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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

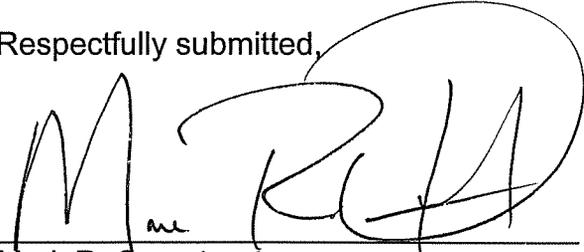
In the Matter of:

APPLICATION FOR APPROVAL OF THE	)	
TRANSFER OF CONTROL OF ALLTEL	)	CASE NO.
KENTUCKY, INC. AND KENTUCKY ALLTEL, INC. AND	)	2005-00534
FOR	)	
AUTHORIZATION TO GUARANTEE	)	
INDEBTEDNESS	)	

**APPLICANTS' RESPONSES TO LEXINGTON-FAYETTE URBAN COUNTY  
GOVERNMENT'S INITIAL REQUESTS FOR INFORMATION**

Alltel Kentucky, Inc., Kentucky Alltel, Inc., Alltel Communications, Inc., Alltel Holding Corp., Valor Communications Group, and Alltel Holding Corporate Services, Inc. (collectively, "Applicants") file the following Responses to the Initial Requests for Information propounded by the Lexington-Fayette Urban County Government (the "LFUCG") in accord with the instructions submitted with the initial requests and as same are consistent with law.

Respectfully submitted,



Mark R. Overstreet  
R. Benjamin Crittenden  
STITES & HARBISON PLLC  
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Frankfort, Kentucky 40602-0634  
(502) 223-3477



**CERTIFICATE OF SERVICE**

I hereby certify that a true and accurate copy of the foregoing was served via e-mail (without exhibits) upon:

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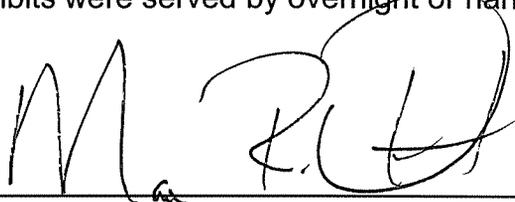
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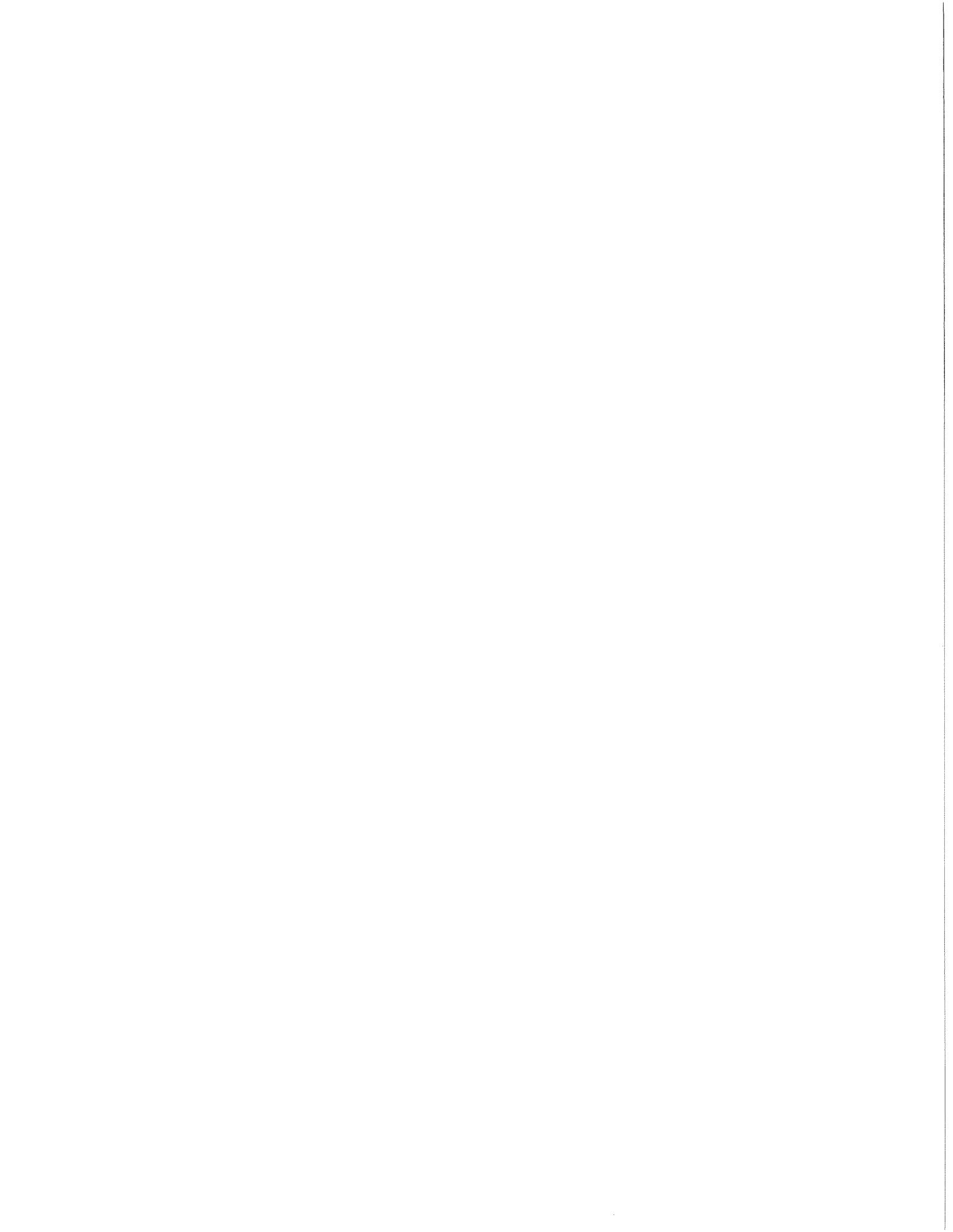
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on this the 13<sup>th</sup> day of March, 2006. Exhibits were served by overnight or hand delivery on the 14<sup>th</sup> day of March, 2006.

  
\_\_\_\_\_  
Mark R. Overstreet



1. Will the proposed transfer require that any additional financing be obtained by any of the entities involved? If so, please explain in detail.

**Response: Other than the financing described in the Amended and Restated Application and revisited in Mr. Gardner's testimony, no additional financing will be required.**

**Response provided by Brent Whittington.**

a. How is the transfer to be financed, including sources of financing, interest rates and other terms of financing, and types of financing?

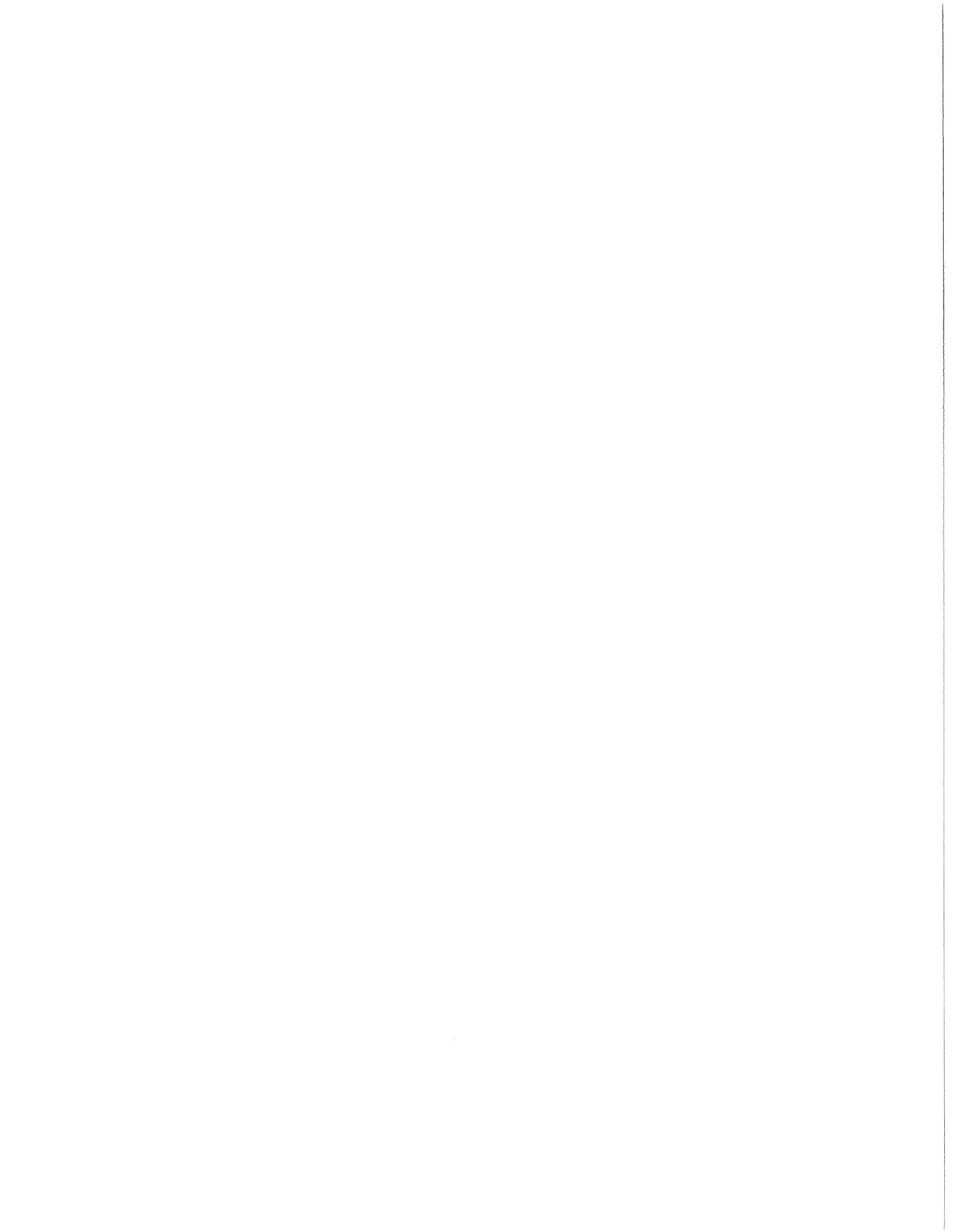
**Response: Other than as set forth in the Commitment Letter attached to the Amended and Restated Application and revisited in Mr. Gardner's testimony, the final terms of the financing will depend on several factors including the prevailing market conditions and the company's credit rating and will likely include a senior secured credit facility, a revolving credit facility, and senior unsecured notes with varying maturities, expected to range between 5 to 12 years. Applicants expect to finalize this structure nearer to the time of the transaction close.**

**Response provided by Rob Clancy.**

b. Will any of the above costs be placed on the customers, and more specifically, on the customers of the Kentucky-based applicants? If so, how much and in what way?

**Response: No. As set forth in Paragraph 34 of the Amended and Restated Application, customers will not experience any rate changes as a result of these transactions.**

**Response provided by Brent Whittington.**



2. Will the proposed Guarantees and Liens to be provided by the Kentucky-based applicants (Alltel Kentucky, Inc. ("AKI"), and Kentucky Alltel, Inc. ("KAI")) in any way increase the current level of risk borne by them? Please provide a detailed explanation with the response.

**Response: As set forth in the Amended and Restated Application and the exhibits thereto, neither the guarantee nor the lien will impact the day-to-day operations or the financial condition of AKI or KAI. Only in the unlikely event the New Holding Company defaults on its obligation, for example, to repay the debt described in the Amended and Restated Application, would AKI and KAI along with the other subsidiaries of the New Holding Company be required to service that debt.**

**Response provided by Brent Whittington.**

- a. Would the Applicants agree that if guarantees and liens are provided it is easier for the secured party to take action in the event of default? If not, why not?

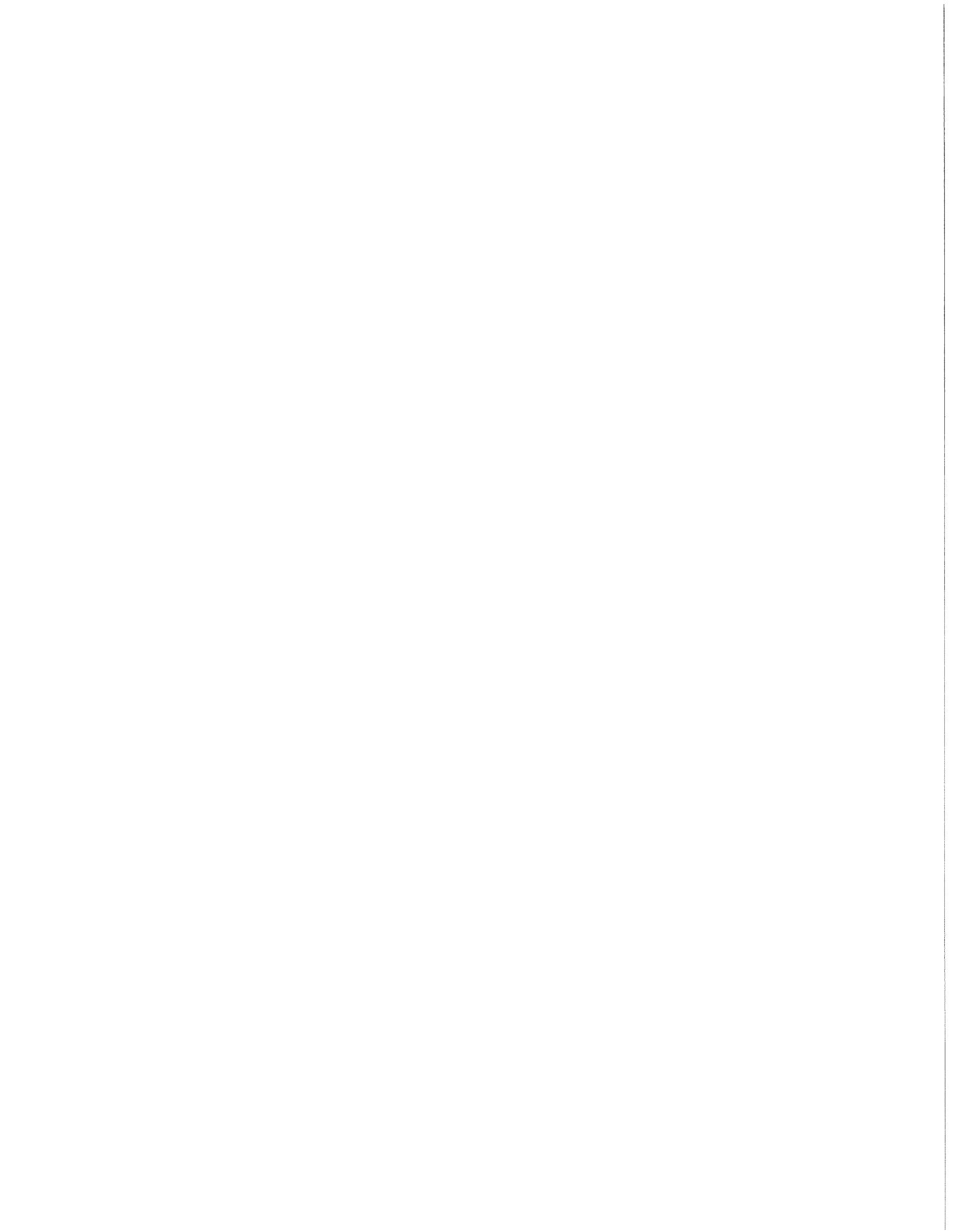
**Response: No, Applicants do not agree. Before the secured party could take any such action with respect to the AKI and KAI property, the secured party would have to seek the approval of the Kentucky Commission.**

**Response provided by Brent Whittington.**

- b. Please list all of the benefits that the Kentucky-based applicants and their customers will derive as a result of providing such guarantees and/or liens.

**Response: The Guarantees and Liens described in the Amended and Restated Application reduce the interest rate associated with the secured debt by 100 - 200 basis points. This reduced interest rate applied to the approximate value of the secured debt of \$2.5 billion results in an annual reduction of approximately \$25 - \$50 million in interest expense. Actual interest expense savings will exceed the amount above in the event the secured debt is greater than \$2.5 billion.**

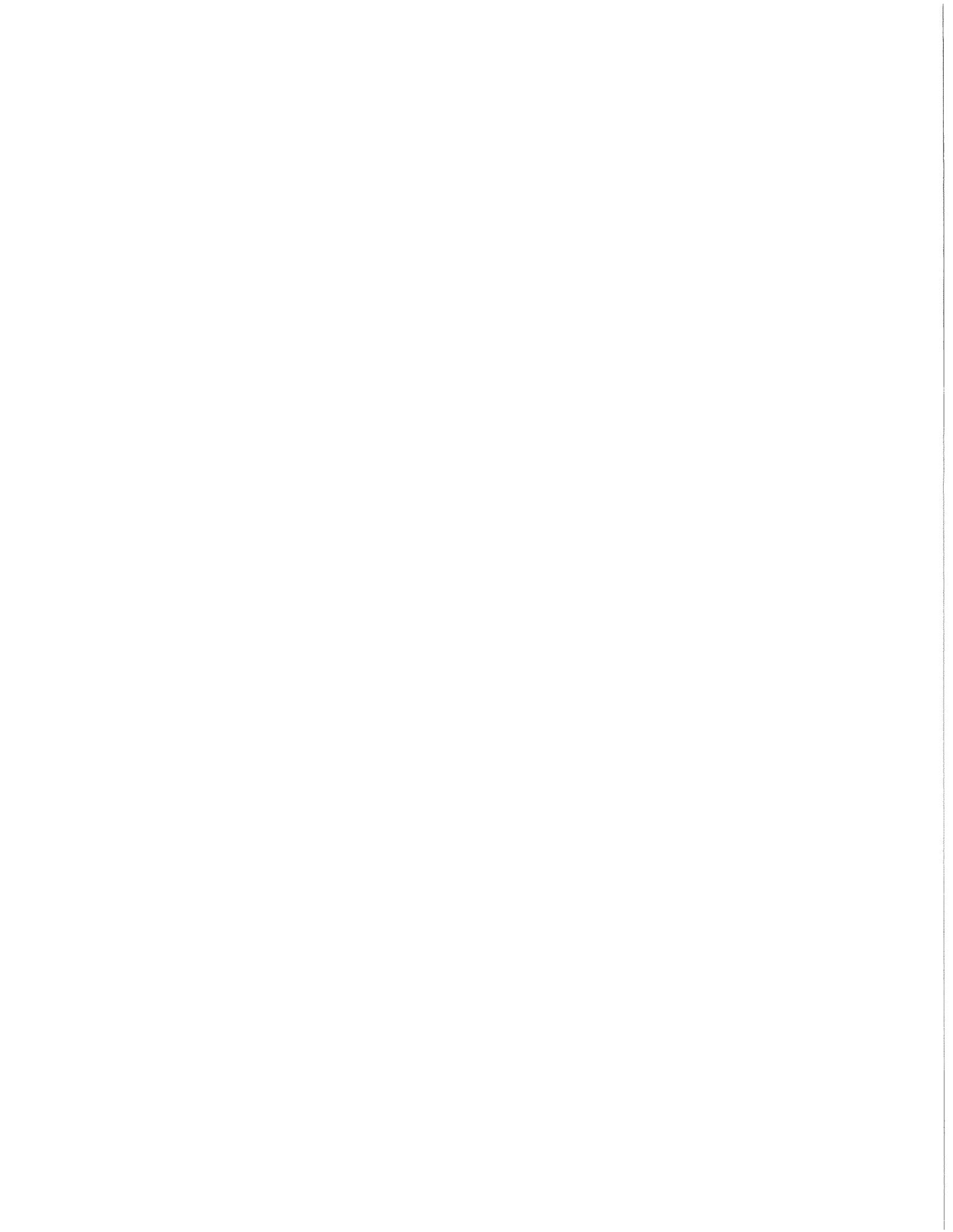
**Response provided by Brent Whittington.**



3. Are the purported savings to be generated from the proposed Guarantees and Liens (see section numbers 46 and 47 (page 15) of the Amended and Restated Application) in any way to be shared with the Kentucky-based applicants? If so, how much, and in what way? If not, why not?

**Response:** Therefore, Applicants do not expect there to be any material synergy savings passed on to their customers. The annual operating expenses of the Merged Wireline Business are expected to be approximately \$40.0 million less when compared to the combined total annual operating expenses of Valor and the estimated annual operating expenses of Alltel's wireline business if it were a separate public company. The annual operating expenses of the Merged Wireline Business will be greater than the amount of annual operating expenses incurred by Alltel that are allocated to Alltel's wireline operating companies today, before the contemplated transactions. However, after adding the additional operating companies and related access lines currently owned by Valor, the expected annual corporate shared service allocations to the operating companies in the Merged Wireline Business are expected to be roughly the same as they are today, before the contemplated transaction. Additionally, competitive factors in the marketplace are the means that will drive any sharing of savings to customers. The very competition that is the stimulus for the wireline separation proposed by Applicants is the force driving market-based pricing of traditional telephone services. Competition requires Applicants and their competitors to re-examine continually their prices and find creative bundles and services packages that appeal to customers. Pricing of service bundles is central to the successful marketing of those services. Therefore, in order to lower service costs and remain competitive, companies like Alltel Kentucky, Inc. and Kentucky Alltel, Inc. must reduce their costs through increased scale and scope, lower debt costs made possible by the guarantees and liens proposed in this proceeding, and other related means.

**Response provided by Brent Whittington.**



4. The Amended and Restated Application indicates that the Kentucky-based applicants (section number 15 (page 5)) “will continue as the same legal entities operating and providing local exchange service in Kentucky.” Please describe in detail any and all anticipated changes to either of these entities that will result from an approval of the proposed transfer, including but not limited to any name change, staffing levels, management changes, management authority and lines of organization to the new entity, etc.

**Response: As identified in the Amended and Restated Application, the Kentucky-based applicants will experience a name change and gain a senior management team and corporate support staff that are singularly focused on wireline strategies. The Kentucky-based applicants will not change rates, amend their tariffs (other than with respect to their name changes), make changes in customer service support, or alter their Kentucky staffing or management as a result of the transactions.**

**Response provided by Dan Powell.**

a. This section also indicates that from an “operational perspective, little will change” for these entities. Please describe in detail all of the anticipated changes (if any), from an operational perspective, that will result from an approval of the proposed transfer.

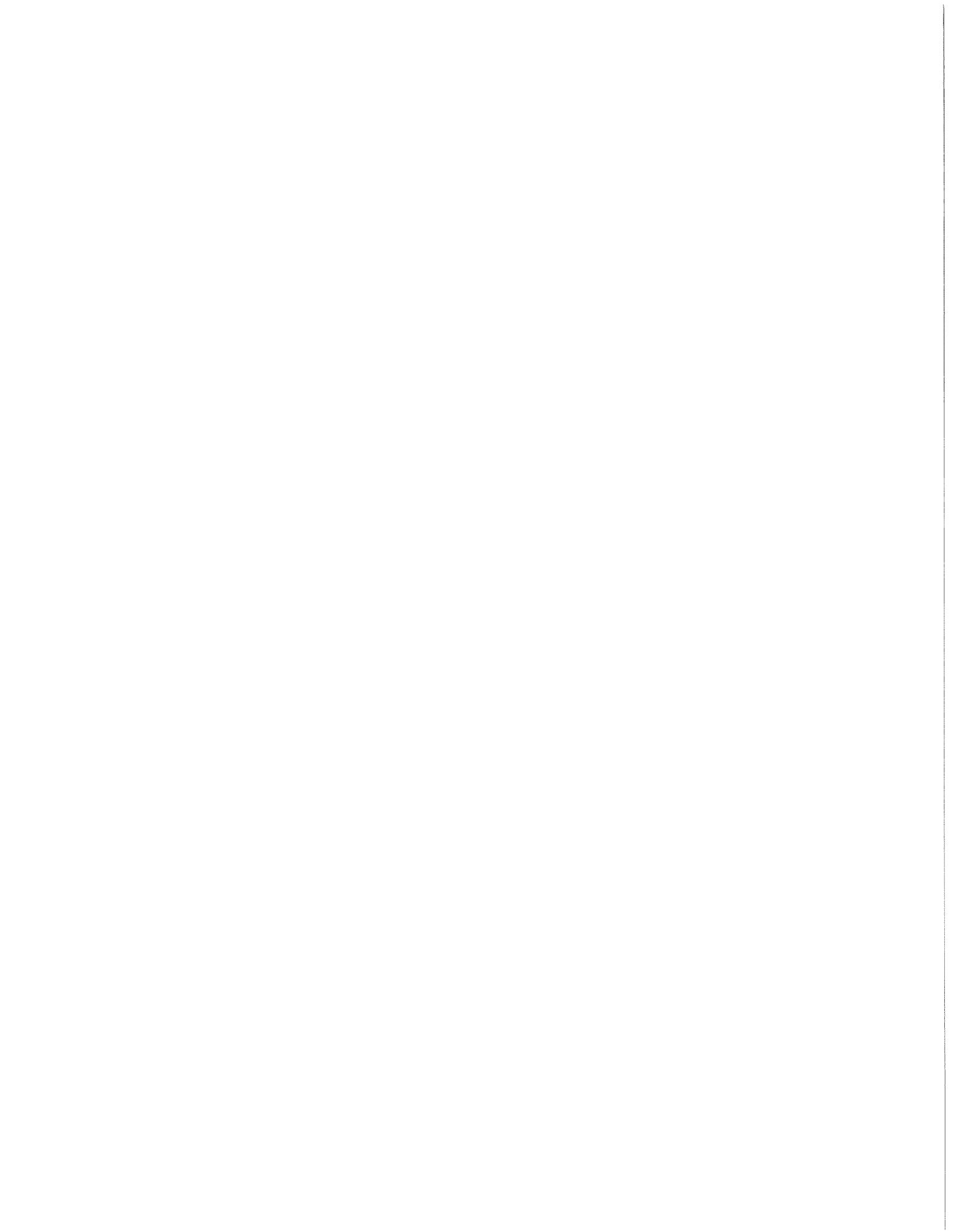
**Response: Applicants do not anticipate any operational changes as a result of the transfer, other than the positive impact on operations of a management team and corporate support staff devoted to wireline strategies.**

**Response provided by Dan Powell.**

b. Please explain what differences, if any, that the Applicants anticipate the typical Kentucky-based wireline customer will notice or experience if the proposed transfer is approved. To the extent that any particular type of customer is expected to have a different experience as result of such approval, please explain in detail what and how.

**Response: As mentioned above and in the Amended and Restated Application, customers immediately will see only a name change. On a going-forward basis, the Kentucky-based companies and their new holding company will be dedicated one hundred percent to their wireline customers by continuing to invest in the network, to deliver quality services, and offer the latest available technologies.**

**Response provided by Dan Powell.**



5. Please describe in detail all of the “benefits for the wireline local exchange residential and business customers” (Section number 6 (page 3) of the Amended and Restated Application) that are anticipated to result from the approval of the proposed transfer. Are these benefits in any way measurable or quantifiable? List specific examples, if possible.

**Response: The Merged Wireline Business will provide high quality voice services as well as the latest features available and will continue to package those in a variety of bundles that will allow Kentucky customers to select the package most beneficial to them. Additionally, the Merged Wireline Business will continue to expand DSL and Dish Network services and offer its business customers centrex and/or PBX services as well as special access services to support their voice and data needs.**

**Response provided by Dan Powell.**

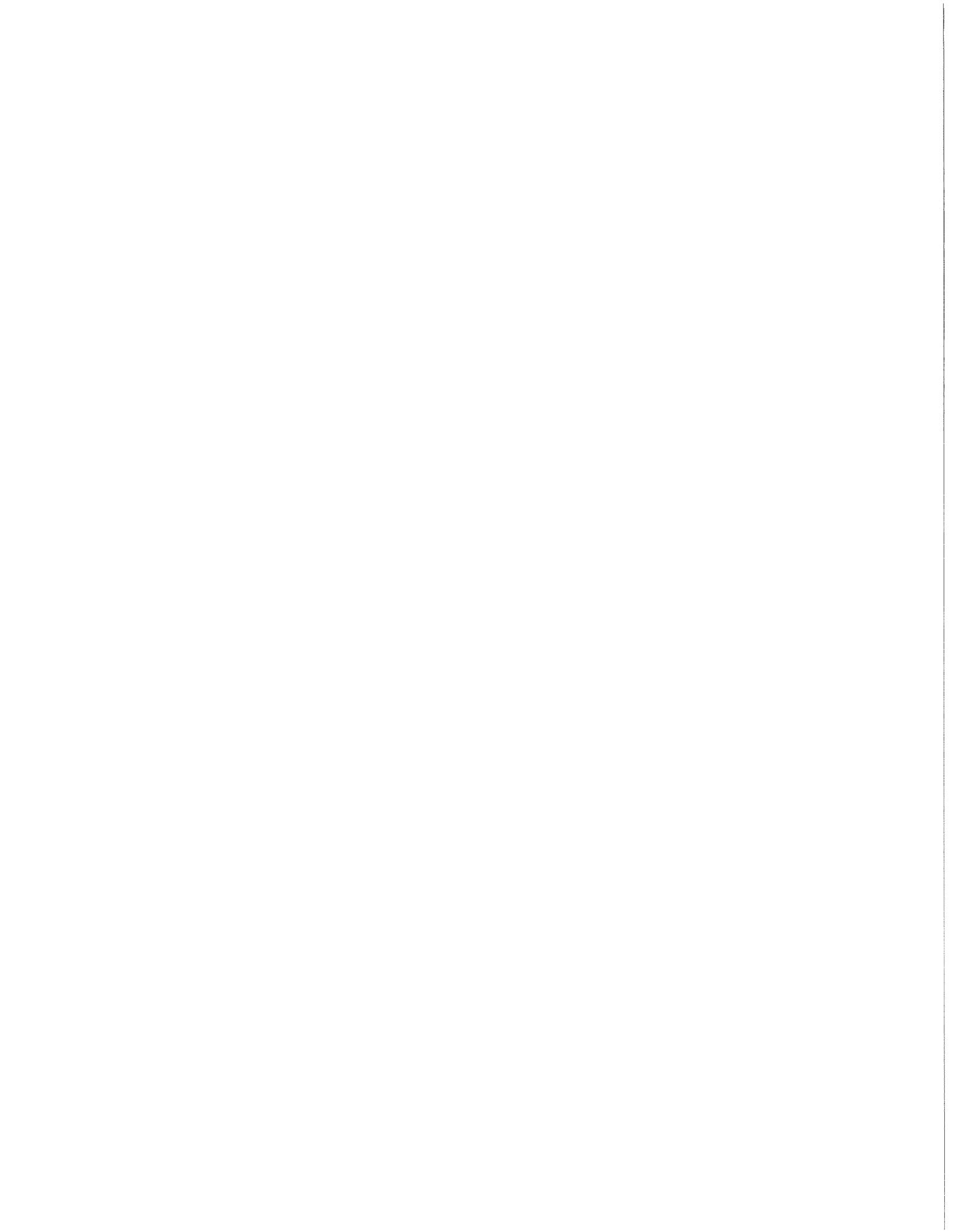
a. Please list and describe in detail the “advanced services” that are anticipated to be introduced as a result of the approval of the proposed transfer (Section number 13 (page 5) of the Amended and Restated Application).

**Response: The transactions described in the Amended and Restated Application will create the MWB focused solely on the wireline business. The MWB will make broadband services more widely available and continue improvements in higher speeds and greater portal content. In addition to offering satellite video in partnership with Dish Network, the MWB will research and deploy where practical IP Video over the broadband infrastructure. The MWB will evaluate wireless product offerings through a partnering relationship or resale arrangement with existing wireless carriers. Also, the MWB will aggressively deploy and market product bundles and new technologies including voice over internet protocol that are designed to provide more features and products in a package that offers a higher value proposition to existing and prospective customers.**

**Response provided by Darren Decker.**

b. Please list and describe all of the “significant benefits” which will accrue to the regulated entities and their customers (Initial Testimony of Jeffery Gardner at pages 3 and 6).

**The primary benefit Joint Applicants will achieve as a result of the transactions are a management team and corporate support staff with the ability to focus exclusively on wireline emerging strategic, operational and financial opportunities. Currently, the Alltel Corporation derives 70% of its revenues from wireless services and only 30% from wireline services. By**



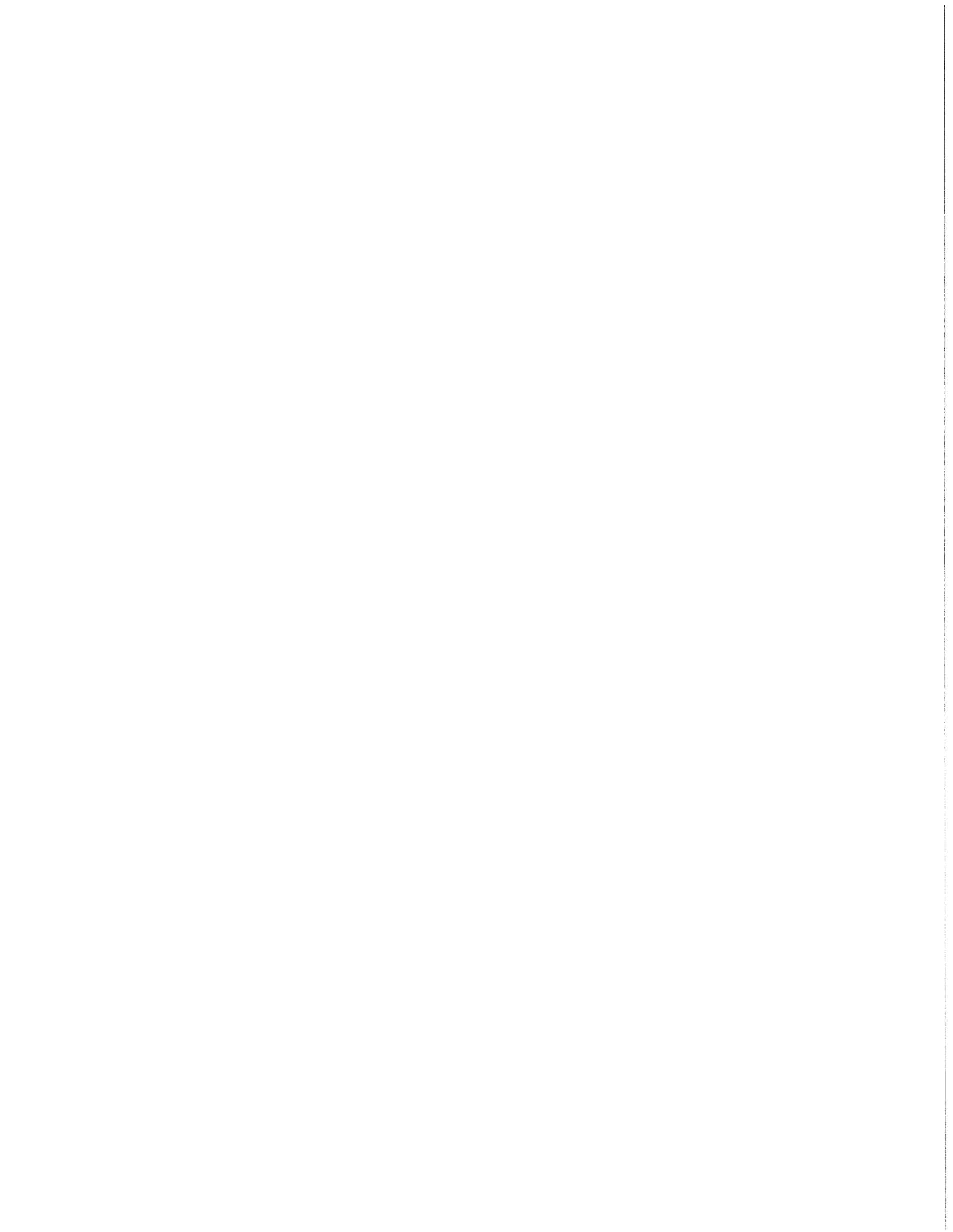
**separating the wireline business from Alltel Corporation's wireless business, the wireline business and its management team will be dedicated solely to ensuring that its wireline customers continue to receive quality services and updated wireline product offerings. Capital deployment and marketing efforts will focus solely on wireline efforts to the benefit of wireline customers. Not having to divide capital and/or employees between wireless and wireline network maintenance critically positions the wireline business to take advantage of future wireline strategies and business opportunities. Subsequently merging the separated wireline business with Valor further creates the potential positive financial impact of an expected gain of \$40 million net annual synergies and increases the overall scale and scope of the Merged Wireline Business, positioning it in the top of its industry peer group with respect to access lines and revenues. Additionally, Alltel shareholders, in the aggregate, will hold 85% of the Merged Wireline Business. Finally, the structure created is tax efficient, and from the proposed financing structure and guarantees, Joint Applicants expect to achieve significant annual interest expense savings up to or greater than \$50.0 million.**

**Response provided by Jeffery Gardner, Brent Whittington, Michael Rhoda, and Dan Powell.**

c. In what specific ways will the "level of centralized support services" improve?

**Response: While Applicants have not quantified the improvements at this time, having a corporate team solely dedicated to the support of its wireline operations clearly will improve the Merged Wireline Business's level and speed of provision of centralized services to its wireline subsidiaries.**

**Response provided by Jeffery Gardner.**



6. Can Kentucky customers expect any enhancement over the current existing level of service as a result of an approval of the proposed transfer? If so, please provide a detailed response that includes the specific benefit or benefits to be provided broken down by the type of customer (i.e., residential or business). List specific examples, if possible.

**Response: See the Amended and Restated Application and responses to questions 3, 4(a), 4(b), 5(a), and 5(b) above.**

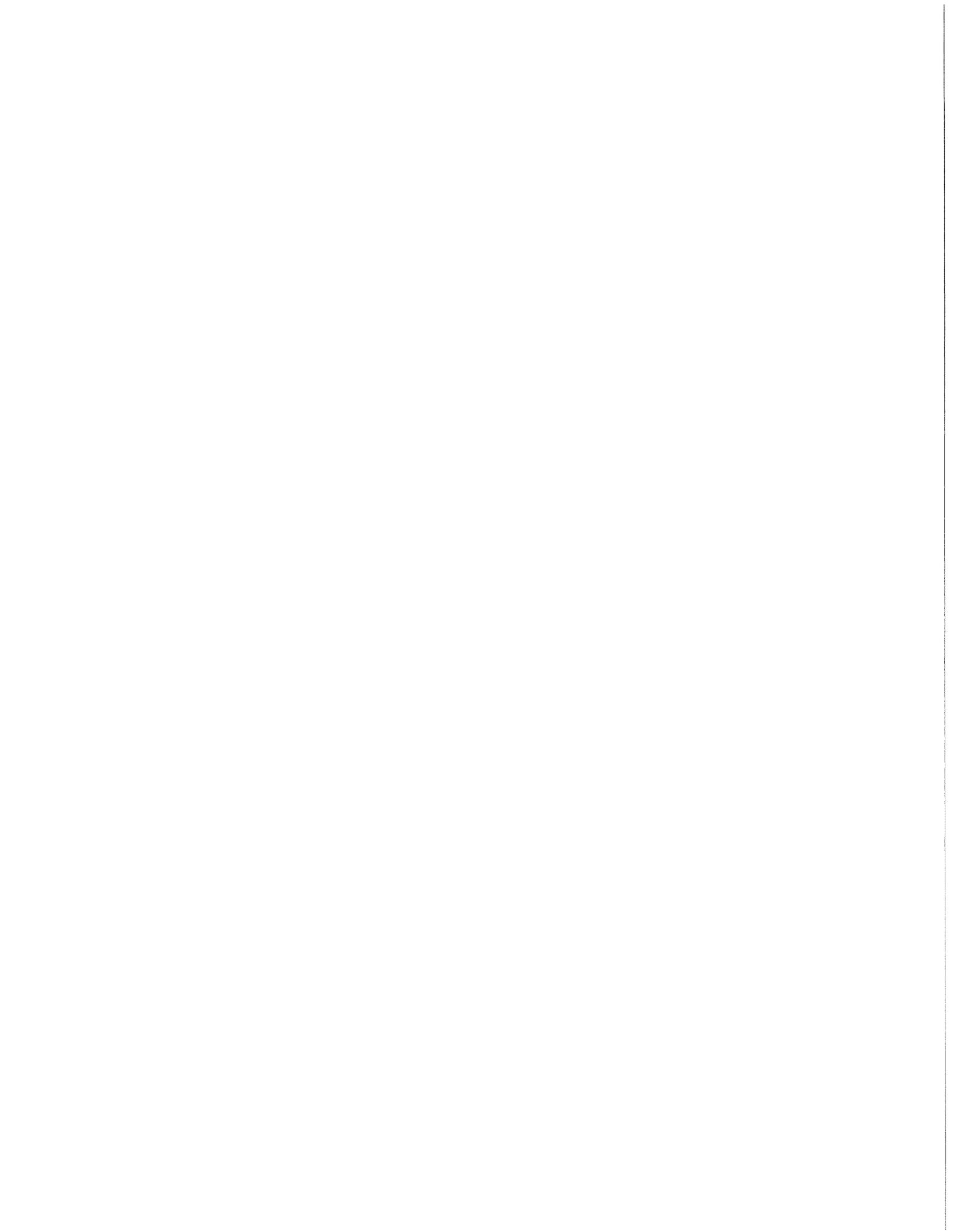
a. More specifically, will the LFUCG obtain any additional benefit or benefits (level of maintenance, service, types or numbers of products, etc.) as a result of such an approval? If so, please provide a detailed response that includes the specific benefit or benefits to be provided.

