

- 3.** The Company will have the unrestricted right to outsource all Utility work systemwide and to furlough all Utility employees. Utility employees who are furloughed shall be entitled to severance and other benefits pursuant to Letter 05-1M.
- 4.** The Company may contract out the work of heavy maintenance visits (as defined by current Company practices consistent with AOP and MOP guidelines) without restriction. Additionally, the Company may contract out up to 20% of all remaining maintenance work annually as measured by the sum of the Maintenance Operations Division's gross annual budget, excluding the cost of heavy maintenance visits, plus those portions of stations' total gross annual budgets attributable to building maintenance and ground equipment maintenance, provided however this percentage may be exceeded in the event the Company has fully utilized its existing equipment or facilities.

Commencing in 2006, the Union shall be permitted to perform an annual audit for the purpose of verifying compliance with the outsourcing limits set forth in the preceding paragraph. Such audits shall begin no later than July 1 following the year to be audited. The Company shall reimburse the Union for the cost of retaining a mutually acceptable outside independent auditor to perform the audit, up to an annual maximum reimbursement by the Company of \$75,000. The Company shall provide access to documents reasonably deemed necessary by the auditor for performing the audit. Prior to gaining access to such documents, the auditor shall execute a confidentiality and non-disclosure agreement satisfactory to the Company. Reimbursement shall be made to the Union within 30 days following the Company's receipt of the auditor's final report and proper documentation of the costs incurred in preparing the report.

- 5.** Effective with the ratification date of the 2005-2009 Mechanics' Agreement, no line aircraft mechanic shall be furloughed from any then-existing point as a direct result of the outsourcing of then-existing non-routine or routine line aircraft maintenance work performed at that point by mechanics covered under this Agreement. The Company shall retain in full its traditional discretion to move maintenance work within the Company, provided, however, that should the Company's exercise of this discretion at a point directly result in the furlough, subsequent to ratification, of line aircraft mechanics at that point, no additional outsourcing of non-routine or routine line aircraft maintenance work shall occur at that point until any such furloughed mechanics are offered recall. This paragraph shall not apply to emergency on-call maintenance.