

HAWAIIAN TELCOM'S UPDATED OFFER – NOVEMBER 29, 2011

NOTE: All provisions of the updated offer will expired on June 30, 2015.

ARTICLE 12, SECTION 12.4.1 – PROMOTIONS, TRANSFERS AND PREFERENTIAL TRANSFERS

Change job vacancy posting dates from 6 days to 6 *business* days, excluding holidays *and weekends*.

ARTICLE 12, SECTION 12.5.2.1 – PROMOTIONS, TRANSFERS AND PREFERENTIAL TRANSFERS (new)

An employee who earns a specialized certification or license on Company paid time and or/at the Company's expense must remain in their job classification (that requires the certification or license) for 18 months after obtaining the certification or license. The Company has the discretion to waive the time-in-job requirement. Company withdraws this proposal.

ARTICLE 12, SECTION 12.5.5 – PROMOTIONS, TRANSFERS AND PREFERENTIAL TRANSFERS

Change language to include if an employee is selected *and accepts* a position, all other job applications will be cancelled.

ARTICLE 12, SECTION 12.6.1 – PROMOTIONS, TRANSFERS AND PREFERENTIAL TRANSFERS

Include new language that *tests will be administered in a consistent manner by HR or its authorized agent*.

ARTICLE 13, SECTION 13.3 – REDUCTION IN FORCE AND LAYOFFS

Recall rights changes from 24 to 12 months.

ARTICLE 14, SECTION 14.3 – WORK DAY AND WORK WEEK

Remove language pertaining to work schedules for Switchboard Operators.

~~ARTICLE 15, SECTIONS 15.2.1, 15.2.2 AND 15.2.3 – OVERTIME AND PREMIUM PAYMENTS~~

~~All language deleted. Holiday pay (paid and not worked, paid and worked) and time paid for but not worked under Article 17 will not be considered in determining overtime eligibility. Employee must work 8 hours in a day and 40 straight time hours in a week for overtime eligibility. Company withdraws this proposal.~~

ARTICLE 15, SECTIONS 15.10, 15.10.1, 15.10.2 AND 15.10.3 – OVERTIME AND PREMIUM PAYMENTS (new)

Should the Company determine that stand-by duty is necessary, a qualified employee will be scheduled. If there is more than 1 qualified employee, weekly rotation will be done by seniority. Stand-by employees shall be available for work during all non-scheduled hours and must report to the designated job site within 2 hours of being called or for special accounts or network service outages, report within 1 hour of being called. Stand-by employees may be required to take home a Company vehicle to meet reporting time requirements. Stand-by employees shall be paid \$140.00 weekly (Sunday through Saturday) or \$75 for weekend (Friday through Sunday). Payment for stand-by calls are according to Article 16.6 (minimum 2 hours OT including travel time) and Article 16.6.1 (2 times basic rate of pay if called out between midnight on Saturday and midnight on Sunday). Company withdraws its proposal for standby duty.

~~ARTICLE 16, SECTION 16.1 – CALLOUT TIME~~

~~Delete language that callout will be on a voluntary basis. Deletion of language indicates that callout will be mandatory.~~

ARTICLE 16, SECTION 16.1.2 - CALLOUT TIME

Remove term voluntary. (See explanation under Article 16.1) *Company withdraws its proposals that would make callout mandatory, however, proposes a Callout Procedures MOA (see below).*

ARTICLE 17, SECTION 17.1 – PAYMENT FOR INCOMPLETE DAY’S WORK

Include in definition of immediate family: *civil union partner* (for payment eligibility in a serious accident, sudden illness or death)

ARTICLE 17, SECTION 17.3 – PAYMENT FOR INCOMPLETE DAY’S WORK

Include *civil union partner* (for payment eligibility in the death of the civil union partner’s immediate family)

Note: italicized language indicates changes in existing language or new language.

ARTICLE 17.4, SECTION 17.4 – PAYMENT FOR INCOMPLETE DAY’S WORK

Include *civil union partner* (for payment eligibility in the death of the civil union partner’s immediate family while the employee is on vacation).

ARTICLE 22.3 – TRAVELING TIME

Change language from allowance at the current Company rate to *at the IRS standard mileage rate*.

ARTICLE 22, SECTION 22.6.1 – TRAVELING TIME

Change language from a standard mileage allowance to *the IRS mileage rate*.

