions of Options (which terms and conditions may differ between Options);
- (d) to interpret the Plan; and
- (e) to take such action as is necessary or appropriate to the administration of the Plan.

All decisions, determinations, and interpretations of the Committee shall be final and binding on all Participants (subject to review by the Board of Directors in its sole and absolute discretion).

6.3 Administration.

The Committee from time to time may adopt rules and regulations for implementing this Plan, and it may from time to time suspend or terminate this Plan or make such changes and additions hereto as it may deem desirable, without further action on the part of the Board of Directors or the shareholders of the Company; provided, however, that unless the Company's shareholders shall have first given their approval, then (a) the total number of Shares that may be purchased under the Plan shall not be increased except as otherwise provided in this Plan; (b) the description of the persons eligible to receive Options shall not be changed; and (c) the minimum exercise price shall not be changed. The suspension, termination or amendment of this Plan shall not, without the consent of the Participant, alter or impair any rights or obligations under any Options theretofore granted under this Plan.

ARTICLE VII

ADJUSTMENT OF AND CHANGES IN STOCK

7.1 Changes in Stock; Stock Dividends.

If the Shares presently constituted are changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, split-up, combination of shares, or otherwise), or if the number of Shares shall be increased through the payment of a stock dividend or other distribution, then notwithstanding any other provision of this Plan, there shall be substituted for or added to each Share subject to this Plan the number and kind of shares of stock or other securities into which each outstanding Share shall be entitled, as the case may be. Outstanding Options shall also be amended as to price and other terms if necessary to reflect the foregoing events. If there shall be any other change in the number or kind of the outstanding Shares, or of any stock or other securities into which it shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in any Option theretofore granted or that may be granted under this Plan, such adjustment shall be made in accordance with such determination.

7.2 Termination of Business.

Upon any merger of the Company with another corporation where the Company is not the surviving corporation, dissolution or liquidation of the Company, sale of substantially all the property of the Company, or the acquisition of more than 80% of the voting power of the stock of the Company by another corporation, then the Company shall have the right, at its option, to do any of the following:

- (a) provide for the continuance of this Plan and all outstanding Options granted hereunder;
- (b) permit the immediate exercise of all outstanding Options not otherwise immediately exercisable;

- (c) terminate all outstanding Options, whether exercisable or not, by paying each holder an amount equal to the aggregate current market price of Shares underlying the Options held by the holder less the aggregate exercise price of such Shares; or
- (d) terminate this Plan and all Options granted hereunder after giving written notice to all holders of exercisable Options informing them of the Company's intention to terminate the Options and giving the holders a reasonable opportunity to exercise their exercisable Options.

7.3 Fractional Shares.

No right to purchase fractional Shares shall result from any adjustment in Options pursuant to this Article VII. In the case of any such adjustment, the Shares subject to Options of each Participant shall be rounded down to the nearest whole Share. Notice of any adjustment shall be given by the Company to each holder of Options that shall have been so adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

ARTICLE VIII

BINDING ON HEIRS, SUCCESSORS AND ASSIGNS

Except as provided in Section 7.2 above, this Plan shall inure to the benefit of, and be binding upon, each successor to the Company. All obligations imposed upon the Participants and all rights granted to the Company under this Plan shall be binding upon each Participant's heirs, legal representatives, and successors. This Plan and the Option Agreements executed between the Company and each Participant shall be the sole and exclusive source of any and all rights that each Participant and his or her heirs, legal representatives, or successors may have in respect to this Plan or any Options or Shares granted hereunder, whether to the Participant or to any other person.

ARTICLE IX

TAX STATUS

Options granted hereunder are not intended to be eligible for favorable tax treatment under Section 422 of the Code. The Company does not hereby, nor by way of any Plan, document, or otherwise, attempt to make any representation to any person, including the Participants, with respect to the tax effect on such person of the grant or exercise of an Option or the subsequent disposition of Shares obtained by the exercise of an Option pursuant to this Plan or any other aspect of this Plan.

ARTICLE X

PLAN GOVERNS

If there is any discrepancy between this Plan and any documents related to this Plan, including any Option Agreement, this Plan shall govern. Nothing contained in this Plan shall be construed to constitute, or be evidence of, any right in favor of any person to receive Options hereunder or any obligation on the part of the Company to issue Options.

EXHIBIT 10.13

ASTRONICS CORPORATION

EMPLOYMENT TERMINATION BENEFITS AGREEMENT DATED FEBRUARY 18, 2005 BETWEEN ASTRONICS CORPORATION AND MARK A. PEABODY, EXECUTIVE VICE PRESIDENT OF ASTRONICS ADVANCED ELECTRONIC SYSTEMS, INC.

AGREEMENT, made this 18th day of February, 2005, between ASTRONICS CORPORATION, a New York corporation with an office and place of business at 130 Commerce Way, East Aurora New York 14052 (the "Company"), and Mark A. Peabody who resides at 9612 215th Avenue, Redmond, Washington 98053 ("Executive").

RECITALS:

Executive is presently employed by Company and the Board of Directors of Company (the "Board") recognizes that Executive's contribution to the growth and success of Company has been substantial;

The Board desires to establish appropriate employment arrangements which the Board has determined will reinforce and encourage Executive's continued attention and dedication to the Company's business and success as a member of the Company's management, furthering the best interest of the Company and its shareholders; and

Executive is willing to commit himself to continue to serve Company on the terms and conditions herein provided.

