EXELIS CORPORATE POLICY

Number:	**30-02**	Revision:	**A**
Title:	**Paid Time Off (PTO)**	Function:	**Human Resources**
Effective Date:	**January 1, 2014**	Executive Sponsor:	**John Procopio**

1.0 OVERVIEW

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It is the policy of Exelis to provide employees with an equitable Paid Time Off (PTO) allowance and to encourage them to take time off to support their work/life balance (i.e., rest, maintain health, handle personal matters, etc.). It is further the policy of Exelis to allow for as much flexibility as possible in planning for PTO within the operating requirements of the company. PTO includes vacation, sick days and personal days.

1.2 PURPOSE

This document describes the eligibility requirements for Paid Time Off, defines scheduling practices, and describes procedures for receiving payment for approved paid time off.

1.3 SCOPE

This covers all domestic, salaried non-bargained employees (both full-time and part-time employees scheduled to work 20+ hours/week) at all Exelis sites.

1.4 KEY TERMS

1.4.1 Terms limited to the scope of this document:

1.4.1.1 Carryover – The PTO balance, not to exceed 80 hours, being deferred for use in the next calendar year.

1.4.1.2 Cash-In – Payment received for unused PTO balances greater than 80 hours. Cash-in cannot exceed 80 hours and will be a lump sum at 100% of the employee's current base salary rate. Any PTO that is cashed-in will be considered non-pensionable earnings and will not be eligible as compensation under any company qualified or non-qualified plans. Cash-in for employees working in California will follow state law. See your HR Representative for additional details.

2.0 ELIGIBILITY

2.1 48 hours (6 days) of PTO is credited to eligible employees on January 1.

2.2 PTO is credited to employees each pay date based on years of service as described below in Table 1.

Milestone reached during the year	January 1st Credit	Accrual Each Bi-Weekly Pay Date (Includes January 1st)	Total Annual Eligible Earned
0-1 Year of Service	48 hours (6 Days)	3.08 Hours*	128 Hours (16 Days)
2-9 Years of Service	48 hours (6 Days)	4.62 Hours*	168 Hours (21 Days)
10+ Years of Service	48 hours (6 Days)	6.15 Hours*	208 Hours (26 Days)

*Bi-weekly accrual is rounded. Actual earned is represented in the "Total Annual Eligible Earned" column

Table 1

2.3 Paid Time Off is credited to employees hired during the calendar year as described in Table 2.

Hire Date during Calendar Year	Credit at Time of Hire	Accrual Each Pay Date Following Hire
January Through October	48 hours (6 Days)	3.08 Hours
November Through December	24 Hours (3 Days)	3.08 Hours

Table 2

2.4 If an employee reaches a milestone anniversary date (i.e., 2 years or 10 years) during the PTO Calendar Year, the additional PTO allotment will begin to be granted January 1 of that year. For example, if an employee's second year of employment will be completed on September 15, employee will be allotted 4.62 hours each pay date beginning January 1 in the year in which the anniversary is met.

2.5 Part-Time employees who are scheduled to work at least twenty hours per week will be credited a pro-rated allotment of 48 hours of PTO on January 1st based on scheduled hours worked and then accrue PTO pro-rated based on scheduled hours work. See Example E. below for calculation example. Employees transferring from a full-time to a part-time schedule or vice versa will have their PTO pro-rated accordingly. See your Human Resource representative for additional information.

2.6 Employees who transfer/change jobs within the company will have their PTO balances (as applicable) transferred.

2.7 Rehires will be treated as new hires as noted in eligibility for PTO unless rehired in the calendar year in which they separated. Employees whose employment is terminated (voluntarily or involuntarily) and are rehired within the same calendar year will not receive the credit at the time of rehire described in Table 2. In subsequent calendar years the PTO allotment for the rehired employee will be based on their adjusted date of employment.

2.8 PTO may be taken in hours and fractions thereof with the exception of California employees who can take partial PTO in no less than one-hour increments in any single workday.

2.9 If an employee is on approved leave of absence on the first workday of January, eligible Paid Time Off will not be credited until the employee returns to active employee status. PTO will accrue during paid leaves of absence.

2.10 Severance pay in lieu of hours worked will not be considered as time worked in calculating PTO. Accrual of PTO ceases on the day an employee's employment is terminated for any reason.

3.0 POLICY

3.1 Employees and their supervisors are responsible for approving and maintaining PTO status utilizing payroll reports and the time keeping system.