**Response: As LFUCG is a retail customer of the Applicants, it will benefit from their wireline-focused strategies as set forth in the Amended and Restated Application and acknowledged in responses to questions 3, 4(a), 4(b), 5(a), and 5(b) above. LFUCG will benefit from the competitive factors driving the Merged Wireline Business to establish market-based pricing of traditional telephone services and constantly re-examine their prices and service offerings to find creative solutions to satisfy customer appeal.**



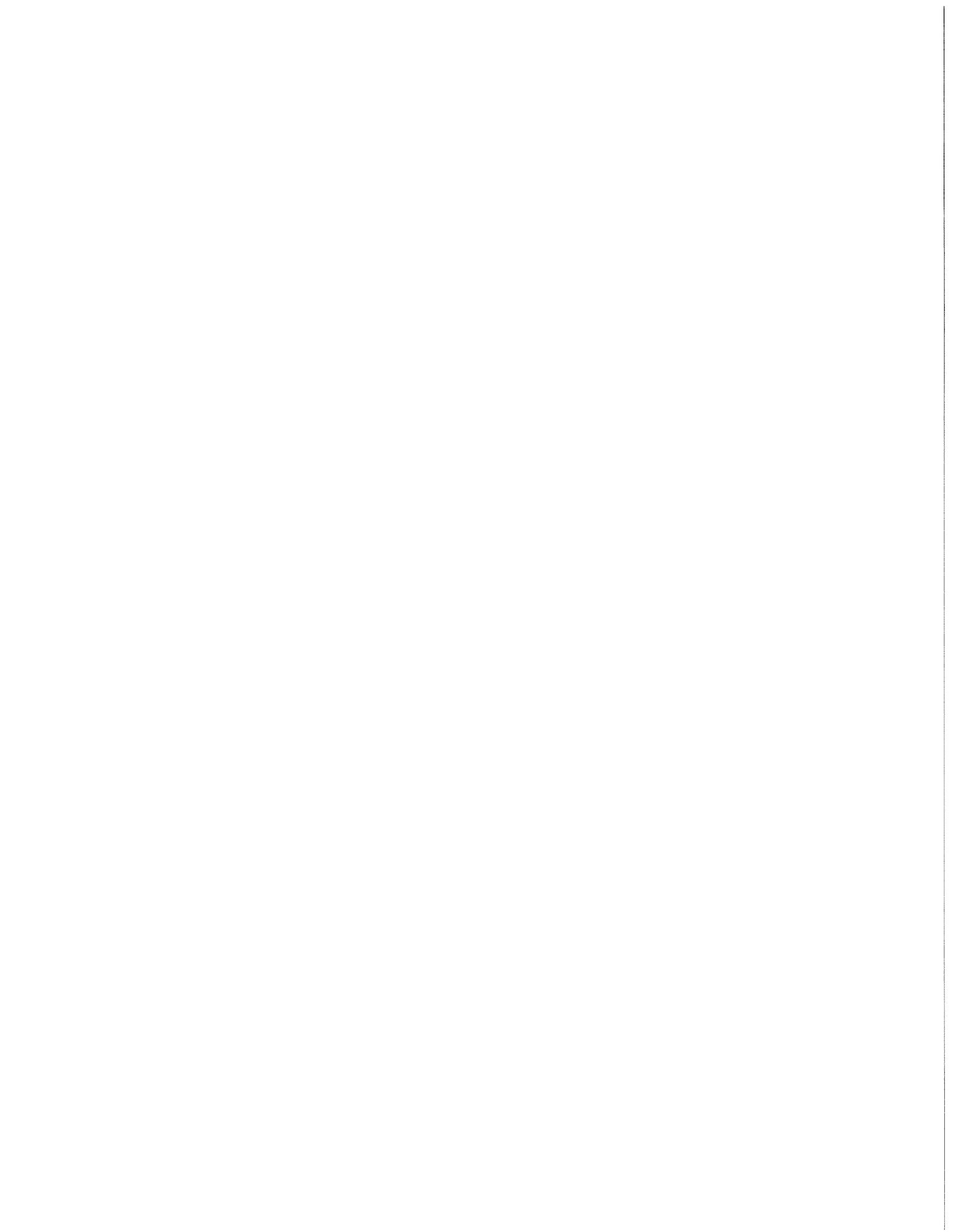
7. From the perspective of each type of customer, how and why is it better for the proposed transfer to be approved than for the current ownership structure to be maintained?

**Response: See response to question 5(b).**



8. Please describe in detail how, why, and in what specific ways an approval of the proposed transfer “allows the Merged Wireline Business to enhance both strategic flexibility and financial and operational opportunities.” (Section number 7 (page 3) of the Amended and Restated Application). List specific examples, if possible.

**Response: See exhibits to the Amended and Restated Application and responses to questions 3, 4(a), 4(b), 5(a), 5(b), 6 and 7.**



9. The Applicants appear to make a number of representations regarding the proposed transfer and future expectations in Sections 31 through 36 of the Amended and Restated Application (pages 11 through 12).

a. What guarantees, if any, do the customers have that the Applicants will stand by these representations?

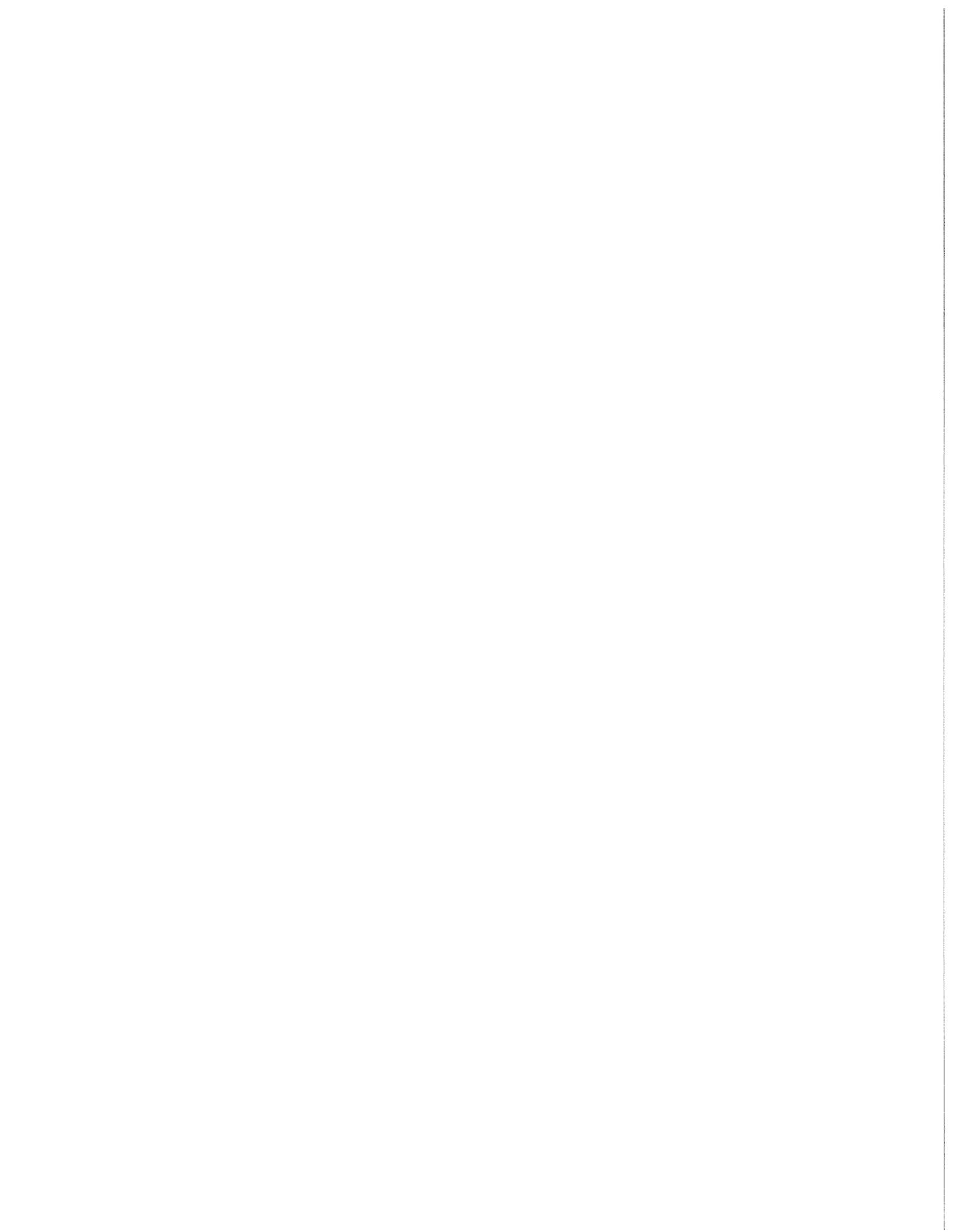
**Response: As an initial matter, Applicants' verified their testimony in support of their Amended and Restated Application with sworn attestations. More directly, Applicants are participants in a competitive industry where their survival and financial success depends on their ability to deliver innovative service offerings at prices supported by the market. Very simply, customers themselves will control the outcome by subscribing to Applicants' services and products or by choosing another competitor's services.**

**Response provided by Dan Powell.**

b. Are the Applicants willing to make these representations enforceable by entering into conditions pertaining to them as part of the approval of the proposed transfer? If so, please explain in detail how such conditions should be stated to best ensure meaningful enforceability. If not, please state why the Applicants are not willing to do so.

**Response: While in order to succeed in a competitive market, Applicants cannot accept unreasonable or severely limiting conditions that treat it differently from its competitors, any discussion of such must be addressed in terms of a full and final settlement and disposition arrangement between Applicants, the Commission, and all intervenors. Applicants look forward to meaningful settlement discussion with all participants to this proceeding and will provide proposed settlement terms and conditions for consideration as a settlement offer at that time.**

**Response provided by Jeffery Gardner.**



10. The Applicants also make a number of representations regarding continued technical, managerial, and financial capability in the Amended and Restated Application (Sections 17 through 27 (pages 6 through 10) of the Application) and the Initial Testimony of Jeffery Gardner and Daniel A. Powell. Please provide as much detail as possible, including documentation and specific examples, of all known technical, managerial, and financial changes that will result from the approval of the transfer, with a focus on the Kentucky-based entities.

**Response: As set forth in the Amended and Restated Application as well as Applicants' testimony and responses to the above questions, the Kentucky-based operating companies will not experience any financial changes as a result of these transactions. Additionally, the technical and managerial expertise to run the business will continue and begin to improve due to the singular focus. Therefore, in summary, the technical, managerial, and financial expertise that the Kentucky-based operating companies demonstrate today will continue after the transactions at a minimum at the levels today and then will improve. Many of the same experienced managers and corporate support staff that lead and support Alltel Corporation today will lead and support the new wireline company albeit with a singular wireline focus. Further, Applicants explained in their Amended and Restated Application and testimony that the financial statements filed with the Commission on behalf AKI and KAI will not change in any material way as a result of this transaction. Going forward, Applicants will benefit from a management team that is entirely focused on wireline strategies, products, and services. As indicated previously, Applicants have not quantified the specific benefits at this time as the ultimate changes also will be driven by the demands of customers and the competitive communications market place.**

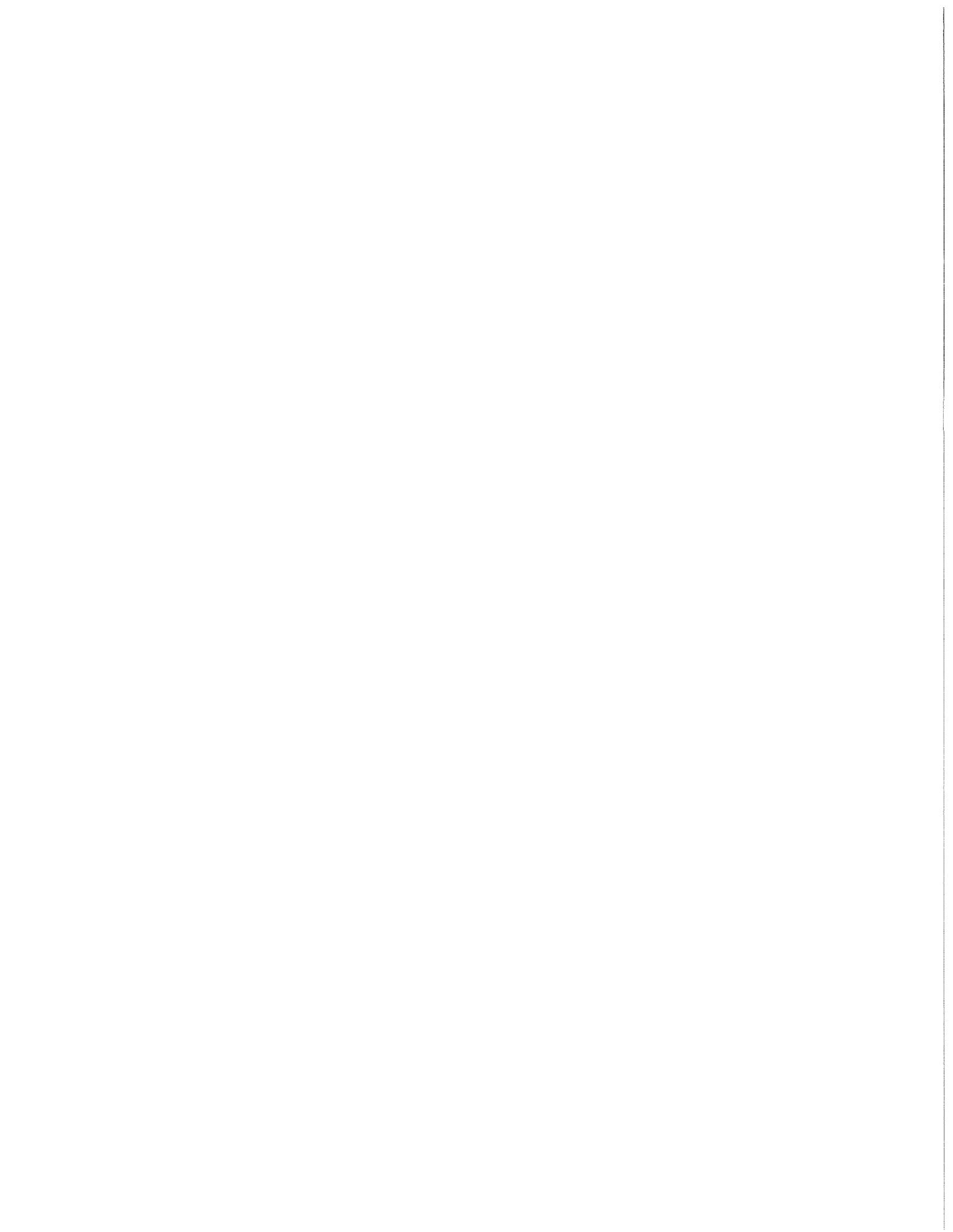
**Response provided by Jeffery Gardner and Dan Powell.**

a. What guarantees, if any, do the customers have that the Applicants will stand by these representations?

**Response: See response to question 9.**

b. Are the Applicants willing to make these representations enforceable by entering into conditions pertaining to them as part of the approval of the proposed transfer? If so, please explain in detail how such conditions should be stated to best ensure meaningful enforceability. If not, please state why the Applicants are not willing to do so.

**Response: While in order to succeed in a competitive market, Applicants cannot accept unreasonable or severely limiting conditions that treat it differently from its competitors, any discussion of such must be addressed**



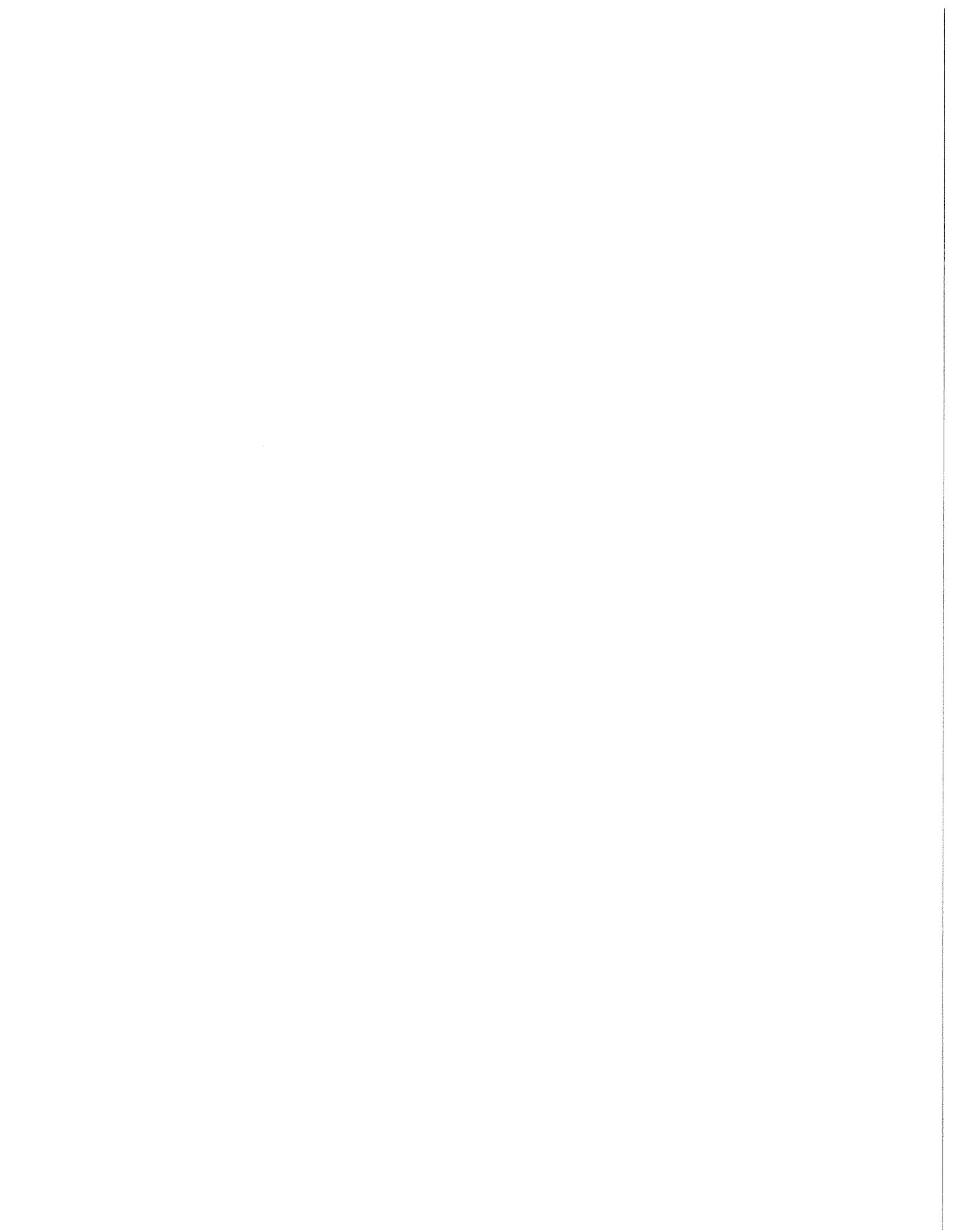
**in terms of a full and final settlement and disposition arrangement between Applicants, the Commission, and all intervenors. Applicants look forward to meaningful settlement discussion with all participants to this proceeding and will provide proposed settlement terms and conditions for consideration as a settlement offer at that time.**

**Response provided by Jeffery Gardner.**

d. Are any of the jointly used assets generally described in Section 18 of the Amended and Restated Application (page 7)(and Gardner Testimony at page 19; Powell Testimony at pp. 9-10) currently utilized by the Kentucky-based entities? If so, please list all such assets. Assuming that some additional assets will need to be leased or otherwise contracted for, will this not serve to increase the costs to the leasing or contracting entities? If so, what assurances are in place that such costs will not ultimately be borne by the customers, and particularly the Kentucky customers?

**Response: Yes. See confidential and proprietary list attached to Applicants' Responses to Attorney General Data Request No. 72(a). No. Not applicable.**

**Response provided by Brent Whittington.**



11. Does the Amended and Restated Application and the Initial Testimony contain an exhaustive list of all the ways in which the proposed transfer is “consistent with the public interest” in accordance with KRS 278.218? If not, please describe in greater detail in what ways the approval of the transfer is consistent with the public interest.

**Response: Kentucky Revised Statute 278.218 does not require submission of an exhaustive list of all the ways in which a proposed transfer is consistent with the public interest. In their Amended and Restated Application, Applicants identify several ways in which the proposed transactions are consistent with the public interest (e.g., maintain requisite financial and technical capabilities, improve managerial capabilities, provide opportunities for furtherance of wireline-specific strategies, products and services). Applicants have not attempted to identify all of the many ways in which the Commonwealth’s public will benefit from entities’ wireline-focused management team and sound capital structure.**

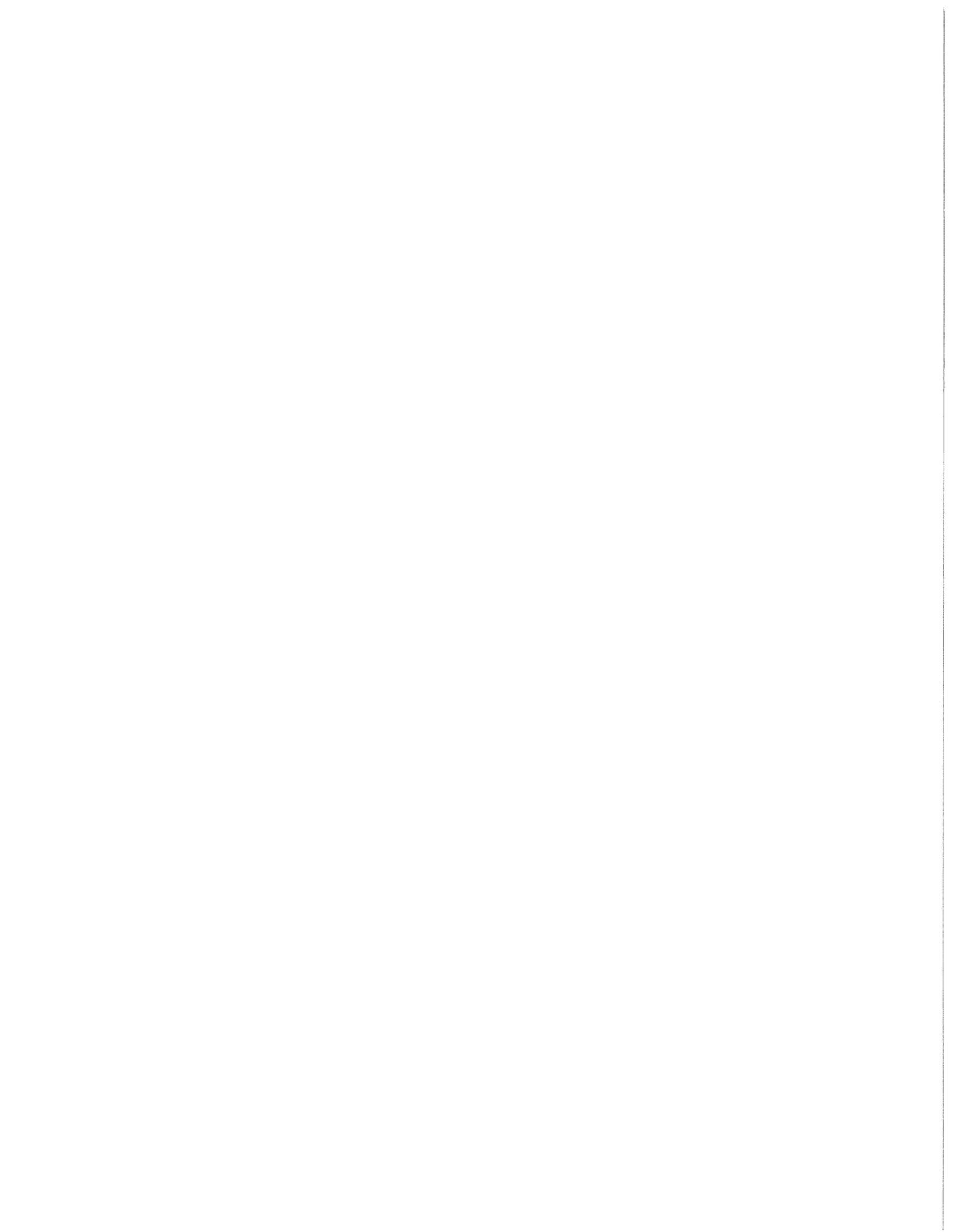
**Response provided by Cesar Caballero.**

a. Please describe in detail what the term “building their local wireline operation to provide a full range of high quality services” (Section 28, Page 10 of the Amended and Restated Application, and Powell Testimony at page 15) means. What high quality services will be offered to Kentucky local residential and business customers that are not offered now? Please provide a response that breaks out any differences between residential and business customers.

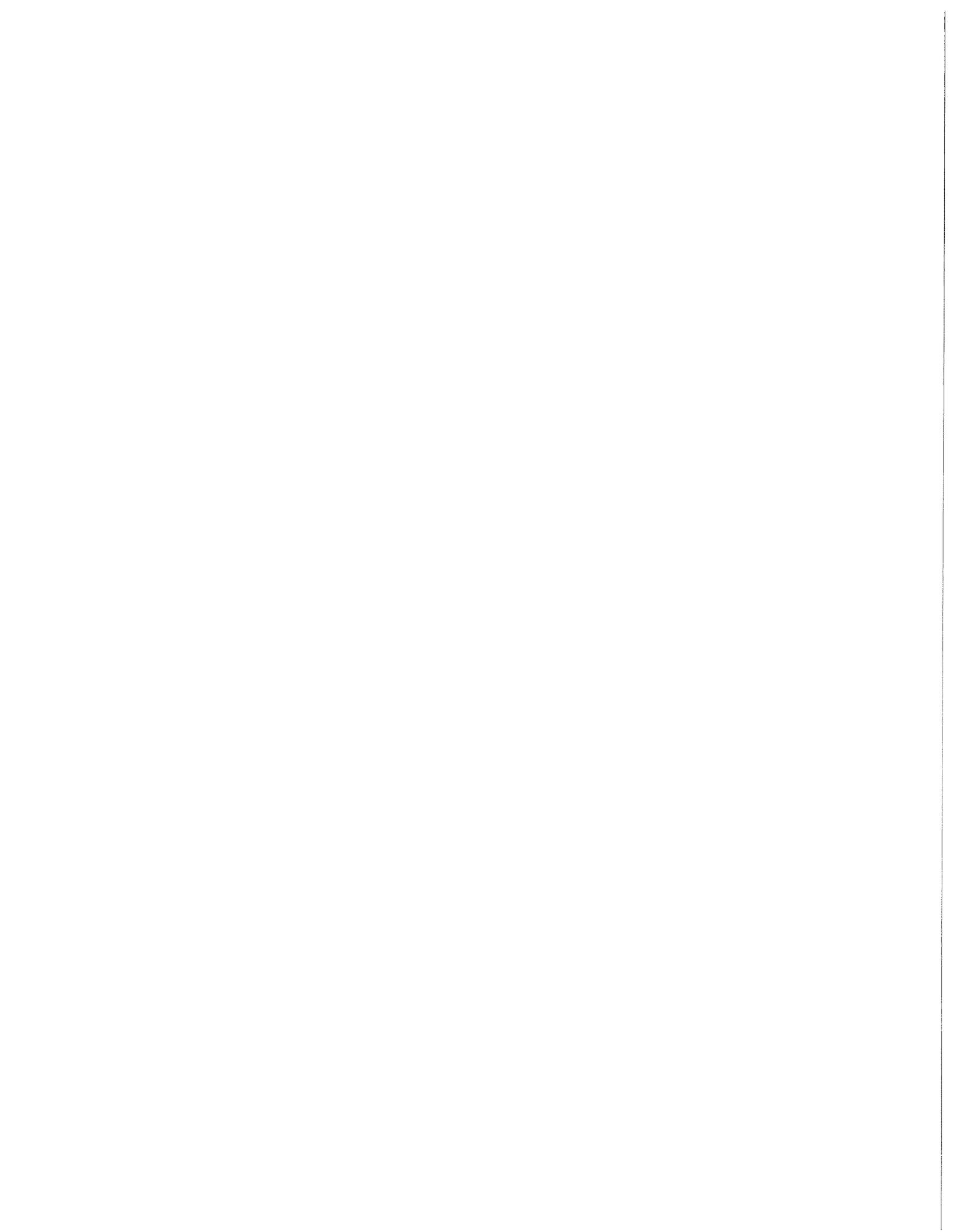
**Response: See answers to question 5 (including (a) and (b)).**

c. Please explain in detail how and why service delivery, product development, and customer interaction will be enhanced for Kentucky customers as a result of the approval of the proposed transfer. (Section 30, Page 10 of the Amended and Restated Application; Powell Testimony at page 15). List specific examples, if possible.

**Response: See answers to questions 5 and 7 above. The Merged Wireline Business will have its own marketing department dedicated solely to develop, advertise and promote services to its wireline customers. As a result, the Merged Wireline Business will be better able to respond to customer needs and provide the services they need for their homes or business. Currently, Applicants are unable to list specific examples other than those set out in responses to questions 5 and 7 above as such services, products, and customer interaction will be dictated in time by customers and the competitive market place.**



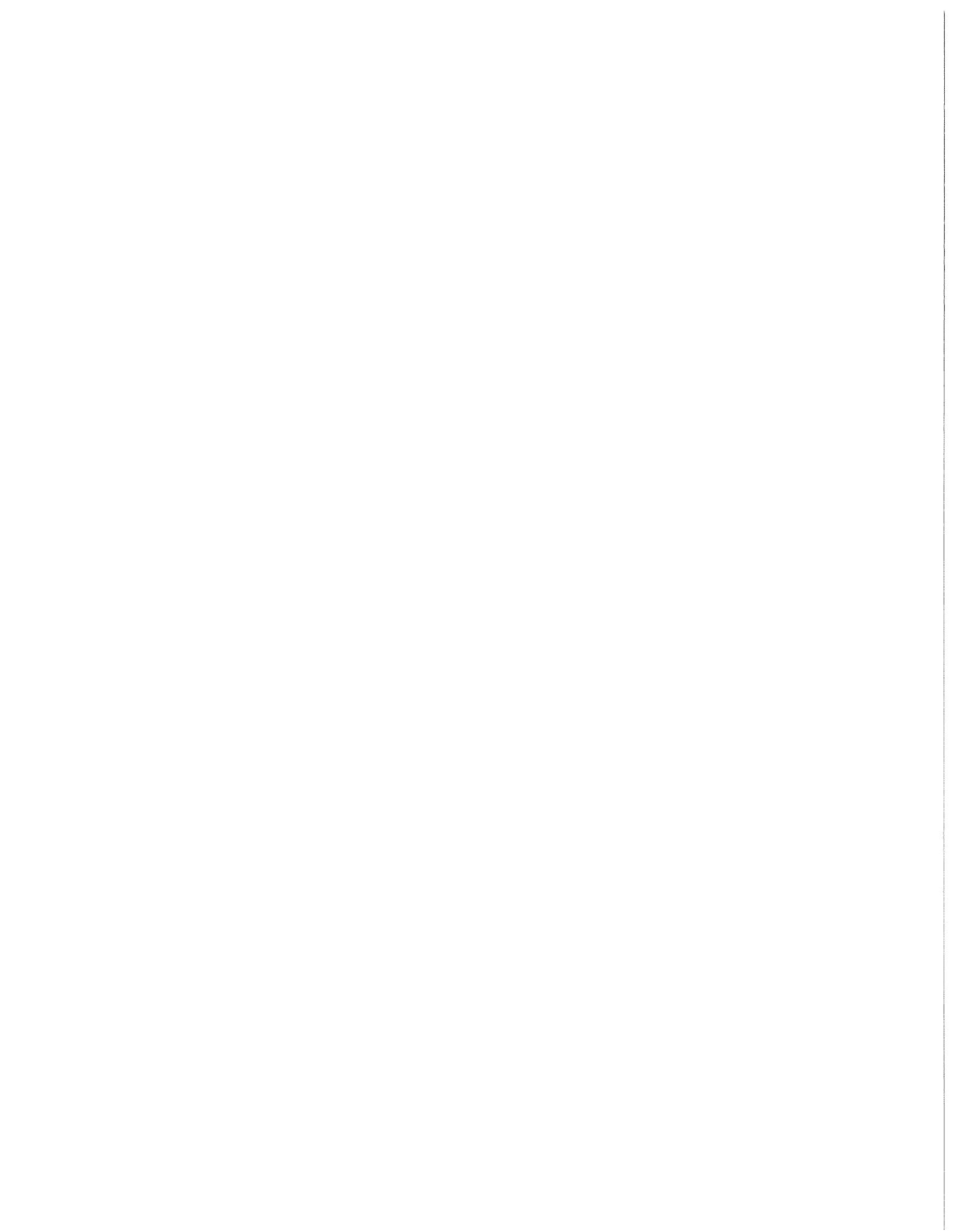
**Response provided by Jeffery Gardner.**



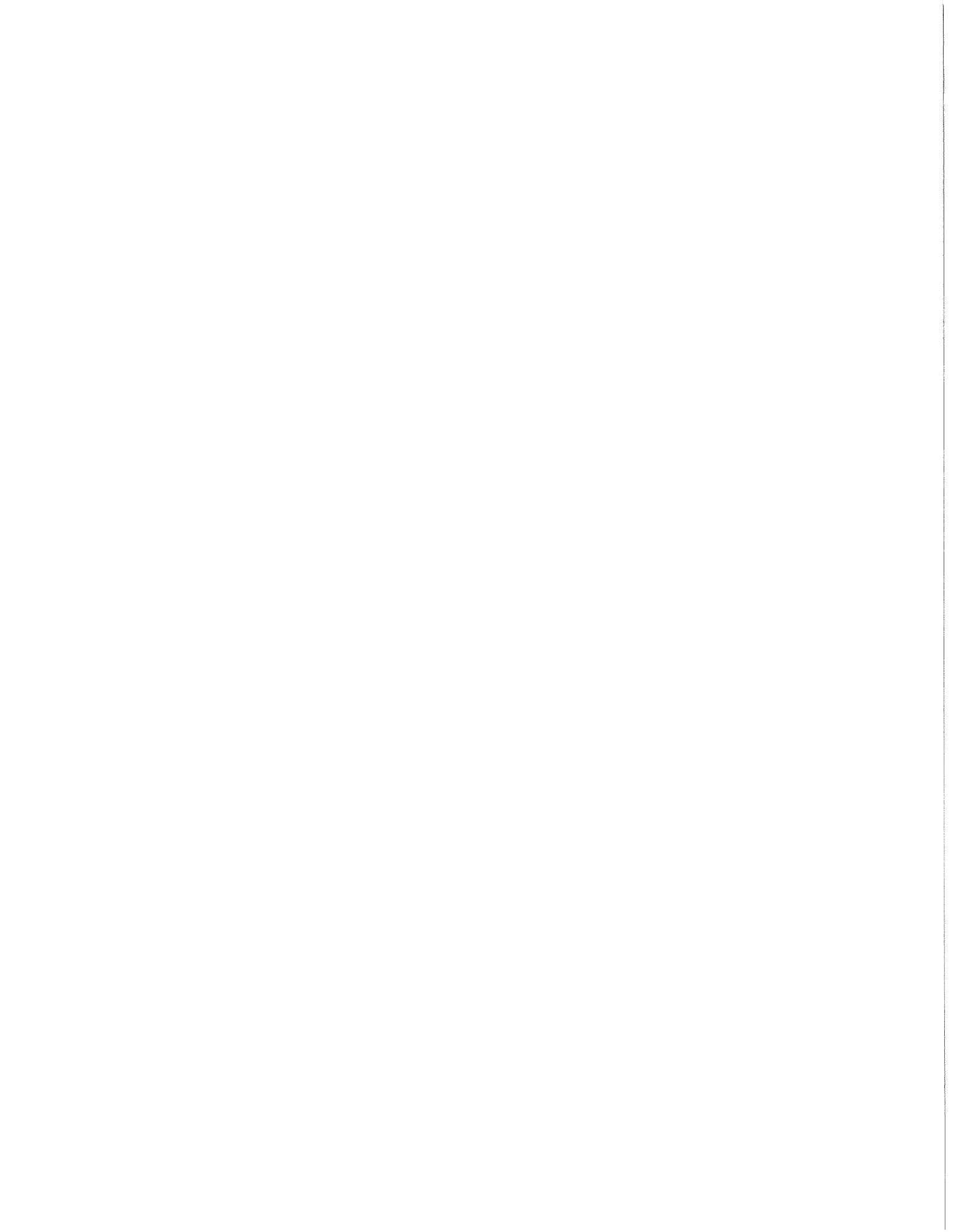
12. Please provide all analyses performed by any of the Applicants that describes or quantifies the benefits to be achieved by any of the Applicants through an approval of the proposed transfer.

**Response: See responses to questions 7, 15, and 16 and the discussion with respect to transaction synergies and efficiencies in the Amended and Restated Application and supportive testimony. Attached hereto is an analysis of these synergies. This analysis is considered proprietary and confidential. Furthermore, it is only logical that as the wireline business comprises (30%) of Alltel Corporation's total revenues today, it will be the sole focus of management after the transactions. As a result, wireline management, employees, and shareholders very obviously recognize the benefits to be achieved by having leaders attuned to their investment and marketing needs and strategies.**

**Response provided by Jeffery Gardner, Michael Rhoda and Brent Whittington.**



**Lexington Fayette Urban County Government Request No. 12**



**Alltel Holding and Valor Communications Group**

Total Estimated Net Synergy Document

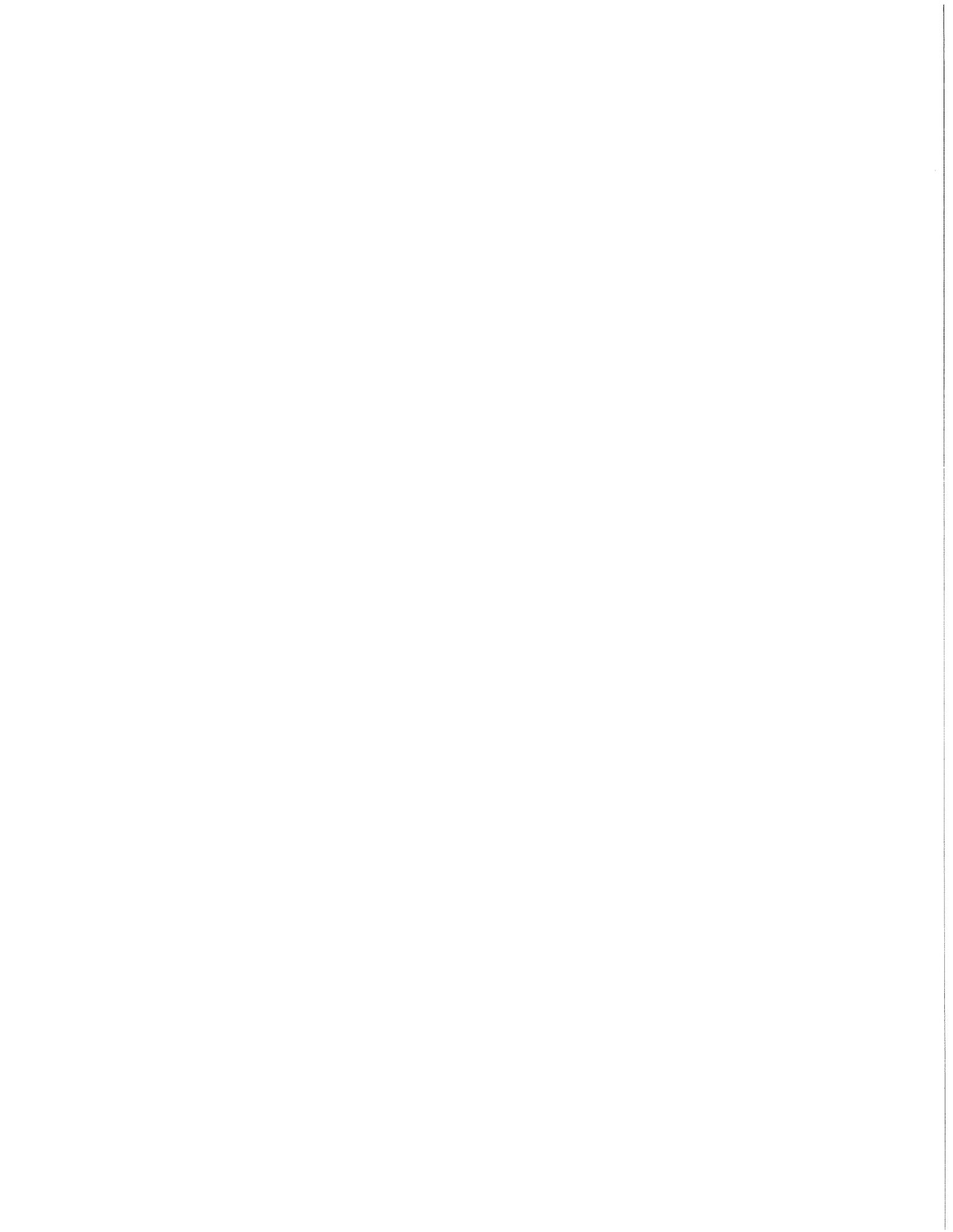
Increase / (Decrease) to Expenses

\$(000)s

Proprietary

	MERGER Valor Synergy	SEPARATION Net Incremental Costs	NET SYNERGY TO NEWCO
<b>HEADCOUNT RELATED</b>			
Procurement			
Corporate			
Engineering/Network			
Executive			
Facilities			
Finance/Acctg			
Human Resources			
IT			
Process Dev			
Reg & Wholesale			
Mktg & Sales Spt			
Shared Functions			
Customer Service			
Field Opns			
Subtotal			
<b>NON-HEADCOUNT RELATED</b>			
Facilities			
Consulting			
Temp Help			
SOX/IA			
Audit Fees			
Advertising			
Legal Fees/Lobbying			
Collections			
Telemktg			
Engr Systems			
AT Staffing			
Insurance			
Dues			
Misc Fees			
IT Hdwe/Softwe			
Subtotal			
<b>GRAND TOTALS</b>			

**CONFIDENTIAL**



13. Do the Applicants believe that this proposal, if approved, will be value enhancing? If so, in what ways, to whom, and in what amounts?