ARTICLE 27, SECTION 27.2 – SICKNESS DISABILITY PLAN

Eliminate all wait days and change eligibility for all employees to the following: **8 10 weeks or 40 50 days (320) (400) hours of full pay benefits every calendar year beginning on January 1, 2012 and through ~~December 31, 2014~~ June 30, 2015.** An employee who does not have benefits available under the Sickness Disability Plan will receive benefits in accordance with the Hawaii Temporary Disability Insurance (TDI) Law. When coverage under the sickness Disability Plan and TDI is combined, such coverage period shall not exceed 26 weeks (130 days or 1,040 hours) in a calendar year.

Note 1: Once you’ve exhausted the 26 weeks of benefits in a calendar year, no sick leave benefits are available until the following calendar year. Note 2: TDI benefits are paid at 58% of base pay according to state law. Note 3: If you are hospitalized anytime after your **8 10 weeks** of full pay benefits are used, any unused portion of the preceding year’s full pay allowance is paid out as a benefit. Note 4: Year 2012 is a transition year. The unused portion of full pay benefits for a hospitalized employee who has exhausted his **8 10 weeks** of full pay for year 2012, is based on the weeks shown in Article 27.2 of the 2008-2011 contract. For years 2013, ~~and 2014~~ **and 2015**, the unused portion of full pay benefits will be **8 10 weeks** for all employees.

ARTICLE 27.3 – SICKNESS DISABILITY PLAN

Change wording from ‘the schedule’ to *Section 27.2* and remove pay at 50% or 42% pay instead of full pay in addition to the current year’s allowance. Although pay at 50% or 42% is removed, the employee may use their unused portion of the preceding year’s full pay allowance if hospitalized. See Notes 3 and 4 above.

ARTICLE 27.4, SECTIONS 27.4, 27.4.1, 27.4.2, 27.4.3, 27.4.4 – SICKNESS DISABILITY PLAN

All language deleted. Note: language deleted because of proposed language change in Article 27.2 that deletes all wait days for all schedules.

ARTICLE 27.8 – SICKNESS DISABILITY PLAN

Delete language absent ‘3 or more or has been absent for more than 5 scheduled working days over a 90 day period’ before further Sickness Disability Benefits are paid’. Also delete language that states ‘effective January 1, 2003, rather than submitting physician certificates locally as indicated above, employees with an absence beyond 5 consecutive scheduled working days must notify the Company immediately’. Language changed to submitting a certificate where an employee is absent *beyond 5* consecutive scheduled working days before further sickness disability benefits are paid. Note: language cleanup.

ARTICLE 28, SECTION 28.2 – MEDICAL PLAN

Change from the Company pays 100% of the premiums for the medical plans to *effective January 1, 2012, the Company shall pay 90% 95% of the premium for all medical plans and effective January 1, 2013, the Company shall pay 90% of the premium for all medical plans.*

ARTICLE 36, SECTION 36.1.3 – WAGES

Add the following jobs to the list of classifications that will not be back-filled: *Assistant Cook, Wage Schedule 2; Chef, Wage Schedule 7; Communications Assistant, Wage Schedules 3 and 3A; Food Server, Wage Schedule 1.*

ARTICLE 36, SECTION 36.10 – WAGES

The following new jobs or job content of existing jobs were submitted to the Union:

- 1) Create new Job classification ISP Network Technician and reclassify existing CZT I (Customer Zone Technician I and Electronic Equipment Installer (EEI) to new classification
- 2) CZI assigned to Southern Cross will remain as CZT I
- 3) CZT I assigned to Sales-Kauai will be reclassified to Customer Service Specialist (CSS)
- 4) Create new job classification NOC Zone Technician I (wage shcedule12) and reclassify existing CZT I in NOC to new classification
- 5) Create new job classification OSP Network Technician and reclassify existing CZT II and Cable Splicer (including HICAP and air pressure) to new classification
- 6) Create new job classification Structured Cabling Technician (wage schedule 7)
- 7) Reclassify existing Business Customer Support Representative (wage schedule 7) to Business Sales Support Specialist (wage schedule 8)
- 8) Reclassify Consumer Sales consultant (wage schedule 6A) in the Consumer Sales Center to Consumer Sales Representative (wage schedule 6A) and implement the Consumer Sales Incentive Compensation Plan.