3.2 Pay for the first five consecutive workdays (40 hours) of an absence due to non-occupational sickness or accident (Short Term Disability) will be provided from an employee's PTO allotment, if available.

3.3 All available PTO must be used before employee can take time off without pay. Accrued PTO will be used concurrently with any FMLA leave.

3.4 The company reserves the right to require employees to use PTO hours under extenuating circumstances, which may include but are not limited to furloughs, shutdown periods or emergencies.

3.5 PTO cannot be used to supplement Workers' Compensation benefits. Refer to the Workers' Compensation policy for additional details.

3.6 Carryover and Cash-in of Unused PTO (effective January 1, 2015)

3.6.1 All accrued, unused hours at the end of the year will either be carried over, cashed out or forfeited as follows:

3.6.1.1 All unused hours up to 80 will be carried over.

3.6.1.2 All unused hours in excess of 80 and up to 160 will be cashed out.

3.6.1.3 All unused hours in excess of 160 will be forfeited. \ Please note, however, that select states – such as CA – prohibit forfeiture of accrued time off. Accordingly, employees will be paid for unused, accrued time in accordance with applicable state regulations.

3.6.2 All hours cashed in will be cashed in at 100% of the employee's base salary as of December 31.

3.6.3 Cash-in payments will generally be made in the 1st quarter based on the balance of PTO allocation, if applicable, as of the previous December 31.

3.6.4 PTO cash-in will be paid out in accordance with the law of the state in which employee works where such laws conflict with company policy.

3.7 PTO Upon Termination of Employment

3.7.1 A lump sum payment of accrued unused PTO will be granted to employees who terminate or who are laid off due to position elimination at 100% of the employee's current base salary.

3.7.2 Employees terminating due to death will receive a lump sum payment of that year's full eligible PTO allotment, less used PTO during the year (see Appendix A, Example F).

3.7.3 PTO will be paid out in accordance with the law of the state in which employee is working where such laws conflict with company policy.

3.8 Procedures

3.8.1 PTO must be scheduled in advance unless a medical reason or emergency justifies an unscheduled absence. Refer to Attendance Policy for additional details on notification requirements.

3.8.2 When PTO is being used because of non-occupational illness or injury, employees must follow the procedures in Short Term Disability Plan.

3.8.3 PTO does not count as hours worked in the calculation of overtime. See the applicable Exempt or Non-Exempt overtime policies for appropriate treatment of PTO and hours worked.

3.8.4 Any exceptions must have the approval of the divisional head of Human Resources or delegate.

APPENDIX A

Following are examples of some possible scenarios showing how carryover and cash-in payments will be administered:

EXAMPLE A: Full-time employee earns PTO of 128 hours during the year. Employee actually used 60 PTO hours so 68 hours remain at year end. 68 hours of PTO will automatically carry over to the following year.

EXAMPLE B: Full-time employee earns PTO of 168 hours during the year. Employee actually used 40 PTO hours, so 128 hours remain at year end. The first 80 hours will be automatically carried over and the employee will automatically receive a cash-in payment for the remaining 48 hours.

EXAMPLE C: Full-time employee earns PTO of 208 hours during the year. Employee actually used 42 PTO hours. The first 80 hours will automatically be carried over and the employee will automatically receive a cash-in payment of 80 hours. In this example 6 PTO hours would be forfeited.

EXAMPLE D: Full-time employee earns PTO of 128 hours during the year and had carried over 56 hours from last year. Employee uses 90 hours. The remaining 80 hours will automatically be carried over and the employee will automatically receive a cash-in payment of 14 hours.

EXAMPLE E: Part-time employee has worked for the company for 7 years and their scheduled hours are 24 per week (60% of 40 hours). The employee is eligible for 60% of 48 hours on January 1st and will accrue 60% of 4.62 hours bi-weekly. ((.6 * 48 hours) + (.6 * 4.62 hours bi-weekly) = 28.8 hours + 2.77 * 26 bi-weekly pay dates = 100.82 hours per year.)

EXAMPLE F: Full time employee with 7 years of service and dies in June while actively employed. Employee used 60 hours of PTO during the year of death. 108 hours of PTO (168-60 hrs) plus any PTO carried over would be paid out to the employee's beneficiary.

4.0 SUPPORTING DOCUMENTS

Document Number	Title

5.0 SUPERCEDED DOCUMENTS

Document Number	Title

6.0 CHANGE LOG

Date	Rev	Change Made	Reason	Contact Name