**Response: Yes. If Applicants did not believe their proposal to be value enhancing to their customers, shareholders, and employees, they would not be requesting approval to accomplish the transactions. The Merged Wireline Business will be the largest rural telephone holding company in the United States. It will provide service to approximately 3.4 million wireline customers in 16 states. Its annual revenues are expected to be approximately \$3.4 billion and it should generate approximately \$1.7 billion of annual operating income before depreciation and amortization. This company's size will provide the Merged Wireline Business with increased buying power which translates into lower costs of equipment, network, materials and supplies. After centralized support staffing is complete, the Merged Wireline Business will be able to accomplish additional growth in access lines and related wireline services at lower costs per unit and, therefore, expects potential reductions in per access line allocations and related costs per unit for deployment of advanced services.**

**Response provided by Brent Whittington.**



14. It appears from the Initial Testimony of Gardner that it is currently not the intent of the Applicants to directly share any initial or annual savings that will result from the merger with the Kentucky-based applicants or their customers. To the extent that any quantifiable savings result from the merger, why shouldn't these entities and their customers share directly in the savings in a manner that can be measured and quantified?

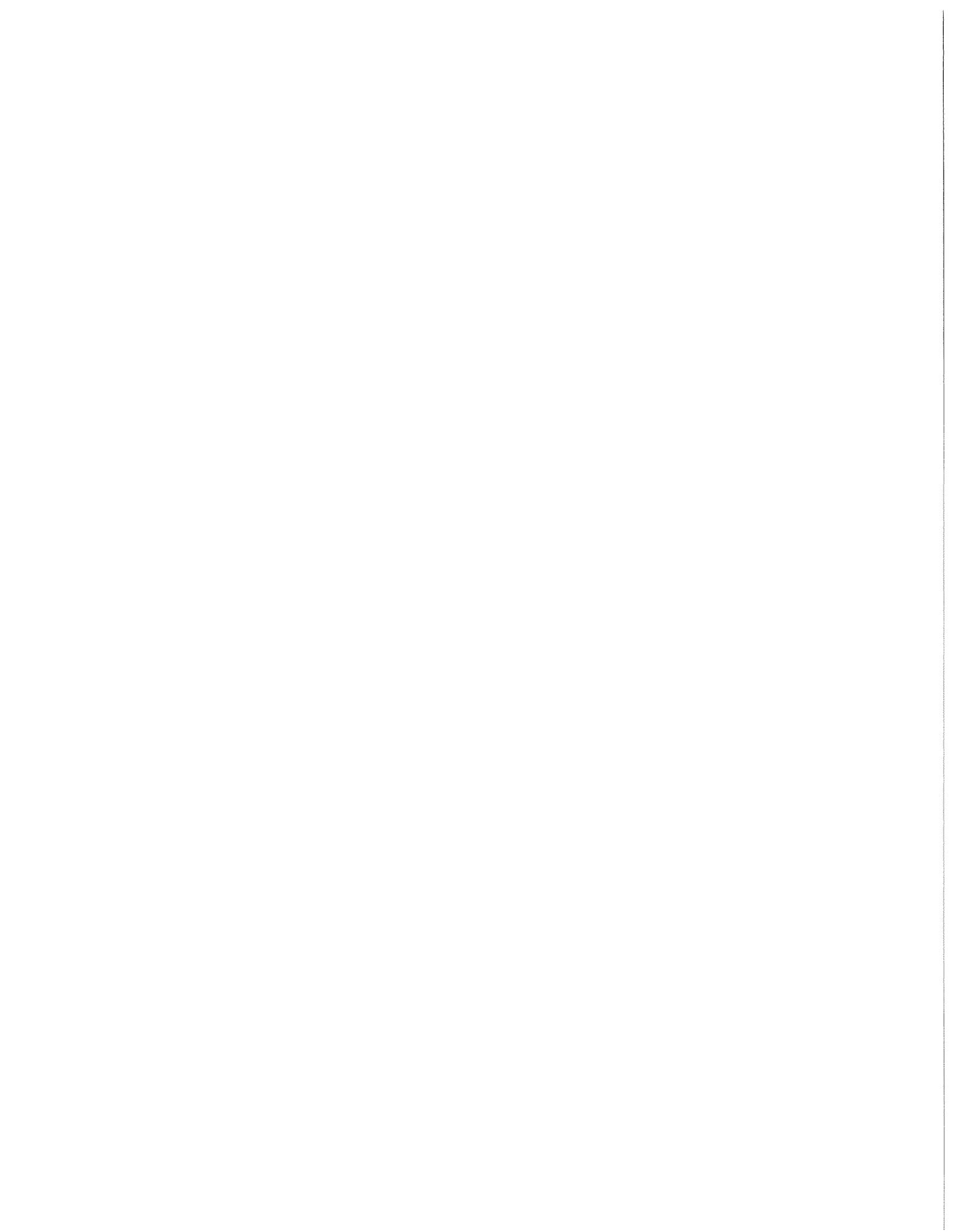
**Response: See response to question 3.**

**Response provided by Michael Rhoda.**



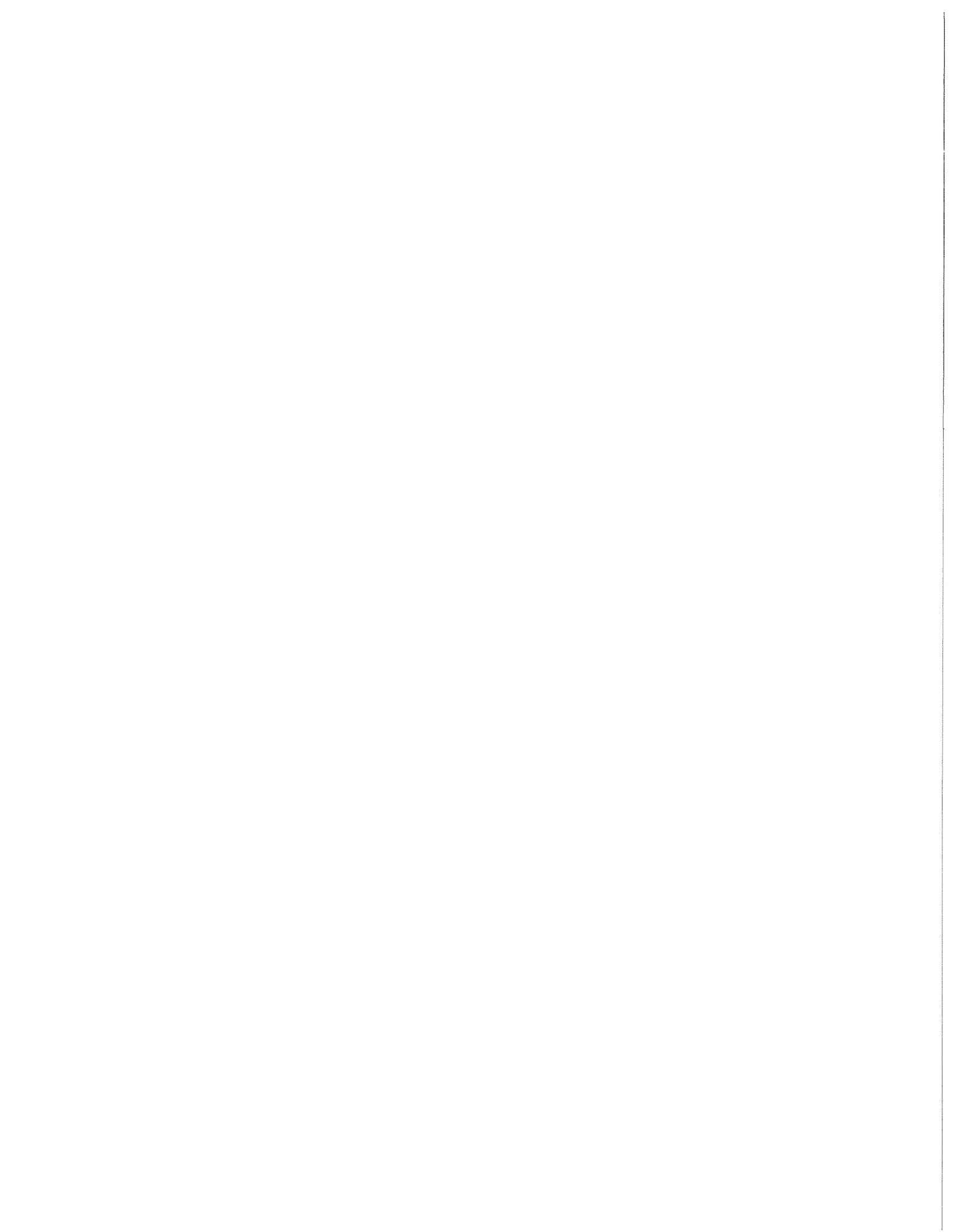
15. Provide all studies, reports or calculations either commissioned, prepared internally, or provided to any of the Applicants, which analyze anticipated revenue streams from an approval of the proposed transfer.

**Response: Attached hereto. These reports are considered proprietary and confidential.**



16. Please provide all Board of Director minutes, and memoranda provided to the Board of Directors of any of the Applicants, in which the formation of any of the new entities involved in the proposed transfer/Application are discussed.

**Response: Attached hereto.**



December 8, 2005

**ALLTEL Corporation**

**Minutes of Meeting of Board of Directors**

A meeting of the Board of Directors of ALLTEL Corporation ("Alltel") was duly called and held in the Alltel Board of Directors room at the offices of Alltel, One Allied Drive, Little Rock, Arkansas, on Thursday, December 8, 2005, starting at 10:30 a.m., local time.

The following directors of ALLTEL were present at the meeting:

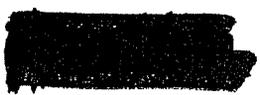
Joe T. Ford (Chairman)	Emon A. Mahony, Jr.
Scott T. Ford (President and CEO)	John P. McConnell
John R. Belk	Josie C. Natori
William H. Crown (by phone)	Gregory W. Penske
Dennis E. Foster	Warren A. Stephens
Lawrence L. Gellerstedt, III (by phone)	Ronald Townsend (by phone)

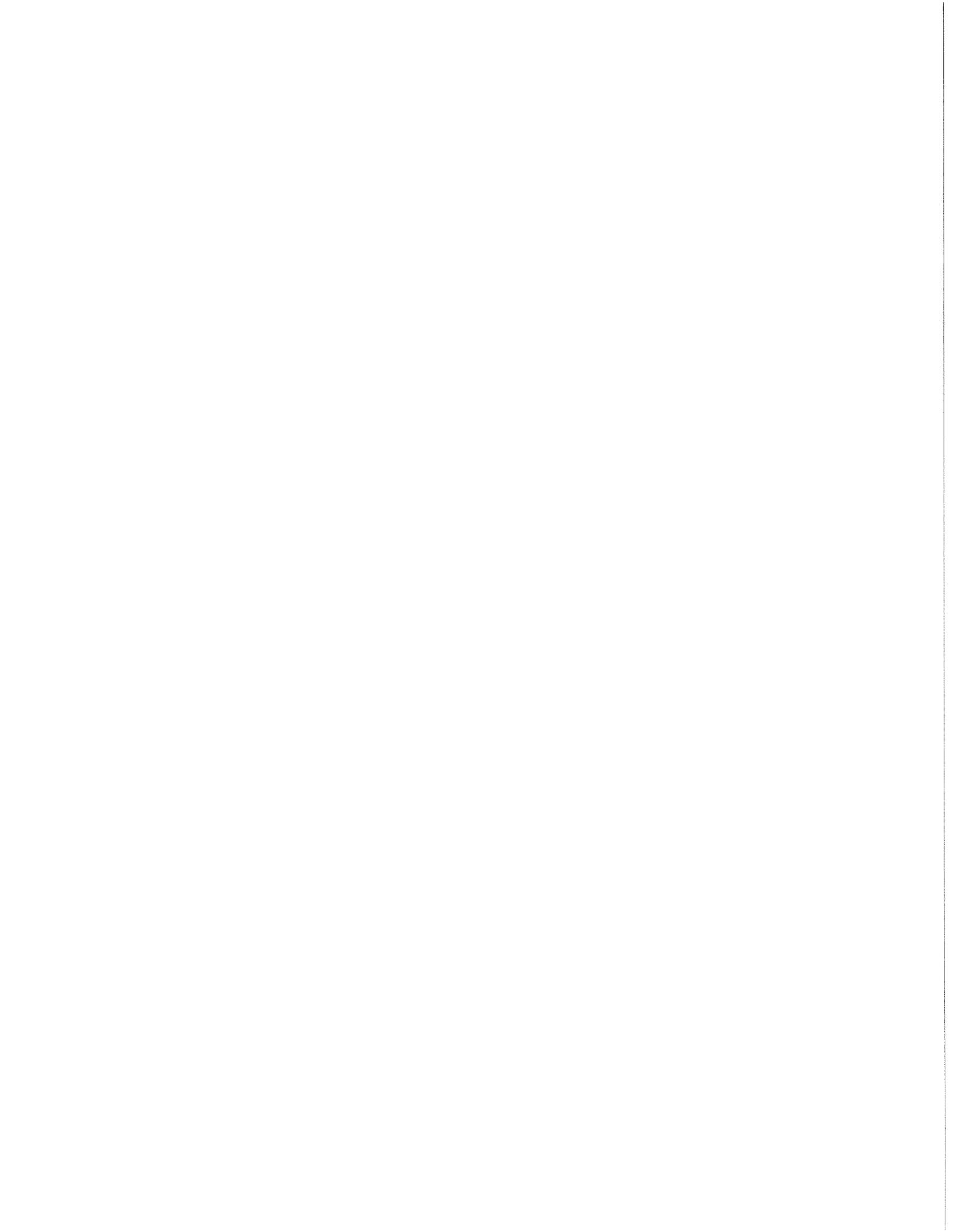
Mr. Francis X. Frantz, Executive Vice President and Secretary, Kevin L. Beebe, Group President - Operations, Jeffrey H. Fox, Group President - Shared Services, Sharilyn S. Gasaway, Controller, and John A. Ebner, Treasurer of Alltel, Richard Massey of Stephens Inc., Ed Pallesen and Andy Rabin of Goldman Sachs, and Bob Pincus of Skadden Arps, were also present.

Mr. Joe Ford called the meeting to order and presided as Chairman; Mr. Frantz acted as Secretary. Mr. Scott Ford indicated that the matters to be acted upon at the meeting consisted of the proposed disposition of certain of Alltel's international wireless assets and the proposed wireline transaction set forth in the presentation materials that had been provided to the directors in advance of the meeting, after which a Compensation Committee report would be presented.

Meeting called to order with quorum present.

Purpose of meeting.





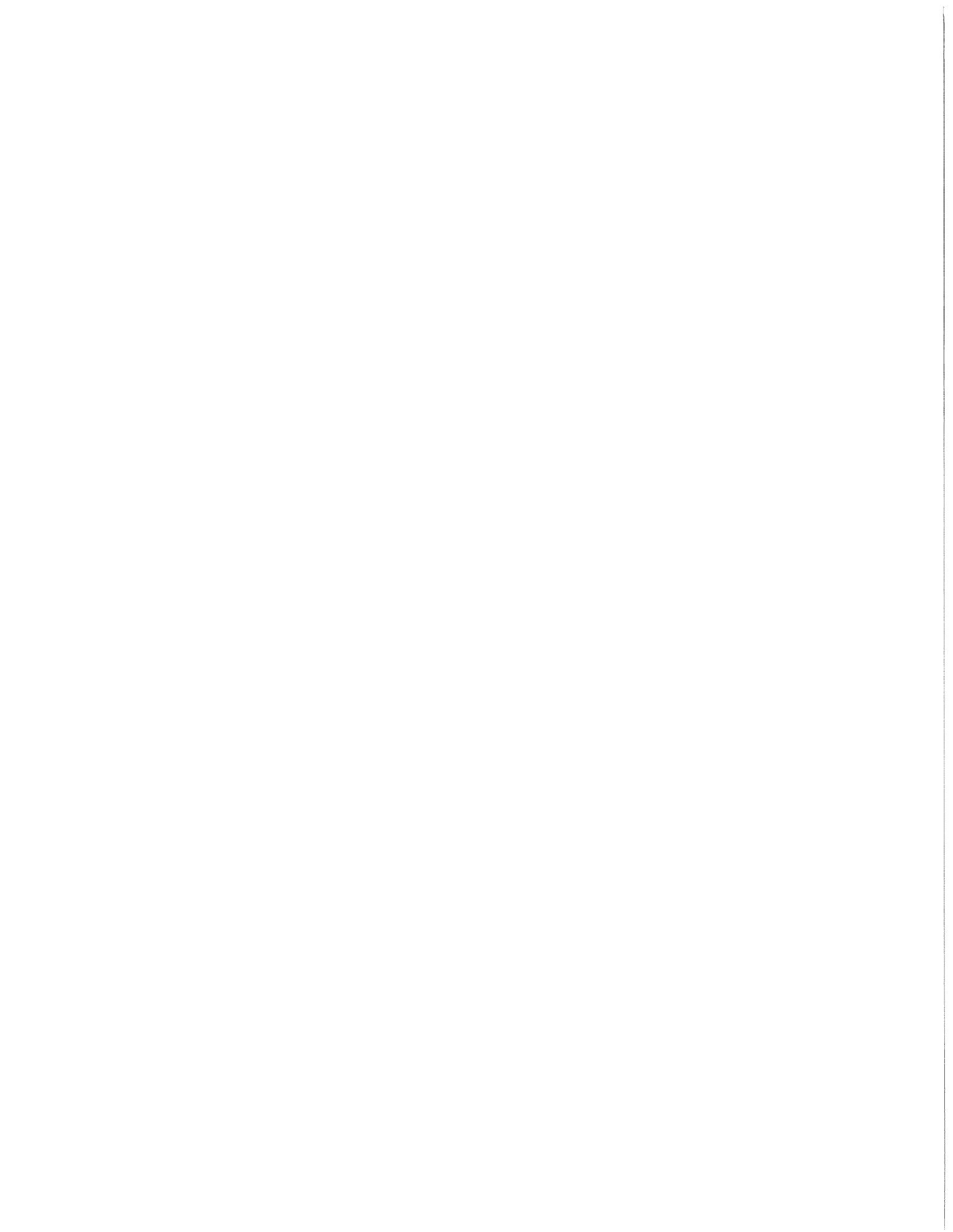
Messrs. Kurt Simon, Shane Wallace, and Mark Solomon of JP Morgan, Messrs. Victor Nisi, Michael Costa, Mark Bush, and Mazen Makarem of Merrill Lynch, and Mr. Chad Crank of Stephens Inc. then entered the meeting. Messrs. Gellerstedt, Townsend, and Crown commenced participating in the meeting by phone at this point. Mr. Scott Ford introduced the investment bankers and referred to the presentation materials that had been provided to the directors in advance of the meeting. Mr. Scott Ford then presented Section I of that material, consisting of the Executive Summary.

At Mr. Scott Ford's request, Mr. Gardner then presented Section II of the material, consisting of the Transaction Overview, and Section III of the material, consisting of an overview of Valor Telecom.

At Mr. Scott Ford's request, Mr. Wallace from JP Morgan and Mr. Costa from Merrill Lynch presented Section V of the material, consisting of the Valuation analysis of the proposed transaction. Messrs. Wallace and Costa indicated that each



Wireline transaction.



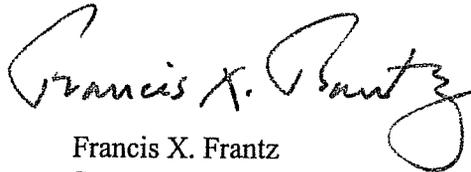
of JP Morgan, Merrill Lynch, and Stephens Inc. would render written fairness opinions on the transaction concurrent with Board approval of the transaction and the execution of the related documentation.

At Mr. Scott Ford's request, Mr. Pincus of Skadden Arps then presented Section VI of the material, consisting of the Legal Considerations applicable to the proposed transaction. In the course of his presentation Mr. Pincus discussed the fees that the professional firms would receive in connection with the proposed transaction.

There ensued an extensive discussion in the course of which the directors asked questions and offered comments. At the conclusion of that discussion, Mr. Joe Ford noted the extensive evaluation of a possible spin-off of Alltel's wireline business that the directors had conducted over the course of the 2005 Board meetings, and called for a motion. Mr. Pincus summarized the resolutions presented and to be acted upon by the directors. After further discussion, and upon motion duly made, seconded, and unanimously carried, the resolutions attached hereto as Exhibit 1 were adopted.

There being no further business to come before the meeting, the same was adjourned upon motion duly made, seconded, and unanimously carried, whereupon the non-management directors convened an executive session of the non-management directors to receive a Compensation Committee report.

Respectfully submitted,



Francis X. Frantz  
Secretary

Wireline spin-merge transaction approved. Exhibit 1.

Adjournment.

Executive session of non-management directors convened.

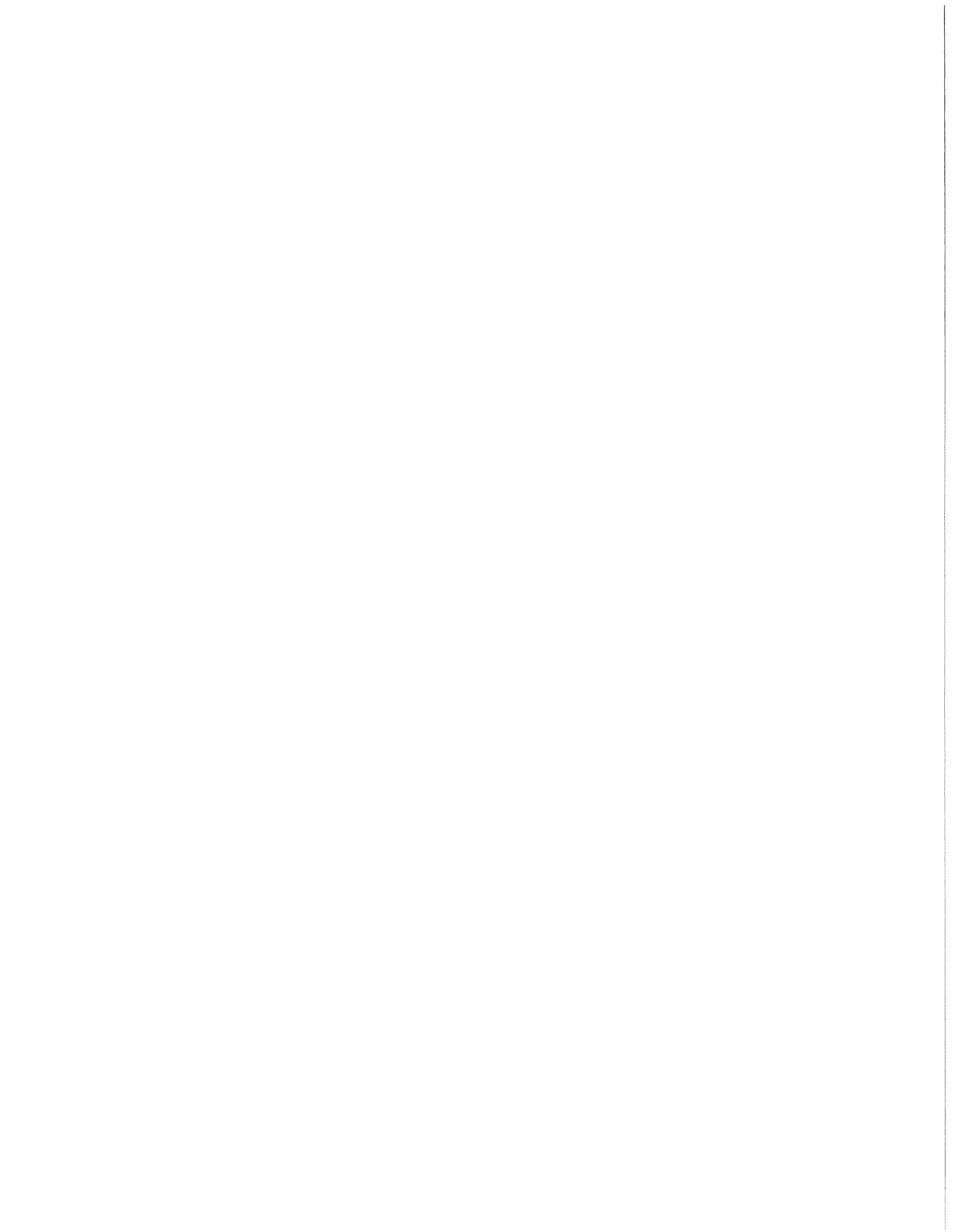
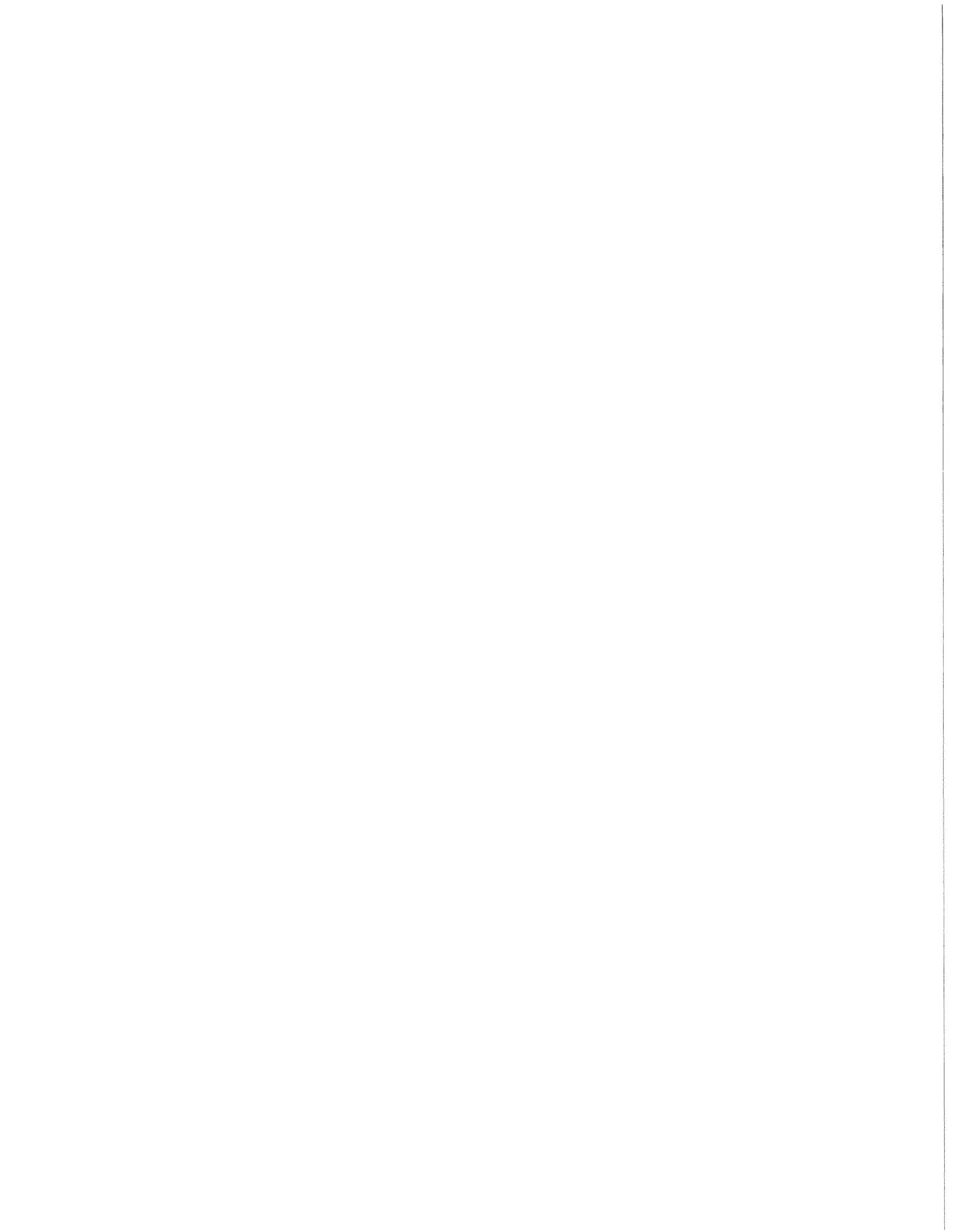


EXHIBIT 1

**ATTORNEY WORK PRODUCT  
PRIVILEGED AND CONFIDENTIAL**



17. Please provide a description of all other corporate reorganizations that are currently under consideration which will either directly or indirectly affect the ownership of any of the Applicants.

**Response: Applicants described all corporate restructures currently under consideration in detail in the Application and Amended and Restated Application for Approval of Transfer of Control filed December 22, 2005 and January 26, 2006 respectively.**

**Response provided by Michael Rhoda.**



18. Please provide all analysts' reports in the possession of any of the Applicants that discuss the financial condition of any of the Applicants.

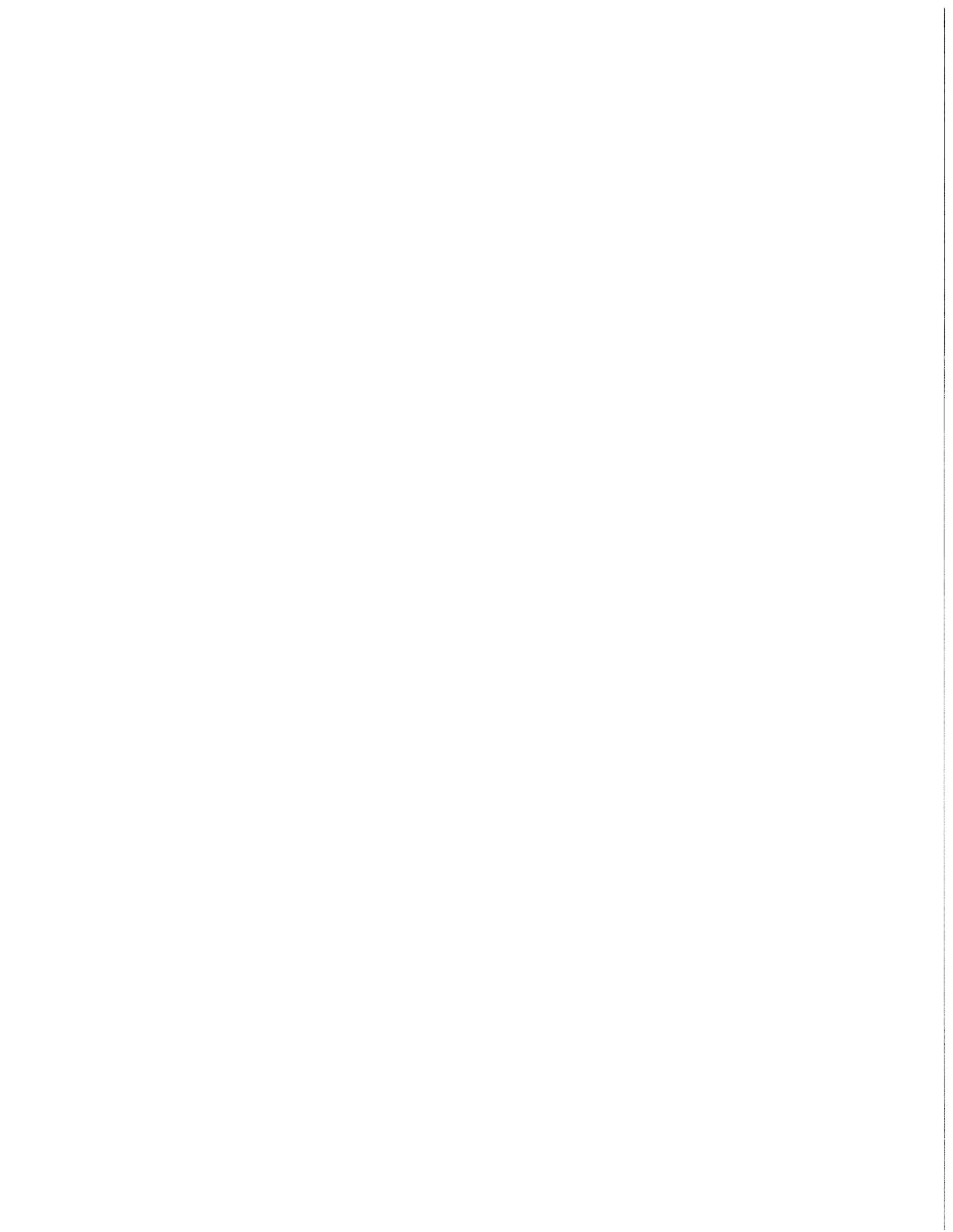
**Response: Attached hereto. These reports are considered proprietary and confidential.**

**Response by Brent Whittington.**



**RESPONSE TO LEXINGTON-FAYETTE  
URBAN COUNTY GOVERNMENT'S  
REQUEST NUMBER 18**

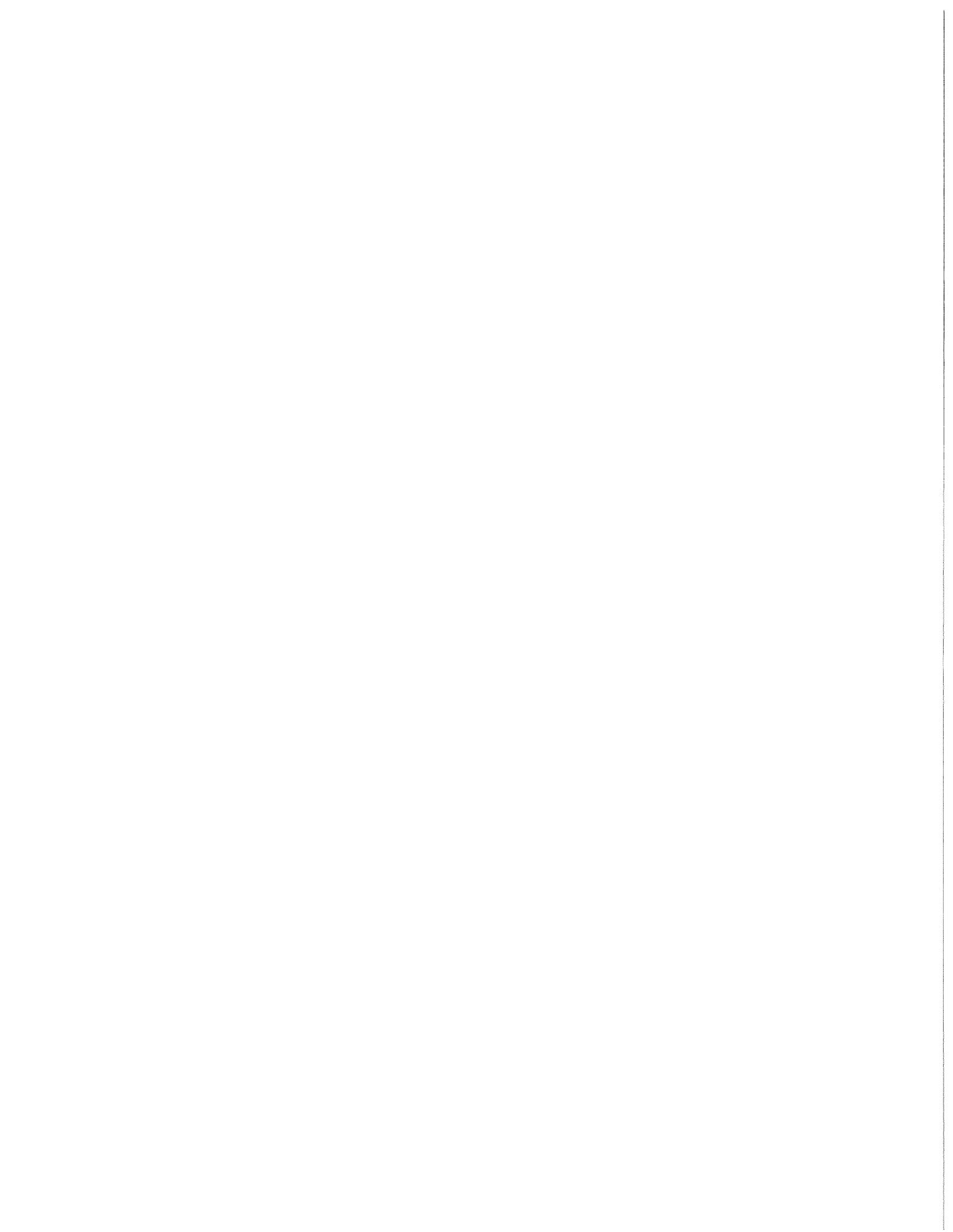
**ENTIRE DOCUMENT REDACTED**



19. How many employees do each of the Kentucky-based Applicants currently have? For each such entity, how many of these employees are located in the Commonwealth of Kentucky, and more specifically, in Fayette County, Kentucky? For all such employees, please provide a job title and description of duties.