ARTICLE 37, SECTION 37.3 – PENSION PLAN (new)

Pension plan will be frozen as of January 1, 2012. Language will read as follows: *The Hawaiian Telcom Hourly Employees Pension Plan (“Plan”) shall be amended so that participants cease to accrue further benefits under the Plan, including on account of increases in Average Final Salary and Creditable Service. Such cessation of future benefit accruals shall be effective on December 31, 2011. In accordance with the terms of the Plan, Section 204(g) of the Employee Income Security Act, Section 411(d)(6) of the Internal Revenue Code, and the regulations promulgated thereunder, the amendment to the Plan contemplated by this Sections 37.3 shall not affect pension benefits accrued prior to January 1, 2012, and shall only cause pension benefits to cease to accrue on and after January 1, 2012.*

ARTICLE 39, SECTION 39.2 – DENTAL PLAN

Change language from Company pays 100% of the premium for the Company Dental Plan to *effective January 1, 2012, the Company will pay 90% 95% of the premium for the Dental Plans and effective January 1, 2013, the Company will pay 90% of the premium for the Dental Plans.*

ANNUAL RATIFICATION BONUS (new)

A \$500 bonus will be paid to all regular employees on payroll as of January 1, 2012, January 1, 2013 and January 1, 2014.

MEMORANDUM OF AGREEMENTS – AMENDED

DENTAL PLAN

Change form 100% paid premiums to *effective January 1, 2012, Company will pay 90% 95% of the premium and effective January 1, 2013, the Company will pay 90% of the premium* (to coincide with change in Article 39, Section 39.2). Eligibility also changes from age 25 to 26 for dependent child who is a full-time student

DOMESTIC PARTNER BENEFITS (Section 4B)

For health and welfare benefits, increase age of unmarried child from age of 25 to age 26 if child is attending an accredited secondary school, college, university or nursing school and is dependent on the domestic partner for care and support.

Note: This MOA expires on December 31, 2011 to coincide with the State Civil Union Partner Law, which becomes effective January 1, 2012.

EDUCATION AND LIFE-LONG LEARNING

Change from 100% tuition reimbursement and 100% prepaid to *85% tuition reimbursement upon completion of pre-approved course(s) with a passing grade of C- or better for graded courses. Courses must have a direct relation to the employee's current job. Additionally, employees who separate from the Company within 3 years after receiving any tuition reimbursement will be required to repay the Company the tuition as follows: 2 years but less than 3 years: 50% of the amount paid by the company, 1 year but less than 2 years: 75% of the amount paid by the Company; Less than 1 year: 100% of the amount paid by the Company.* All language relating to the LCIF and Joint Company/Union Steering Committees is removed.

FAMILY & MEDICAL LEAVES OF ABSENCE (FMLA) (Section 2B)

Include civil union partner in the purpose of the leave section of the MOA.

4-10 WORK SCHEDULE

Delete "The LCIF as identified in the Cooperative Efforts MOA" and replace with "*an committee consisting of Company and Union representatives*"

HOME DISPATCH

Delete "The LCIF as identified in the Cooperative Efforts MOA" and replace with "*A Home Dispatch Committee consisting of Company and Union representatives ...to*"

HOURLY SAVINGS PLAN – COMPANY MATCHING CONTRIBUTION

Plan changes from 82 cents match for every \$1 contributed to \$1 match for every \$1 contributed. Plan changes from 6% to 10% maximum contributory pay. Plan also includes a 5-year vesting schedule (sliding scale) for the Company matching portion for all new participants to the plan. Note: Any participant who leaves the Company before 5 years vesting completed loses the Company match according to the sliding scale. See Note 2 next MOA

HOURLY SAVINGS PLAN- COMPANY MATCHING CONTRIBUTION FOR NEW EMPLOYEES HIRED ON OR AFTER 9/13/2008

Plan changes from 6% to 10% maximum contributory pay. Plan also includes a 5-year vesting schedule for the Company matching portion for all new participants. Note 1: Any participant who leaves the Company before 5 years vesting completed loses the Company match according to the sliding scale. Note 2: Sliding Scale: Years of Service = 0, % vested = 0; Years of Service = 1, % vested = 20%; Years of Service = 2, % vested = 40%; Years of Service = 3, % vested = 60%; Years of Service = 4, % vested = 80%; Years of Service = 5, % vested = 100%.

