

**CNS PANTEX
ADOPTION ASSISTANCE PLAN SUMMARY**

Introduction

CNS Pantex (the “Company”) adopted a benefit plan called the B&W, Pantex Adoption Assistance Plan (the “Plan”) effective January 1, 2004. This summary has been designed to outline the key parts of the Plan and how it operates and to explain how you can use it.

This summary contains only general information; the plan document will control in the event of any conflict between that document and the information in this summary.

Questions & Answers

I-1. What is the purpose of the Plan?

The purpose of the Plan is to provide nontaxable adoption assistance to Eligible Employees to the extent permitted by law.

I-2. Who can participate in the Plan?

Eligible Employees: An “Eligible Employee” is any full-time employee of the Company, as determined in accordance with the Company’s standard payroll and personnel policies, except that the following individuals shall not be Eligible Employees:

- (a) employees who are members of the Pantex Guards Union collective bargaining unit. Any employee who is a member of a collective bargaining unit is an Eligible Employee only if, and to the extent, participation in the Plan is provided by the terms of the collectively bargained agreement covering such employee.
- (b) individuals classified in the sole discretion of the Company as independent contractors or leased employees shall in no event be Eligible Employees even if such employees are considered common law employees for any purpose.

I-3. What benefits does the Plan provide?

The Plan provides reimbursement only for “qualified adoption expenses,” which are the reasonable and necessary expenses that an Eligible Employee incurs in the form of adoption fees, court costs, attorney fees, and other expenses that are directly related to, and for the principal purpose of, the Eligible Employee's legal adoption of an Eligible Child. The following are not eligible for reimbursement under this Plan:

- expenses incurred in violation of state or federal law,
- expenses incurred in carrying out a surrogate parenting arrangement,
- expenses incurred in connection with the adoption of a child who is the child of the employee's spouse,
- expenses incurred in connection with the adoption of a child who is the child of a relative,

- expenses reimbursed from another source (e.g. grant, another employer), and
- expenses taken as a credit or deduction on employee's federal income tax return.

I-4. Who is an Eligible Child under the Plan?

An Eligible Child means a child who has not yet reached age 18 or is physically or mentally incapable of caring for himself or herself. It may be a child either within or outside the United States, except to the extent it includes a child with special needs, as explained below.

I-5. Who is a child with special needs under the Plan?

A child with special needs is defined for purposes of the Plan by state law. To qualify, each of the following requirements must be met:

- The state must determine that the child should not be returned to the home of his or her parents.
- The state must determine that the child has a specific characteristic (such as ethnic background, age, membership in a minority or sibling group; medical condition; or physical, mental, or emotional handicap) making it reasonable to conclude that the child cannot be placed for adoption without adoption assistance.
- The child must be a citizen or resident of the United States.

Thus, a child adopted from outside the United States cannot qualify as a child with special needs. However, this affects only the amount of tax-free reimbursement for which an employee would be eligible, as explained below.

I-6. How much reimbursement is available under the Plan?

The maximum amount of reimbursement that an Eligible Employee may receive in connection with the adoption of any one child is \$2,000. This is an aggregate rather than an annual amount, even if the expenses occur over a period of years.

I-7. Are domestic and foreign adoptions treated the same under the Plan?

No. Although expenses related to both types may be reimbursed, under the law expenses related to a foreign adoption may not be excluded from your income until—and unless—the adoption becomes final. This means that if you begin adoption proceedings for a child who is not a citizen or resident of the United States and you request and receive reimbursement of your expenses before the year in which the adoption is completed, you must include any amounts the Company pays you in your income for that year. You would do this by making an adjustment on your Form 1040. In a later year when the adoption becomes final, you can make another adjustment on your Form 1040 for that year to exclude the amounts the Company paid you earlier. Because it is your responsibility to complete your Form 1040 properly, the Company strongly recommends that you seek the assistance of your own tax advisor if this situation applies to you.

NOTE: The law does not apply this limitation to domestic adoptions, whether the adoption is through an agency or private. In other words, you can exclude adoption

assistance received in the year you receive it, regardless of when, or whether, the adoption becomes final.

I-8. What are the tax effects on me of reimbursement under the Plan?

Subject to an income limitation, amounts reimbursed to Eligible Employees under the Plan may be excluded from the employee's gross income under Section 137 of the Internal Revenue Code. The amount of reimbursement that may be excluded from an employee's gross income depends on the employee's and his or her spouse's modified adjusted gross income. Eligible Employees who are married at the end of a taxable year must file a joint federal income tax return in order to claim the Section 137 exclusion. For taxable years beginning January 1, 2004, the amount excludable from an employee's gross income begins to phase out for taxpayers with modified adjusted gross income in excess of \$155,860 and is completely phased out for taxpayers with modified adjusted gross income of \$195,860 or more. The maximum amount of reimbursement that may be excluded will not be reduced if the modified adjusted gross income of the Eligible Employee and his or her spouse is \$155,860 or less. Eligible Employees whose adjusted gross income exceeds \$155,860 but is less than \$195,860 may exclude a portion of the reimbursed expenses. The modified adjusted gross income amounts may be adjusted for inflation annually.

The excludable portion is reduced by an amount determined by the following formula:
 $\$ [\text{reimbursement amount}] \times [(\text{adjusted gross income} - \$155,860) \div \$40,000]$

Example: Assume that you incur \$1,500 of qualified adoption expenses during 2004 for which you are reimbursed, and that your modified adjusted gross income (AGI) is \$170,000. Your maximum exclusion would be \$969.75, calculated as follows:
 $\$1,500 \text{ minus } [\$1,500 \times (\$14,140 \div \$40,000)] = \$969.75.$

CAUTION: Consult your own tax advisor for the tax effects on you. The Company cannot provide you with tax advice. The law also provides a tax credit for adoption expenses that are not reimbursed by an employer or paid under a state or federal grant program. The credit is available for expenses incurred after 1996. Because individuals must elect between the tax credit and reimbursement under this Plan, and because for some people the tax credit might produce a lower overall tax liability you should consult your own tax advisor.

Reimbursements under the Plan, although reported to the Internal Revenue Service, are not subject to income tax withholding, but are subject to FICA taxes.

I-9. How long does the Plan continue?

The Company reserves the right to amend, modify or terminate this Plan at any time without prior notice to employees.

I-10. I adopted a child and the adoption became final in 2003. May I now seek reimbursement under the Plan for my expenses?

No. The Plan only applies to adoption-related expenses incurred on or after January 1, 2004.

I-11. I am currently in the process of adopting a child. Am I eligible for reimbursement under the Plan?

Yes, but only to the extent that any of your adoption-related expenses were incurred on or after January 1, 2004. You must provide the Plan Administrator with satisfactory proof of the date that each expense for which you seek reimbursement was incurred.

I-12. What steps do I have to take under the Plan to be reimbursed for my qualified adoption expenses?

Contact the Company's Benefits Department. They can answer your questions and provide you with necessary forms.