**Response: All employees of KAI and AKI are located in the Commonwealth of Kentucky. There are a total of 693 employees, of which 278 are located in Fayette County. Employee titles are attached and adequately describe job functions. The transactions will not impact these employees other than to provide them with a more effective management team.**

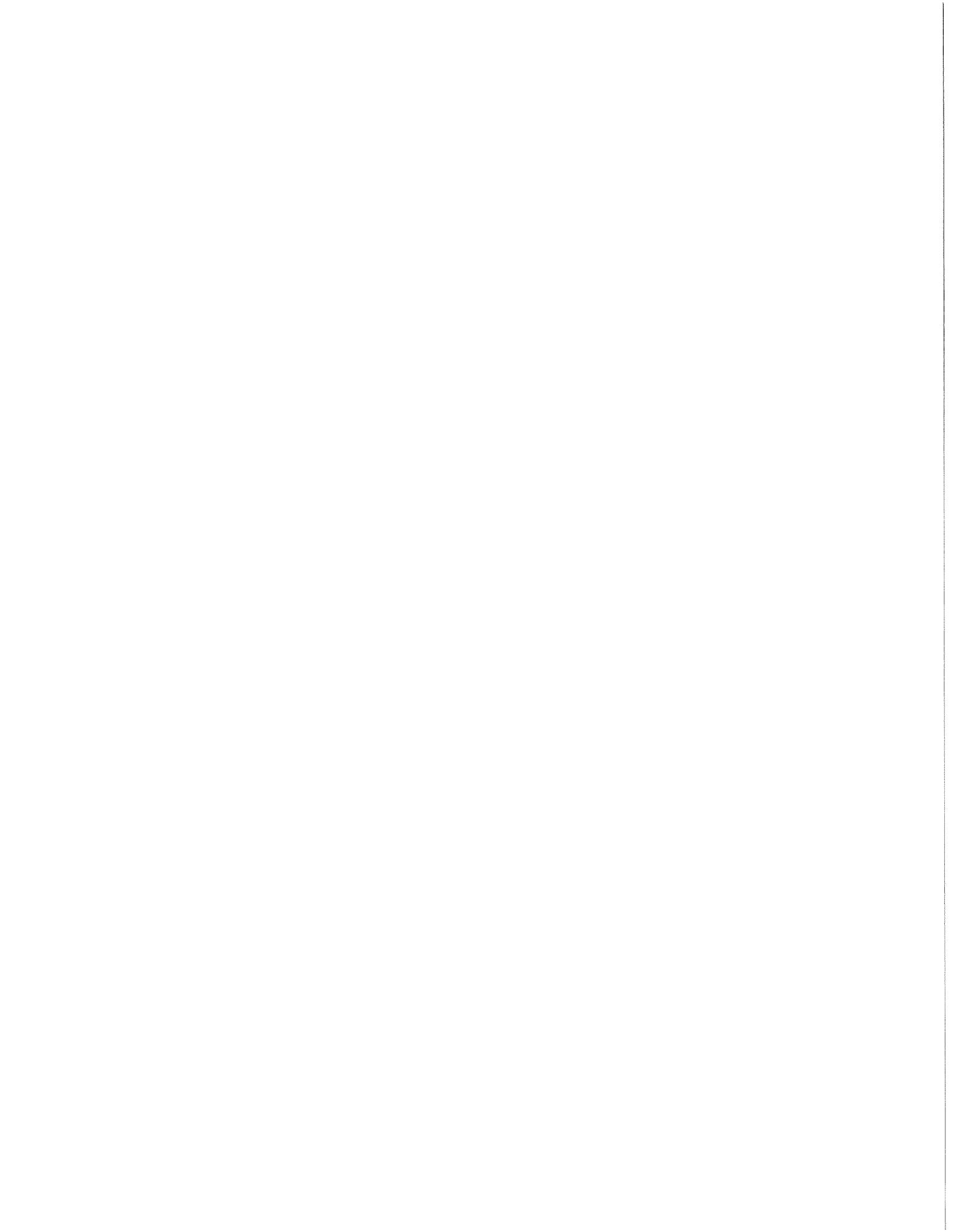
**Response provided by Marshall Nash.**



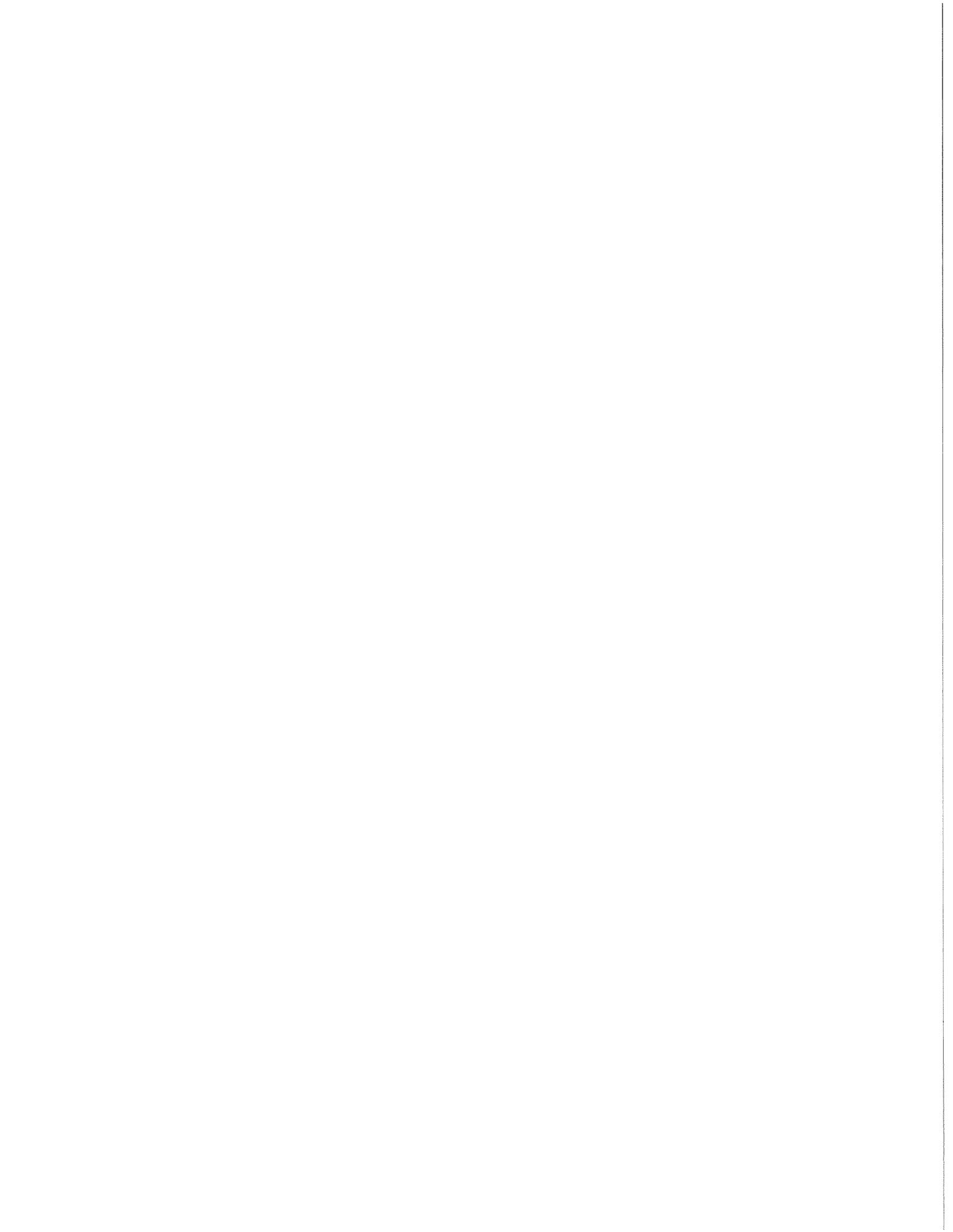
**Job Title**

---

Account Executive  
Administrative Assistant  
Analyst I-Engineering  
Analyst II-Engineering  
Area Manager II-Operations  
Area Manager I-Operations  
Assignment Clerk  
Bus Sales Assoc-WLN Bus Sol  
Business Account Rep  
Business Systems Technician  
Business Zone Tech I  
Cable Splicer  
Communications Technician II  
Construction Inspector  
Contract Administrator-WLN Bus  
Contract Manager  
Cust Eng-Data Appl  
Customer Service Tech  
Customer Service Tech II  
Customer Service Technician  
Customer Zone Tech  
Director-WLN Bus Solutions  
Engineer III-Sales  
Engineer II-Outside Plant  
Engineer II-Sales  
Equip Installer/Repairer  
Equipment Technician  
Installation & Maint Spec  
Line Assigner  
Line Worker  
Manager-OSP Engineering  
Manager-Tech Suprt WLN Bus Sol  
Manager-WLN Network Ops  
Manager-WLN Plant Ops  
Network Technician  
Network Technician II  
Occasional  
Sales Manager-WLN Bus Sol  
Service Activation Tech I  
Service Activation Tech II  
Special Service Test Tech  
Specialist II-Construction  
Sr Engineer-Outside Plant  
Sr Engineer-Sales  
Sr Network Technician  
Staff Assistant  
Staff Assistant-Customer Svc  
Storekeeper  
Supervisor - WLN Sales Support  
Supervisor-Assignment  
Supervisor-Customer Support



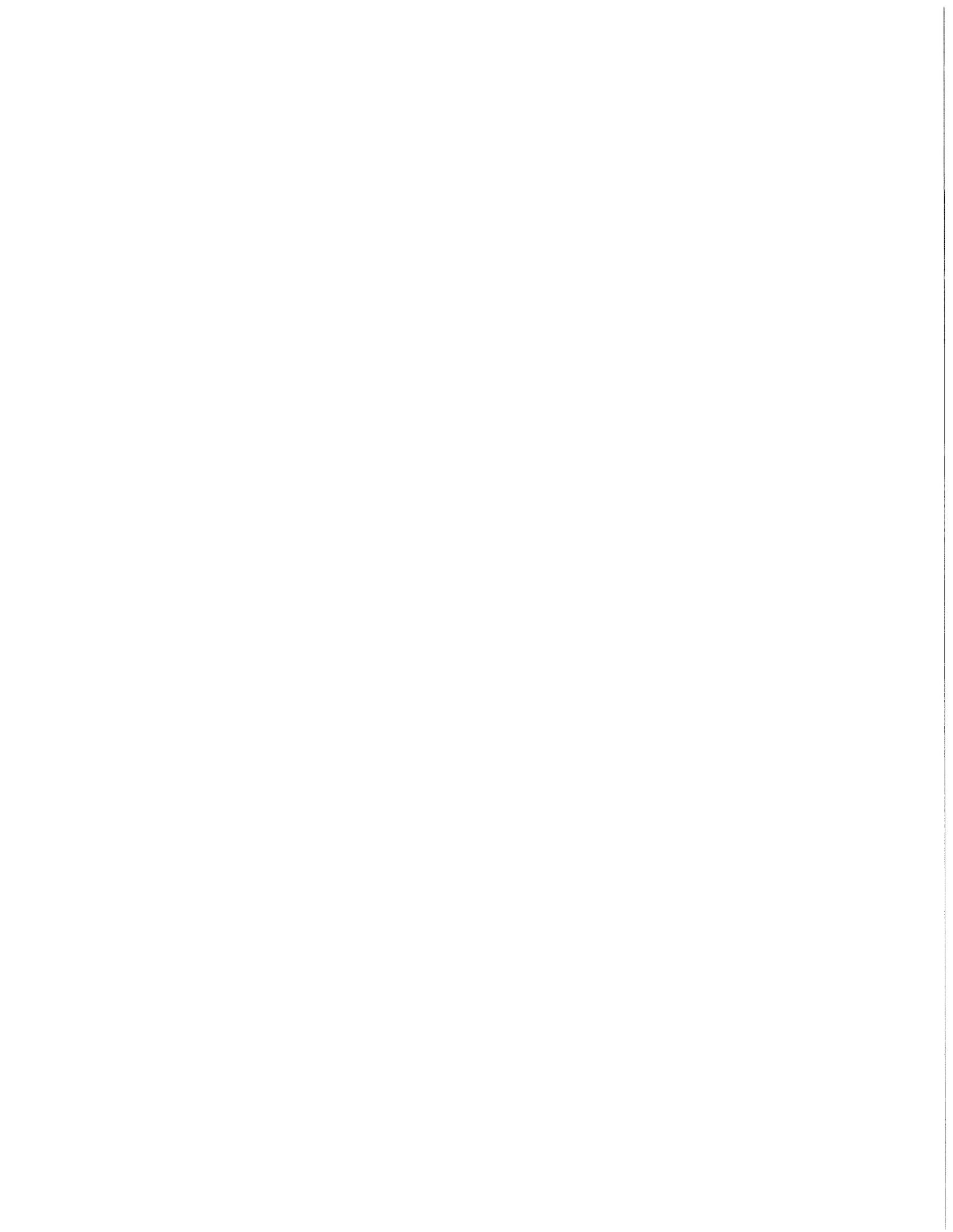
Supervisor-Facilities Services  
Supervisor-Network Operations  
Supervisor-Outside Plant  
Supervisor-Real Estate  
Supervisor-Svc Activation Grp  
Tech Support Specialist I  
Tech Support Specialist II  
Teller  
Truck Driver  
VP-Wireline Services  
VP-Wireline Services



20. Do any of the Applicants anticipate a reduction in any of the employees stated in the response to question number 18, above if the proposed transfer is approved? If so, please explain how many, why, and which types of employees are to be reduced. Please provide a copy of any and all documents that demonstrate a requirement that the number of employees will remain substantially the same if the application is approved.

**Response: Applicants will not reduce employee levels in Kentucky as a result of the transactions.**

**Response provided by Marshall Nash.**



21. Are the Applicants willing to accept a condition as part of the approval of the proposed transfer that they will not substantially reduce the existing level of employees provided in the responses above? If so, for what period of time? In the event that such a condition is unacceptable, please state why.

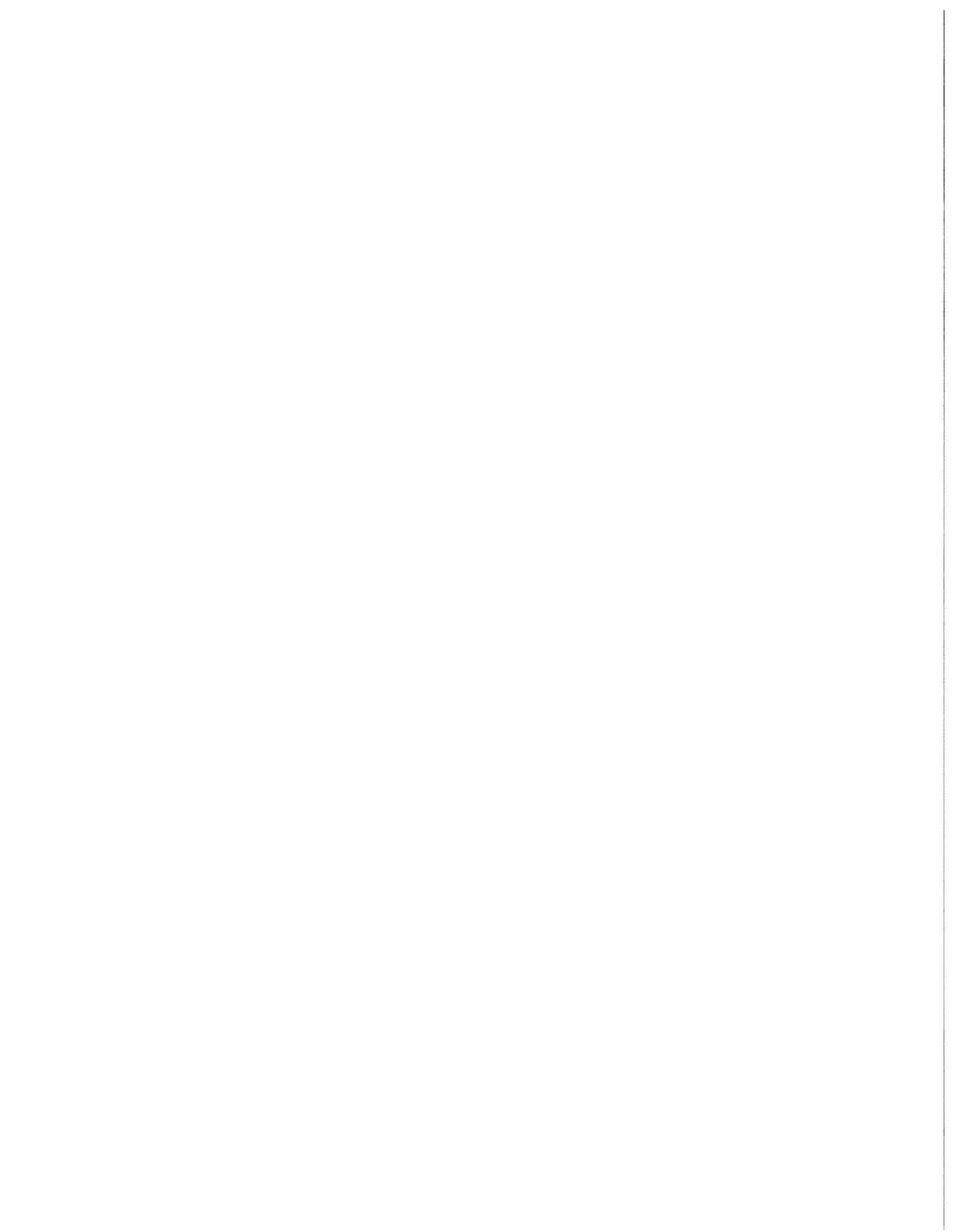
**Response: While in order to succeed in a competitive market, Applicants cannot accept unreasonable or severely limiting conditions that treat it differently from its competitors, any discussion of such must be addressed in terms of a full and final settlement and disposition arrangement between Applicants, the Commission, and all intervenors. Applicants look forward to meaningful settlement discussion with all participants to this proceeding and will provide proposed settlement terms and conditions for consideration as a settlement offer at that time.**

**Response provided by Jeffery Gardner.**



22. Do any of the Applicants anticipate that there will be any consolidation of its management, workforce, facilities, customer service center(s), financial services operations, etc., if the proposed transfer is approved? If so, please explain in detail, particularly as to the Kentucky-based entities.

**Response: See responses to questions 20 and 21.**



23. Please explain in detail any and all of the differences in management, services, performance, etc., that any of the Applicants anticipate will result if the proposed transfer is approved?

**Response: See the portions of the Amended and Restated Application and all of the responses herein addressing the fact that the management and corporate support staff of the Merged Wireline Business will have a singular focus on wireline strategies and investment .**

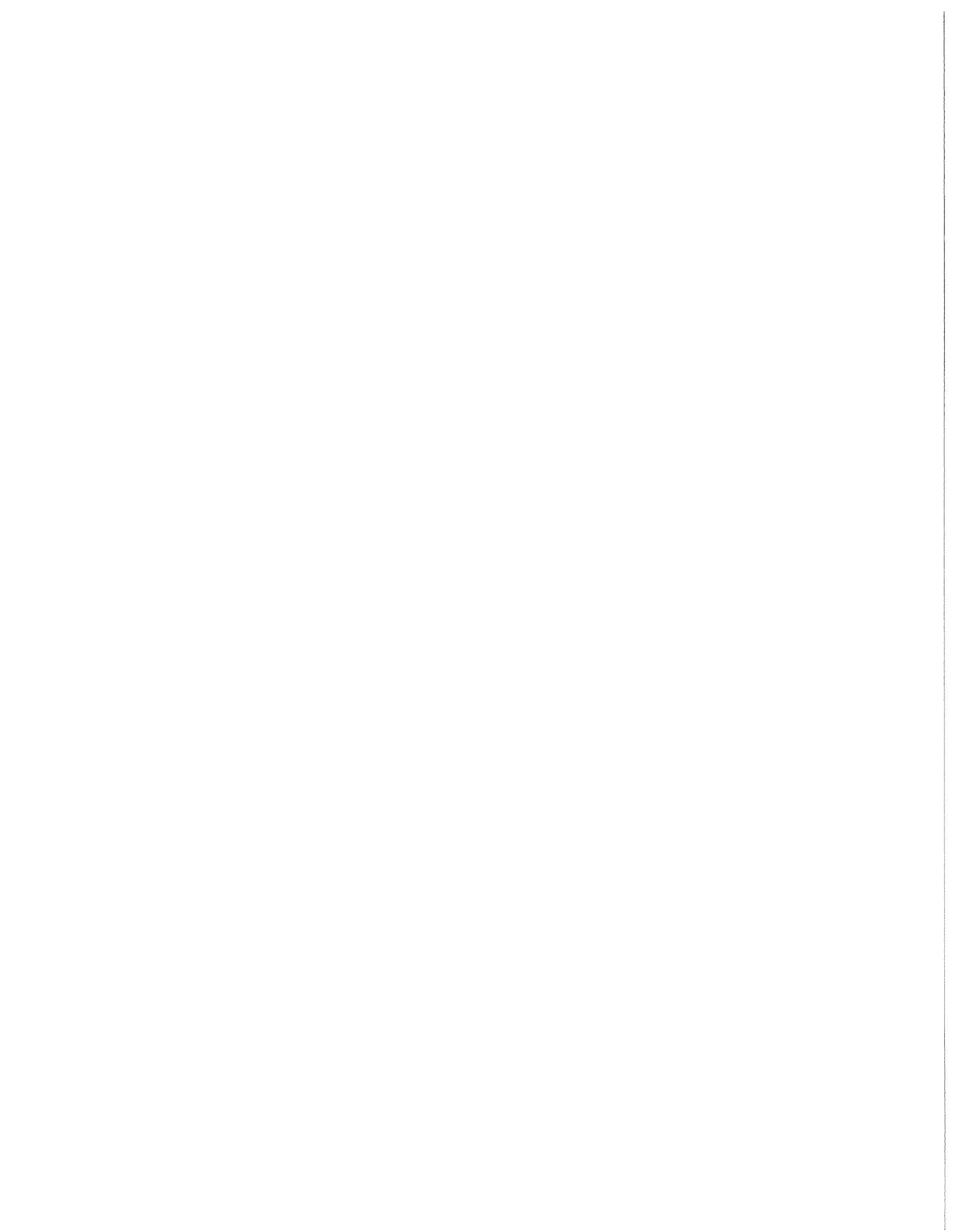
**Response provided by Michael Rhoda.**



24. Please provide separate supplemental documentation, of a substantially similar nature to that provided in Exhibits 5 and 6 to the Original Application, for each of the Applicants that are regulated by the Kentucky Public Service Commission, broken down for each such respective Applicant.

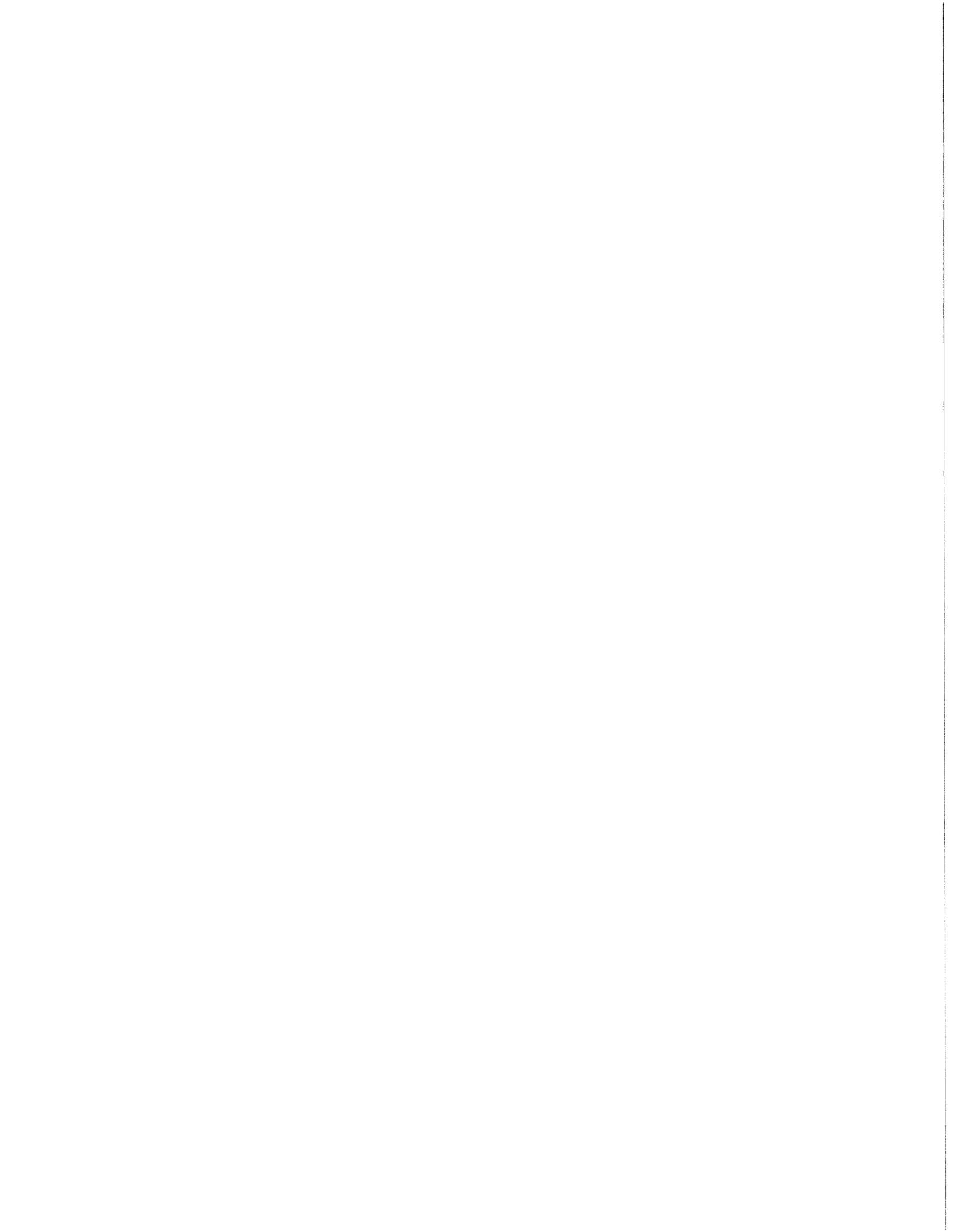
**Response: Annual reports for Kentucky Alltel, Inc. and Alltel Kentucky, Inc. are already on file with the Commission.**

**Response provided by David Cameron.**



**KAI and AKI Balance Sheets and Income Statements**

**Responsive to LFUCG #24**



Kentucky ALLTEL  
BALANCE SHEETS  
AS OF DECEMBER 31

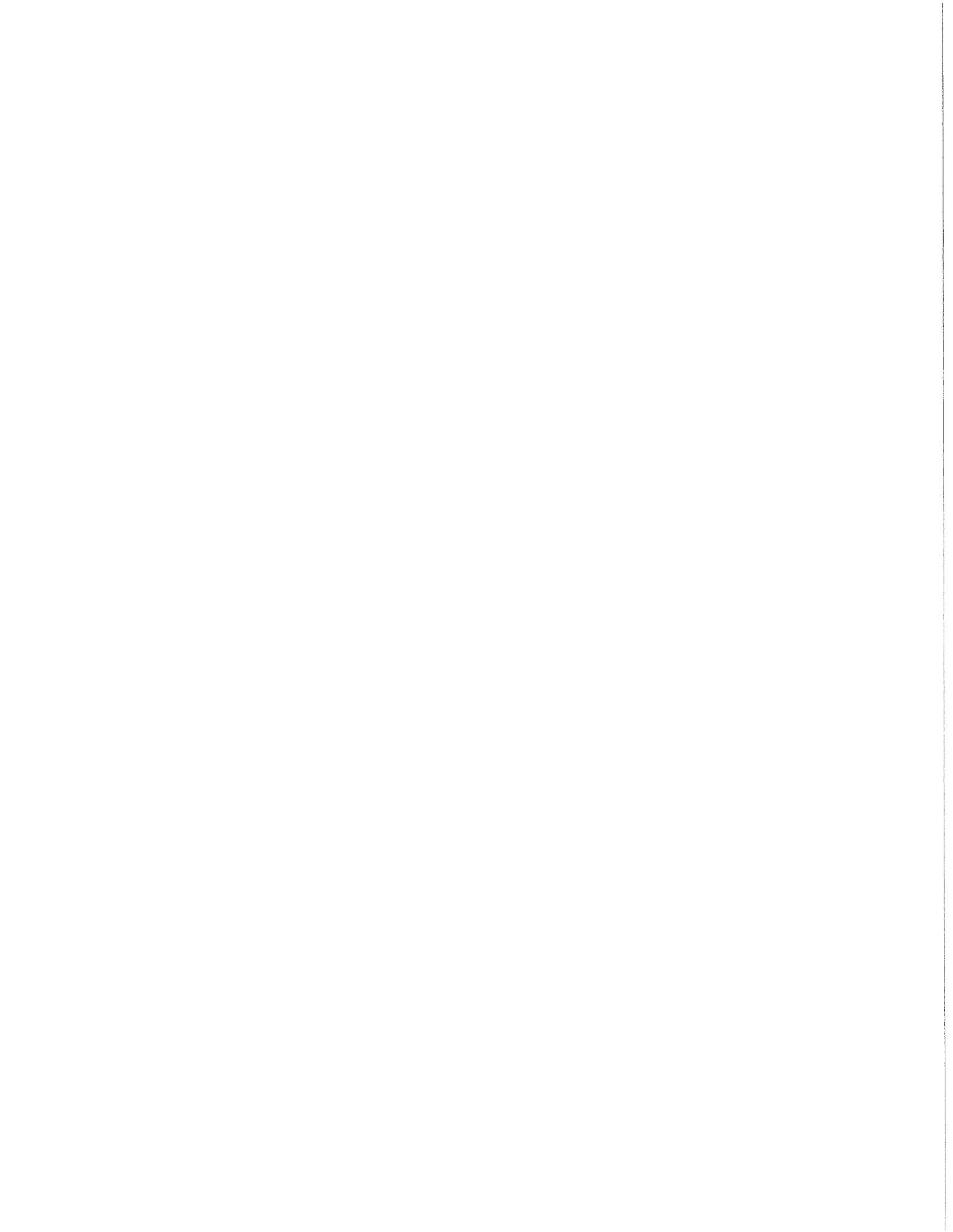
<u>ASSETS</u>		<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>	
		<u>2005</u>	
Current assets:		<u>2005</u>	
Cash and short-term investments	\$ 465,140		
Accounts receivable - trade, net	39,798,026		
Accounts receivable - other	393,428,599		
Materials and supplies	715,170		
Prepaid expenses	<u>305,968</u>		
Total current assets	<u>434,712,903</u>		
Telephone plant, at original cost:			
In service	1,697,452,137		
Under construction	<u>19,874,254</u>		
Total telephone plant	1,717,326,391		
Less accumulated depreciation	<u>(1,401,699,636)</u>		
Net telephone plant	<u>315,626,755</u>		
Other assets	<u>11,305,082</u>		
Total assets	<u>\$ 761,644,740</u>		
		<u>2005</u>	
Current liabilities:			
Accounts payable		\$ 12,338,043	
Advance payments and customer deposits		27,997,233	
Other current liabilities		<u>3,255,376</u>	
Total current liabilities		<u>43,590,652</u>	
Deferred credits:			
Income taxes, net		184,813,313	
Other deferred credits		<u>753,333</u>	
Total deferred credits		<u>185,566,646</u>	
Shareholder's equity:			
Additional capital		524,171,654	
Retained earnings		<u>8,315,788</u>	
Total shareholder's equity		<u>532,487,442</u>	
Total liabilities and shareholder's equity		<u>\$ 761,644,740</u>	



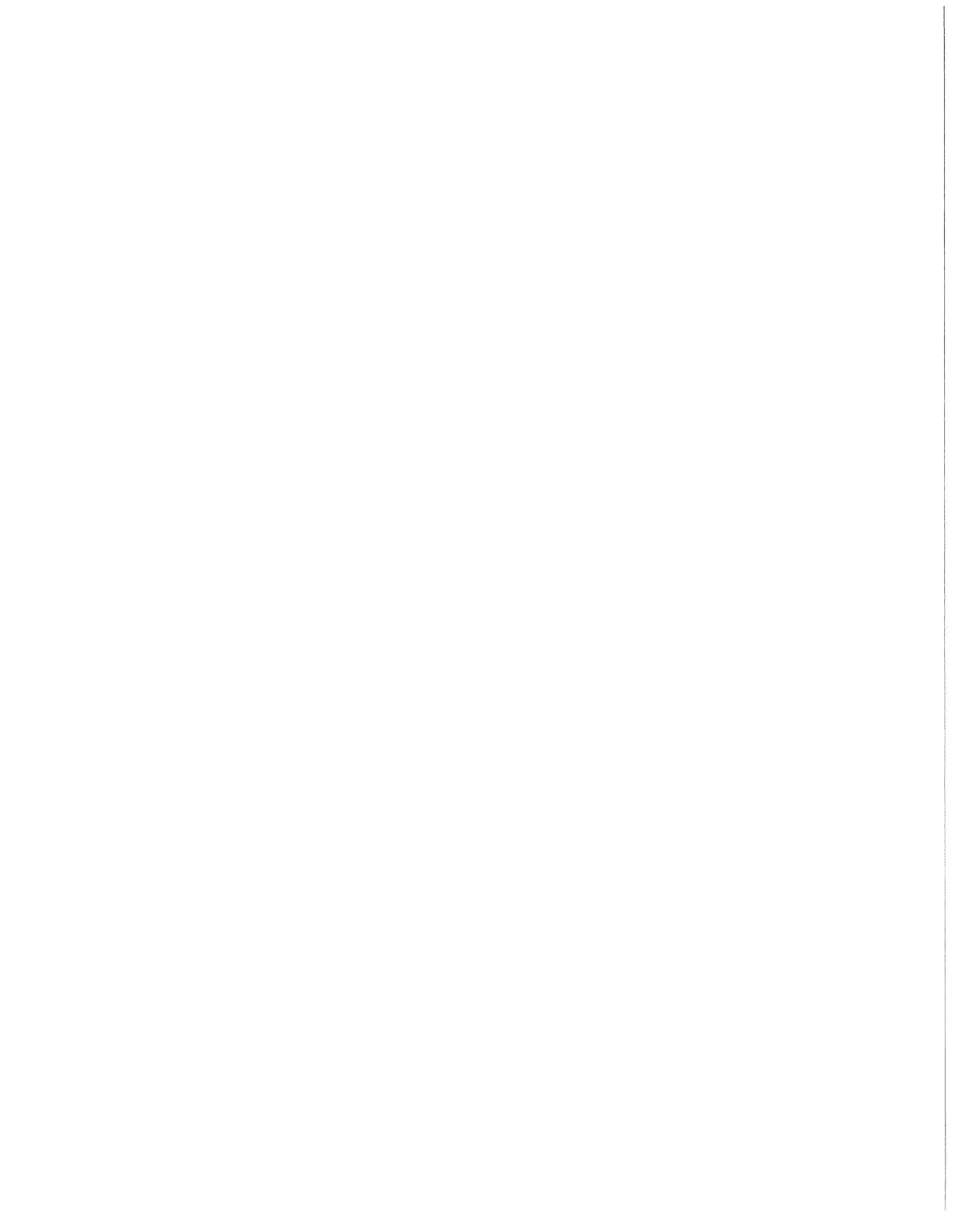
ALLTEL Corporation  
Statement of Income  
For the Period Ending December 31, 2005

Kentucky Alltel

	THIS YEAR TO DATE
OPERATING REVENUES	
LOCAL NETWORK SERVICES REV	\$ 177,984,705
NETWORK ACCESS SERVICES REV	174,115,226
LONG DISTANCE NETWORK SVC REV	8,702,012
MISCELLANEOUS REVENUE	17,384,712
SALES	25,796,518
LESS: UNCOLLECTIBLE REV	4,041,684
TOTAL OPERATING REVENUE	399,941,489
COST OF SALES	8,831,884
PLANT SPECIFIC OPERATIONS EXP	70,418,283
DEPRECIATION	137,518,348
OTHER PLANT NON-SPECIFIC EXP	27,473,526
PLANT NON-SPECIFIC OPERATION EXPENSE	164,991,874
MARKETING EXPENSE	10,209,164
SERVICES EXPENSE	19,173,726
CUSTOMER OPERATIONS EXPENSE	29,382,890
ACCOUNTING/FINANCE	7,268,554
EXTERNAL RELATIONS	441,612
HUMAN RESOURCES EXPENSE	1,526,377
LEGAL EXPENSE	178,083
OTHER GENERAL/ADMIN EXP	14,205,018
EXECUTIVE EXPENSE	2,512,106
CORPORATE OPERATIONS EXPENSE	26,131,753
TAXES OTHER THAN INCOME	12,314,235
TOTAL OPERATING EXPENSES	312,070,919
TOTAL OPERATING INCOME	87,870,570
OTHER OPER INCOME/EXPENSE	
ALLOW FUNDS USED DURING CONSTR	481,984
NON-OPERATING INCOME/EXP	(48,081,737)
TOTAL OTHER INCOME AND EXPENSE	(47,599,753)
INTEREST ON FUNDED DEBT	-
AMORTIZATION OF DEBT ISSUE EXP	-
OTHER INTEREST DEDUCTIONS	50,208
INTEREST ON INTER-COMPANY DEBT	-
TOTAL FIXED CHARGES	50,208
INCOME BEFORE INCOME TAXES	40,220,609
PROVISION STATE & LOCAL INCTAX	4,605,765
PROVISION FEDERAL INC TAXES	11,322,642
NET INCOME	\$ 24,292,202



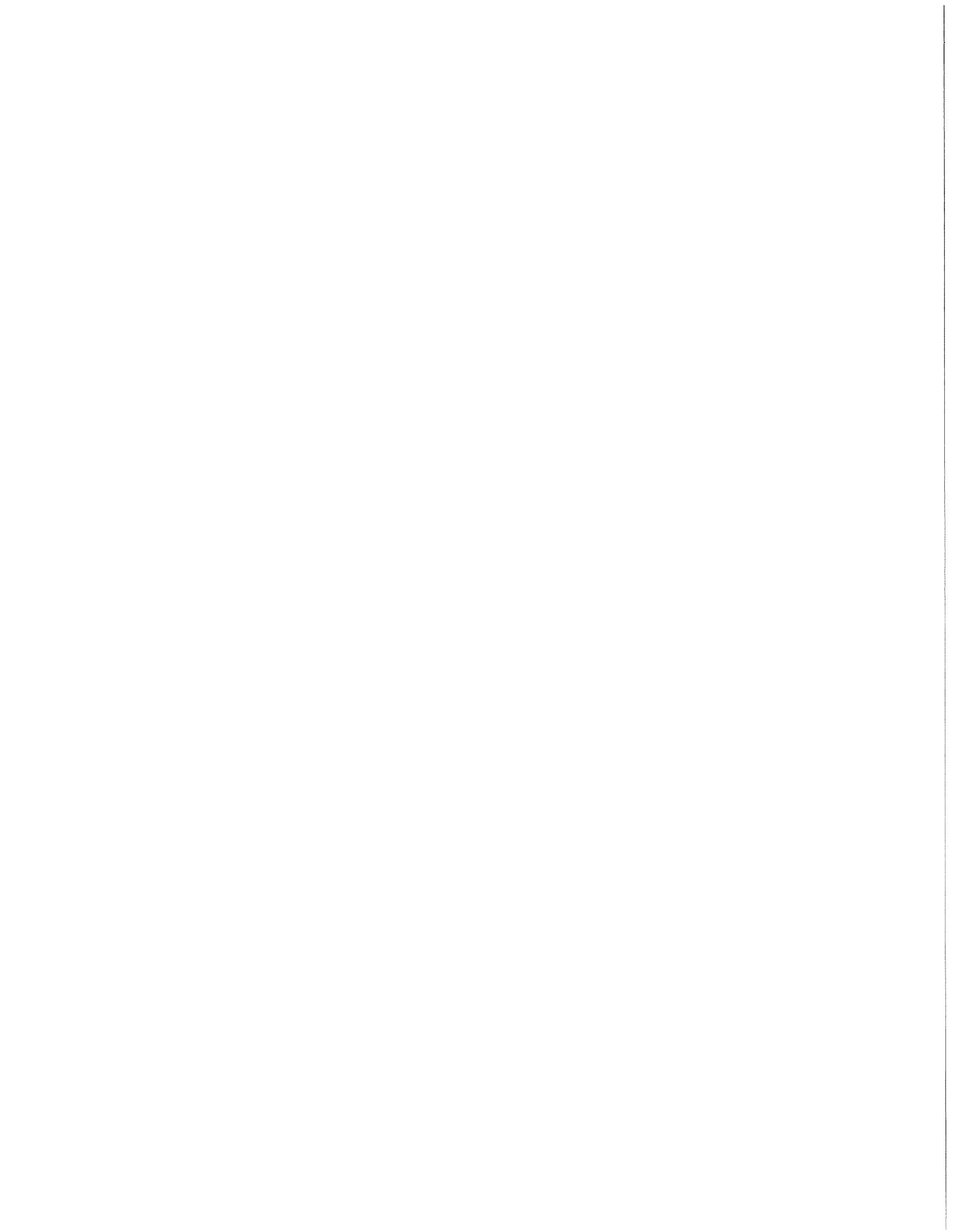




ALLTEL Corporation  
Statement of Income  
For the Period Ending December 31, 2005

ALLTEL Kentucky

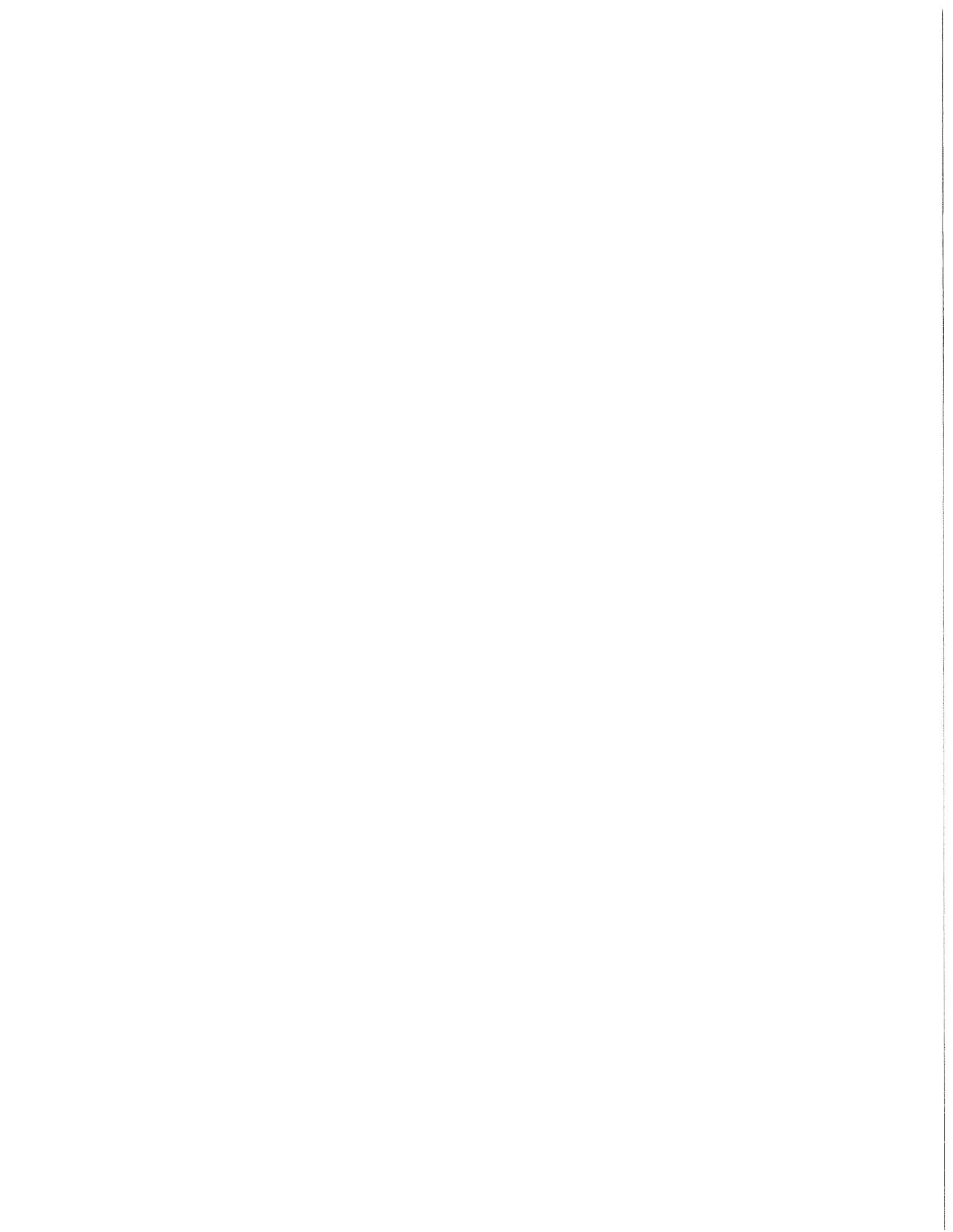
	<u>THIS YEAR TO DATE</u>
OPERATING REVENUES	
LOCAL NETWORK SERVICES REV	\$ 8,632,961
NETWORK ACCESS SERVICES REV	10,342,439
LONG DISTANCE NETWORK SVC REV	441,303
MISCELLANEOUS REVENUE	1,303,258
SALES	1,079,160
LESS: UNCOLLECTIBLE REV	<u>158,865</u>
TOTAL OPERATING REVENUE	21,640,256
COST OF SALES	209,114
PLANT SPECIFIC OPERATIONS EXP	2,486,431
DEPRECIATION	3,003,538
OTHER PLANT NON-SPECIFIC EXP	1,828,015
PLANT NON-SPECIFIC OPERATION EXPENSE	4,831,553
MARKETING EXPENSE	521,427
SERVICES EXPENSE	873,049
CUSTOMER OPERATIONS EXPENSE	1,394,476
ACCOUNTING/FINANCE	410,646
EXTERNAL RELATIONS	19,538
HUMAN RESOURCES EXPENSE	65,142
LEGAL EXPENSE	4,929
OTHER GENERAL/ADMIN EXP	501,376
EXECUTIVE EXPENSE	94,263
CORPORATE OPERATIONS EXPENSE	1,095,894
TAXES OTHER THAN INCOME	<u>734,455</u>
TOTAL OPERATING EXPENSES	10,751,923
TOTAL OPERATING INCOME	10,888,333
OTHER OPER INCOME/EXPENSE	
ALLOW FUNDS USED DURING CONSTR	19,127
NON-OPERATING INCOME/EXP	<u>(2,434,435)</u>
TOTAL OTHER INCOME AND EXPENSE	(2,415,308)
INTEREST ON FUNDED DEBT	-
AMORTIZATION OF DEBT ISSUE EXP	-
OTHER INTEREST DEDUCTIONS	2,786
INTEREST ON INTER-COMPANY DEBT	<u>292,678</u>
TOTAL FIXED CHARGES	295,464
INCOME BEFORE INCOME TAXES	8,177,561
PROVISION: STATE & LOCAL INCTAX	83,315
PROVISION: FEDERAL INC TAXES	<u>2,943,008</u>
NET INCOME	<u>\$ 5,151,238</u>



25. Provide a copy of each newsletter or other communication sent to employees of any of the Applicants regarding the proposed transfer.