NOW, THEREFORE, in consideration of the mutual promises and the respective covenants and agreements of the parties herein contained and intending to be legally bound hereby, the parties hereto agree as follows:

DEFINITIONS

Terms Defined. In addition to any words and terms elsewhere defined herein, the following words and terms shall have the meanings indicated below unless the context or use indicates a different meaning:

"CAUSE" shall mean any act that is materially inimical to the best interests of the Company and that constitutes, on the part of the Executive, intentional or grievous wrong, including, but not limited to, common law fraud, a felony, or other gross malfeasance of duty.

A "CHANGE OF CONTROL" shall mean the transfer in one or more transactions, extending over a period of not more than 24 months, of Common Stock of the Company possessing 25% or more of the total combined voting power of all Class A and Class B Shares of Common Stock. A transfer shall be deemed to occur if shares of Common Stock are either transferred or made the subject of options, warrants, or similar rights granting a third party the opportunity to acquire ownership or voting control of such Common Stock.

"COMMON STOCK" shall mean the Class A and Class B \$1.00 par value shares of the capital stock of the Company, as well as all other securities with voting rights or convertible into securities with voting rights.

"COMPENSATION" shall mean the base salary paid to the Executive for a calendar year plus any cash bonus or cash incentive payments earned for or attributable to that year, whether or not the bonus or incentive payments are paid during that year. "AVERAGE ANNUAL COMPENSATION" shall mean the average of the Compensation paid to Executive for the two years preceding termination.

"COMPENSATION COMMITTEE" shall mean the Executive Compensation Committee of Board, as it is constituted from time to time.

"COMPANY" shall mean ASTRONICS CORPORATION, as well as any successors or assigns of ASTRONICS CORPORATION, whether by transfer, merger, consolidation, acquisition of all or substantially all of the business assets, change in identity, or otherwise by operation of law and for purposes of employment of Executive shall also mean any parent, subsidiary or affiliated entity to whom Executive's services may be assigned.

"DISABILITY" shall mean the inability of Executive to perform a substantial portion of his duties hereunder for a continuous period of 6 months or more.

"EFFECTIVE DATE" shall mean the date of this Agreement.

“INVOLUNTARY TERMINATION OF EMPLOYMENT” shall mean a severance of the Executive’s employment relationship prior to age 65, other than for death, Disability, Retirement, or Cause, by or at the instigation of Company or by or at the instigation of Executive where Executive’s pay has been diminished or reduced to a greater extent than any diminution or reduction of Company’s Executives generally. Where there has been a Change of Control, Involuntary Termination of Employment shall mean a termination of the employment relationship by or at the instigation of Company or by or at the instigation of Executive (whether before or after age 65) within two years of the Change of Control.

“RETIREMENT” shall mean the election of Executive to retire from active employment with Company at the end of the month in which Executive attains 65 years of age or thereafter. Retirement shall also mean a similar election by Executive prior to age 65, where Executive elects to receive early Retirement benefits under the Company’s Profit Sharing Plan or any successor Company retirement plan.

“TERM OF EMPLOYMENT” means the period commencing on the effective date and expiring on the earliest to occur of (i) Executive’s death, Disability or Retirement, (ii) the Voluntary Termination of Employment by Executive, or (iii) Termination for Cause of Executive’s employment.

“TERMINATION FOR CAUSE” shall mean severance of the Employment relationship based upon or brought about by Cause as defined in paragraph (a) above.

“VOLUNTARY TERMINATION OF EMPLOYMENT” shall mean a severance of the Employment relationship by or at the instigation of Executive, other than a termination occurring upon a Change of Control as defined in paragraph (b) above, or upon death, Disability or Retirement.

— EMPLOYMENT, TERM, DUTIES

Employment. Company hereby hires Executive, and Executive agrees to serve Company, for a term beginning on the Effective Date of this Agreement, and ending on the last day of the Term of this Agreement.

Term. The term of this Agreement shall begin on the Effective Date, and shall end as provided in Section 5.01. Unless benefits under this Agreement are being provided at that time, this Agreement shall also end upon Executive’s attainment of age 70.

Capacity. Executive shall serve in such executive or managerial capacity as the Board of Directors of the Company shall determine, and shall have all of the duties, responsibilities, obligations and privileges commensurate with such position.

Duties. Executive agrees to devote his full business time and energy to the business and affairs of Company and to utilize his best efforts, skill and abilities to promote such interest, performing such duties as may be assigned on the executive or managerial level. Company agrees that Executive shall have such powers and authority as shall reasonably be required to enable Executive to discharge his duties in an efficient manner.

Base of Operations. Company agrees that Executive’s base of operations shall be Executive’s location as of the Effective Date of this Agreement. Although Executive recognizes that substantial traveling may be required in connection with employment, Executive shall not be required to operate from any other area without Executive’s prior consent.

— COMPENSATION AND BENEFITS

Base Salary and Profit Share. During the Term of Employment, Company shall pay Executive for all services to be rendered as set forth herein, a base salary as determined from time to time by the Compensation Committee, plus an annual bonus award based on the performance of the Company and of the Executive as the Compensation Committee may determine. The base salary shall be payable in periodic installments not less frequently than on a monthly basis. Any bonus award shall be payable annually in the month of January and shall be based on performance for the prior fiscal year.

This Agreement shall not be deemed abrogated or terminated if Company, in its discretion, shall determine to modify the base compensation of Executive for any period of time, and Executive accepts the modification, but nothing herein contained shall be deemed to obligate Company to make any increase in base compensation.