LONG TERM DISABILITY (LTD) (Sections 2 and 3)

Currently, the employee pays the cost of the LTD plan coverage. The Company proposes to pay the plan coverage for the 50% LTD plan. *Eligible employees will have the option to purchase the 60% LTD plan coverage by paying the difference between the 50% and 60% plan contribution rates.* In the 60% LTD plan, language will read: Up to 60% of the employee's basic monthly earnings, up to maximum of \$5,000 per month, *if applicable.*

MEDICAL PLANS

Change to read effective January 1, 2012, Company will pay ~~90%~~ 95% of the premiums for the medical plans and effective January 1, 2013, Company will pay 90% of the premiums for the medical plans (language coincides with Article 28). Effective January 1, 2012, opt out credit increases to \$1K yearly for all different classes (employee only, employee + spouse, employee + children. Employee + family already receives the \$1K opt out credit). Effective January 1, 2012, dual medical coverage under 2 HT medical plans is not allowed. Such employees may be covered as a dependent by another employee or enroll in employee only coverage. To decrease premium cost, the following changes were adopted for the HMO Hawaii and Kaiser prevalent medical plans:

Benefit	HMSA HMO Hawaii*		Kaiser	
	2011 copayment	2012 copayment	2011 copayment	2012 copayment
Office Visit	\$15	\$20	\$15	\$20
Prescription Drug (30-day supply)				
Generic	\$5	No change	\$15	No change
Preferred Brand Name	\$15	\$20	\$15	No change
Brand Name	\$15 + \$45	\$20 + \$45	\$15	No change
Vision**				
Glasses/frames/lens/lens treatment (once every 24months)	\$10	No change	Plan pays 100%	Plan pays up to \$150 once every calendar year*
Eye exams - glasses	\$15	\$20	\$15	
Contact Lenses (in lieu of glasses)	Plan pays up to \$130 after \$25 copayment	No change	Plan pays up to \$45	

PENSION PLAN SURVIVOR BENEFITS (Sections 4 and 7)

Include civil union partner.

STANDARD BUSINESS ATTIRE

Company proposes that standard business attire is a requirement for all employees in customer facing job classifications (Company will continue providing 5 shirts with the Union lettering). Also employees will be required to provide and wear presentable and appropriate long pants.

TEAM PERFORMANCE AWARD (TPA)

Annual award target will be decreased from 4% to 3% for 2011 through 2014. The maximum payout percentage (120%) will decrease from 4.8% to 3.6%. Remove 24-Hour Service Center and include Consumer Sales for those employees not eligible for pay out. Change pay out percentage from highest hourly basic rate of pay to employee’s rate of pay on December 31. Currently employees who’ve transferred between teams have their awards prorated according to time spent on each team. The Company proposes to have the award based on the team the employee is assigned to on December 31 of the calendar year.

VACATION CARRY FORWARD (BANKING)

Effective September 13, 2011, vacation banked hours cannot exceed 480 hours. Those employees whose balance exceeds 480 hours on September 13, 2011 are permitted to retain their current balance, however they will not be eligible to bank additional hours until their balance is less than 480 hours.

VEBA-RETIREE MEDICAL BENEFITS-II

Change September 12, 2011 date to September 14, 2011 date in opening sentence of MOA. The MOA remains as an instrument for the explanation of Retiree Medical benefits, however, all reference to a VEBA Trust and its funding and operation is removed.

WAGES (compounded)

1% General Wage Increase (GWI) effective December 18, 2011, 1% GWI effective December 16, 2012, 1% GWI effective December 15, 2013.

MEMORANDUM OF AGREEMENTS - RENEWALS

Adoption Assistance, Basic Life Insurance & Accidental Death & Dismemberment, Business Sale Center Incentive Compensation Plan, Customer Zone Technician, Drug and Alcohol Policy, Facility Provisioning Specialist, Flexible Reimbursement Plan (FRP), Flexible Time, Group Universal Life (GUL) Insurance and Living Benefit Rider, Hourly Savings Plan (HSP), Income Security Plan (ISP), Lump Sum Payment Option, Lump Sum Pension Calculation, PAC Payroll Deduction, Performance Differential, Personal Holiday Pilot Program, Personal Holiday Selection for Non-Call Center Employees, Retiree Life Insurance, Retiree Medical Benefits for "Grandfathered" Employees, Survivor Benefit-Medical Continuation, Switch Provisioning Specialist, Union Leave of Absence, Unused Vacation Pay, VEBA-Retiree Medical Benefits –Defined Benefits

MEMORANDUM OF AGREEMENTS – DELETIONS

Alternative Dispute Resolution, Callout Committee, Cooperative Efforts, Neutrality and Consent Election, Pending Disputes, Sickness Disability Administration Review Committee, Sickness Disability Wait Day Pay Substitution, Split Shifts, 24-Hour Service Center Incentive Compensation Plan.