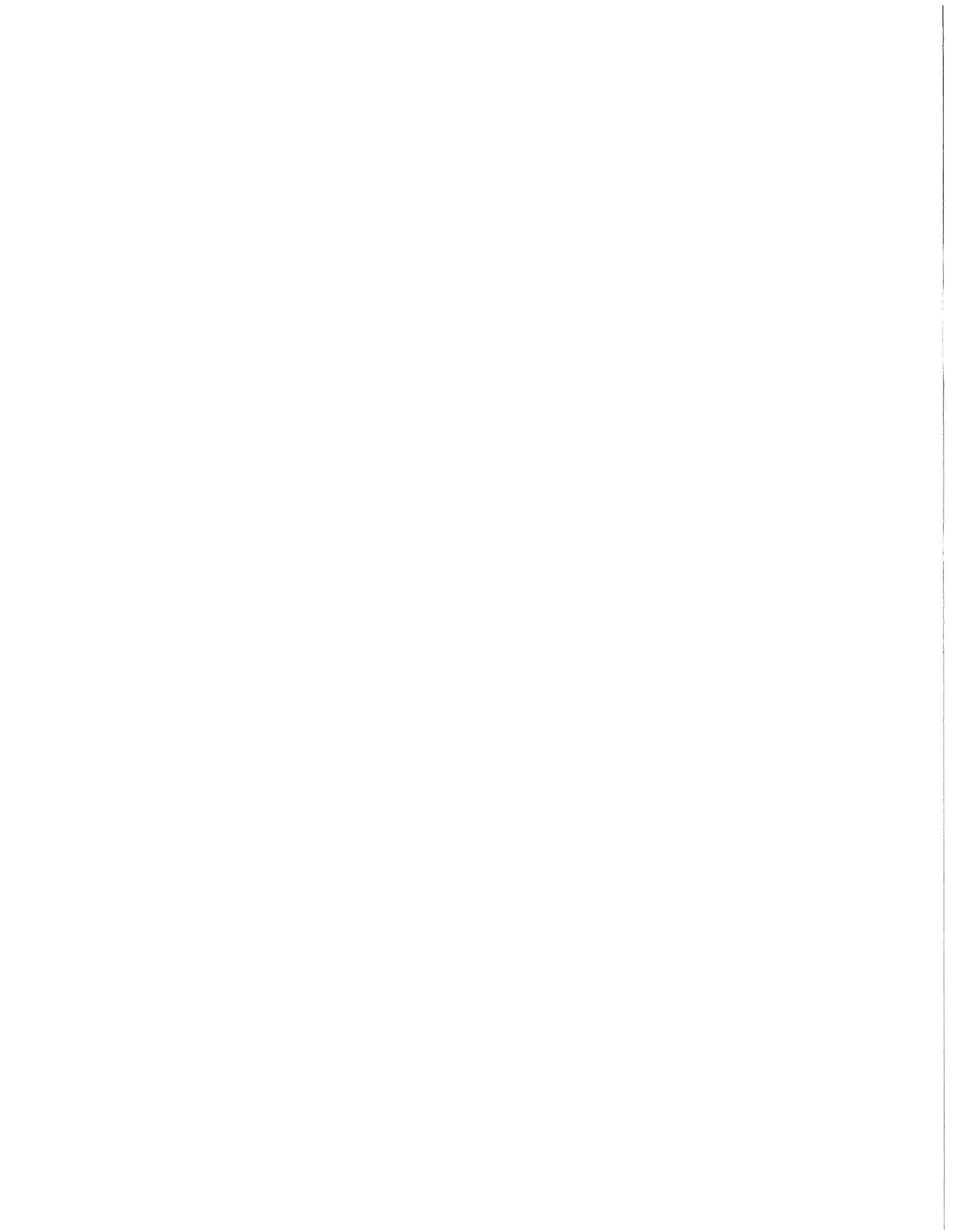
**Response: Attached hereto.**

**Response provided by David Avery and Susan Bradley.**



**Communications to Employees**

**Responsive to LFUCG #25**





**VALOR /Alltel Merger Update**  
**January 13, 2006**

*A Message from Jack Mueller  
President and Chief Executive Officer*

"It's business-as-usual until the merger closes and we're off to an exciting year. To meet our business goals, VALOR's key offerings in our markets include the new, simplified ValueChoice<sup>SM</sup> Plans, DSL and Long Distance. Designed with greater functionality and customer value, the ValueChoice<sup>SM</sup> Plans are less complex making them easier for you to sell. We believe our customers will embrace our products and services ensuring strong sales and maximum return for our investors."

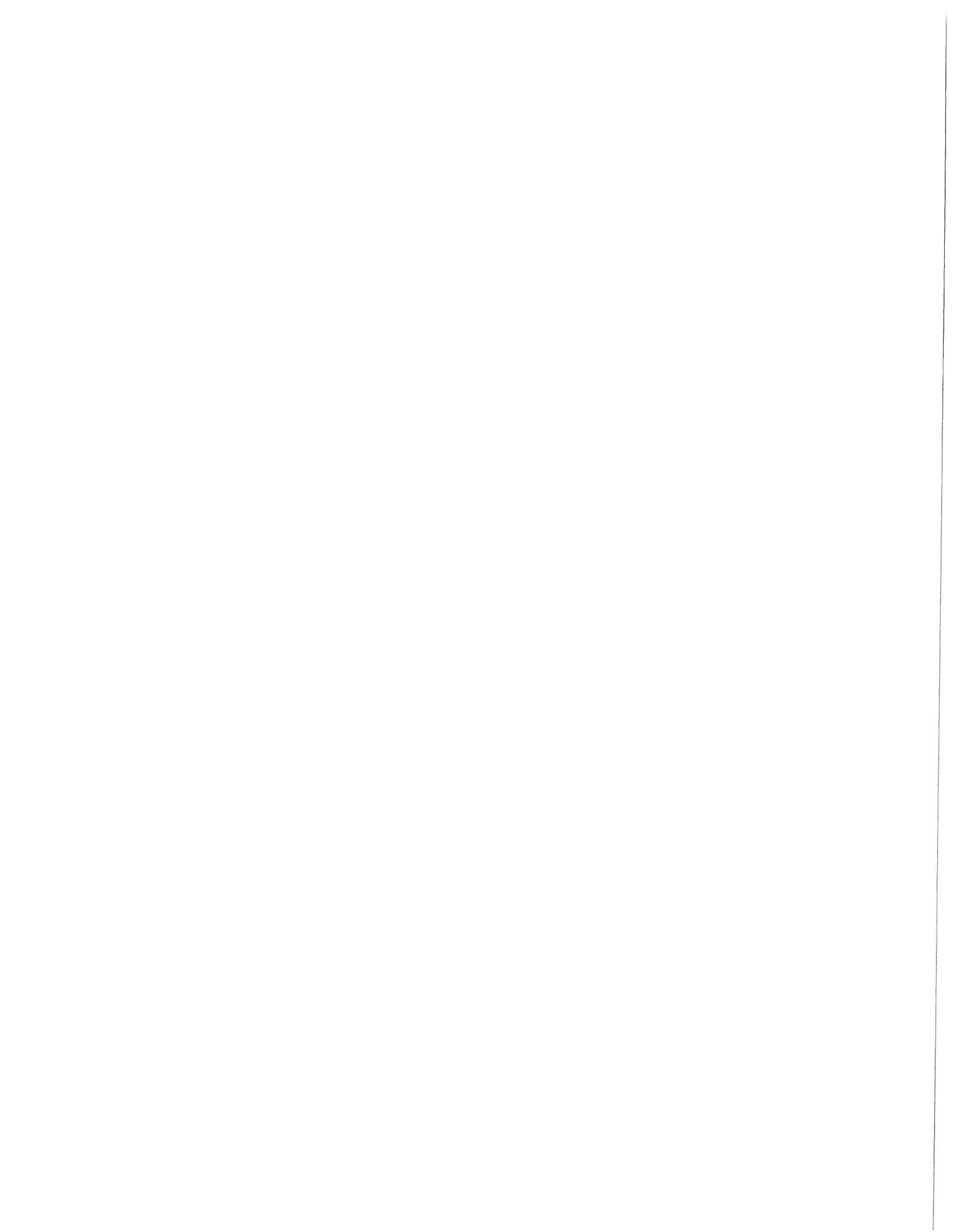
*TRANSITION HIGHLIGHTS*

- Members from Alltel visited corporate headquarters in Irving the first week in January to begin planning meetings with Employee representatives from key functional areas at VALOR Telecom. The purpose of the meetings was to begin a dialogue on select business issues and develop a unified and comprehensive transition plan for the merger.
- During the meetings, an executive steering committee was established and will be headed by Newco Chief Executive Officer Jeff Gardner and myself. Functional teams and sub-groups with VALOR employee members were tasked with producing draft departmental transition plans. The first draft of the merger transition plan is expected in early to mid-February. Joint meetings will be ongoing.
- We remain optimistic about the creation of new opportunities for VALOR Employees based at Corporate Headquarters and in our local markets. As new job information becomes available in the months to come, our Human Resources department will keep you informed. While we do not control the availability of new jobs at Newco, we want to assure you that the topic remains a high priority item.
- We ask for your patience as we work with Newco personnel to develop and implement transition plans. The VALOR-Alltel merger is a complex transaction. Newco executives also serve as Alltel executives charged with handling the internal splitting of their wireless and wireline businesses. Both business transactions require significant management attention. This means that information on transition activities may take time to develop. But, we will share new information as it becomes available. In the meantime, continue sending your questions to me at *Dear Jack*.

*MERGER NEWS*

- The merger remains on track for a June 2006 closing. U.S. antitrust authorities approved plans January 4, 2006, by Alltel to spin off its local telephone unit and merge the business with VALOR.
- John Koch, the president of Alltel wireline services, who was recently named Chief Operating Officer (COO) for Newco, has accepted a position as COO of ADT North America, the leading provider of residential and business security services in the U.S. "I made the decision to pursue a unique opportunity where I would have a chance to drive the direction of an entire industry," said Koch in a recent statement. "I will cherish the working relationships and friendships formed through the years [at Alltel] and am confident that a bright future lies ahead as [Alltel] separates the wireless and wireline businesses." Koch will leave effective February 2 and Alltel plans to name a new COO as soon as possible.

The VALOR / Alltel Merger Update was created to keep VALOR and Kenville Telephone Company Employees Informed about recent merger activities. Updates will be provided on a bi-weekly basis. This update is for the sole use of the Intended recipient(s), and may contain confidential and privileged information. Unauthorized review, use, disclosure, distribution or reproduction of this document and/or any of its attachments (if any) by unintended recipients is prohibited.





VALOR / Alltel Merger Update  
January 27, 2006

*A Message from Jack Mueller*  
*President and Chief Executive Officer*

“During these early stages of transition when information is not readily available, we must act with discipline. This means we must manage ambiguity effectively and conduct ourselves in the most professional manner. Rumor is not reality. To participate in the rumor mill and speculate about what will or won’t happen next wastes precious company resources best utilized in serving our customers and meeting critical business targets.”

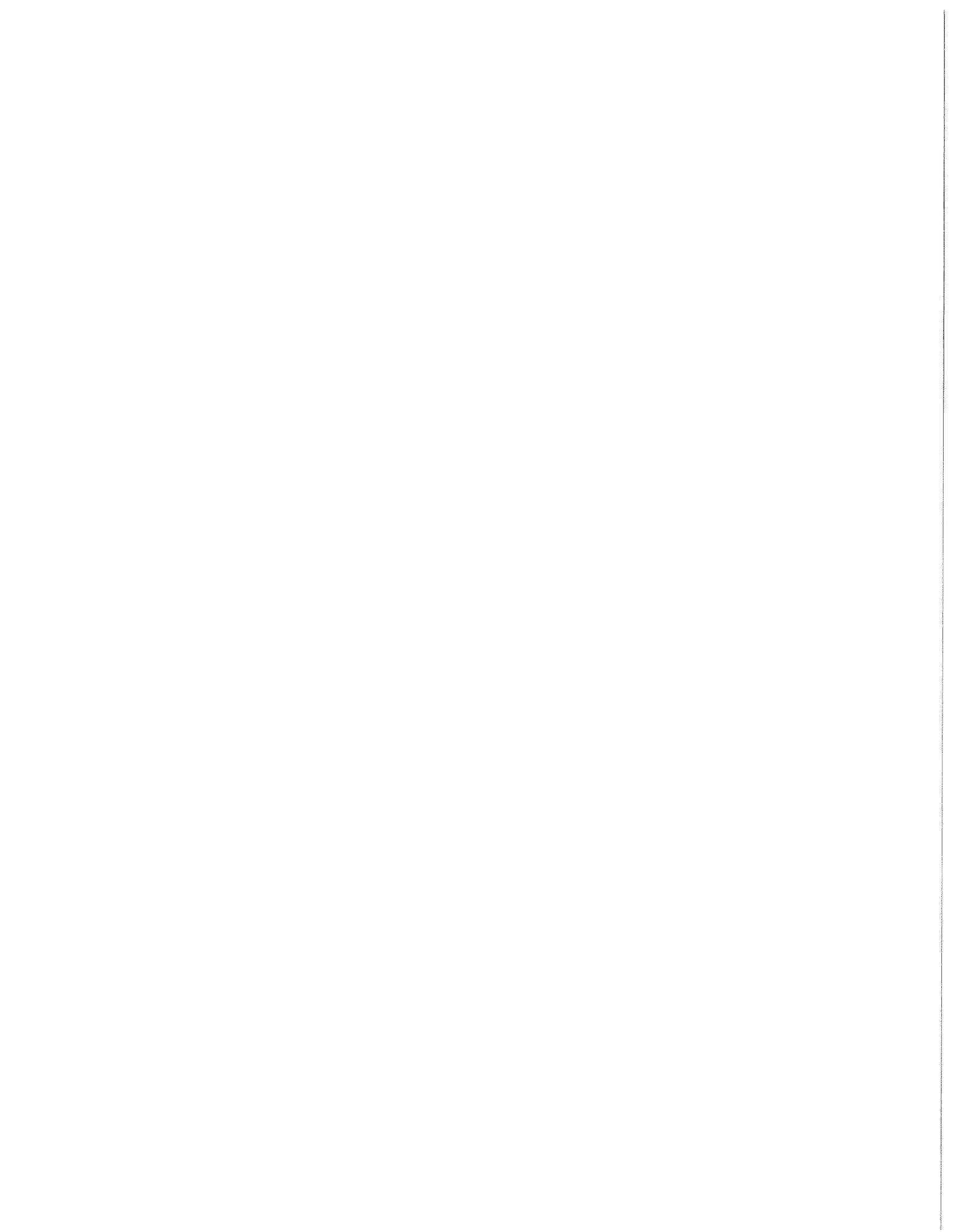
TRANSITION HIGHLIGHTS

- Functional teams and sub-groups continue to meet in Irving and Little Rock to define their departmental work plans. Final team plans are due early February.
- The Executive Steering committee headed by Newco Chief Executive Officer Jeff Gardner met January 26. The committee will meet weekly to address issue escalations identified by the functional teams and sub-groups as barriers to transition success.
- The transition process is a complex undertaking. As a reminder, we will share new information with you as it becomes available. Please forward your questions or concerns to me at *Dear Jack*.

MERGER NEWS

- The VALOR-Alltel merger gained an important transaction approval January 25 from the Federal Communication Commission’s Wireline Competition Bureau. The Bureau approved the transfer of control of VALOR Communications Group and its subsidiaries to Alltel. This is one of several federal and state regulatory approvals required to complete the transaction.
- We remain on track to complete the merger in the mid-2006 timeframe.

The VALOR / Alltel Merger Update was created to keep VALOR and Kerrville Telephone Company Employees Informed about recent merger activities. Updates will be provided on a bi-weekly basis. This update is for the sole use of the intended recipient(s), and may contain confidential and privileged information. Unauthorized review, use, disclosure, distribution or reproduction of this document and/or any of its attachments (if any) by unintended recipients is prohibited.





**VALOR / Alltel Merger Update**  
February 14, 2006

*A Message from Jack Mueller*  
*President and Chief Executive Officer*

It is important for us to continue our strong momentum and remain on track to meet 2006 business metrics. Our sales remain strong and this week we began expansion of our DSL footprint in several new VALOR markets. Providing superior customer service contributes greatly to our success. I appreciate your efforts to maintain a business-as-usual attitude during this transition.

*TRANSITION HIGHLIGHTS*

- **60-Day Job Elimination Notice** - The Executive steering committee anticipates that the earliest date an affected employee could potentially receive notice would be on or after the merger close date, currently estimated to be May 31, 2006. All affected Employees may not receive notice on the same day.

Employees must be employed with VALOR for the entire 60-days notice period in order to qualify for standard and enhanced severance benefits. Incentive Compensation plan participants, directors and vice presidents should consult their Employee Retention and Transition Benefits Information Package for payments that are due on the merger close date.

**Bargaining unit Employees** should consult their collective bargaining agreement for force adjustment and termination allowance information.

Here are some examples of severance benefit scenarios for non-bargaining Employees:

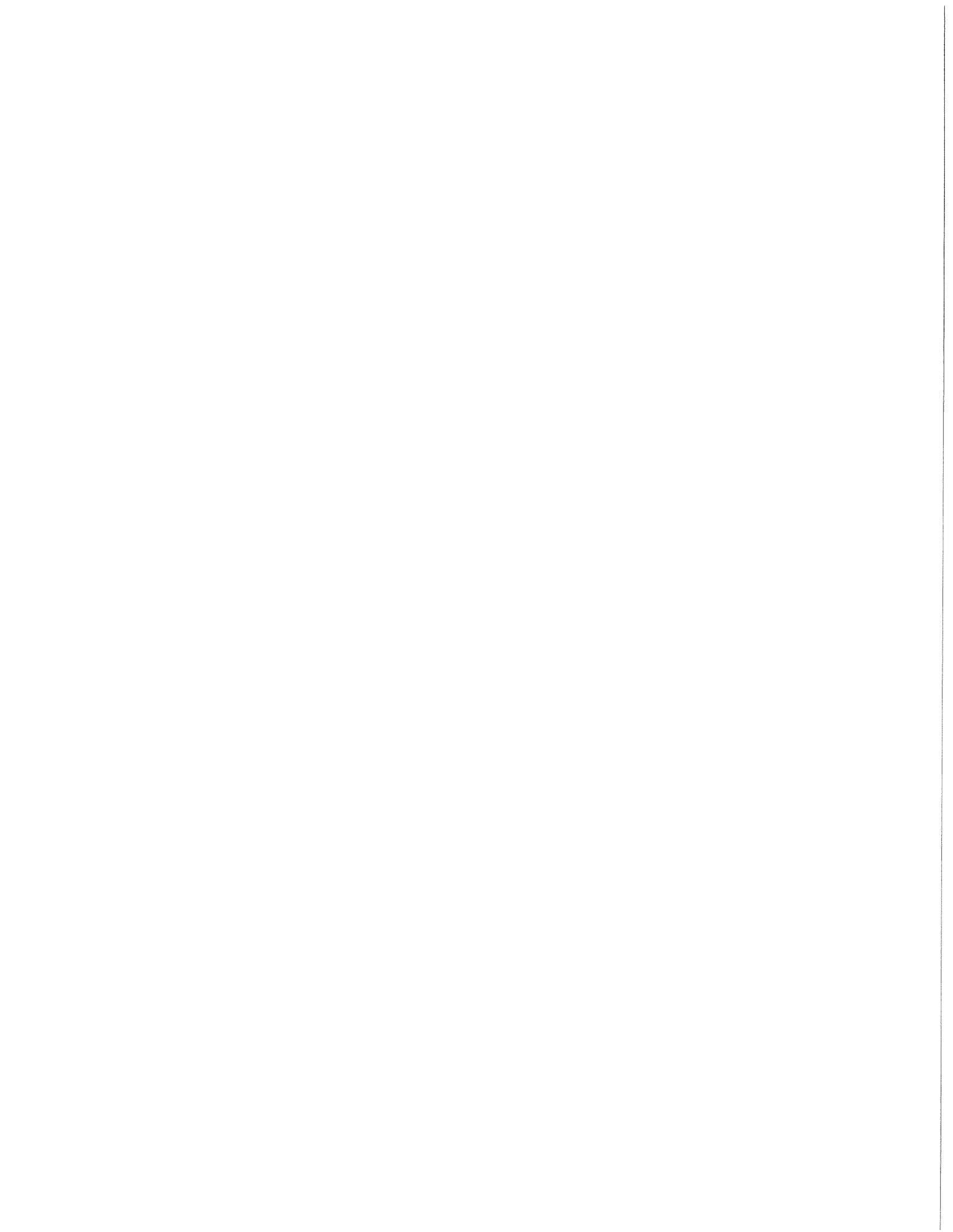
**Example A:** Joe Worker receives notice on May 31, 2006, that his position will be eliminated in 60 days. Therefore:

1. Joe must work through the 60-days notice period – or July 31, 2006 – in order to receive his standard and enhanced severance benefits.
2. If Joe is asked by his supervisor not to report to work during the 60-days notice period, he will continue to receive regular pay. As soon as administratively possible at the conclusion of the 60 days, he will receive his standard and enhanced severance benefits.

**Example B:** If Joe voluntarily leaves prior to the end of the 60-days notice period, he will have voluntarily resigned his position and will not be eligible for any severance benefits.

**Example C:** If Joe voluntarily leaves prior to the merger close date he will not receive standard and enhanced severance benefits.

-more-



Example D: If Joe does not receive a 60-days notice, he remains employed. Therefore, he is not eligible for standard and enhanced severance benefits because his position has not been eliminated.

Example E: If Joe's position is eliminated at a later date (within one year), he will be eligible for severance benefits as outlined in his package. NewCo has agreed to honor Employee Retention and Transition Benefits Packages for one year after the merger close date.

- **NewCo Jobs** - Information on available jobs will be forthcoming in the near future. For VALOR director level and above positions, job functions and skill sets are currently being identified at NewCo. Some employment offers have been discussed and others have been extended to candidates. This process will continue as business plans take shape.

All other VALOR employees will have the opportunity to view and apply for open positions at NewCo online. Instructions will be communicated on how to apply for positions that fit your skill sets and interests in the next few weeks.

- **Other Job Resources** - VALOR Human Resources also plans to provide resume writing classes and other job support services to assist Employees. A schedule of services will be announced after the first 60-days job notices are distributed.
- **Branding Strategy** - NewCo Chief Executive Officer Jeff Gardner announced Feb. 1 that a new branding strategy will be launched second quarter. A New York firm has been retained to assist with branding strategy development for NewCo, which includes a new company name.

As part of this branding effort, VALOR and Kerrville Telephone Employees are encouraged to submit entries for the *Name Your NewCo Contest!* Suggested company names must be received today by 5 p.m. (CST). E-mail your entry to: [Name.Your.New.Co@alltel.com](mailto:Name.Your.New.Co@alltel.com). Three-\$500 American Express gift cards will be awarded to top name suggestions; a \$5,000 cash award will be offered if the executive committee chooses a company name submitted by an Employee.

## MERGER NEWS

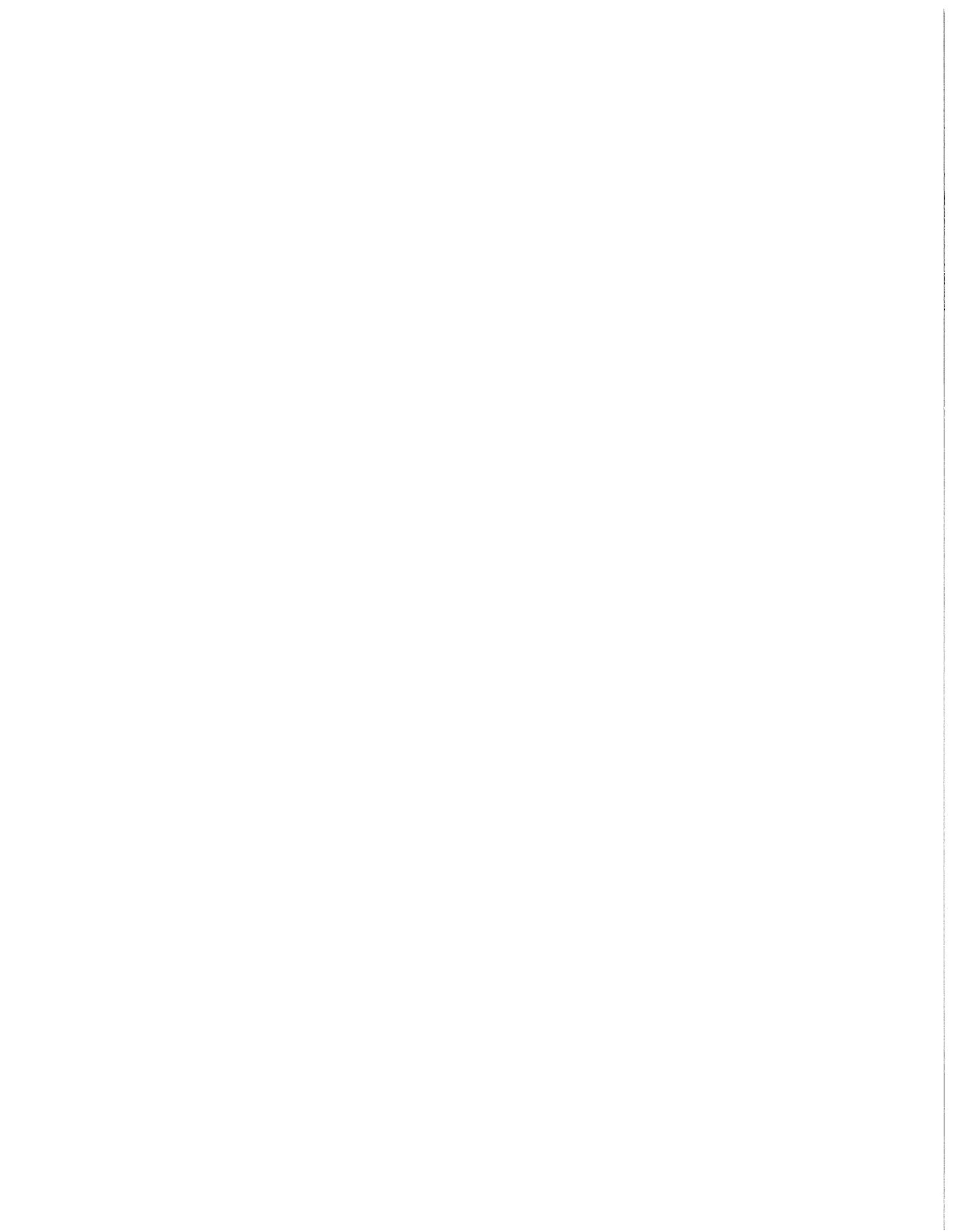
- **All-or-Nothing Waiver** - The VALOR/Alltel merger received an "all-or-nothing" waiver from the Federal Communications Commission (FCC) on Jan. 31, enabling New VALOR (or NewCo) to continue operating under the existing regulatory regime (i.e., rate of return or price cap) applicable to each of the local exchange companies.

The waiver grant was the last of four FCC approvals needed in conjunction with the transaction, which enters the state regulatory approval process.

- **Dear Jack** - Continue to send your questions and concerns to me at *Dear Jack*. Answers will be posted on *Connections*.

The VALOR / Alltel Merger Update was created to keep VALOR and Kerrville Telephone Company Employees Informed about recent merger activities. Updates will be provided on a bi-weekly basis. This update is for the sole use of the intended recipient(s), and may contain confidential and privileged information. Unauthorized review, use, disclosure, distribution or reproduction of this document and/or any of its attachments (if any) by unintended recipients is prohibited.

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**VALOR /Alltel Merger Update**  
**March 3, 2006**

*A Message from Jack Mueller  
President and Chief Executive Officer*

*"We're entering the last month of the first quarter. With our extended DSL market rollout and our ValueChoice<sup>SM</sup> offerings, VALOR customers in some of our smallest markets can now take advantage of excellent products and services at great prices. What a huge opportunity to end the quarter strongly."*

*TRANSITION HIGHLIGHTS*

- **NewCo Jobs** - Senior managers at VALOR will soon know about available jobs at NewCo. The Executive Steering committee announced that VALOR director level and above Employees will be advised early March whether or not they have a job opportunity at NewCo. This action does not constitute a 60-day job elimination notice, but is intended to provide senior management with clarity about future roles at NewCo.

Online job listings - VALOR Employees will be able to view online job listings next week. Instructions to view and apply for positions that fit Employees' skill sets will be announced in the March 7<sup>th</sup> edition of *Weekly Informer*.

- **Branding Strategy** - Branding strategy development for NewCo is progressing with plans to announce a new company name by mid-March. VALOR and Alltel Employees submitted over 600 name entries in the "*Name Your NewCo Contest*."

*MERGER NEWS*

- **NewCo COO Named** - Keith Paglusch was named chief operating officer for NewCo this week and will assume his new position March 31. Paglusch is a 25-year telecom industry veteran and currently is executive vice president of operations for Global Signal Inc. (GSI), a wireless communications provider, in Sarasota, Fla. Paglusch spent 18 years with Sprint Corp. and also held positions with Mountain Bell/AT&T and Southwestern Bell.
- **S-4 Filing** - The merger approval process passed a major milestone with the filing of the S-4 with the United States Securities and Exchange Commission (SEC) on February 28. Through the S-4, VALOR registered the additional shares needed to complete the transaction with Alltel. It also provides the SEC with information on the merger process and pro forma financial information on the merged company. Finally, the S-4 contains the proxy materials for VALOR shareholders, and describes the various issues that VALOR shareholders will need to approve for the merger to proceed.

The SEC has 30 days to review the filing, after which it may ask VALOR and Alltel to respond to various questions or issues. When the SEC completes its review process, the filing becomes effective and VALOR can schedule its shareholder meeting.

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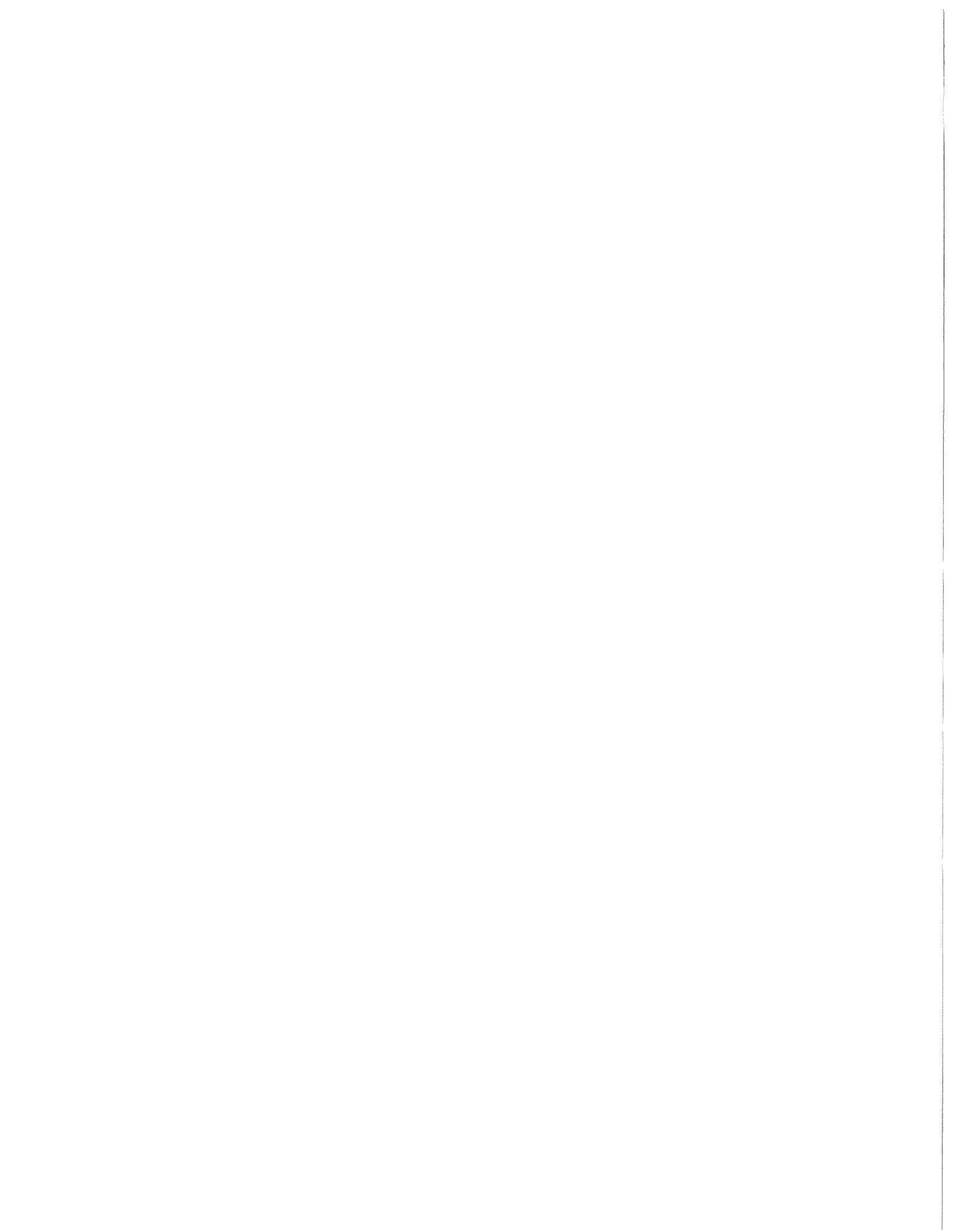


VALOR / Alltel Merger Update  
March 3, 2006

- **Regulatory Approvals** - The VALOR/Alltel merger also received regulatory approvals from the State of North Carolina on February 22, 2006, and remains on track for a mid-2006 closing.
- ***Dear Jack*** - Continue to send your questions and concerns to me at *Dear Jack*. Answers will be posted on *Connections*.

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*The VALOR / Alltel Merger Update was created to keep VALOR and Kerrville Telephone Company Employees informed about recent merger activities. Updates will be provided on a bi-weekly basis. This update is for the sole use of the intended recipient(s), and may contain confidential and privileged information. Unauthorized review, use, disclosure, distribution or reproduction of this document and/or any of its attachments (if any) by unintended recipients is prohibited.*





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Rob Clancy 501-905-8991  
Vice President – Investor Relations  
rob.clancy@alltel.com

**Release Date:**

Dec. 9, 2005

## **Alltel Spins Off Wireline Business and Merges It with VALOR, Creates New Rural-Focused Wireline Company**

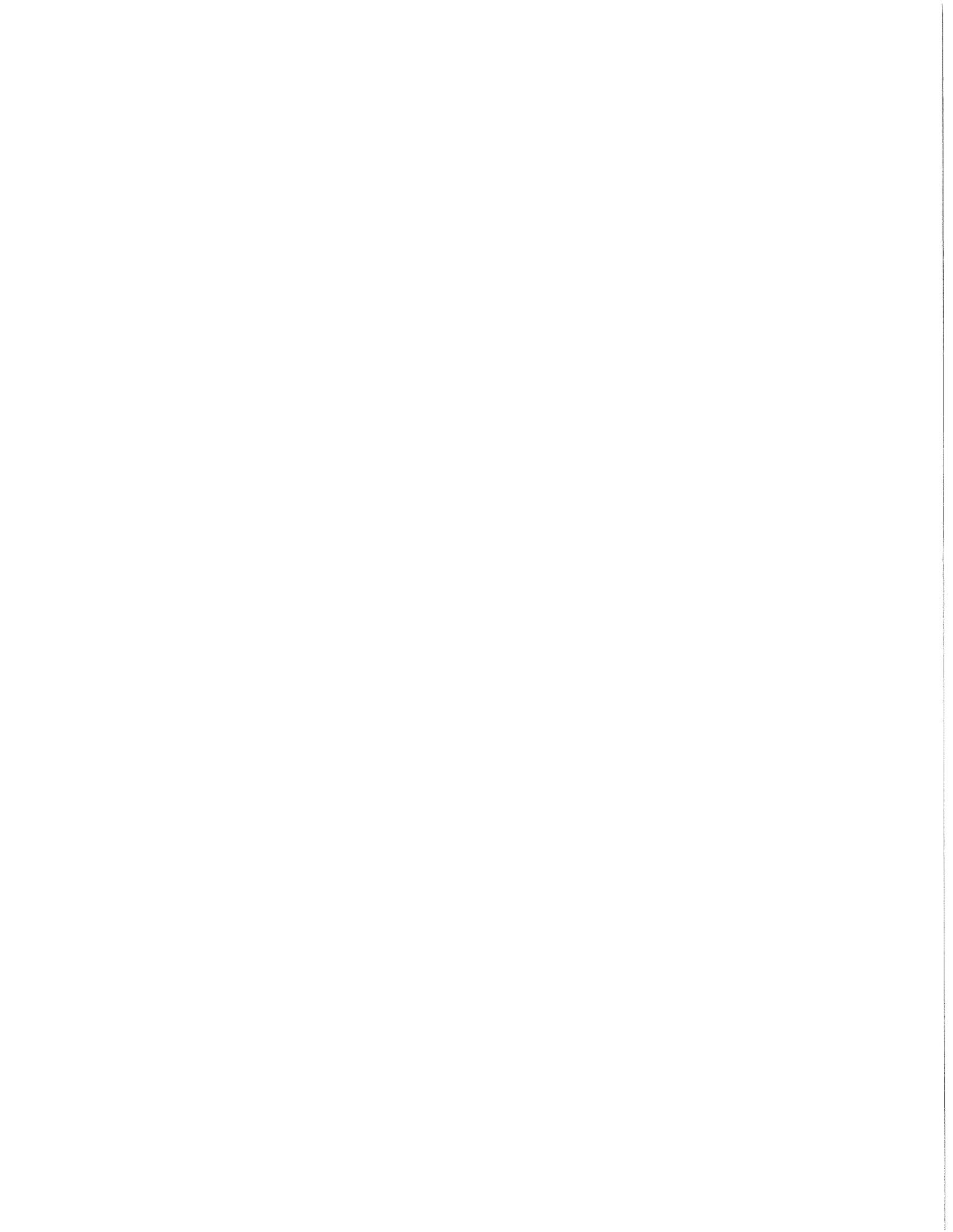
- **Transaction is Tax Free for Alltel, VALOR and Respective Shareholders**
- **Alltel Executives Named to Lead the Wireline Business**
- **Wireline Business Will Have Headquarters in Central Arkansas**
- **Alltel Becomes a Pure Wireless Company**
- **Alltel Plans \$3 Billion Share-Repurchase Program After Spin-off**
- **Collective Dividend to Increase 1 Cent**

LITTLE ROCK, Ark. – Alltel today announced that it will spin off its wireline business and merge it with VALOR Communications Group Inc. in a transaction valued at about \$9.1 billion, based on VALOR's closing stock price as of Dec. 8. The combination creates a major wireline competitor focused on the rural U.S. The transaction will be a tax-free separation of Alltel's wireline business and will reposition the remaining Alltel as a pure-play wireless service provider with roughly 11 million customers in 34 states.