Other Employment Benefits. Executive shall be entitled to all rights and benefits for which he shall be eligible under any retirement, profit sharing, employee stock purchase plan, savings and investment plan, business travel, group life, disability, accident or health insurance, vacation, and other benefit plans which Company provides for its employees generally, as well as for any stock option, incentive compensation, club memberships, supplemental medical and life insurance coverages and similar benefit plans which Company provides for executive personnel having duties and responsibilities similar to those of Executive.

Reimbursement of Expenses. Company shall provide Executive with an automobile or an allowance for automobile use and shall pay or reimburse Executive for all reasonable traveling or other expenses incurred or paid by Executive in connection with the performance of his services under this Agreement upon presentation of expense statements or vouchers, and such other supporting information as it may from time to time request.

— NON COMPETITION, CONFIDENTIAL DATA

Non-Competition. During the term of this Agreement, and in the event of Involuntary Termination upon a Change in Control until the last payment of any benefits to Executive under this Agreement, Executive will not directly or indirectly engage in or compete with the business of the Company, either as owner, partner or employee. In the event that Executive shall compete with the business of the Company, payment of benefits under this Agreement will be suspended so long as Executive engages in activity deemed to be in competition with the business of the Company.

Confidential Information. Executive agrees, during the term of this Agreement and thereafter, not to use or make use of nor to divulge to anyone other than authorized personnel or representatives of Company, any information or knowledge relating to the business, business methods or techniques of Company including, without being limited to, information about accounting procedures, training methods or techniques, data, processes, research manufacturing formulae, costing, sales prospects, customers' or suppliers' lists, bidding formulae, sales, profits or costs, except to the extent that Executive can establish the same to be generally known to the public or recognized as standard practice in the business in which Company is engaged or to the extent Executive is required to divulge such information or knowledge in connection with any legal proceeding.

Patents and Inventions. Executive agrees that any patents, inventions, improvements, discoveries, formulae or processes which he may obtain, make or conceive during the period of employment hereunder, shall be the sole and exclusive property of Company, and that he will sign and execute any and all applications, assignments or other instruments necessary or appropriate to assign, convey or otherwise make available exclusively to Company all such patents, inventions, improvements, discoveries, formulae or processes.

Enforcement. Executive agrees that in the event of a breach or threatened breach by Executive of any provision of this Article, Company may institute legal proceedings to compel Employee compliance hereunder, including injunctive relief and any other remedy provided in law or equity. If the scope of any restriction contained in this Agreement is too broad to permit enforcement of such restriction to its full extent, then such restriction shall be enforced to the maximum extent permitted by law, and Executive hereby consents and agrees that such scope may be judicially modified accordingly in any proceeding brought to enforce such restriction.

In the event of such judicial modification, Company may, if it determines in its sole judgment that such action is contrary to the best interests of Company, within ten days after notification of such modification, terminate all obligations of Company under this Agreement by giving Executive not less than 15 days notice of such termination.

— TERMINATION

Termination of Employment. Executive's employment by Company shall terminate on the earliest to occur of (a) Executive's death, Disability or Retirement, (b) Voluntary Termination of Employment by Executive, or (c) Termination for Cause of Executive's employment. In any such event this Agreement shall also terminate other than for the provisions of Articles IV, VI and VII, which shall survive such Termination.

The existence of Disability, as defined herein, shall be determined in the sole judgment of the Compensation Committee, and effective upon delivery to Executive of written notice that such determination has been made, Executive's employment shall be terminated and Executive shall be removed from all positions, as an officer, director, or otherwise, with Company.

5.02 Effect of Involuntary Termination. This Agreement shall survive an Involuntary Termination of Employment.

5.03 Executive Obligations Upon Termination. Executive agrees that upon termination of services under this Agreement, for any cause whatsoever, he will deliver to Company all documents, drawings, papers, computer tapes or discs, notes, memoranda, handbooks, manuals, and all other tangible material on which information is stored or recorded, and all copies thereof which Executive has in his control or possession in any way related to the business of Company, its customers, suppliers or affiliates.

— BENEFITS UPON TERMINATION

Death, Disability, Retirement. In the event of termination upon death, or by virtue of Retirement or Disability, Executive's surviving spouse or estate shall be entitled to the benefits provided generally by the Company to its executives.

Termination For Cause. Upon termination of Executive's employment for Cause, Executive shall be entitled to his base salary up to the date of such termination, as well as any vested benefits under any Company retirement plan or supplemental retirement plan in which Executive may participate. Under such termination, Executive shall not be entitled to participate in any profit share award or incentive compensation payable after the date of termination, but will be eligible to receive a payment in cash for any unutilized vacation benefits accrued for Executive. Unless otherwise provided by law, Executive shall not have the right or privilege of exercising any stock options held by Executive and issued under any stock option plan or stock purchase plan of the Company.

Voluntary Termination of Employment. In the event of Executive's Voluntary Termination of Employment with Company, Executive shall be entitled to his employment benefits up to the date of termination, including any vested benefits under any Company profit sharing, retirement plan or supplemental retirement plan, in which Executive may participate, but unless any profit share award or incentive compensation is payable prior to such termination, Executive shall not receive any such payment.