MEMORANDUM OF AGREEMENTS – NEW

CALLOUT PROCEDURES (new)

Groups requiring callout will identify the required number of volunteers by work area and/or job function. Volunteers will be identified and listed by union seniority on a callout roster. Volunteers shall be available for work during non-scheduled hours and must report to the designated work site within two (2) hours of being called out except that callout for special accounts and/or network outages may require a one (1) hour response time. Callout will be paid in Accordance with Article 16. Callout lists will be updated semi-annually. Callout of volunteers will be rotated based on union seniority. Callout may be managed at the group level or via the eNOC. Volunteers who do not respond to or who refuse callout twice in a 3-month period will be disqualified from participating in callout for a 6-month period. Should any work group obtain an insufficient number of volunteers for callout, the Union will assist in securing the required number of volunteers.

CONSUMER SALES INCENTIVE COMPENSATION PLAN

Compensation Plan is for all Consumer Sales Representatives (former Consumer Sales Consultants) in the Consumer Sales Center. Note: remains at wage schedule 6A)

CUSTOMER OPERATIONS JOB CHANGES

MOA details the various job classification mergers mentioned under Article 36.10. Upon reclassification of job classifications, the following applies: EEI, Leader Equipment Installer, CZT II and Cable Splicer job titles will be placed in Article 36, Section 36.1.3. In the event of a RIF:

- 1) Employees who held the job classification of CZT I or EEI prior to and on the date of reclassification will be recognized as having held the job classification of ISP Network Technician
- 2) Employees who held the job classification of CZT I prior to and on the date of reclassification will be recognized as having held the job classification of NOC Zone Technician I.
- 3) Employees who held the job classification of CZT II or Cable Splicer prior to and on the reclassification date will be recognized as having held the job classification of OSP Network Technician.

Changes mentioned above tentatively effective April 1, 2012 pending transition plans agreed to by Company and Union concerning training plans and schedules, plan for equipping employees with appropriate equipment for new job classifications. The Union must agree to wage schedules.

HOURLY SAVING PLAN COMMITTEE

Establishes a committee consisting of Company and Union representatives to research investment alternative or modifications to the Hawaiian Telcom 401(k) Plan for Hourly Employees.

KAUAI OSP CONSTRUCTION

4 positions to be established, to be known as Blended Construction Technician (BCT), which is a combination of the existing Cable Splicer and Lineworker duties and functions. Proposed wage schedule 10. Designated employees for position offerings are those 4 Kauai OSP employees affected by the recent RIF. Should any of the designated employees decline transfer to the BCT classification, Company may post the vacancy(s). Until further notice Article 24 Traveling Expense applies with the exception of overnight work assignment outside the operating area-will be subjected to 2 employees to a room.

LONG TERM CARE (LTC)

Employee is eligible to enroll 6 months after date of hire and completion of their probation period. *LTC provides coverage when eligible employee becomes chronically ill or is unable to perform 2 or more activities of daily living or requires supervision by another to protect himself or herself from threats to his or her health and safety due to severe cognitive impairment.* Plan provisions include facility coverage of \$1K per month, 100% professional home care coverage, benefit duration of 2 years, elimination period of 90 days and lifetime maximum benefit of \$24K. Employee may purchase additional higher levels of coverage (buy up).

MISCELLANEOUS

Example shown below is the economic impact according to the Company on the changes that they have proposed:

Article/Memorandum of Agreement Reference		2012 Average Per Employee Out-Of-Pocket Impact ¹	2013 & 2014 Average Per Employee Out-Of-Pocket Impact ¹
Article 28.2	Medical Contribution – 5% (2012), 10% (2013 & Ann. Thereafter)	\$ (418)	\$ (836)
Article 39.2	Dental Contribution – 5% (2012), 10% (2013 & Ann. Thereafter)	\$ (46)	\$ (93)
Wages	1.00% Wage Increase Each Year - Compounded	\$ 681	\$ 681
Annual Ratification Bonus	Ratification Bonus - \$500/employee	\$ 500	\$ 500
		\$ 716	\$ 251

() = Employee's Responsible Amount

¹ Average calculated across entire Union employee base. Some impacts may be lower, some impacts may be higher.