The spin-off and merger with VALOR will create a new wireline company located in Central Arkansas, with Alltel shareholders owning 85 percent of the combined entity. VALOR Communications, based in Irving, Texas, will issue approximately 400 million shares of stock to the shareholders of Alltel in exchange for the Alltel wireline business. Current Alltel shareholders will continue to own 1 share of the remaining wireless entity and will receive 1.05 shares of VALOR stock for each share of Alltel they currently own.

In addition, VALOR Communications will assume approximately \$4.2 billion in additional debt. The \$9.1 billion transaction will be tax-free to Alltel, VALOR and each company's shareholders. With \$5.4 billion in total net debt, the new merged company will be levered at approximately 3.2 times net debt to operating income before

-more-



depreciation and amortization, substantially lower than VALOR's current leverage ratio of approximately 4 times debt to operating income before depreciation and amortization.

Alltel's and VALOR's wireline businesses have complementary geographic footprints with favorable rural characteristics, and their integration will benefit from Alltel's existing billing system outsourcing relationship with VALOR.

"This transaction creates new growth opportunities for both the wireless and wireline businesses as separate entities," said Scott Ford, Alltel president and chief executive officer. "Each business will have sufficient scale to compete on its own and will be appropriately capitalized to take advantage of strategic, operational and financial opportunities."

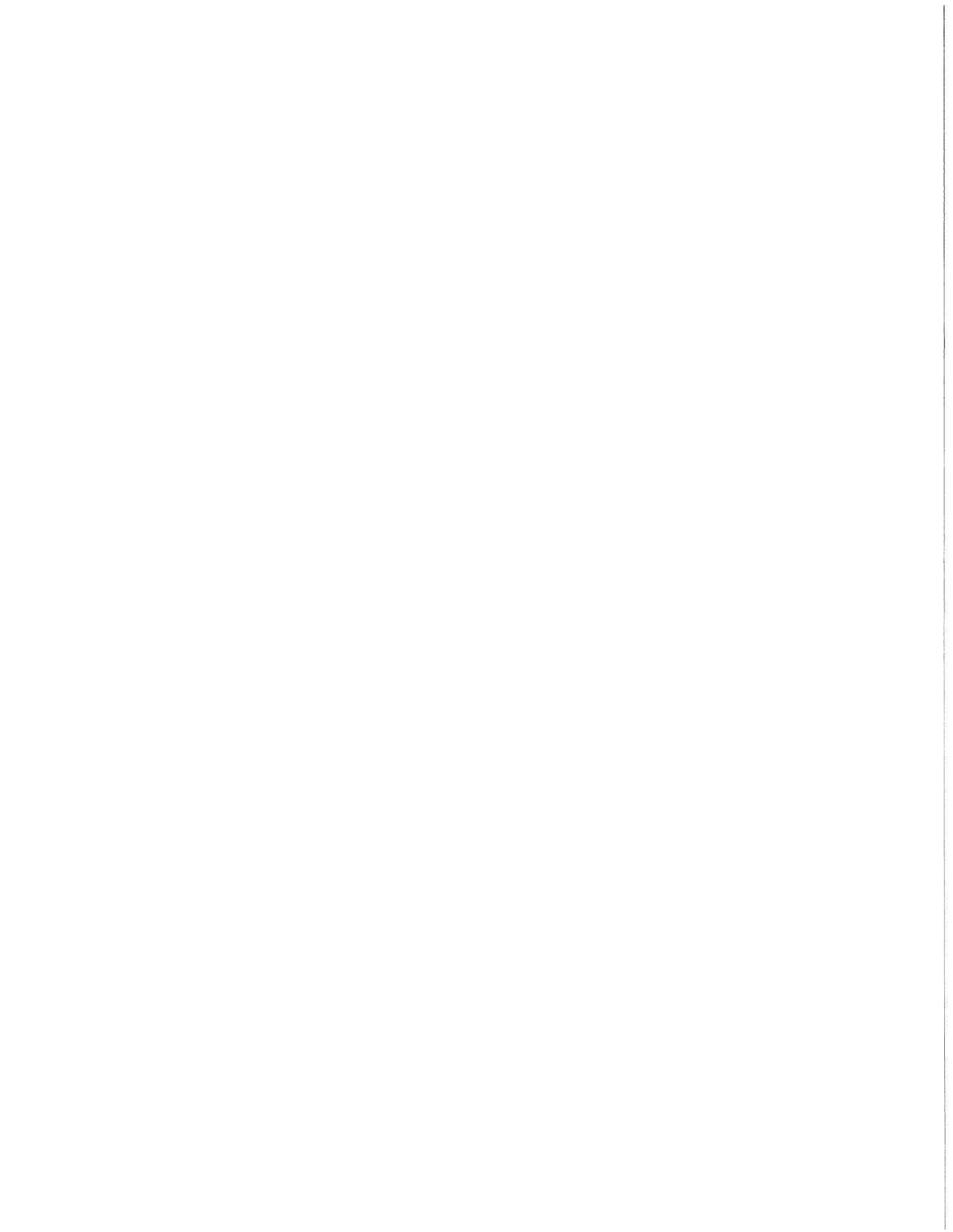
Management teams drawn from Alltel will lead the wireless and wireline businesses. "Both businesses will gain skilled management teams with a great breadth of experience in the communications industry, with the wireline business adding senior leadership from VALOR's current team," Ford said.

Francis X. "Skip" Frantz, currently executive vice president and secretary of Alltel who has been with Alltel for more than 15 years, will become chairman of the board of the combined wireline company. Jeffery Gardner, currently executive vice president and chief financial officer of Alltel, will become president and chief executive officer of the new company. He has been with Alltel since 1998 and has been in the industry since 1986.

"VALOR is a very good fit with the Alltel wireline business and the combined companies will add value for our shareholders and provide quality service for our customers," Gardner said. "I look forward to working with my colleagues at VALOR to run our new company."

Following are the highlights for the combined wireline business:

- Revenues and operating income before depreciation and amortization (pre-synergy) for the last 12 months ending Sept. 30, 2005, were \$3.4 billion and \$1.7 billion, respectively. The company will have about 3.4 million customers in 16 states.
- The company expects to gain \$40 million in net annual synergies from the combination.



- The company expects to pay an annual dividend of \$1 per share of common stock, which equals \$1.05 per equivalent Alltel share.
- The combined company will have net debt of about \$5.4 billion.
- Alltel's wireline business will keep the majority of communications support services, including publishing, IT outsourcing services, retail long distance and the wireline sales portion of communications products.

The wireline business will have nine total board members, including Frantz and Gardner, each serving a staggered three-year term. Dennis Foster, currently a member of Alltel's board, will join the board of the new wireline company as lead director. Alltel will name five other directors, and one director will be named by VALOR Communications. The company initially will locate its headquarters in facilities currently owned by Alltel and will seek a permanent location.

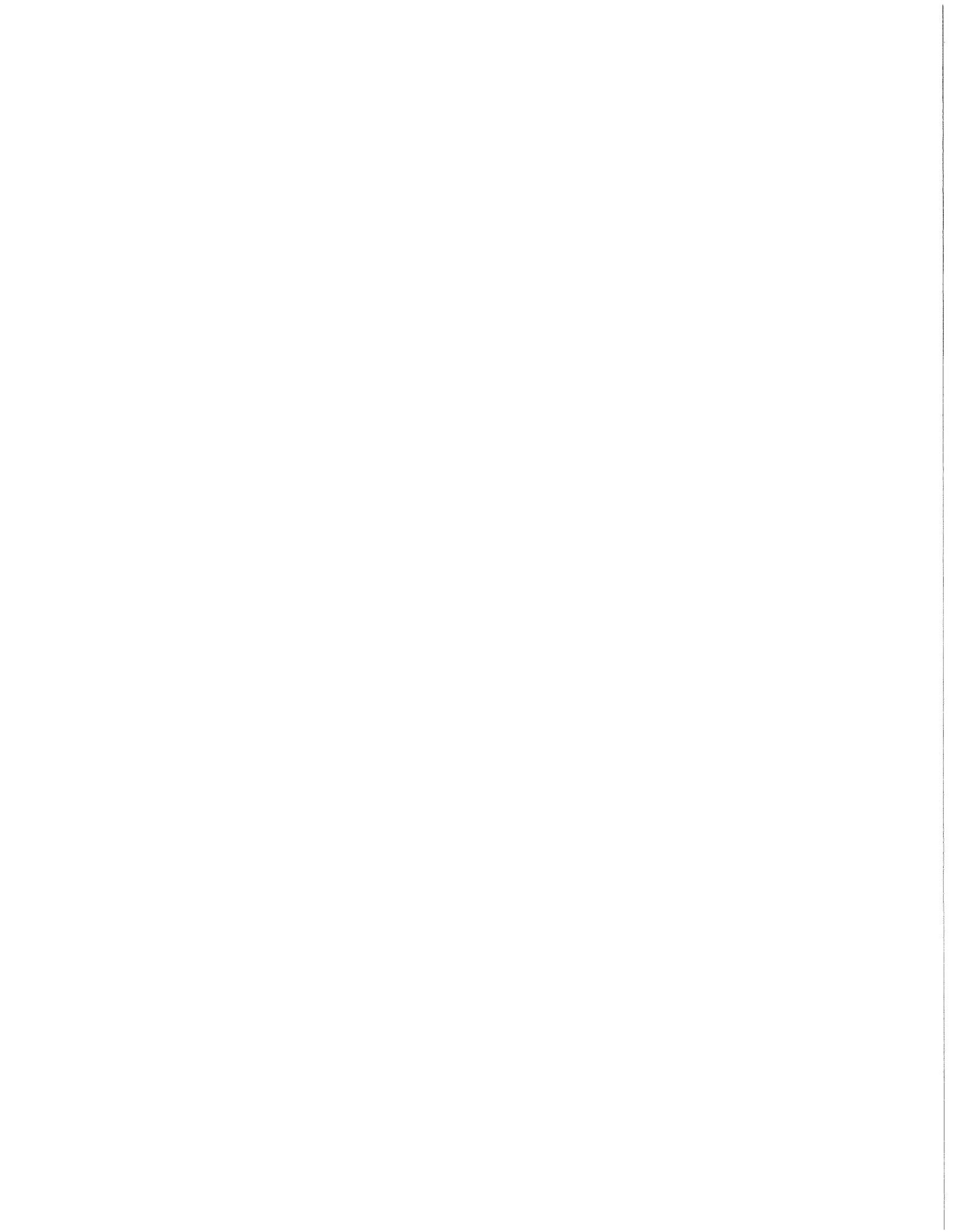
The wireline leadership team also will include:

- John Koch, currently president of Alltel's wireline operations, will become chief operating officer. Koch has been with Alltel since 1998 and has been in the communications business since 1991.
- Brent Whittington, currently senior vice president of operations support for Alltel, will become executive vice president and chief financial officer. Whittington joined Alltel in 2002 as vice president for finance and accounting.
- Rob Clancy, currently vice president of investor relations for Alltel, will become senior vice president, treasurer and will lead investor relations efforts. Clancy joined Alltel in 1998 and has been in the communications industry since 1987.

The transaction is expected to close by mid-2006 and requires approval from VALOR shareholders, federal and state regulators and a letter ruling from the Internal Revenue Service approving the tax-free status.

The separation of the wireless and wireline businesses is part of Alltel's strategic push to grow its domestic wireless business. During the year, Alltel has purchased Western Wireless, certain assets of Cingular and Public Service Cellular. The company also has agreed to acquire Midwest Wireless.

Here are the highlights for the wireless business:

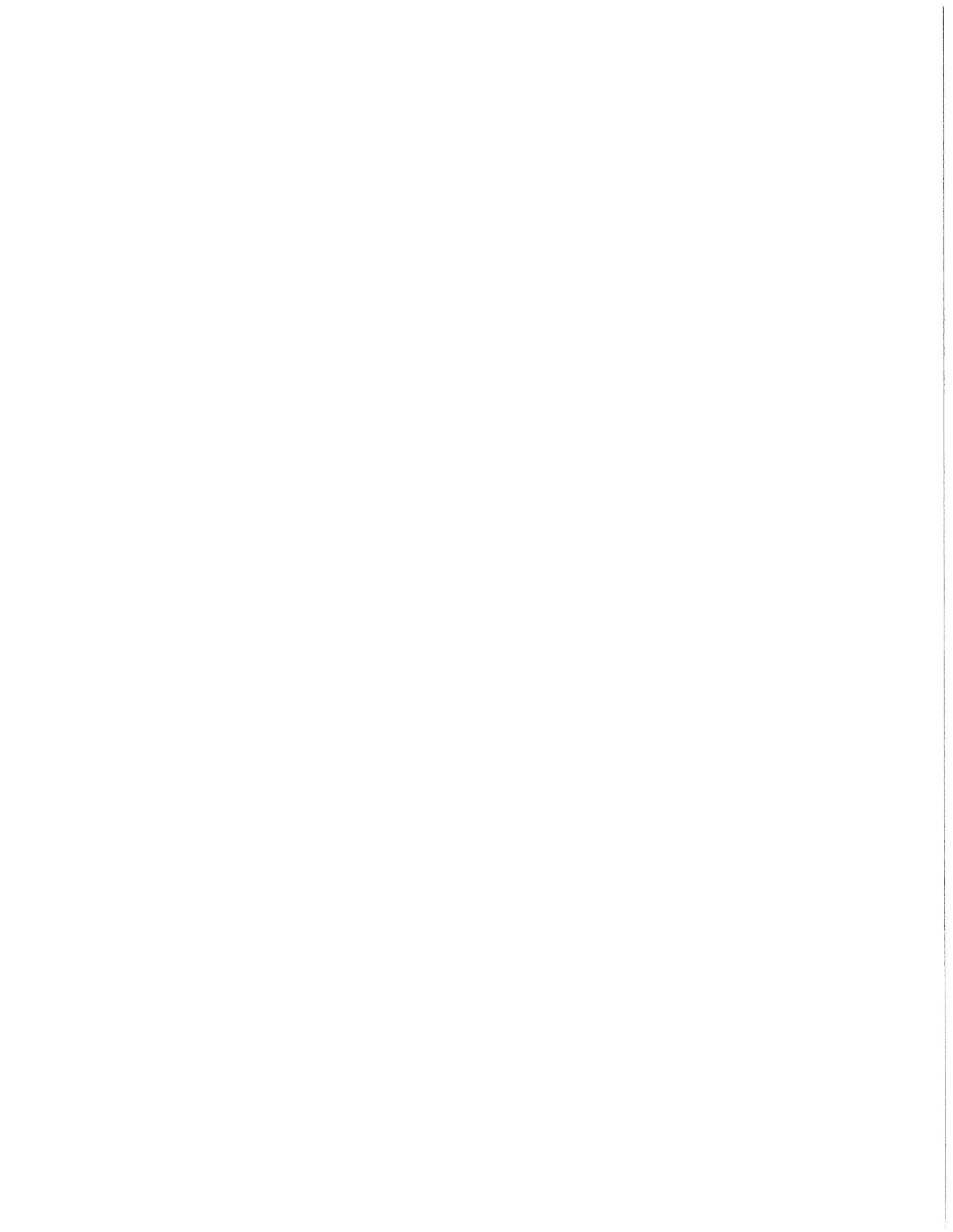


- Alltel will remain the nation's fifth-largest wireless carrier with about 11 million customers in 34 states. Revenue and operating income before depreciation and amortization for the last 12 months ending Sept. 30, 2005, were \$7.5 billion and \$2.6 billion, respectively, pro forma to include Western Wireless and Midwest Wireless.
- Alltel will own and operate the nation's largest wireless network covering a population of 75 million with its 850 MHz business. Alltel also will remain the largest independent roaming partner to the top four wireless carriers.
- Alltel expects to receive cash proceeds and debt reduction totaling about \$4.2 billion resulting from the spin-off.
- Alltel plans an open market \$3 billion share repurchase program for the two years following the spin-off. The company also plans to implement a \$1 billion debt-reduction program.
- The wireless business expects to pay an annual dividend of 50 cents per share of common stock.
- After the spin-off, Alltel will have net debt of about \$1.2 billion and be levered at about 0.5 times net debt to operating income before depreciation and amortization, prior to the planned repurchase program.

In the wireless business, Ford will continue in his current role as will Kevin Beebe, group president of operations; Jeff Fox, group president of shared services; and John Ebner, treasurer.

Sharilyn Gasaway, currently controller for Alltel, will become executive vice president and chief financial officer. Gasaway has been with Alltel since 1999 and has served in various management roles in accounting and finance. Tony Thomas, currently vice president of wireless wholesale operations, will become vice president of investor relations.

Additionally, Alltel today announced it has signed an agreement to sell the Haitian and Bolivian wireless operations it acquired from Western Wireless earlier this year for an undisclosed cash price. The transaction, subject to regulatory and other approvals, is expected to close by mid-2006.



J.P. Morgan Securities Inc., Merrill Lynch & Co. and Stephens Inc. acted as financial advisers to Alltel. Skadden, Arps, Slate, Meagher & Flom LLP served as counsel to Alltel.

### **Investor Call and Webcast**

A conference call and Webcast will be held today at 8 a.m. CST. To take part in the conference call, dial 866-831-6162 and enter the pass code 74875056. The Webcast may be accessed at [www.alltel.com/investors](http://www.alltel.com/investors).

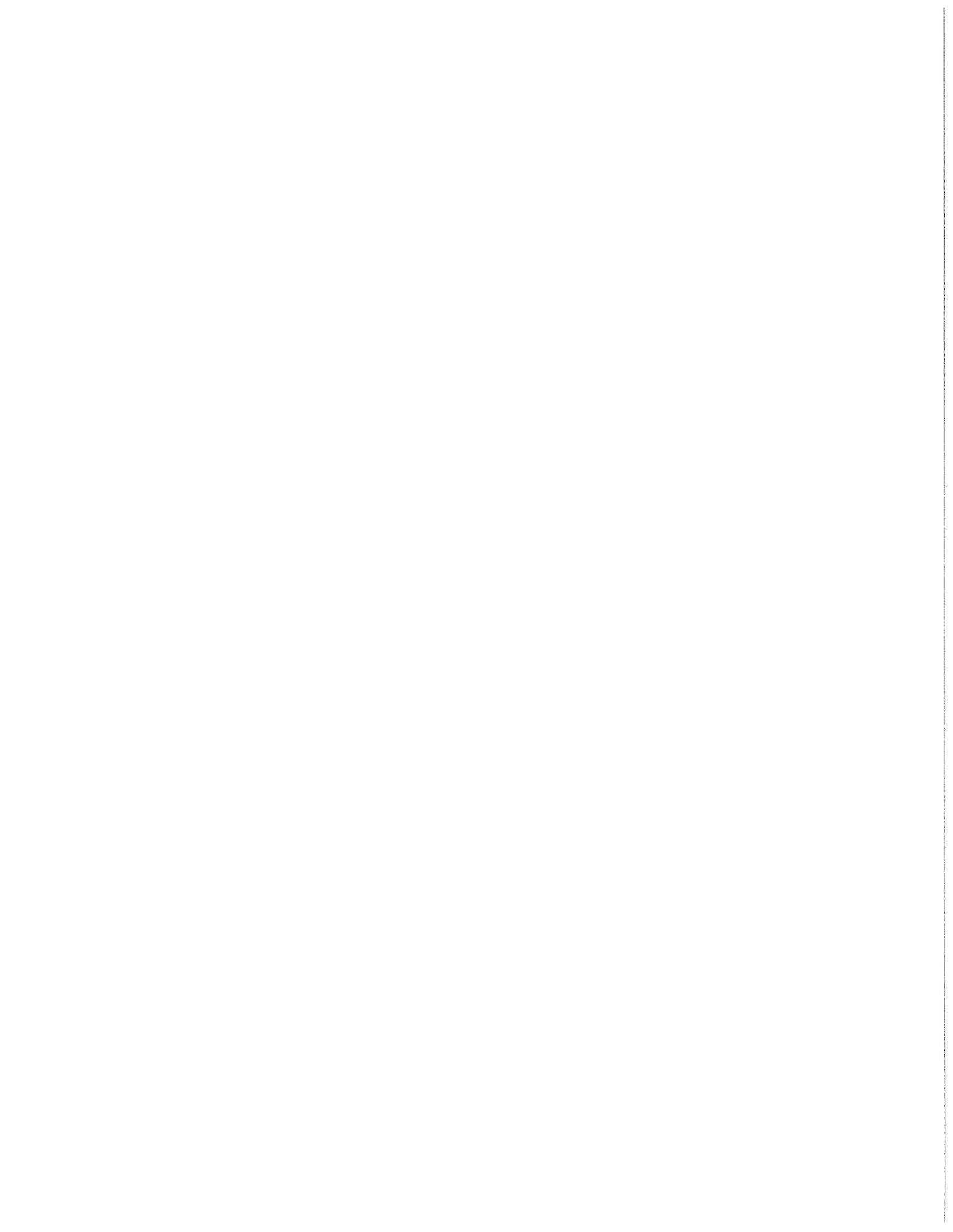
### **Media Call and Webcast**

A conference call for media will be held today at 11 a.m. CST. To take part in the conference call, dial 866-383-8119 and enter the pass code 48612524. The Webcast may be accessed at [www.alltel.com/news](http://www.alltel.com/news).

### **About Alltel**

Alltel is a customer-focused communications company with more than 15 million customers in 36 states and nearly \$10 billion in annual revenues.

Alltel claims the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. These forward-looking statements are based on estimates, projections, beliefs, and assumptions and are not guarantees of future events and results. Actual future events and results may differ materially from those expressed in these forward-looking statements as a result of a number of important factors. Representative examples of these factors include (without limitation) adverse changes in economic conditions in the markets served by Alltel; the extent, timing, and overall effects of competition in the communications business; material changes in the communications industry generally that could adversely affect vendor relationships with equipment and network suppliers and customer relationships with wholesale customers; changes in communications technology; the risks associated with pending acquisitions and dispositions, including the pending acquisition of the Idaho markets and Midwest Wireless and the pending dispositions of Western Wireless' Kansas and Nebraska markets, the Austrian, Bolivian and Haitian operations, and the wireline business; the risks associated with the integration of acquired businesses, including the integration of Western Wireless; the uncertainties related to any discussions or



**Alltel Spins Off Wireline Business**

Page Six

negotiations regarding the sale of any of the international assets; adverse changes in the terms and conditions of the wireless roaming agreements of Alltel; the potential for adverse changes in the ratings given to Alltel's debt securities by nationally accredited ratings organizations; the availability and cost of financing in the corporate credit and debt markets necessary to consummate the disposition of the wireline business; the uncertainties related to Alltel's strategic investments; the effects of litigation; and the effects of federal and state legislation, rules, and regulations governing the communications industry. In addition to these factors, actual future performance, outcomes, and results may differ materially because of more general factors including (without limitation) general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes.

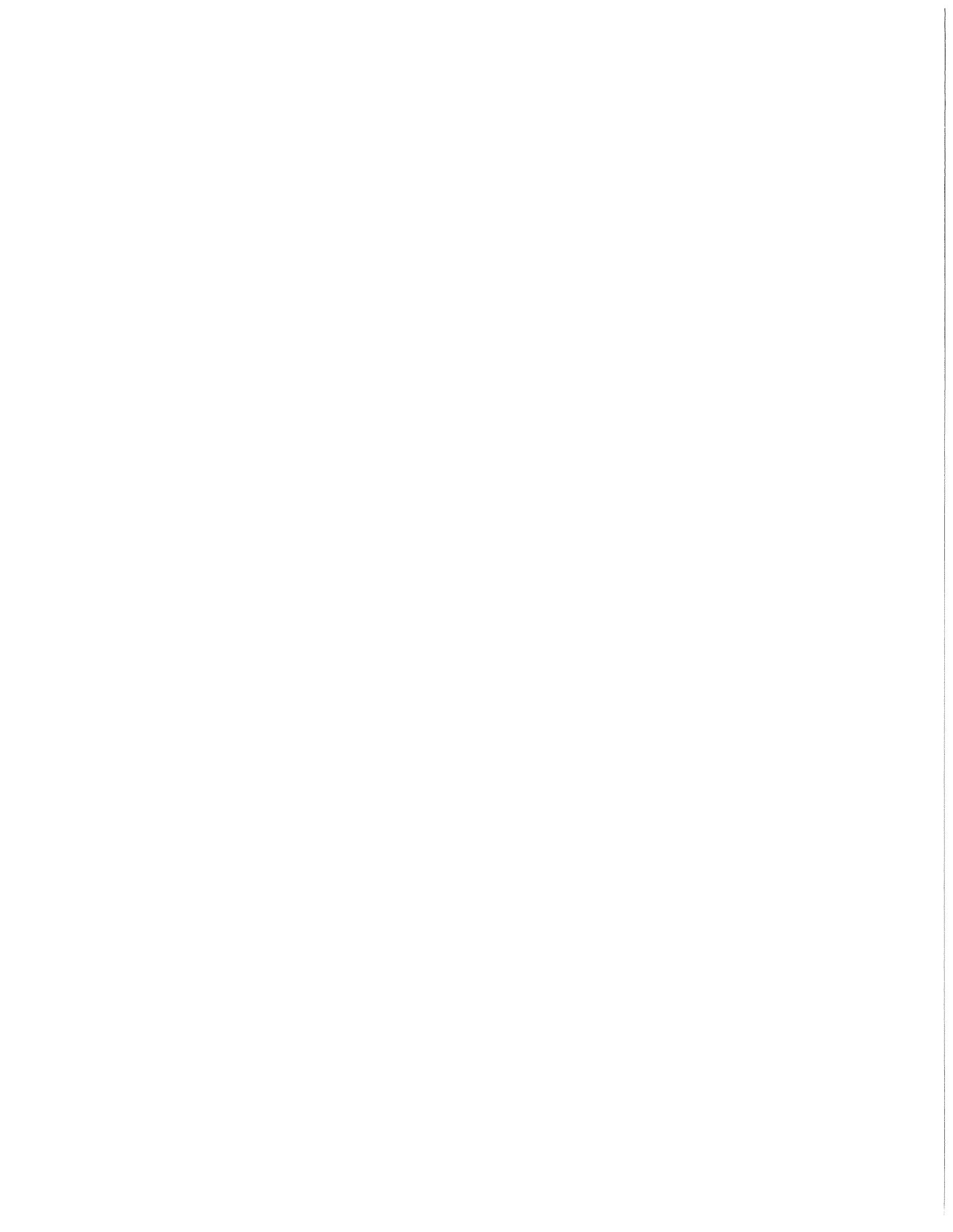
**Non-GAAP Financial Measures**

This news release includes certain non-GAAP financial measures. A reconciliation of each such measure to the most directly comparable GAAP measure is below.

Wireless Net Debt to Operating Income		Wireline Net Debt to Operating Income	
for the twelve months ended September 30:	Pro	for the twelve months ended September 30,	Pro
(Dollars in millions)	Forma	2005:	Forma
	Combined	(Dollars in millions)	Combined
Long-term debt, including current maturities	\$1,223.1	Long-term debt, including current maturities	\$5,389.1
Cash and short-term investments	(69.4)	Cash and short-term investments	(55.1)
Net debt	\$1,153.7	Net debt	\$5,334.0
Operating income under GAAP	\$1,489.7		
Net debt to operating income	0.8		
Wireless Net Debt to OIBDA from Current Businesses		Wireline Net Debt to OIBDA from Current Businesses	
for the twelve months ended September 30 2005	Pro	for the twelve months ended September 30,	Pro
(Dollars in millions)	Forma	2005:	Forma
	Combined	(Dollars in millions)	Combined
Net debt (see above)	\$1,153.7	Net debt (see above)	\$5,334.0
Wireless Operating income under GAAP	\$1,489.7		
Restructuring and other charges	6.2	Operating income under GAAP	\$1,088.8
Incremental costs related to Hurricane Katrina	10.2	Restructuring and other charges	11.8
Change in accounting for leases with scheduled rent increases	19.8	Depreciation and amortization expense	572.5
Depreciation and amortization expense	1,079.4	OIBDA from current businesses	\$1,673.1
OIBDA from current businesses	\$2,605.3	Net debt to OIBDA from current businesses	3.2
Net debt to OIBDA from current businesses	0.4		

- end -

Alltel, NYSE: AT  
www.alltel.com



## Transaction Overview

# Alltel spins off wireline business and merges it with VALOR

## Creates new rural-focused wireline company

- Alltel is spinning off its wireline business and merging it with VALOR Communications, creating a major wireline competitor focused on the rural U.S. The new wireline company will be publicly traded and have its headquarters in Central Arkansas.
- The transaction repositions Alltel as a pure-play wireless provider with the ability to capitalize on growth opportunities. Alltel plans a \$3 billion share-repurchase program after the spin-off.
- This transaction creates new growth opportunities for both the wireless and wireline businesses, which will operate as separate companies with their own management teams and boards of directors.
- Both businesses will have experienced management teams with a proven track record of delivering financial results and a deep commitment to providing quality communications services to customers.
- Each business will have sufficient scale to compete on its own and the two companies will be appropriately capitalized to take advantage of strategic, operational and financial opportunities.
- Both companies will be better positioned going forward to make investments and to capitalize on the growth opportunities before them. As technological change sweeps the communications industry, it is essential that both the wireless and wireline businesses have the ability to make strategic investment decisions independent of each other.
- Each company will pay a dividend to shareholders, increasing the collective dividend to \$1.55. The wireline company expects to pay a \$1 annual dividend, which equals \$1.05 per equivalent Alltel share, and the wireless company expects to pay a 50 cent annual dividend.

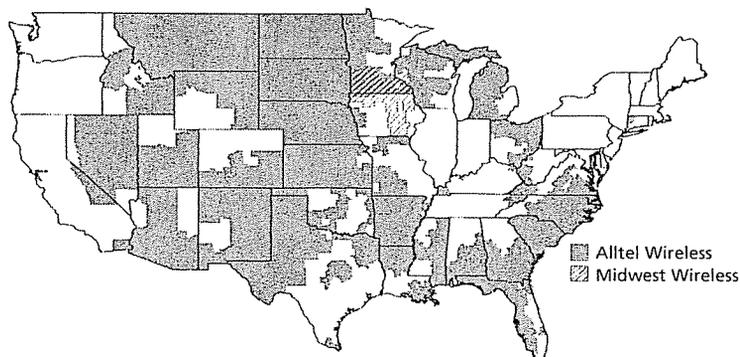
*"This transaction creates new growth opportunities for both the wireless and wireline businesses as separate entities. Each business will have sufficient scale to compete on its own and will be appropriately capitalized to take advantage of strategic, operational and financial opportunities."*

**Scott Ford**  
Alltel president and chief executive officer

### Highlights

Transaction value	\$9.1 B	
Expected close	Mid 2006	
	<b>Wireless</b>	<b>Wireline</b>
Customers	11 M	3.4 M
States	34	16
Annual Revenues	\$7.5 B	\$3.4 B

### Wireless Operations



### Leadership Team

**Joe T. Ford**  
Chairman

**Scott T. Ford**  
President and Chief Executive Officer

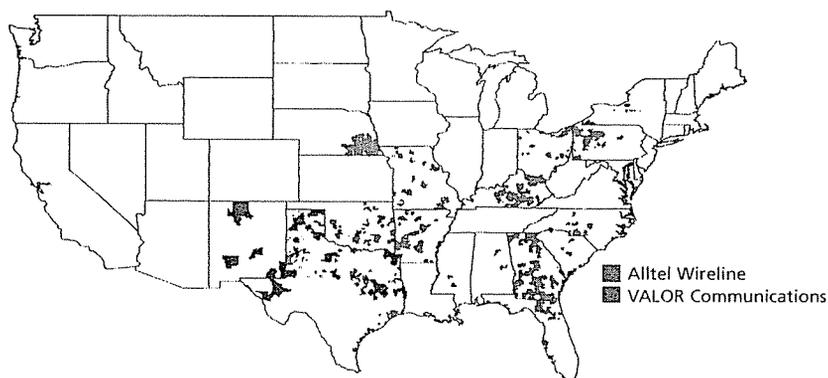
**Kevin L. Beebe**  
Group President - Operations

**Jeffrey H. Fox**  
Group President - Shared Services

**Sharilyn Gasaway**  
Executive Vice President - Chief Financial Officer

**John Ebner**  
Treasurer

### Wireline Operations



### Leadership Team

**Francis X. "Skip" Frantz**  
Chairman

**Jeffery R. Gardner**  
President and Chief Executive Officer

**John Koch**  
Chief Operating Officer

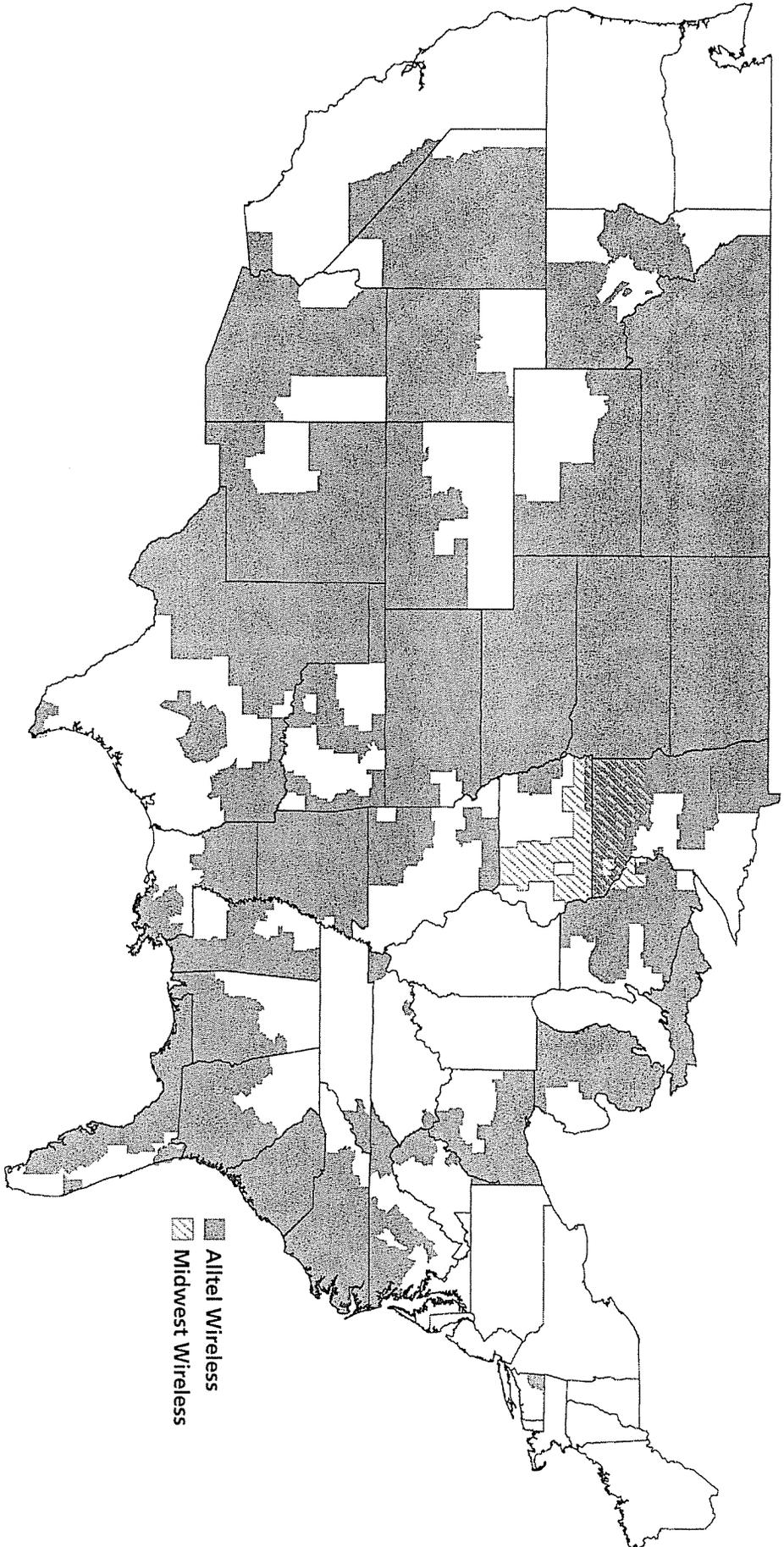
**Brent Whittington**  
Executive Vice President - Chief Financial Officer