Executive shall receive a payment in cash for any unutilized vacation benefits accrued for Executive. Executive shall have the right to exercise any stock options previously granted to Executive to the extent permitted by the terms of the applicable stock option plan or the grant thereunder

Involuntary Termination of Employment. In the event of the Involuntary Termination of Employment in the circumstance of a Change in Control, Executive shall be entitled to receive his base salary then in effect or his Average Annual Compensation, whichever is greater, for a period of one (1) year; any vested benefits under any Company retirement plan, profit sharing or supplemental retirement plan in which he may participate; the continuation at Company's expense for one (1) year of any club memberships held by Executive for which reimbursement was provided by Company; and, for a period of one (1) year, continue to be provided with an automobile, or reimbursement of automobile expense. In lieu of the continuation of the foregoing pay and benefits provided for in the foregoing sentence, Executive may elect to receive some or all of such pay and benefits in a lump sum, the same to be paid within sixty (60) days of Executive's written election, which election must be made within sixty (60) days of the Involuntary Termination of Employment. Executive shall have the right to exercise any vested or unvested stock options held by Executive at the date of termination within the one year period after the date of such Involuntary Termination of Employment but not later than the expiration date(s) of such stock options, or if such exercise is not permitted or, in any event, if Executive so elects, an amount equal to the bargain element of such options, vested or unvested, shall be paid. Executive shall also receive for one (1) year after Termination the same health, life and disability insurance coverages for which he was eligible during employment. Executive shall also receive a payment in cash for any unutilized vacation benefits accrued for Executive. Notwithstanding the foregoing, if the Executive dies within three months from the date of the Involuntary Termination of Employment, his vested and unvested stock options may be exercised within the one year period after the date of such Involuntary Termination of Employment but not later than the expiration date(s) of such stock options, or if such exercise is not permitted or, in any event, if Executive so elects, an amount equal to the bargain element of such options, vested or unvested, shall be paid. For purposes of this Section 6.04, the bargain element of options shall be determined as of the date a Change of Control occurs.

— MISCELLANEOUS

Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when received, if personally delivered, electronically transmitted, or mailed, first class postage prepaid, addressed to Company at 130 Commerce Way, East Aurora, New York 14052 (with a copy to Hodgson Russ LLP, attention John B. Drenning, Esq., One M & T Plaza, Suite 2000 Buffalo, New York 14203), or to Executive at the address on the first page, or such other address as may be designated by notice in accordance with the provisions of this Section.

Arbitration. All disputes, differences and controversies arising under or in connection with this Agreement, including but not limited to its interpretation, construction, performance or application, shall be settled and finally determined by arbitration in the City of Buffalo, New York, under the then existing rules of the American Arbitration Association.

Entire Agreement. This instrument contains the entire agreement of the parties with respect to its subject matter, and supersedes and replaces any prior agreement or understanding, and no amendment, modification or waiver of any provision hereof shall be valid unless it be in writing and signed by Company and Executive.

Non-Waiver. The waiver of, or failure to take action with regard to, any breach of any term or condition of this Agreement shall not be deemed to constitute a continuing waiver or a waiver of any other breach of the same or any other term or condition.

Paragraph and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect in any way, the meaning or interpretation of this Agreement.

Gender and Number. The masculine gender used herein shall be deemed to include the feminine and neuter genders, and vice versa, and the singular or plural, shall be deemed to include the plural or singular, as the case may be, when required by the context, and the word "person" shall include corporation, firm, partnership or other form of association.

Counterparts. This Agreement may be executed simultaneously in two or more counterparts, any of which shall be deemed an original, and all of which together shall constitute one and the same instrument, notwithstanding that all of the parties are not signatory to the original or the same counterpart.

Persons Bound — Non-Assignment. This Agreement and all of the provisions hereof shall be binding upon the parties hereto, their legal representatives, heirs, distributees, successors and assigns. Except as expressly stated herein, nothing in this Agreement is intended to confer upon any other person any rights or remedies under or by reason of this Agreement. Neither this Agreement nor any rights hereunder shall be assignable by Executive.

Guarantee of Company. If Executive's services are assigned to any parent, subsidiary or affiliate of Company, Company shall remain liable as a guarantor of the obligations hereunder.

Inconsistent Provisions. If any provision of this Agreement is inconsistent with any provision or any plan or resolution (including a severance pay resolution) providing benefits substantially similar to those provided by this Agreement or any other document required or executed pursuant to this Agreement, the provisions of this Agreement shall be controlling.

Severability. If any provision of this Agreement or the application thereof to any person or circumstances is held invalid, the remainder of this Agreement and the application of such provision to the other person and circumstances shall not be affected thereby and each term and condition of the Agreement shall be valid and enforced to the fullest extent permitted by law.

Choice of Law. This Agreement shall be construed as to both validity and performance and enforced in accordance with and governed by the laws of the State of New York, without giving effect to the choice of law principles of those laws.

No Conflicting Agreement. Executive represents and warrants to Company that he is not a party to, or bound by, any agreement, understanding or plan which would interfere with or prevent performance under this Agreement. Company similarly represents and warrants to Executive.

Attorney's Fees. In the event that any dispute or difference arising under or in connection with this Agreement results in arbitration or litigation, Company shall reimburse Executive for all reasonable Attorney's fees and expenses if Executive prevails in such proceeding.

Authorization. Company represents to Executive that this Agreement has been duly approved by its Board of Directors and execution by an appropriate officer duly authorized.

IN WITNESS WHEREOF, the undersigned parties hereto have duly executed this Agreement as of the day and year first above written.