**Rob Clancy**  
Senior Vice President - Treasurer

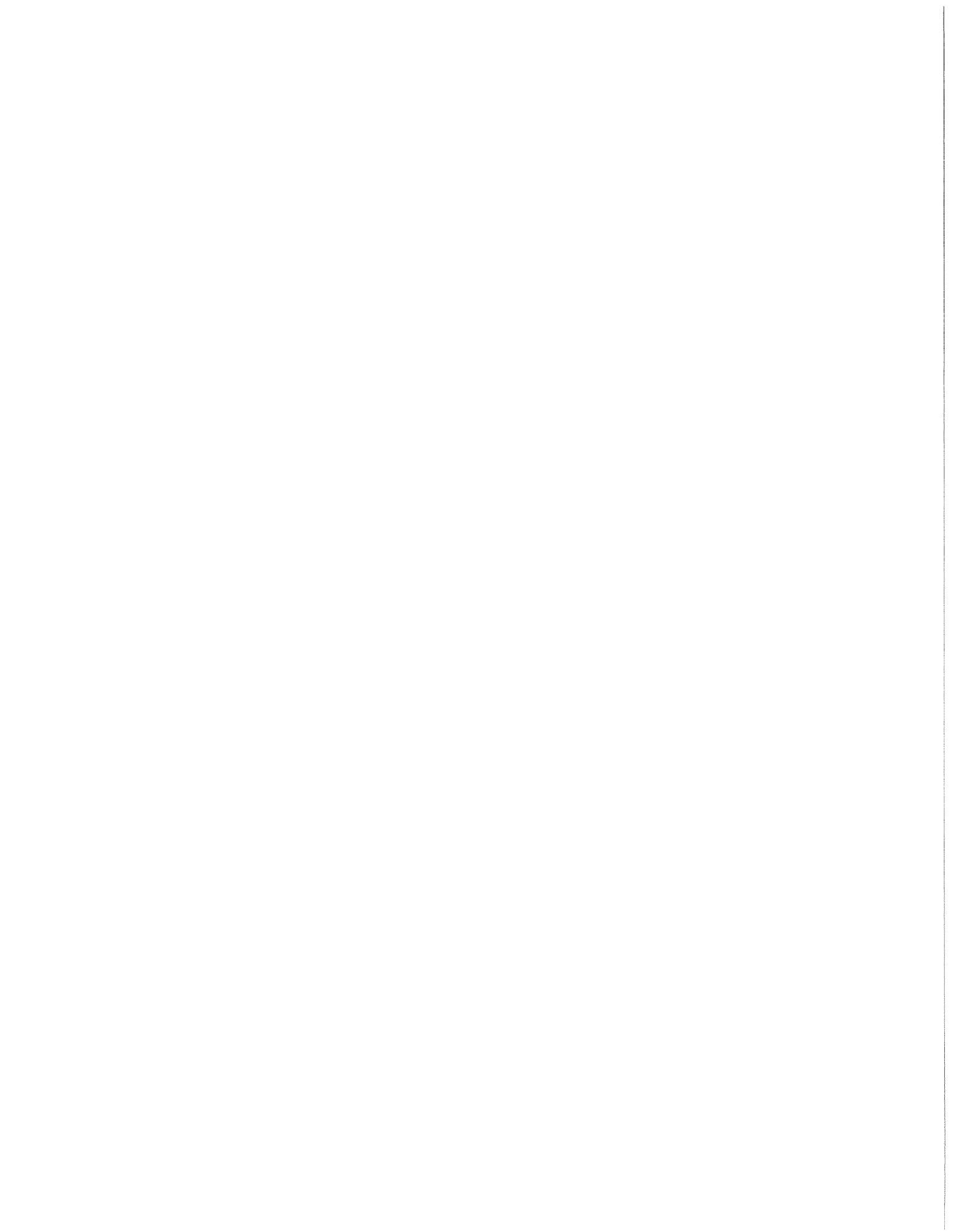




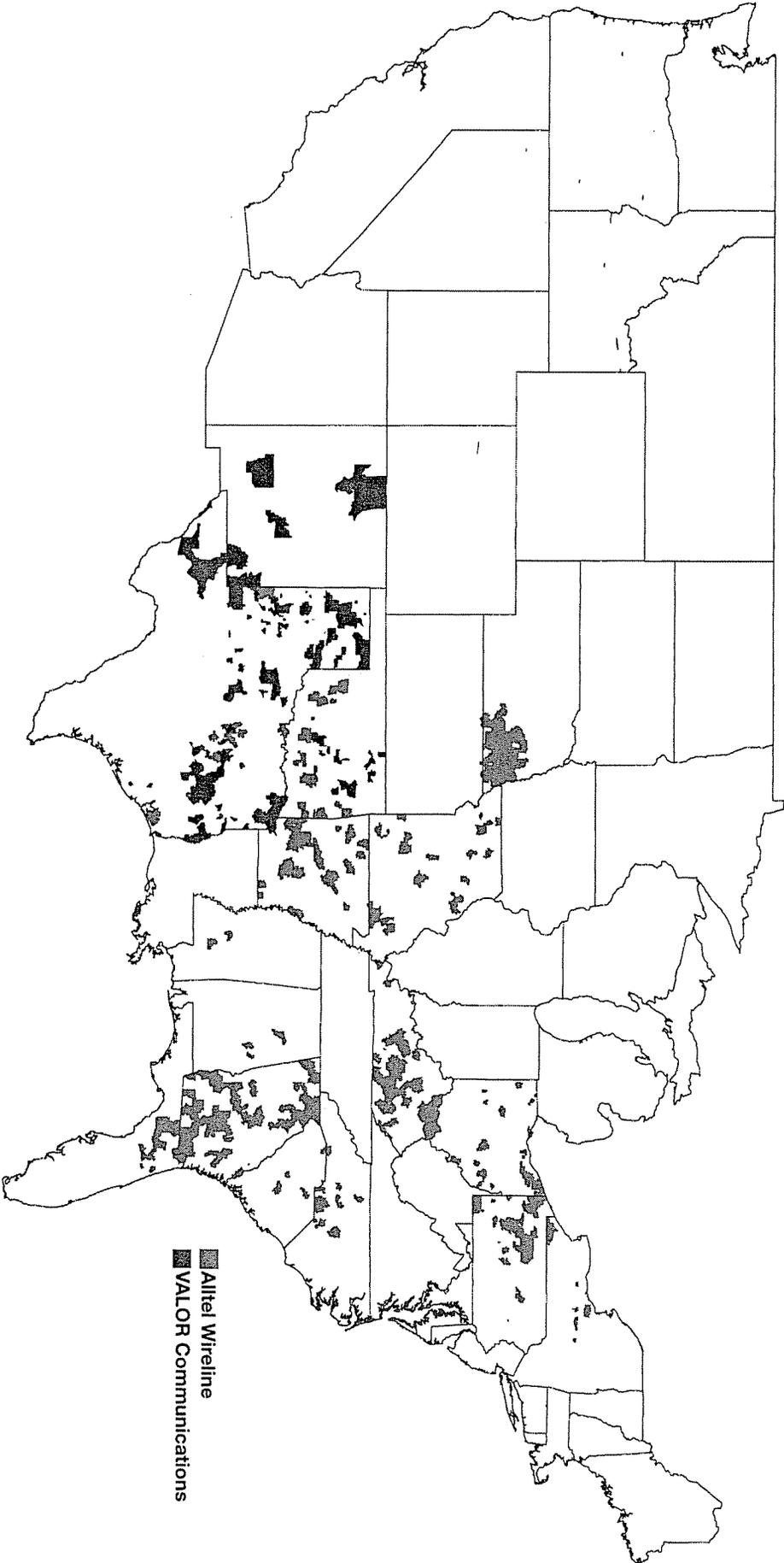
# Wireless Operations



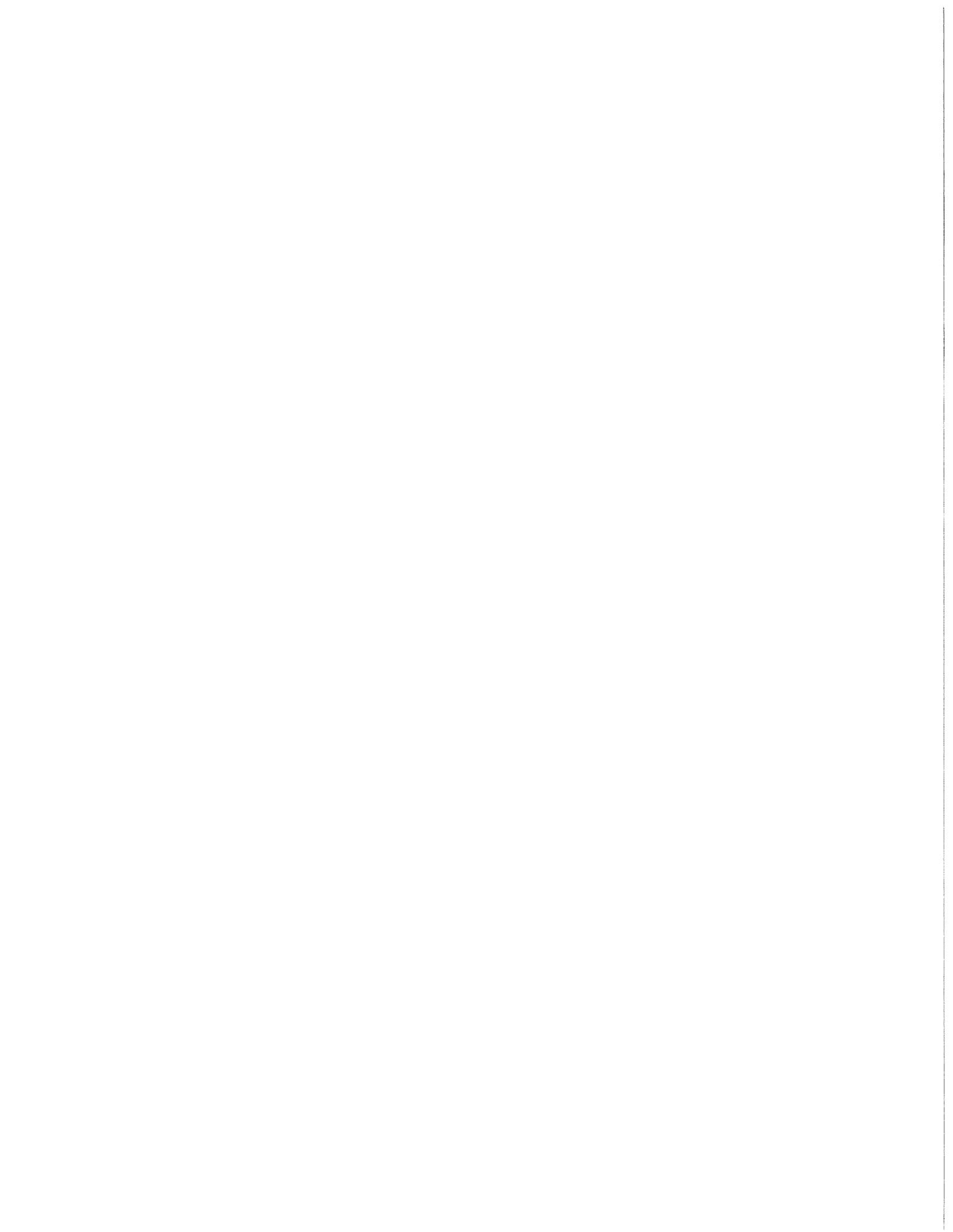
■ Alltel Wireless  
▨ Midwest Wireless



# Wireline Operations



■ Alltel Wireline  
▨ VALOR Communications



Wireline Spin/Merge  
WIN

Jeff Gardner

Dec. 9, 2005

Transcript

Hello. Today is a very good day for our wireline business. As you know by now, we are spinning off the wireline business and merging it with VALOR Communications.

I'm honored and excited to have been chosen by the Alltel board to serve as CEO for the new wireline company. It is a great opportunity. The new company will be based in Central Arkansas and have about 3.4 million mostly rural customers in 16 states.

VALOR is a very good fit with the Alltel wireline business. It is one of the largest providers of telecommunications services in rural communities in Texas, Oklahoma, New Mexico and Arkansas. It is the seventh largest independent local telephone company in the country and offers a wide range of services, including DSL. Our companies are familiar with each other – Alltel today provides billing services for Valor.

This spin-merge will create greater opportunities for our wireline business – strategically, operationally and financially. Together with our new friends from VALOR, we will have the scale necessary to succeed, grow our business and lead the industry.

Our new mission is just really an extension of what we've been doing as a part of Alltel.

We will position ourselves as the leader in providing communications services to residential and business customers in our communities.

We will provide value to our customers by delivering those services at competitive prices.

We will provide solid returns to our shareholders with a capital structure that is appropriate for our financial profile.

And we will attempt to grow our business through the acquisition of primarily rural local exchange operations where we can deliver solid returns.

As chairman, Skip Frantz will provide the leadership and vision we need to succeed in our industry. Skip's broad knowledge of our industry will be invaluable to our continued success.

Day-to-day execution of our mission will be in the very capable hands of John Koch, who will serve as chief operating officer. I want to thank John for all the hard work he has done to bring our company to the point where the spin-merge was not only feasible but also clearly the best choice for our future.

This transaction positions us to respond more aggressively to emerging competition by expanding our offerings to include products like higher speed broadband, video, VoIP and wireless.

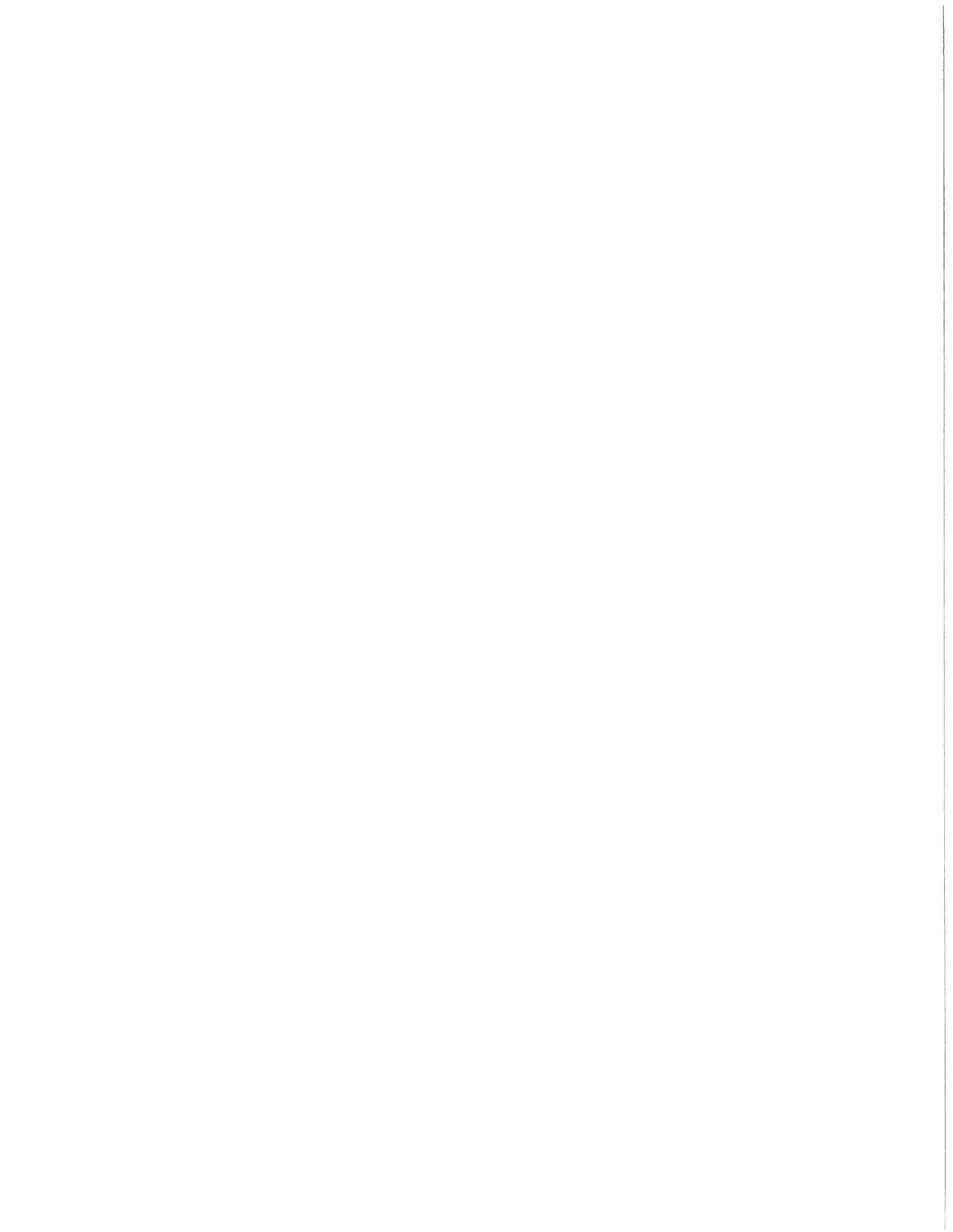
Now the next few months will be very busy, and, I know, stressful for some of you. Please be assured we will do everything we can to make the transition as smooth as possible.



Your hard work has made this day possible, and your continued dedication is vital to our future success. It is important that we continue to execute on our business plan so that our new company starts with a great deal of momentum.

I know what terrific people you are, and I look forward to sharing this extraordinary opportunity with you. I'm confident there's a very bright future ahead for all of us.

Thank you.



Wireline Spin/Merge  
WIN

Scott Ford

Dec. 9, 2005

Transcript

Hello, and welcome to Alltel Today.

After almost a year of careful study, your management team and the board of directors have decided that the best way forward for Alltel is to split the company into two businesses - one focused on the wireline business and the other focused on the wireless business. This is no great shock to most of you.

Each business will have its headquarters in Little Rock and will be led by senior managers drawn from our company. I'll continue on as the CEO of the wireless business, and Jeff Gardner is going to become the CEO of the new wireline business.

Going forward, both companies will be better positioned to make investments in and to capitalize on the growth opportunities before them. Both stand to be financially independent, and both will have the scale to succeed on their own.

While we've been able to generate great cost savings by being one company historically, we run the risk in the future of sub-optimizing our investment decisions as technological change continues to sweep through the communications business.

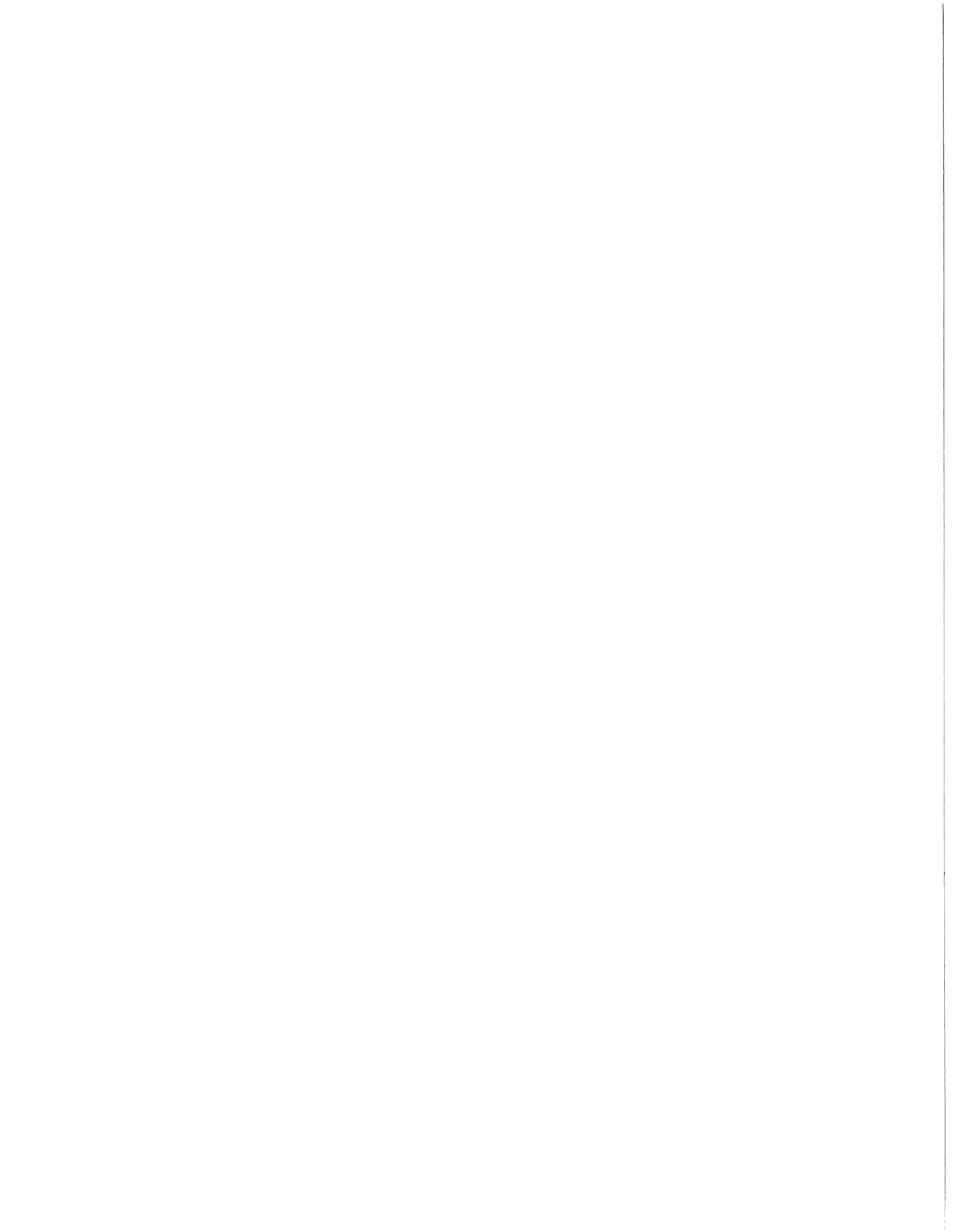
The basic proposition is pretty simple: We will spin off Alltel's wireline operation and immediately merge it into a company called Valor Communications, a rural local telephone company whose markets are very complementary to ours. Alltel shareholders will own 85 percent of this new wireline company. Today we provide billing services for Valor so our companies are very familiar with each other, and we've had a good working relationship.

I firmly believe that this "spin-merge" is the best course for everyone involved - the employees, the shareholders and the customers of both companies. It will produce opportunities for employees, enhance the value for our shareholders and allow both the wireline and the wireless business to continue to invest to grow.

Now, as you might imagine, there's a lot of work ahead of us. The transaction requires state and federal regulatory approval as well as a considerable amount of really back-office work to separate the two businesses. And I assure you that we will continue to move quickly to minimize the stress that's always associated with this type of change.

Most of you won't see any change in your day-to-day responsibilities. You already work for either the wireless or wireline business, and you'll continue in your current role with the appropriate company after the transaction is completed.

Those of you who currently support both the wireline and wireless business can be assured that we will determine your assignments as quickly as possible. I want to thank you in advance for your patience, for your professionalism and really just your perseverance as we work through this process.



Let me say again - this is a great opportunity for everyone involved. Just because it's change and therefore painful, doesn't mean it's wrong.

The new wireline company is going to be led by an experienced management team that has a proven track record of delivering results. Skip Frantz will be the chairman of the board. Jeff Gardner, as I mentioned, will be the CEO. John Koch will be the Chief Operating Officer, and Brent Whittington will be the new Chief Financial Officer of the wireline business.

Supported by Alltel's exemplary wireline staff and the new employees they'll be adding from Valor, their mission will be to grow the business through acquisition of primarily rural exchanges where their scale, management expertise and financial strength can drive returns.

On the wireless side, Joe Ford will remain the chairman of our business. Kevin Beebe and Jeff Fox will be staying in their current roles, as will I. And, I am delighted to announce that Sharilyn Gasaway, who is currently our controller, will become the new Chief Financial Officer of Alltel.

Our job, together with all of you, will be to keep on doing what we've always done.

That means we will continue to strike the right balance between delivering value to our shareholders and service to our customers. And we will continue to follow a disciplined financial course that allows us to grow the business and make the required investments in our future.

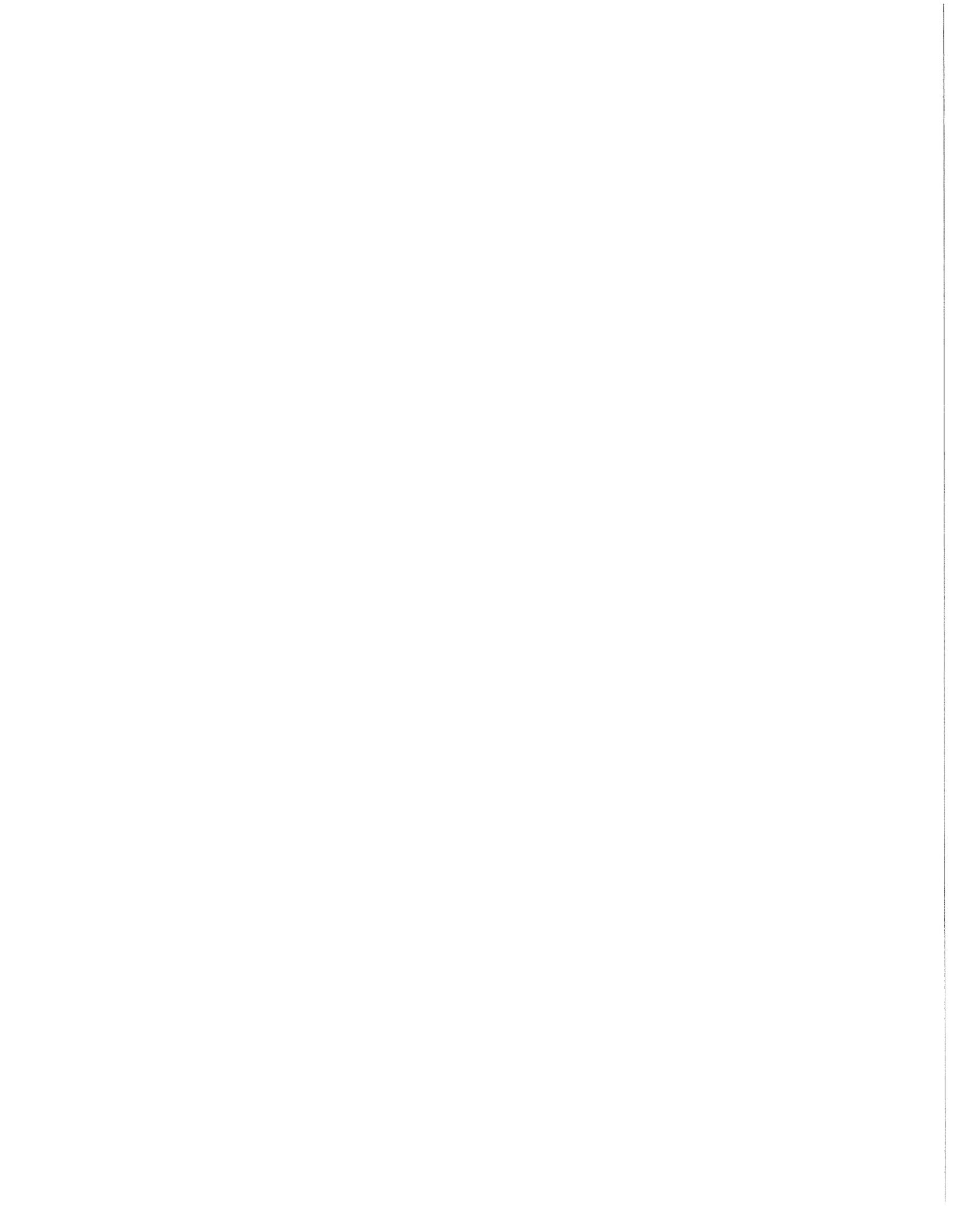
We're already the dominant rural wireless provider and the largest roaming partner for the top four carriers. I think the future for our wireless business is even brighter, and I look forward to helping write the next chapter in that part of the Alltel story. Obviously, there will be much more on that topic in the forthcoming next few months, and we'll come back to all of that in time.

As always, I have to thank all of you for everything that you have done, everything that you are doing. I can't emphasize enough that the opportunities before all of us today are a direct result of your hard work and your dedication. You've consistently delivered superior value in one of the most competitive industries in America, and that's what has allowed Alltel not only to survive, but also to determine its own fate.

We're going to keep you informed as we work through the details of this transaction. There is a great deal of useful information on Alltel Today, and we will update it as developments warrant.

In the meantime, remember that we have to stay focused on serving our customers, whether wireline or wireless, and delivering great value to our shareholders. Those have been the keys to our success in the past, and even in this new structure they will continue to be the keys for both companies as we move forward.

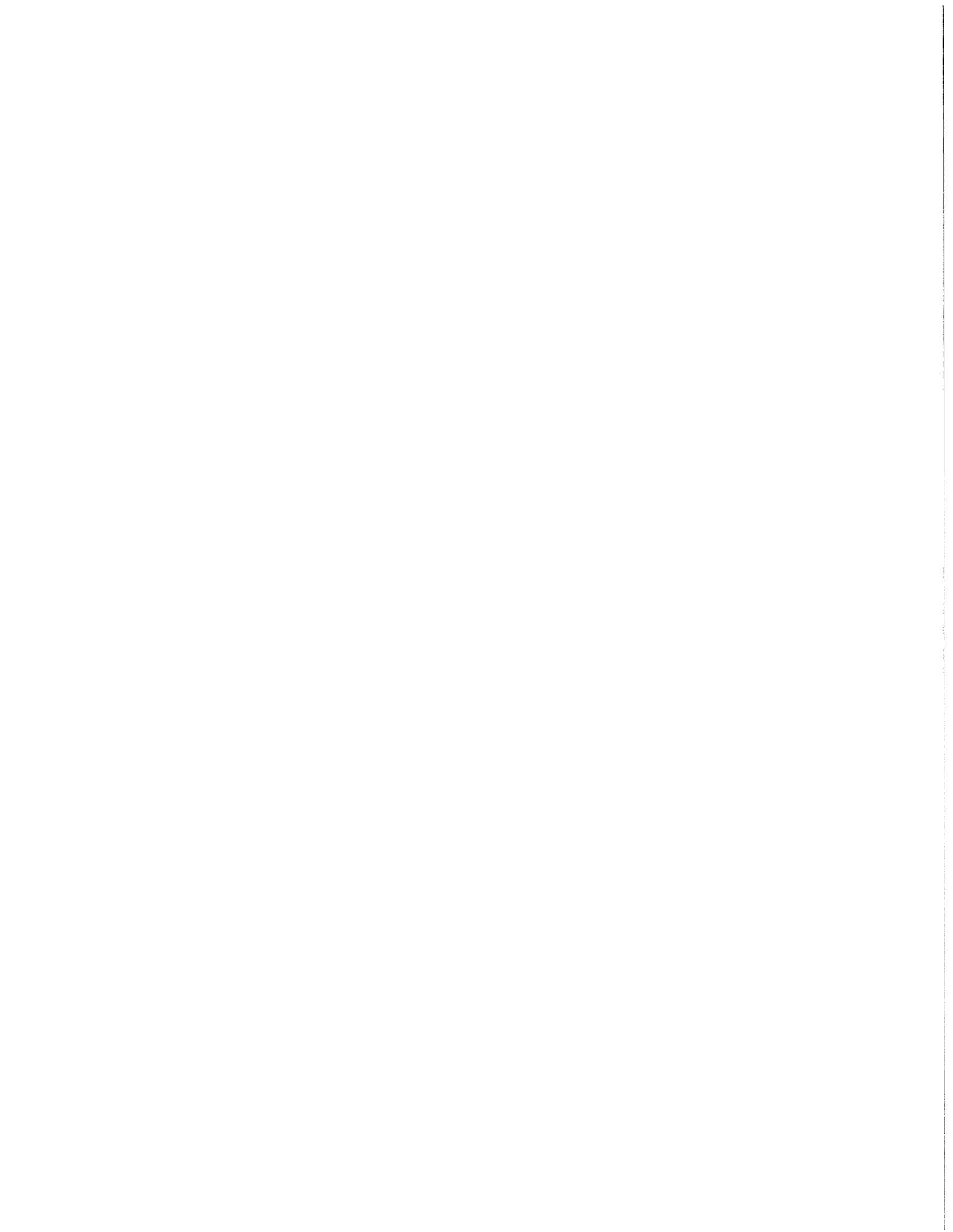
Thank you for your time, for your patience through all this, and have a great day.



26. Please list each collective bargaining agreement currently in force with unions representing any of employees of the Kentucky-based Applicants, and their respective terms, and whether these agreements will in any way change as result of the approval of the proposed transfer. If it will change in any way, please describe in what ways. Please provide copies of all such agreements.

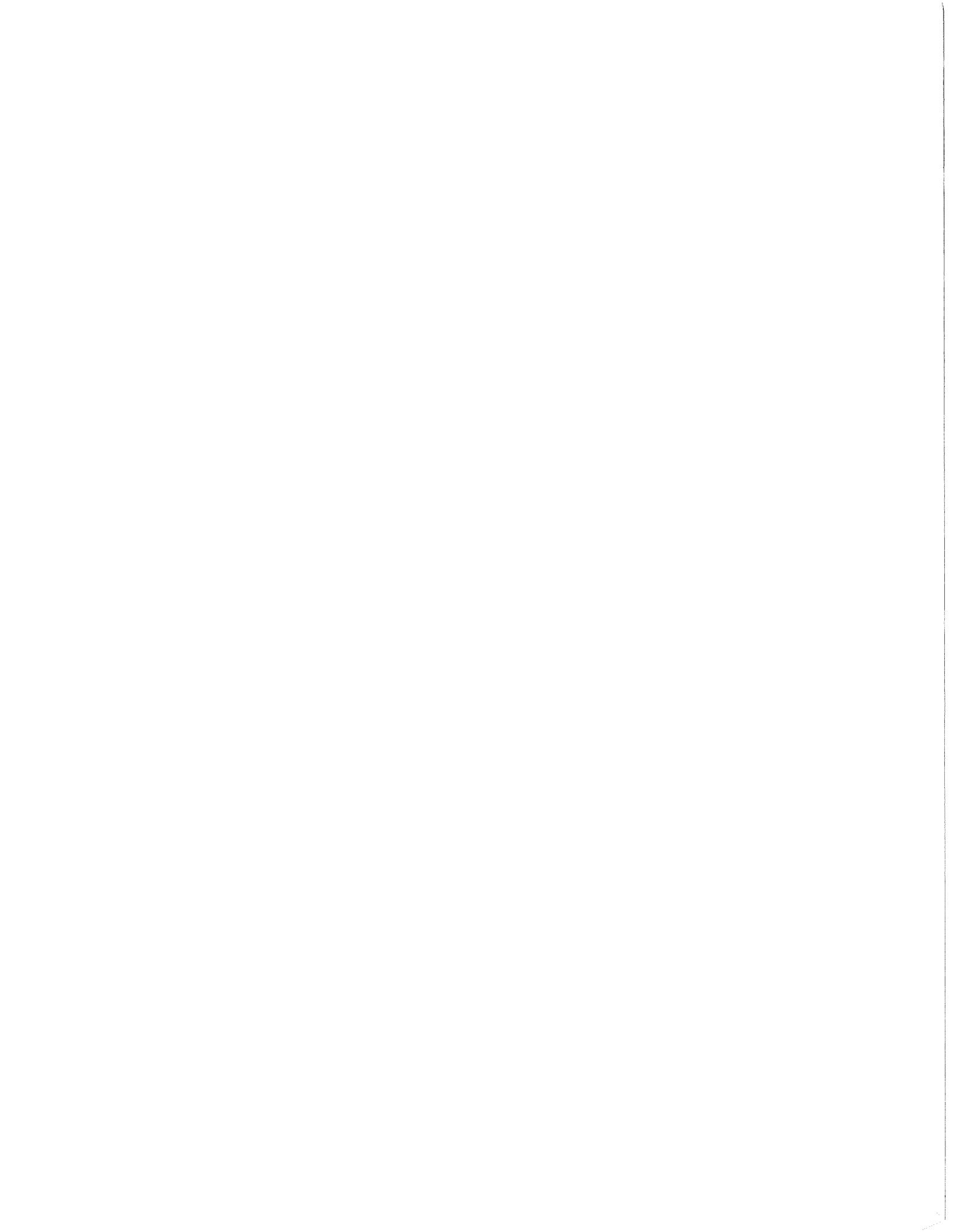
**Response: Two collective bargaining agreements are currently in effect with respect to Kentucky: (1) agreement between Kentucky Alltel, Inc. and the Communications Workers of America Local Unions 3371 and 3372; and (2) agreement between Kentucky Alltel, Inc. and the International Brotherhood of Electrical Workers Local 463. Neither agreement will change as a result of the transaction. Attached are the requested agreements.**

**Response provided by Susan Bradley.**



**Existing Agreements between Alltel and its Union Employees**

**Responsive to LFUCG #26**



**AGREEMENT**  
**BETWEEN**  
**KENTUCKY ALLTEL, INC.**  
**AND**  
**INTERNATIONAL BROTHERHOOD OF**  
**ELECTRICAL WORKERS**  
**LOCAL 463**

**Effective February 7, 2004**

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**ARTICLES OF AGREEMENT**

**BETWEEN**

**KENTUCKY ALLTEL, INC.**

**AND**

**LOCAL UNION NO. 463  
INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS**

This Agreement, entered into this 7<sup>th</sup> day of February, 2004, between Kentucky ALLTEL, Inc., its successors and assigns (hereinafter referred to as the "Company") and Local Union No. 463 of the International Brotherhood of Electrical Workers, affiliated with AFL-CIO (hereinafter referred to as the "Union"), witnesseth:

**ARTICLE 1**

**RECOGNITION**

1. For the purpose of collective bargaining with respect to rates of pay, wages, hours of work and other conditions of employment, the Company recognizes the Union as the exclusive bargaining representative of those Employees of the Company whose job classifications are specified in Appendix "A" hereof in the Company's exchange areas of Albany, Bradfordsville, Burkesville, Burnside, Campbellsville, Cecilia, Columbia, Elizabethtown, Glasgow, Greensburg, Hodgenville, Lebanon, Leitchfield, Loretto, Monticello, Nancy, Scottsville, Somerset, South Hardin and Tompkinsville, and of Tellers in the London exchange area. In recognition of deregulation, it is acknowledged that deregulated work usually performed by employees in these classifications and exchanges may also be performed outside the exchanges noted above.

## **ARTICLE 2**

### **GRIEVANCE PROCEDURE**

1. Differences arising between the Union and the Company with respect to any problem, dispute, complaint or controversy shall be processed in accordance with the procedure set forth in this Article.
2. The Union agrees that the Company shall assume no responsibility for and shall not be required to consider any grievance unless the grievance shall have been presented under and in accordance with the provisions of this Article "Grievance Procedure" and presentation made within thirty (30) calendar days after its alleged original occurrence.
  - 2.1 Grievances relating to the suspension discharge or demotion of an employee shall be filed within fifteen (15) calendar days following the effective date of the action.
  - 2.2 Any claims for back wages shall be limited to the amount of wages that the employee would otherwise have earned at his basic hourly wage, less the amount of any termination pay received from the Company and unemployment compensation received or receivable and/or any wages received from other employment.
  - 2.3 If any Union representative was not aware of the situation(s) that caused the grievance to be processed and if the grievance is presented to the Company thirty (30) days to three (3) months after the situation(s) occurred, the grievance may be subject to the full Grievance Procedure set forth in this Article 2, but shall not be subject to arbitration.
3. Any grievance must be reduced to writing on a Record of Grievance form adopted by the parties.
4. Grievance meetings between Union and Company Representatives shall be held at the request of the Union upon reasonable advance written notice to the Company. The time and place is to be mutually agreed to by both parties. Two copies of the Record of Grievance form shall accompany this advance written notice and shall set forth in substance the specific nature of the alleged grievance in sufficient detail that dates, times, occurrences and the nature of the circumstances causing the grievance can be identified readily so as to afford an opportunity to properly investigate the matter to be discussed prior to the meeting. There shall also be a statement as to the specific Article, Section and Subsection of this Agreement, if any, that is alleged to have been violated.
5. When a grievance is initiated, the steps in the Grievance Procedure shall be those listed below except that the parties by mutual agreement may eliminate one step.

- 5.1 An employee with a grievance is encouraged by the Company and the Union to present the grievance orally to his/her supervisor first with the Union representative present, if requested by the employee, and they shall jointly attempt to resolve the issue informally.

Step 1. An employee or group of employees may present a grievance in person or through the Union Steward, to the immediate supervisor who has supervision over, and direction of, the work performed by the employee(s). The immediate supervisor or his designated representative shall meet with the employee and representative(s) of the Union within seven (7) calendar days after receipt of the written notice and Record of Grievance form. The immediate supervisor or his designated representative shall render a decision in writing within seven (7) working days with a copy to the Local Union President by U.S. Mail after discussions at Step 1 have been completed.

Step 2. If the grievance is not settled satisfactorily at Step 1 and it is decided to appeal the grievance to Step 2, it shall be submitted to the designated Human Resources representative, within seven (7) working days after completion of Step 1. He/She or his/her designated representative, along with the Vice President/General Manager or designated representative, shall meet with the employee and representative(s) of the Union within seven (7) calendar days after receipt of the written notice of appeal and the Record of Grievance form. The Vice President/General Manager or designated representative shall render a decision in writing within fourteen (14) working days after discussions at Step 2 have been completed.

Step 2(a). If the grievance is not settled satisfactorily at Step 2, the grievance, if arbitrable, may be submitted to arbitration as provided for in this Agreement, upon written request of the Union.

6. If the Union does not appeal a grievance to the next higher step within the above specified time limits, the grievance shall be closed.
7. If either the Company or the Union is unable to meet within the time limits specified in any of the above steps of this Grievance Procedure, another date shall be set which is mutually acceptable to both parties.
8. Upon failure of the Company to submit a written decision within the specified time limits, the Union shall have the right to appeal the grievance to the next appropriate step in this Grievance Procedure.
9. Time limits mentioned herein shall be applied with full consideration to the limitations of mail delivery and area assignment of personnel.
10. Nothing in this Article shall be construed to restrict in any way the individual right of employees to present grievances directly to the Company, provided the Union has been given an opportunity to be present at the hearing and such settlement does not conflict with any terms or provisions of this Agreement.

11. It is understood that a Representative from the International Office may be present on the Union's behalf during Step 2 and onward.
12. The Union shall establish Local Stewards as may be required to adequately support the rapid processing of grievances. The Union shall, on a current basis, inform the Company in writing of the names of all Union Officers and Stewards.
13. The number of employees who shall suffer no loss in basic pay during their scheduled working hours for time consumed attending any grievance meeting with Management shall not exceed two (2) at any meeting. However, the Union may request additional employees to be excused, if needed to properly explain the Union's position, and the Company will respond promptly. Separate grievances filed by the Union on the same issue/incident may be combined and discussed in one meeting, if desired by the Company, and the above number of employees (2) suffering no loss in basic pay shall apply during combined meetings.
14. No adjustment of a Union presented grievance shall be effective until approved and endorsed in writing by the Local Union President and similarly approved and endorsed by the Vice President-Human Resources or his/her designated representative.
15. The Union or the Company may record, jointly or separately, the minutes of grievance meetings by any device or system.
16. Records pertinent to a grievance shall be made available upon request of a Union representative.
17. a. Grievance Mediation is a voluntary process. Either party may request in writing to the other party that a dispute be mediated but the other party must agree in order for the mediation procedures herein to be implemented. Neither a request for mediation nor an agreement to mediate modifies or affects the notice/processing requirements of Article 3, Sections 1 and 3. However, an agreement to mediate stays that notice requirement, subject to subparagraph o, below.  
  
b. The mediation procedures will only apply to disciplinary action-suspensions over three (3) days and discharges-which are specifically subject to arbitration under Article 3 of the primary Agreement. Other items may be submitted to mediation if jointly agreed upon by both parties and if the grievable items are subject to arbitration under Article 3.  
  
c. Within ten (10) calendar days after the answer at the third step, the authorized representative of the party desiring mediation shall submit their request in writing and the authorized representative of other party must respond within five (5) days in writing on whether they agree or disagree to mediate.  
  
d. The parties will proceed to select a mediator and establish a mediation conference at the earliest date feasible to all concerns.

- e. The mediation conference will normally be held in Elizabethtown, Kentucky, in either a Company or Union facility.
- f. Should the availability of the mediator unnecessarily delay the processing of the grievance in the opinion of either party, another mediator may be selected or the mediation process may be bypassed and the grievance pursued to arbitration.
- g. The grievant shall be present at the mediation conference and paid by the Company. If there is more than one grievant, only one (1) will be paid by the Company.
- h. Each party shall have one principal spokesperson at the mediation conference.
- i. The mediation conference will normally be attended by those people actually involved in the grievance. Each party will be responsible for the wages/expenses of its representatives and witnesses.
- j. Any written material that is presented to the mediator or to the other party shall be returned to the party presenting the material at the termination of the mediation conference.
- k. Proceedings before the mediator shall be informal in nature. The presentation of evidence is not limited to that which has been presented in the grievance proceedings. The rules of evidence shall not apply and no record of the mediation conference shall be made.
- l. The mediator will have the authority to meet separately with any person or persons, but will not have the authority to compel the resolution of a grievance.
- m. The Company and Union spokespersons may accept the resolution proposed by the mediator and such settlement or any other settlement agreement resulting from the conference shall not be precedent-setting, unless both parties agree.
- n. If no settlement is reached, the mediator shall provide the parties with an immediate oral advisory opinion, unless both parties agree that no opinion shall be provided.
- o. If no settlement is reached at mediation, the Union is free to submit the dispute to arbitration under Article 3, Section 1. The election to arbitrate must be made within thirty (30) days from the mediation conference date.
- p. In the event that a grievance which has been mediated subsequently is arbitrated, no person serving as a mediator between these parties may serve as arbitrator for the same grievance. In the arbitration proceedings there shall be no reference to the fact that a mediation conference was or was not held and there shall be no reference to or use made of any statement, oral or written, or things done at the mediation conference.