WITNESS:

WITNESS:

ASTRONICS CORPORATION

By _____

MARK A. PEABODY

EXHIBIT 10.14

ASTRONICS CORPORATION

FIRST AMENDMENT OF THE EMPLOYMENT TERMINATION BENEFITS AGREEMENT DATED DECEMBER 31, 2008 BETWEEN ASTRONICS CORPORATION AND MARK A. PEABODY, EXECUTIVE VICE PRESIDENT OF ASTRONICS ADVANCED ELECTRONIC SYSTEMS, INC.

THIS AMENDMENT, dated as of December 31, 2008, is between **ASTRONICS CORPORATION** (the "Company"), and **MARK A. PEABODY** (the "Executive").

RECITALS:

A. The Company and the Executive have entered into an Employment Termination Benefits Agreement dated as February 18, 2005 (the "Agreement").

B. It is intended that the Agreement comply with the provisions of Section 409A of the Code and the regulations and guidance of general applicability issued thereunder (referred to herein as "Section 409A") so as to not subject the Executive to the payment of additional interest and taxes under Section 409A. In furtherance of this intent, the Agreement shall be interpreted, operated and administered in a manner consistent with these intentions, and to the extent Section 409A would result in the Executive being subject to the payment of additional income taxes or interest under Section 409A, the parties agree to amend the Agreement in order to avoid the application of such taxes and interest. Consistent with this intent, the Company and the Executive desire to amend the Agreement to reflect certain changes to the terms and conditions of the Agreement by entering into this First Amendment to the Agreement (this "Amendment").

NOW THEREFORE, in consideration of the foregoing, the Company and the Executive agree to amend the Agreement effective as of December 31, 2008 as follows:

1. Termination of Employment. For purposes of Section 6.04 of the Agreement, no Involuntary Termination of Employment, shall be considered to have occurred unless such Involuntary Termination of Employment would also qualify as a "separation from service" within the meaning of Section 409A.

2. Delayed Payments. Notwithstanding any provision in the Agreement to the contrary, if the Executive is a "specified employee" (within the meaning of Section 409A), to the extent needed to comply with Section 409A, payments due under Section 6.04 of the Agreement which are considered part of a deferred compensation arrangement under Section 409A will be subject to a six (6) month delay such that amounts otherwise payable during the six (6) month period following the Executive's separation from service shall be accumulated and paid in a lump-sum catch-up payment as of the first day of the seventh month following the Executive's separation from service (or, if earlier, the date of the Executive's death).

3. Treatment as Separation Pay. Section 2 of this Amendment will not apply to the extent such payments can be considered to be "separation pay" that is not part of a deferred compensation arrangement under Section 409A. If permitted by Section 409A, payments to the Executive pursuant to Section 6.04 of the Agreement shall be considered first to come from "separation pay."

4. Timing of Reimbursement Payments. Notwithstanding any provision in Section 6.04 of the Agreement to the contrary, any reimbursement of expenses provided for in this Section 6.04 will be made no later than the last day of the calendar year following the year in which the Executive incurred the expense.

5. The second sentence of Section 6.04 is deleted in its entirety.

Except as specifically amended hereby, the Agreement shall continue in full force and effect as written.

This Amendment may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Amendment as of this 31 day of December, 2008.

COMPANY:

ASTRONCIS CORPORATION

By _____
Name:
Title:

EXECUTIVE:

Mark A. Peabody

EXHIBIT 10.15

ASTRONICS CORPORATION

**FORM OF INDEMNIFICATION AGREEMENT AS EXECUTED BY EACH OF ASTRONICS CORPORATION'S
DIRECTORS AND EXECUTIVE OFFICERS**

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "Agreement") is made as of the ____ day of _____ by and between Astronics Corporation, a New York corporation (the "Corporation") and _____ ("Indemnitee"), a director, officer or key employee of the Corporation.

WITNESSETH:

WHEREAS, it is essential to the Corporation to retain and attract directors, officers and key employees who are the most capable persons available;

WHEREAS, the Indemnitee is serving or has agreed to serve as a director, officer or key employee of the Corporation and in such capacity will render valuable services to the Corporation;

WHEREAS, the substantial increase in corporate litigation subjects directors, officers and key employees to expensive litigation risks at the same time that the availability of directors' and officers' liability insurance and fiduciary insurance has been severely limited;

WHEREAS, it is now, and has always been, the express policy of the Corporation to indemnify its directors, officers and key employees so as to provide them with the maximum possible protection permitted by law; and

WHEREAS, Indemnitee may not be willing to serve or to continue to serve as a director, officer or key employee without adequate protection, and the Corporation desires Indemnitee to continue to serve in such capacity.

NOW, THEREFORE, in consideration of the Indemnitee's continued service as a director, officer or key employee of the Corporation, the Corporation and Indemnitee do hereby agree as follows:

Agreement to Serve. Indemnitee agrees to continue to serve as a director, officer or key employee of the Corporation for so long as he or she is duly elected or appointed or until such time as he or she tenders his or her resignation in writing. This provision is not a guarantee of employment.

Definitions. As used in this Agreement: The term "Proceeding" shall include any threatened, pending, or completed action, suit, or proceeding, whether brought by or in the right of the Corporation or one of its subsidiaries or otherwise, and whether of a civil, criminal, administrative, or investigative nature, in which Indemnitee is or was a party or is threatened to be made a party by reason of the fact that Indemnitee is or was a director, officer or employee of the Corporation (or any subsidiary of the Corporation), or is or was serving at the request of the Corporation as a director, officer, employee, member, manager, trustee, agent, or fiduciary of another corporation, limited liability company, partnership, joint venture, trust, or other enterprise.

The term "Expenses" shall include, without limitation, expenses of investigation, judicial or administrative proceedings or appeals, amounts paid in settlement by or on behalf of Indemnitee, attorneys' fees and disbursements, experts' fees and disbursements and any expenses of establishing a right to indemnification under Paragraph 7 of this Agreement.

References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to any employee benefit plan; references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, agent, or fiduciary with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the

participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interest of the Corporation” as referred to in this Agreement.

Indemnity in Third-Party Proceedings. The Corporation shall indemnify Indemnitee in accordance with the provisions of this Paragraph 3, against all Expenses, judgments, fines, and penalties actually and reasonably incurred by Indemnitee in connection with the defense or settlement of any Proceeding (other than a Proceeding by or in the right of the Corporation to procure a judgment in its favor) if Indemnitee acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, in the case of a criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful. The termination of any such Proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal proceeding, that Indemnitee did not have reasonable cause to believe that his or her conduct was unlawful.

Indemnity in Proceedings By or In the Right of the Corporation. The Corporation shall indemnify Indemnitee, in accordance with the provisions of this Paragraph 4, against all Expenses actually and reasonably incurred by Indemnitee in connection with the defense or settlement of any Proceeding by or in the right of the Corporation to procure a judgment in its favor, including the amount of the judgment or settlement, if Indemnitee acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation; provided, however, that no indemnification for Expenses shall be made under this Paragraph 4 in respect of any claim, issue, or matter as to which Indemnitee shall have been adjudged to be liable to the Corporation unless and only to the extent that the court in which such Proceeding was brought, or, if no action was brought, any court of competent jurisdiction, determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for the Expenses and the amount of the judgment or settlement which the court shall deem proper.

Indemnification of Expenses of Successful Party. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise, in defense of any Proceeding, or in defense of any claim, issue, or matter therein, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee in connection therewith to the fullest extent permitted by New York Law.

Advances of Expenses. At the written request of Indemnitee, the Expenses actually and reasonably incurred by Indemnitee in any Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding and within 30 days after request therefor. Indemnitee will repay any such Expenses that are advanced under this Paragraph 6 if it is ultimately determined, in a final, non-appealable judgment rendered by the court of last resort (or by a lower court if not timely appealed), that Indemnitee is not entitled to be indemnified against such Expenses. This undertaking by Indemnitee is an unlimited general undertaking but no security for such undertaking will be required. If the Corporation makes an advance of expenses pursuant to this Paragraph 6, the Corporation shall be subrogated to every right of recovery Indemnitee may have against any insurance carrier from whom the Corporation has purchased insurance for such purpose.

Right of Indemnitee to Indemnification Upon Application; Procedure Upon Application.

Subject to Paragraph 8 of this Agreement, Indemnitee will be presumed to be entitled to indemnification under this Agreement. The burden of proving that indemnification or advances of Expenses are not appropriate shall be on the Corporation.

Any indemnification under Paragraphs 3 and 4 (other than the advancement of Expenses) shall be paid by the Corporation no later than 30 days after receipt of the written request of Indemnitee, unless a determination is made within the 30-day period by (i) the Board of Directors by a majority vote of directors who are not and were not parties to the Proceeding in respect of which indemnification is being sought (“Disinterested Directors”), (ii) a committee of the Board of Directors comprised of Disinterested Directors or (iii) independent legal counsel in a written opinion (which counsel shall be appointed by a vote of the Disinterested Directors), that Indemnitee has not met the relevant standards for indemnification set forth in Paragraphs 3 and 4. If requested by the Indemnitee in writing, any such determination shall be made by independent legal counsel not previously employed by the Corporation or any Affiliate thereof (“Affiliate” having the meaning defined in Rule 144 promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended).

Indemnitee will be entitled to a hearing before the Board of Directors of Corporation or the Disinterested Directors and/or any other person or persons making a determination and evaluation under Paragraph 7(b). Indemnitee will be entitled to be represented by counsel at such hearing. The cost of any determination and evaluation under Paragraph 7(b) (including attorneys’ fees

and other expenses incurred by Indemnitee in preparing for and attending the hearing contemplated by Paragraph 7 and otherwise in connection with the determination and evaluation under Paragraph 7) will be borne by the Corporation.

The right to indemnification or advancement of Expenses as provided by this Agreement shall be enforceable by Indemnitee in any court of competent jurisdiction. Neither the failure of the Corporation (including its Board of Directors or independent legal counsel) to have made a determination prior to the commencement of such action that Indemnitee has met the applicable standard of conduct nor an actual determination by the Corporation (including its Board of Directors or independent legal counsel) that Indemnitee has not met such standard shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct. Indemnitee's Expenses actually and reasonably incurred in connection with successfully establishing his or her right to indemnification or advances, in whole or in part, shall also be indemnified by the Corporation.

With respect to any Proceeding for which indemnification is requested, the Corporation will be entitled to participate therein at its own expense and, except as otherwise provided below, the Corporation may assume the defense thereof, with counsel satisfactory to Indemnitee. After notice from the Corporation to Indemnitee of its election to assume the defense of a Proceeding, the Corporation will not be liable to Indemnitee under this Agreement for any Expenses subsequently incurred by Indemnitee in connection with the defense thereof, other than as provided below. The Corporation shall not settle any Proceeding in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Indemnitee shall have the right to employ counsel in any Proceeding but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense of the Proceeding shall be at the expense of Indemnitee, unless (i) the employment of counsel by Indemnitee has been authorized by the Corporation, (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Corporation and Indemnitee in the conduct of the defense of a Proceeding, or (iii) the Corporation shall not in fact have employed counsel to assume the defense of a Proceeding, in each of which cases the fees and expenses of Indemnitee's counsel shall be advanced by the Corporation. Notwithstanding the foregoing, the Corporation shall not be entitled to assume the defense of any Proceeding brought by or in the right of the Corporation.

The Corporation shall pay to Indemnitee, at the time payments are made to Indemnitee for Expenses, judgments, fines or penalties pursuant to this Agreement, an additional payment (the "Gross Up Amount") such that after payment of all taxes, if any, on payments so made, including the amount of the Gross Up Amount, Indemnitee retains an amount equal to the amount to be received.

Limitation on Indemnification. No payment pursuant to this Agreement shall be made by the Corporation:

to indemnify or advance funds to Indemnitee for Expenses with respect to Proceedings initiated or brought or joined in voluntarily by Indemnitee and not by way of defense, except with respect to Proceedings brought to establish or enforce a right to indemnification or advancement of Expenses under this Agreement or as otherwise required by New York law, but such indemnification or advancement of Expenses may be provided by the Corporation in specific cases if the Board of Directors finds it to be appropriate;

to indemnify Indemnitee for any Expenses, judgments, fines or penalties sustained in any Proceeding for which payment is actually made to Indemnitee under a valid and collectible insurance policy, except in respect of any excess beyond the amount of payment under such insurance;

to indemnify Indemnitee for any Expenses, judgments, fines or penalties sustained in any Proceeding for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Corporation pursuant to the provisions of § 16(b) of the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder and amendments thereto or similar provisions of any federal, state, or local statutory law; or

if a court of competent jurisdiction finally determines that such payment hereunder is unlawful.

Indemnification Hereunder Not Exclusive. The indemnification and advancement of Expenses provided by this Agreement shall not be deemed exclusive of any other rights to which indemnitee may be entitled under the Certificate of Incorporation or the By-Laws of the Corporation, any agreement, any vote of stockholders or disinterested Directors, the Business Corporation Law of the State of New York, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. To the extent the provisions of this Agreement conflict with the provisions regarding indemnification and advancement of Expenses in the By-Laws of the Corporation, this Agreement will control. The indemnification provided by this

Agreement shall continue as to Indemnatee even though he or she may have ceased to be a director, officer or key employee and shall inure to the benefit of the heirs and personal representatives of Indemnatee.

Partial Indemnification. If Indemnatee is entitled under any provision of this Agreement to indemnification by the Corporation for a portion of the Expenses, judgments, fines or penalties actually and reasonably incurred by him or her in any Proceeding but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify Indemnatee for the portion of such Expenses, judgments, fines or penalties to which Indemnatee is entitled.

Indemnification of Indemnatee's Estate. Notwithstanding any other provision of this Agreement, and regardless whether indemnification of the Indemnatee would be permitted and/or required under this Agreement, if the Indemnatee is deceased, the Corporation shall indemnify and hold harmless the Indemnatee's estate, spouse, heirs, administrators, personal representatives and executors (collectively the "Indemnatee's Estate") against, and the Corporation shall assume, any and all claims, damages, Expenses, penalties, judgments and fines actually incurred by the Indemnatee or the Indemnatee's Estate in connection with the investigation, defense, settlement or appeal of any Proceeding. Indemnification of the Indemnatee's Estate pursuant to this Section 11 shall be mandatory and not require any determination or finding that the Indemnatee's conduct satisfied a particular standard of conduct.

Spousal Indemnification. The indemnifications, benefits and obligations of this Agreement shall extend to the spouse of an Indemnatee in the event that the spouse is made a party to a Proceeding or collection, execution or enforcement efforts arising from a Proceeding.

Limitation of Actions and Release of Claims. No proceeding shall be brought and no cause of action shall be asserted by or on behalf of the Corporation or any subsidiary against the Indemnatee, his or her spouse, heirs, estate, executors or administrators after the expiration of one year from the act or omission of the Indemnatee upon which such proceeding is based; however, in a case where the Indemnatee fraudulently conceals the facts underlying such cause of action, no proceeding shall be brought and no cause of action shall be asserted after the expiration of one year from the earlier of (i) the date the Corporation or any subsidiary of the Corporation discovers such facts, or (ii) the date the Corporation or any subsidiary of the Corporation could have discovered such facts by the exercise of reasonable diligence. Any claim or cause of action of the Corporation or any subsidiary of the Corporation, including claims predicated upon the act or omission of the Indemnatee, shall be extinguished and deemed released unless asserted by filing of a legal action within such period. This section shall not apply to any cause of action which has accrued on the date hereof and of which the indemnatee is aware on the date hereof, but as to which the Corporation has no actual knowledge apart from the Indemnatee's knowledge.

Maintenance of Liability Insurance.

The Corporation hereby covenants and agrees that, as long as Indemnatee continues to serve as a director, officer or key employee of the Corporation and thereafter as long as Indemnatee may be subject to any Proceeding, the Corporation, subject to subsection (c) below, shall maintain in full force and effect directors' and officers' liability insurance ("D&O Insurance") in reasonable amounts from established and reputable insurers.

In all D&O Insurance policies, Indemnatee shall be named as an insured in such a manner as to provide the Indemnatee the same rights and benefits as are accorded to the most favorably insured of the Corporation's directors and officers.

Notwithstanding the foregoing, the Corporation shall have no obligation to obtain or maintain D&O Insurance if the Corporation determines in good faith that such insurance is not reasonably available, the premium costs for such insurance are disproportionate to the amount of coverage provided, the coverage provided by such insurance is so limited by exclusions that it provides an insufficient benefit, or Indemnatee is covered by similar insurance maintained by a subsidiary of the Corporation.

Savings Clause. If this Agreement or any portion hereof is invalidated on any ground by any court of competent jurisdiction, the Corporation shall nevertheless indemnify Indemnatee to the extent permitted by any applicable portion of this Agreement that has not been invalidated or by any other applicable law.

Notice. Indemnatee shall, as a condition precedent to his or her right to be indemnified under this Agreement, give to the Corporation notice in writing as soon as practicable of any Proceeding for which indemnity will or could be sought under this Agreement. Notice to the Corporation shall be directed to Astronics Corporation, 130 Commerce Way, East Aurora, New York 14052, Attention: Corporate Secretary (or such other address as the Corporation shall designate in writing to Indemnatee). Notice

shall be deemed received three days after the date postmarked if sent by prepaid mail, properly addressed. In addition, Indemnatee shall give the Corporation such information and cooperation as it may reasonably require and as shall be within Indemnatee's power.

Counterparts. This Agreement may be executed in any number of counterparts, all of which shall be deemed to constitute one and the same instrument.

Applicable Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the law of the State of New York

Successors and Assigns. This Agreement shall be binding upon the Corporation and its successors and assigns.

Amendments. No amendment, waiver, modification, termination, or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto. The indemnification rights afforded to Indemnatee hereby are contract rights and may not be diminished, eliminated, or otherwise affected by amendments to the Certificate of Incorporation or Bylaws of the Corporation or by other agreements.

Cessation of Employment. The benefits of this Agreement shall extend to and include officers, directors and key employees of the Corporation who retire or cease their employment with the Corporation.

Prior Agreements. This Agreement replaces and supersedes all prior agreements dealing with the same subject matter as this Agreement.

Cooperation and Interest. The Corporation shall cooperate in good faith with the Indemnatee and use its best efforts to ensure that the Indemnatee is indemnified and/or reimbursed for liabilities described in this Agreement to the fullest extent permitted by law.

Effective Date. The provisions of this Agreement shall cover claims, actions, suits and proceedings, whether now pending or hereafter commenced, and shall be retroactive to cover acts or omissions or alleged acts or omissions which heretofore have taken place.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and signed as of the day and year first above written.

Attest:

ASTRONICS CORPORATION

Secretary

By: _____

Name: _____

Title: _____

Indemnatee

EXHIBIT 21
ASTRONICS CORPORATION
SUBSIDIARIES OF THE REGISTRANT

Subsidiary	Ownership Percentage	State (Province), Country of Incorporation
Luminescent Systems, Inc.	100%	New York, USA
Astronics Advanced Electronic Systems Corp.	100%	Washington, USA
Luminescent Systems Canada, Inc.	100%	Quebec, Canada
Astronics Air, LLC	100%	New York, USA
LSI — Europe B.V.B.A.	100%	Brussels, Belgium
DME Corporation	100%	Florida, USA

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in (a) the Registration Statements (Form S-8 No. 333-139292, Form S-8 No. 333-87463) pertaining to the Astronics Corporation Employee Stock Purchase Plan, (b) the Registration Statement (Form S-8 No. 333-127137) pertaining to the Astronics Corporation 2005 Director Stock Option Plan, (c) the Registration Statement (Form S-8 No. 33-65141) pertaining to the 1993 Director Stock Option Plan, 1992 Incentive Stock Option Plan, 1984 Director Stock Option Plan and 1982 Incentive Stock Option Plan of Astronics Corporation, and (d) the Registration Statement (Form S-8 No. 333-143564) pertaining to the Astronics Corporation 2001 Stock Option Plan of our reports dated March 3, 2011, with respect to the consolidated financial statements and schedule of Astronics Corporation and the effectiveness of internal control over financial reporting of Astronics Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 2010.

/s/ Ernst & Young LLP

Buffalo, New York

March 3, 2011

Exhibit 31.1

**Certification of Chief Executive Officer pursuant to Exchange Act rule 13a-14(a) as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Peter J. Gundermann, President and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of the Astronics Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2011

/s/ Peter J. Gundermann

Peter J. Gundermann
Chief Executive Officer

Exhibit 31.2

**Certification of Chief Financial Officer pursuant to Exchange Act rule 13a-14(a) as adopted pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, David C. Burney, Vice President and Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of the Astronics Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2011

/s/ David C. Burney

David C. Burney
Chief Financial Officer

Exhibit 32

Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Astronics Corporation (the "Company") hereby certify that:

The Company's Annual Report on Form 10-K for the year ended December 31, 2010 fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 3, 2011

/s/ Peter J. Gundermann

Peter J. Gundermann

Title: Chief Executive Officer

Dated: March 3, 2011

/s/ David C. Burney

David C. Burney

Title: Chief Financial Officer

This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent specifically incorporated by the Company into such filing.