- q. The fees and expenses of the mediator shall be shared equally by the parties.

### **ARTICLE 3**

#### **ARBITRATION PROCEDURE**

1. If a difference arises between the Union and the Company with respect to the interpretation or application of the terms of this Agreement which cannot be resolved under the preceding Article, "Grievance Procedure," at the request of the Union the matter may be submitted to arbitration. This notice must be in writing and be served on the Company within forty-five (45) calendar days after the answer at the second step of the Grievance Procedure.
2. After the Company receives the Union's written request to submit an item for arbitration, the parties shall jointly determine the issue of the arbitration before it is submitted to the arbitrator. However, if the parties fail to agree on the issue, the determination of the issue itself shall be submitted to the arbitrator.
3. If within a period of ten days after the date of the request the parties fail to agree on an impartial arbitrator, the dispute shall be processed according to the rules of the American Arbitration Association. Upon failure to process arbitration requests within thirty (30) days after notice to arbitrate, the grievance shall be considered closed.
  - 3.1 The Arbitrator shall render decisions as expeditiously as possible on any and all matters submitted as provided in this Article. Unless waived or modified by mutual consent of the parties, the decision shall be rendered in no more than 30 days from the date that the arbitrator receives from the parties all facts to be used in the decision.
4. The decision of the arbitrator shall be final and binding upon both parties.
5. Each party shall bear the expense of preparing and presenting its own case and the cost of its own representatives and witnesses. The cost, if any, of the impartial arbitrator and of incidental expenses mutually agreed to in advance, shall be borne equally by the parties hereto.
6. The Arbitrator shall have jurisdiction and authority only to interpret, apply or determine compliance with the provisions of this Agreement or of any amendment made supplementary hereto, but shall not have jurisdiction to add to, subtract from, modify or alter any of these terms. The Arbitrator also shall be limited in his authority to a review and determination of the circumstances of the specific issue submitted for arbitration. The Arbitrator shall not possess authority to assess damages or punitive payments against either party to the other.

## ARTICLE 4

### SENIORITY

1. Seniority shall mean that portion of an employee's continuous service with the Company during which he/she is a member of the bargaining unit. (With respect to those employees who were transferred from Verizon to the Company on August 1, 2002, and who were members of the bargaining unit on that date, the records from Verizon, as to bargaining unit seniority it had credited the respective employee, as of that date, shall be determinative.) If employees are hired on the same date, on or after February 7, 2004, their relative seniority shall be determined by lot, at or immediately after date of hire.
  - 1.1 Seniority of an employee shall be deemed terminated by:
    - 1.1.1 Discharge for cause.
    - 1.1.2 Voluntary quit.
    - 1.1.3 Layoff for a period in excess of two (2) years.
    - 1.1.4 Being recalled from layoff, failure to report availability for work within seven (7) days, and or failure to report to work within fifteen (15) days from the date of such recall.
    - 1.1.5 Violation of the terms of a leave of absence or failure to return to employment immediately following termination of a leave of absence, or extension thereof.
    - 1.1.6 Retirement.
2. Seniority shall apply on a bargaining unit basis. If formerly in the bargaining unit, all service employees in job classifications other than those mentioned in Appendix A, must remain in a position continuously in the bargaining unit area as specified in Article 1, Section 1 in order to retain the accumulation of seniority in the event they are later covered by this agreement.
3. A promotion is the movement of an employee from one job to another job which carries a higher top rate of pay. Movement to a job location or work group with the same top rate is transfer and movement to a job with a lower top rate is downward. An employee who bids on a job and is selected to fill a job will bear his own transfer or moving expense.
  - 3.1 An employee exercising his seniority to obtain a vacancy in the bargaining unit shall be subject to the provisions of Section 5 of this Article.
    - 3.1.1 The Company may use properly validated aptitude, skills, and knowledge test(s) to determine necessary basic qualification as described above.

3.1.2 The Company will make available to employees information that will aid in preparation for these tests. This information will include suggested reading as well as test previews.

3.2 In the event an employee is demoted, who has less than twelve (12) months' service in a job from which he/she is demoted, a charge that the demotion was without proper cause shall not be subject to the arbitration procedures of the Agreement.

3.3 An employee transferred, will suffer no loss in pay for a reasonable time off to arrange for the moving of household goods and to make the trip to the new location.

#### 4. JOB BIDDING

4.1 Pertinent information regarding all job classifications within the bargaining unit shall be permanently posted by the Company on each Official Company Bulletin Board within all exchanges covered by this Agreement.

4.2 All vacancies will be posted electronically and/or via a telephone recording accessible by all bargaining unit employees. The posting will remain active ten (10) calendar days. Any interested employee must submit a job bid via fax by the closing of the ten (10) day job bid period. This includes promotional, transfer (change in classification and/or location without pay increase), and downward requests.

4.2.1 Bid submitted shall contain the job classification and district requested, as well as an outline of the education, experience, training, and other necessary qualifications which the bidder feels that he possesses and which are pertinent to the job classification.

4.2.2 At the time of the job posting, the local union president will be faxed a copy of the job requisition.

4.2.3 The above provisions will also apply to those employees in the same job classification and the same location, but different departments.

#### 5. FILLING JOB VACANCIES

##### 5.1 Order of priority.

5.1.1 Vacancies shall first be filled by reinstatement from Military Leave of Absence.

5.1.2 In lieu of considering job bids, the Company may decide to fill job vacancies: by return of employees displaced due to a prior force adjustment, by return of qualified employees from leave of absence under Article 6; and/or by re-employment of qualified employees laid off under

Article 20; and for Plant jobs by transfer from this Company of persons for whom the job would not be a promotion.

- 5.1.3 Other job vacancies shall be filled from submitted job bids, however, if there are no bids for that job and exchange currently on file or those bids on file are from ineligible, unqualified employees, the Company may fill the job vacancy at its discretion.

## 5.2 Basis for Selection

- 5.2.1 Reinstatement from leave of absence shall be in accordance with Article 6, and reinstatement from layoff shall be in accordance with Article 20.
- 5.2.2 In filling job vacancies from within the bargaining unit, seniority will prevail among qualified bidders where qualifications are relatively equal. In determining the qualifications of competing eligible candidates, the Company will consider aptitude, skills, job knowledge, prior experience and job performance, dependability, and the candidates' performance in their interview process. If there are no qualified bidders, the Company may fill the vacancy from outside the bargaining unit.
- 5.2.3 The Company is not required to consider a bid from an employee who has not occupied his/her present job classification in his present location during the preceding fifteen (15) months. The Company is not required to consider a bid from an employee seeking a transfer or downward move until the employee has occupied his present job at his present location for a period of twenty-four (24) months.
  - 5.2.3.1 The above provisions shall not apply to job classifications when first established in accordance with Article 4, Paragraph 4.1, if the new classification is the same as the employee's present classification.

## 5.3 Selection, Rejection and Notification

- 5.3.1 If the selected employee declines to accept the vacant job within two (2) working days or is otherwise unable to fill the vacant job within thirty (30) calendar days of the notification of selection, his job bid will be canceled.
- 5.3.2 The Company will notify the Local Union President of the name and seniority date of the person who was selected to fill the job vacancy. Any other bid on file for the selected employee will be canceled.
- 5.3.3 When a job bid is canceled, the Local Union President and the affected employee will be notified in writing.
- 5.3.4 If a job is vacated or a job is to be filled by the Company, the closing day for all bids on the job vacated or the job to be filled will be the date the

approved job requisition is date-stamped in the Human Resources Department and transmitted to the Local President. If a vacated job or a job to be filled is not filled within sixty (60) days after the closing of bids, the Local Union President will be notified. The new closing date becomes the date that the Union President is notified in writing that the Company still intends to fill the position.

- 5.3.5 When selected to fill a vacancy, the employee will be placed on the wage schedule of the new job classification within thirty (30) calendar days.
- 5.3.6 Should the Company experience a loss of 50% of a work group (or more), over a period of 12 months or less, the Company may hire experienced persons, from outside the bargaining unit, without regard to Article 4. The Company will use this understanding to fill only up to one-half of the vacancies where the need (number of jobs to be filled) is more than 3.

## ARTICLE 5

### VACATIONS

1. Regular employees shall be granted vacation at the basic hourly rate each calendar year according to the amount of accredited service and the following schedule:

<u>No. of Years</u>	<u>No. of Weeks</u>
Up to 1	0
1 to 4	2
5 to 14	3
15 to 24	4
25 or more	5

Vacation time shall be assigned by the company throughout the calendar year and so far as practicable, service requirements permitting, the time for vacations shall be made agreeable to employees. Vacations if not taken shall not be allowed to accumulate from year-to-year.

- 1.1 Employees eligible for four (4) weeks or more of vacation shall be allowed to carry over a maximum of one (1) week to be taken within the first three (3) months of the following year, in accordance with the vacation selection method in Section 1.0.
- 1.2 Notwithstanding, any other provision of this Agreement, employees unable to take their remaining vacation in the current calendar year due to being on an approved sickness disability period may reschedule such remaining vacation time in the next succeeding calendar year, but no later than March 31<sup>st</sup> of that year.

2. In the event a legal holiday occurs during an employee's vacation period, the employee shall have another day added to the vacation period with pay.
3. An employee who resumes employment following a leave of absence and who has not previously received his vacation for the year in which he resumes employment shall be eligible to a vacation when he has worked for as much as thirteen (13) weeks following his last paid vacation.
4. An employee electing to take his vacation in segments shall be entitled to exercise preference for only one (1) segment until other employees with lesser seniority have exercised preference for their vacation or first segment thereof.
5. An employee who leaves the Company, other than by discharge for cause, before his vacation is completed, shall be granted pay in lieu of vacation accrued at termination, provided he gives two (2) weeks' advance notice.

## **ARTICLE 6**

### **LEAVES OF ABSENCE**

1. Leaves of Absence, without pay for periods of up to six (6) months may be granted by the Company to employees with one (1) year or more of accredited service, upon receipt of written request for such leave and for good and compelling reasons.

Each such request will be considered on an individual basis and will be approved or disapproved dependent upon the compelling merit of the request.

2. Department leave without pay for periods of not to exceed thirty (30) calendar days, may be granted by the Company to employees with six (6) months or more of accredited service upon request and for good and compelling reasons. Such departmental leave shall not interrupt the accumulation of seniority or the continuity of service and, on return to active employment, the employee shall be assigned the job and classification from which furloughed.
3. An employee desiring to be reinstated from an original leave of absence (except for military leaves) will be reinstated from such leave provided the following conditions are fulfilled:
  - 3.1 That the employee has given the Company notice of the desire for reinstatement thirty (30) days prior to the desired date of reinstatement or thirty (30) days prior to the expiration date of the leave, whichever is earlier.
  - 3.2 That an opening exists in the job classification in which the employee was working at the time of going on leave or in another job classification for which the employee can qualify in the opinion of the Company.
  - 3.3 That all other terms of these articles of agreement are complied with.

4. If work is not available under Section 3 above, the Company agrees that the employee will be offered reinstatement before any new employees are hired for openings as in 3.2 above during a period of one (1) year from the date of requested reinstatement.
5. Before reinstating an employee returning from leave of absence, consideration will be given as to whether any impairment has been encountered during the leave which would render him unqualified to do the work or whether he has been guilty of misconduct during the leave which would have been proper cause for discharge.
6. None of the periods of leaves of absence under this Article shall be included in computing the employee's accredited service, nor shall such leave constitute a break in the continuity of an employee's accredited service.

## **ARTICLE 7**

### **SICKNESS AND DISABILITY BENEFITS/FAMILY MEDICAL LEAVE**

1. Absences due to sickness and disability shall be administered in accordance with the Company's Sick Pay Program and Short-Term Earnings Protection Program, as described during bargaining toward this Agreement.
2. Concerning Family and Medical Leave of Absence under the Family Medical Leave Act of 1993 (FMLA), it is argued that:
  - 2.1 The purpose of the leave shall be as follows:
    - 2.1.1 for the birth and care of a newborn child of the employee, or the placement of a child with the employee for adoption or foster care.
    - 2.1.2 to care for a spouse, biological or adoptive parent, or person who has acted in role as parent with day-to-day responsibility, or child (biological, adopted, foster or stepchild or legal ward or child for whom the employee has day-to-day parental responsibility) who has a "serious health condition."
    - 2.1.3 for a serious health condition of the employee which makes the employee unable to perform the functions of the position of such employee. As with any absence for a serious health condition, employees will be required to provide a "fitness for duty" certification to return to work after such leave.
  - 2.2 The total period of this leave will be up to twelve (12) work weeks within a twelve (12) month period, calculated on a "rolling" 12 months.
  - 2.3 Employees who have completed at least twelve (12) months of accredited service at the beginning of the leave and worked at least 1,250 hours during such period may be eligible for leave.

- 2.4 Leave may be taken on an intermittent or reduced schedule basis for reasons specified in paragraphs 2.2 and 2.3 if determined to be “medically necessary” as defined in the Departments of Labor Regulations 29 CFR Part 825. It may not be taken intermittently or on a reduced schedule basis for reasons specified in paragraphs 2.1 unless approved by the Company.
- 2.5 If an employee is granted intermittent or reduced schedule leave, the Company may require such employee to transfer temporarily to an available alternative, equivalent position that better accommodates recurring periods of leave than the employee’s regular position. Employees will be required to take any paid sick time for which they are eligible, as part of the FMLA leave period for reasons stated in paragraph 2.3.
- 2.6 Employees shall be required to present, to the satisfaction of the Company’s Human Resources Department, documentation concerning the basis for the requested leave of absence. Failure to provide medical certification within 15 days of the request for leave may result in denial of leave.
- 2.7 Employees shall provide the Company with at least thirty (30) days’ advance notice of intent to take leave when foreseeable.
- 2.8 In cases where both spouses are employees, the leave period will be restricted to a total of twelve (12) work weeks for both, except to care for a child with a serious health condition or for reasons provided in 2.3.
- 2.9 While on FMLA leave, eligible employees shall continue to receive company-paid life insurance and medical/dental benefits to the extent provided to active employees.
- 2.10 Upon return to work, employees granted FMLA leave shall receive accredited service for the period of the leave. There is no break in service for purposes of vesting, eligibility to participate in pension plans and other types of benefits and seniority.
- 2.11 Subject to Item 2.12, below, at the end of the approved leave (for each segment of the leave, as applicable), employees shall be guaranteed reinstatement to the same or equivalent job.
- 2.12 Reinstatement is subject to any contractual provisions of the collective bargaining agreement which cover adjustments to the work force that may have occurred during the leave of affected employees.
- 2.13 Employees who wish to change their projected return date may request the change and the Company will endeavor to accommodate such requests.
- 2.14 Employees, while on leave, shall be considered to have terminated employment if they accept employment with another employer, engage in business for profit, and/or apply for unemployment insurance benefits.

- 2.15 The provisions of this Memorandum of Agreement are not subject to the grievance or arbitration procedure of the collective bargaining agreement except for the application for reinstatement by employees on leave.
- 2.16 All terms herein shall be defined as set forth in the Department of Labor Regulations, 29 CFR 825.
- 2.17 The Company has the right to act in accordance with the Family Medical Leave Act of 1993 and to comply with the regulations provided by the Department of Labor.

## **ARTICLE 8**

### **WORKING HOURS**

1. **WORKING HOURS -- Plant Department**
- 1.1 The normal work day shall consist of up to any eight (8) scheduled hours, exclusive of a lunch period, and the normal work week shall consist of up to any five (5) scheduled days of the calendar week beginning with Sunday. However, this is not to be construed as a guarantee of eight (8) hours work per day or forty (40) hours work per week.
- 1.1.1 The Company will attempt to schedule normal work weeks on a five (5) consecutive day basis as it deems possible in meeting service requirements.
- 1.2 Employees will be scheduled tours in accordance with the provisions of this Agreement, however, the Company may make changes in the employee's scheduled hours and/or days, as may be deemed necessary. Employees who are given less than 24 hours' notice that their tour is changed, will be paid at the premium rate of time and one-half for the hours worked in their rescheduled tour which fall prior to or after their previously scheduled tour for the first day of the new tour. When the time of a lunch period is shifted (the end of the first session and the beginning of the second session) with less than 24 hours' notice, the premium rate of time and one-half shall not apply to the time worked during the previously scheduled lunch period. (See exception in Article 10, Section 11.3.)
- 1.3 Plant Department employees who enter a new classification as a result of the provisions of Article 4 may be assigned tours of duty as determined by the Company during a period of nine (9) months for training purposes. Upon completion of this training period, seniority shall prevail in the selection of work tours for such employee, service requirements permitting.
- 1.4 Plant Department employees may not "make-up" time lost due to absence by working outside regular scheduled working hours or "swap" off days, except in cases where, in the opinion of the Company, the work requirements permit and

provided such change does not result in the payment of overtime to any employee(s) by the Company.

2. A work day shall be defined as the period of time between 12:00 midnight preceding and 12:00 midnight ending any day. Any such tour or call out is a part of the work day on which such tour or call out begins. Pay for work which starts at or after 12:00 midnight preceding the day and before midnight ending the day shall be at the rate prescribed for that day.

## **ARTICLE 9**

### **OVERTIME, HOLIDAYS AND PREMIUMS**

1. The following overtime pay practice will prevail.
  - 1.1 Time and one-half shall be paid for all time worked outside the regular scheduled work day or work week, except as provided in Article 8, Section 1. Such overtime pay shall not be pyramided.
  - 1.2 Time and one-half shall be paid for all time worked on Sundays. The first eight (8) hours worked on Sunday shall be included in the basic forty (40) hours when computing overtime due for time worked in excess of the normal work week.
  - 1.3 Insofar as service requirements permit, employees (except "absentees," as defined in Section 6 of this Article 9) shall be excused without loss of basic pay (holiday pay credit) for legal holidays or the days celebrated in lieu thereof. Employees required to work on a holiday, or a day celebrated in lieu thereof, shall be compensated at the rate of time and one-half for each hour worked on the holiday (in addition to the holiday pay credit heretofore indicated). The first eight (8) hours worked on a holiday shall be included in the basic forty (40) hours when computing overtime due for time worked in excess of the normal work week.
    - 1.3.1 When a legal holiday falls on an employee's scheduled day off, he will be granted another day off within the same Calendar Month mutually agreeable to the employee and his immediate supervisor.
    - 1.3.2 When a legal holiday falls on Saturday, the preceding Friday shall be celebrated in lieu of the holiday. Employees normally subject to Saturday scheduling shall observe the holiday on Saturday.
    - 1.3.3 When a legal holiday falls on Sunday, the following Monday shall be celebrated in lieu of the holiday.
2. Legal holidays are: New Year's Day, Memorial Day, Fourth of July, Labor Day, Thanksgiving Day, Day after Thanksgiving, Christmas Day, and five (5) floating holidays.

3. An employee hired after the effective date of this agreement who has accumulated twelve (12) months' continuous service may select a regular work day to observe five (5) floating holidays provided:
  - 3.1 The employee will notify the supervisor at least ten (10) calendar days preceding the day desired to observe as the Floating Holiday so that management may review work requirements to determine that the day requested is available so that the schedule may be properly posted.
  - 3.2 When two (2) or more employees in a work group select the same day because of service requirements all requests cannot be approved, the less senior employee(s) will choose alternate day(s) in order of seniority.
  - 3.3 If the Floating Holiday is not selected by November 1, management will designate the day to be observed.
  - 3.4 Holiday schedules apply on the days designated in 1.3.4 and 2, above except when Christmas falls on Sunday. On such occasions the Holiday schedule will apply on Sunday and the weekend schedule will apply on Monday. Note: This paragraph applies to scheduling only and in no way alters or adjusts payment of wages.
4. Absent paid time shall not be included in the computation of overtime. (Exception: time off on a legal holiday, or a day celebrated in lieu thereof, which is excused with pay; time spent in grievance meetings; meetings with management and collective bargaining sessions shall be included in the basic forty (40) hours when computing overtime due for time worked in excess of the normal work week.)
5. Overtime shall not be worked unless it is first authorized by the employee's supervisor.
  - 5.1 Time and one-half shall be paid for all time worked outside the regular scheduled work day or work week, except as provided in Article 8, Section 1.2.
  - 5.2 When employees are recalled for work outside of their regular scheduled work hours, they shall receive a call out premium rate of time and one-half for all hours so worked, but in no case shall they receive less than a minimum of two (2) hours time and one-half pay.
    - 5.2.1 The work time allowed under Section 5.2 shall start when the employees report to their normal reporting center and will continue until they return to the normal reporting center or at the completion of the job with the exception outlined in Section 5.2.2 and Section 5.4.
    - 5.2.2 When the work necessary to care for the call-out extends beyond the regular starting time of the employee's next regular work day, overtime pay shall then terminate and regular pay shall apply during such regular work day.

5.3 When an employee is on a "call-out" the amount of time worked may include a maximum of thirty (30) minutes of the actual driving time from the employee's home to the reporting location and back.

5.4 The Company shall, so far as practical, equally and impartially distribute overtime opportunity among the qualified employees who generally work on the class of work being performed in their respective localities. The Union acknowledges the responsibility of the employees to the Company and to the public and agrees that it is the obligation of all employees to perform overtime work as required, unless the employee, on occasion, has a valid reason to decline. These equalization of overtime and satisfaction of overtime need goals will be addressed as follows:

#### 5.4.1 Ready To Serve

When the Company needs require it, a Ready to Serve differential will be paid to employees who are subject to call by management during hours they are off duty.

The following shall apply:

- a. In specific job classifications and/or work groups where business needs exist, the Company will determine the number of employees needed to be on Ready to Serve.
- b. Employees may volunteer and if selected or assigned by the Company to be on Ready to Serve, they are expected to be available and accessible, to respond in a timely manner as determined by business needs. It is understood that no employee will be required to be on Ready to Serve more than one week per month.
- c. The Company will rotate Ready to Serve duties among the qualified employees.
- d. Ready to Serve differential pay shall be \$12.00 per day, for each scheduled work day of assignment and \$20.00 per day for each non-scheduled day of assignment. No additional premiums and/or differentials will be paid while Ready to Serve pay is in effect, while the employee is off duty.

If work is performed, the employee shall receive the Ready to Serve pay plus the applicable call out amount as set forth in paragraph 5.2, above.

A Ready to Serve day begins at 5:00 p.m. and ends at 4.59 pm. the next day.

- e. Normal contact to the employee will be via the regular telephone switch network. In such areas where other technology may be

available to contact the employee (example: pagers) such will be used at Company discretion.

- f. This practice does not supersede normal call out procedures if additional employees are needed.
- g. The Company reserves the right to apply the Ready to Serve pay differential to any situation (any employee, work group, etc.) deemed appropriate, after discussions have been held with the Union.

#### 5.4.2 Preference To Decline.

Except as provided in 5.4.1, above, if an employee does not wish any overtime, he may so indicate to his supervisor in writing and it will be posted on the scheduled overtime record relieving the Company of the responsibility of future contacts with this employee. This does not grant the right to refuse overtime.

#### 5.4.3 Records and Order of Call-Out.

Except as provided in 5.4.1, above, and consistent with 5.4.2, above, the following shall apply:

- a. Overtime will only be returned to zero on Sunday of the week containing January 1 of each year.
- b. During the week of January 1, the senior qualified employee in each work group is provided first opportunity for call-out.
- c. Beginning with the second week, the next senior qualified employee in the work group is afforded first call out opportunity. This process continues weekly until all in the group have had this opportunity for a week. Thereafter, the qualified employee with the least accumulated overtime for the period is to be called on each occasion.
- d. If a qualified employee is contacted and refuses overtime or a call-out, the same amount of time subsequently paid will be charged against the employee (who declined) on the overtime/call-out list.
- e. The call-out list will be updated on a bi-weekly basis and will cover the preceding two work weeks (Monday through Monday). The call-out list will become effective at 8:00 a.m. on Monday.
- f. The Duty Supervisor's updated call-out list will become effective at 8:00 a.m. on Monday, eight (8) days after the period covered.
- g. Cumulative overtime is calculated by adding overtime hours actually paid. For example, if an employee is called out and works one hour,

he/she is paid for two hours. Therefore, two hours will be added to the accumulated overtime record.

- h. A new employee who enters the work group is credited with the group's cumulative average for equalization of overtime purposes when the employee is deemed qualified for call-out work and is placed on the call-out list. The same cumulative average shall be credited to any employee who chooses to cancel his/her preference for no overtime under 5.4.2, above.
  - i. The Company will be relieved from equalization of overtime for any employee who has submitted a written request under 5.4.2, above, during any point in the calendar year.
6. The term "absentee" as used herein is defined as: Any employee failing to report for scheduled work on the holiday; or any employee not scheduled to work on a holiday who is absent from scheduled work the day before or the day following without being excused by the appropriate supervisor.
7. The parties agree that the Company may establish a four (4) day, ten (10) hour work week as an option to the typical five (5) day, eight (8) hour work week. The terms of this Section, when in conflict, shall take precedence over inconsistent provisions of this Agreement.

7.1 The "four-ten" schedule will apply, as determined by management, primarily to COE Installation and OSP Construction employees, on assignment out-of-town.

7.1.1 Other circumstances where the Union and the Company mutually agree to as "four-ten" schedule.

7.2 Overtime – Overtime will be paid for hours worked in excess of ten (10) in any one day or forty (40) in any one week.

7.3 Holidays:

7.3.1 Not Worked – Four (4) days will be scheduled, exclusive of the holiday, and the employee will receive eight (8) hours' holiday allowance in addition to pay for time worked.

Another option that the employee would have in this situation, subject to supervisory approval, is that he/she could request to be scheduled three (3), ten (10) hour days and he/she could make up the other two (2) hours at a time agreeable to the supervisor, to reach thirty-two (32) hours worked. The holiday allowance will be handled as described in 7.1.1, above.

7.3.2 Worked – For the employee on the "four-ten" schedule who works on the holiday, holiday allowance is eight (8) hours, and pay for the time worked will be

computed in accordance with Article 9, Section 1.3 of this Agreement, except that “ten (10) hours” replaces “eight (8) hours.”

7.4 Vacation – Vacation shall be paid on the basis of five (5) eight (8) hour days. However, should an employee take a vacation day as “day-at-a-time,” he/she will be allowed to take four (4), ten (10) hour days. In no case will an employee receive more hours of vacation per vacation week as a result of being on four-ten schedule than an employee who is not on four-ten.

7.5 Authorized Paid Absences (death in immediate family, and jury/witness duty) – In those instances where payment is provided for authorized absences, the pay will be up to ten (10) hours per day.

7.6 Sickness – Disability Benefits – For an employee working the “four-ten” schedule, payments will be made on the basis of a ten (10) hour day.

7.7 Evening Premium – No evening premium will apply for a “four-ten” tour ending at or before 7:00 p.m.

8. Kentucky ALLTEL, Inc. and International Brotherhood of Electrical Workers, Local Union 463, agree to establish a flexible tour schedule which shall take precedence over Article 8, Working Hours, and Article 9, Overtime, Holidays and Premiums, in the primary Agreement between the parties. The Company and Union agree to make available a flexible work schedule that would allow full-time employees, based on service demands, to work one or more ten (10) hour work days as part of their normal work schedule and receive time off in lieu of overtime pay.

The flexible tour schedule is voluntary and is intended to apply principally to Service and Construction employees, but it may be extended to other employees as appropriate. Work groups who are on a four-day work week schedule would not be eligible for a flexible schedule.

Overtime will be paid for all hours worked in excess of ten (10) hours in one day or forty (40) in any one week for which overtime has not been paid on a daily basis.

In lieu of receiving overtime pay, employees who work one or more ten (10) hour days in a work week will be allowed to request time off during a mutually agreed upon time (between the supervisor and employee) during the same work week for all hours worked beyond eight (8) in any one day. Any such request must be made and agreed to in advance of the employee working a ten (10) hour tour that would otherwise be paid at the overtime rate for all hours worked over eight (8).

Time off cannot be carried over beyond the normal work week in which the ten (10) hour tour occurred. In the unusual circumstance where service requirements do not permit time off during the same work week for all hours worked beyond eight (8) in any one day, normal, overtime pay will apply.

Should it be necessary to limit the number of flexible tours available, seniority will be the determining factor among the qualified employees who normally perform the work.

It is understood that the terms of this Section shall take precedence over the principal agreement between the parties.

Either party, upon ninety (90) days' advance notice in writing, may cancel this Section.

## **ARTICLE 10**

### **RULES AND WORKING CONDITIONS**

1. This Agreement contains and sets forth completely the entire understanding between the Union and the Company and supersedes in its entirety all previous Agreements. There are no oral agreements which have not been reduced to writing for specific inclusion in this Agreement. No changes shall be effective until reduced to writing in a Memorandum of Agreement for specific inclusion in this Agreement and signed by the Local Union President and by the Company's Authorized Representative. All provisions of this Agreement shall apply equally to all locations covered by this Agreement, unless otherwise specified.
2. The Union agrees to cooperate with the Company in replacing any employee covered by this Agreement found guilty of not performing his or her duties in a reasonably efficient manner, or who consistently acts in an objectionable manner to his or her fellow employees, customers of the Company or the Company.
3. Warnings which may lead to or result in disciplinary action shall be submitted in writing to the employee or employees concerned and a copy of such warnings shall be furnished to the Union.
4. If reasonable notice is given to his or her supervisor, an employee shall suffer no loss of regular pay for up to three (3) otherwise normally scheduled work days absent because of death in the immediate family or other close relative in the household of such employee.
  - 4.1 Immediate family shall be defined as consisting of wife, husband, daughter, son, mother, father, brother, sister, grandmother, grandfather, mother-in-law, father-in-law, brother-in-law, sister-in-law, grandson, granddaughter.
  - 4.2 The burden of proof concerning the requirement for the above absence shall be on the employee. Holiday time, sick time or vacation time paid during such absence shall be included in calculating allowable paid time off.
  - 4.3 Employees who are pallbearers shall be allowed the necessary time off with pay up to a maximum of four (4) hours. It is understood that the Company may, at its

discretion, consider unusual circumstances and extend the four (4) hours to a maximum of eight (8) hours.

5. Employees may be excused from duty for reasonable periods in order to serve on jury duty. They will be compensated by the Company for such absences by whatever amount represents the difference between the amount paid for such services and the amount normally paid by the Company, should they have been at work during the period of absence, should the latter be greater.

5.1 The above compensation will also apply when subpoenaed for witness duty as a result of involvement in accidents while on Company time.

## 6. Relief Periods

- 6.1 All Plant employees shall be assigned or allowed one (1) fifteen (15) minute relief period during each session worked. In no event shall the relief period be assigned or allowed to start less than one (1) hour from the beginning or end of each session unless a service emergency develops. Employees are not permitted to drive Company vehicles to take their relief periods unless they are already on the most direct route between job assignments. It is mutually agreed that abuse of relief period privileges by any employee is proper cause for discipline.

7. It is the policy of this Company that employees will not be required to perform routine work that does not involve service outages out-of-doors in inclement weather when in the judgment of the employee's supervisor such work cannot be efficiently and safely performed. This section shall be subject to the grievance and arbitration procedure.

8. Employees who drive Company vehicles in the normal course of their work may drive a reasonable distance for meal periods. Driving for meal periods shall be on the employee's own time.

9. Expense Allowances. Employees who are required to work away from their headquarters and are not returned to such headquarters at the end of the working day shall be paid allowances in accordance with the following:

9.1 The Company will specify the means of transportation to be used other than the employee's personal car. However, the Company, at its option, may authorize the employee to use his personal car if it is agreeable to the employee. Whenever an employee is authorized to use his personal car in connection with job duties, the Company will reimburse the employee at the IRS guidelines per mile for such use on Company business.

9.2 The Company may, at its option, provide board and/or lodging for its employees.

9.3 If the Company does not provide board and/or lodging, an employee may select one of the following options:

9.3.1 A meal allowance of \$28.00 per day

Breakfast	\$ 6.50
Lunch	\$ 6.50
Dinner	\$15.00

and a lodging allowance of \$19.00 per day in lieu of all other expenses, except job connected transportation as stated in Section 9.1, above. If less than three meals are consumed away from his headquarters, reimbursement will be on a pro rata basis. Meals for which the Company pays an allowance will be eaten on the employee's own time. If conditions indicate that adjustments are necessary, additional allowances may be authorized.

9.3.2 A commuting allowance per day or part day worked, in lieu of all other expenses, as provided below. When receiving the commuting allowance, the employee travels on his own time, using personal transportation to and from his regularly established home.

Zone 1 --	\$12.00	Up to 20 miles
Zone 2 --	\$20.00	21-40 miles
Zone 3 --	\$28.00	41-60 miles
Zone 4 --	\$35.00	Over 60 miles

The distance in the above bands are measured "one way." An employee who elects to commute is paid the rate associated for the appropriate band for each day.

9.3.3 Company-provided lodging with the meal allowance of \$28.00 per day, as provided in Section 9.3.1, above.

9.3.4 It is recognized that the Company intends to provide lodging with, in the Company's judgment, reasonable accommodations to individual employee circumstances.

9.4 Notwithstanding the other provisions of this Section 9, no allowance will be paid when an employee works in his home location exchange even though such home location is away from his headquarters.

9.4.1 Additionally, employees, the union and management may mutually agree to an alternate reporting location, other than the home exchange, when travel to such location results in less travel for the employee than to the normal reporting location for his/her work group. In this case, no travel allowance is due.

9.5 When the Company has not returned an employee (who is receiving expenses under Section 9.3.3 or 9.3.4 above) to his headquarters by the weekend or other

day(s) off and when work conditions permit, such employee may return to his home on his own time with his travel expense paid by the Company. The Company will not pay travel expense in excess of the amount the Company would have otherwise paid for board and lodging for the period involved. Any amount in excess of board and lodging will be paid by the employee. Such employee will be expected to report back to his temporary work location at the beginning of his next scheduled tour. If the employee remains in his temporary work location during his day(s) off, he will receive expenses under Section 9.3.1 or 9.3.4 above for such day(s).

9.6 When an employee is sent out of state, and the Company determines that the allowances established under Section 9.3.1 or 9.3.4 above are inadequate, additional allowances will be authorized.

#### 10. Differentials.

10.1 When two (2) or more Plant employees are working together on the same job without a supervisor for more than four (4) hours one of them may be designated by the Company as being "in charge" and if so will be paid a "Working Leader" differential as set forth in Appendix B.

10.2 The "Acting Supervisory Differential" for Plant employees is set forth in Appendix B.

10.3 Tour premiums and differentials for Plant employees are set forth in Appendix B.

10.4 Where a combination of scheduled and overtime work on the same day extends into a period for which Tour, Split Tour, or Plant Tour Premiums are payable, only the overtime rate shall be paid for the hours which are worked beyond the normal scheduled time.

10.5 Split Tour or Plant Tour Premiums will not be paid when an employee is receiving the overtime rate. Such premiums will not be paid for call-outs.

10.6 Employees substituting on a higher rated job for two (2) hours or more in one day shall be paid at the next higher rate on the wage schedule of the higher rated job.

10.6.1 Because of customer demands and changes in network configuration, the employee who is most available may be required to perform repair work in non-manned central offices and remote units. All necessary training will be given to employees when required. However, employees other than COE technicians performing this work will not be paid the rate of the higher classification unless they perform these duties continuously as defined in 10.6.

10.7 To the degree necessary for the efficient operation of the business, employees may be assigned to perform the work of a classification that is lateral or lower with no change in the rate of pay.

## 11. Definitions

- 11.1 Working Leader – Non-supervisory employee on productive work who, when so designated by the Company, coordinates and assigns the work activity of one or more other employees and may contribute to the training of such employees.
- 11.2 Regular Employee – An employee who is capable of and available for full-time work and has completed the probationary period.
- 11.3 Regular Part-Time – An employee who is normally scheduled to work less than the number of hours of work in the normal work week and has completed the probationary period . If the number of hours of work for regular part-time employees are not equal, an attempt will be made to offer the greater to part-time employees in order of seniority. Seniority for part-time employees shall be determined by the accumulation of actual hours worked as they relate to the regular work week. A part-time employee may work on days off or additional hours outside his scheduled tour without being paid the overtime rate of time and one-half, provided the total hours are not over eight (8) per day or forty (40) per week.
- 11.4 Temporary Employee – One whose term of employment is not intended to last more than one (1) year or who is engaged for a specific project involving a period of time of more than a year. A temporary employee shall not accumulate seniority. However, when a temporary employee becomes a regular employee, he shall be given seniority credit back to his most recent (last) date of employment.
- 11.5 Basic Hourly Wages – The rate of pay as designated in the attached Appendix A exclusive of all differentials, premium or any other payments.
- 11.6 Probationary Employee – An employee who is engaged by the Company, who has not acquired three hundred sixty-five (365) days of uninterrupted accredited service or its equivalent and may be terminated for failure to meet the Company's standards of employment at the Company's discretion. Such termination of probationary employees by the Company shall not be subject to the arbitration provisions of this Agreement.
- 11.7 Tour Premium – An amount in addition to basic hourly pay which an employee is paid for working evening or night hours.

- 11.8 Tour Differential – An amount in addition to basic hourly pay for additional responsibilities performed by an employee during any shift or tour.
- 11.9 Accredited Service – That prior service identified and agreed upon by the Company and the Union as a result of the process set forth in paragraph 10(a) of the January 28, 2004 Settlement Agreement (a process designed to create an agreed list of accredited service dates as of February 7, 2004), plus seniority which the employee earns (and retains) subsequent to February 7, 2004. There shall be no bridging of either seniority or accredited service for a person rehired subsequent to February 7, 2004. Accredited service has no application to credit under qualified benefit plans, the terms and definitions of which prevail.
- 11.10 Wage Length of Service – (Wage Experience Credit) – Is the period accredited to an employee in the application of the wage schedule for his job classification. The wage length of service does not accumulate beyond the number of months at which an employee attains the maximum for his job. If one is employed at a wage rate higher than the normal starting rate, the wage length of service will include such credit as is given at the time of employment or reemployment plus the service accumulated thereafter. The wage length of service will be adjusted as stated in Article 19.
- 11.11 Night tours are those tours of duty which begin at or after 9:00 p.m. and before 5:00 a.m.
- 11.12 Whenever the masculine or feminine pronoun is used in this Agreement, the opposite pronoun is also intended.
- 11.13 Employee temporarily loaned – An employee on loan from one classification to another. The duration of such temporary loans will not exceed six (6) months unless a longer period has been agreed to by the Union President. It is recognized, however, that employees are assigned to work out of classification on a routine basis, and this is not a “loan” from one classification to another.
12. Attire and appearance consistent with reasonable workplace expectations is required.

## **ARTICLE 11**

### **DEDUCTION OF UNION DUES**

1. The Company agrees to make collection of Union Dues and C.O.P.E. deductions not oftener than once each month, through payroll deduction from employee's pay upon receipt of a written authorization form signed by the individual employee and delivered by the Union to the Company. The Company will remit the amounts so deducted to the representative of the Union designated by the employees and will

furnish to the Union a copy of a list of employees for whom such deductions have been made and the amount of each deduction.

2. The Company shall bear the full cost of the undertaking herein above set forth. The authorization form shall be prepared jointly by the Company and the Union and shall bear the approval of both of them.
3. The Union will indemnify and save harmless the Company from any and all claims, liabilities, and disputes arising out of or by reason of any action against the Company under this Article. The Union agrees that the Company assumes no responsibility in connection with the deduction of dues except that of forwarding money deducted as set forth in this Article.

### **IBEW-COPE**

Upon written request of a member of IBEW Local 463 on a form acceptable to the Company and subject to revocation by the employee at any time, the Company agrees to deduct from earned wages of the employee contributions to the Union's Cope committee in a specified amount of \$1.00 or more per month on the condition that such payroll deductions are deposited in and disbursed from a separate segregated fund account of the Union which is registered with the Federal Election Commission, and that the Company is reimbursed for expenses incurred in making such payroll deduction program available and administering such program. The Union agrees that it will defend, indemnify and save the Company harmless against any and all claims made upon or suits instituted against the Company arising out of or resulting from the application of the provisions of this Section. The monies shall be transmitted to International Brotherhood of Electrical Workers, AFL-CIO Committee on Political Education, 1125 Fifteenth Street, N.W., Washington, DC 20005, on a monthly basis along with an accounting of the Contributor's names, amounts deducted, Social Security number and Local number. The Company will be reimbursed for such expense at the rate of \$.03 per month per participating member.

### **WAGE DEDUCTION FORM IBEW-COPE**

Date \_\_\_\_\_

I, \_\_\_\_\_, being a member of IBEW Local 463 hereby authorize and direct Kentucky ALLTEL, Inc. to deduct from my wages the sum of \$ \_\_\_\_\_ per month and forward this amount monthly to the above committee for deposit in its federal election campaign account for contributions to candidates.

I understand that this payroll deduction may be revoked at any time.

\_\_\_\_\_  
Employee's Signature

A copy of our report is filed with the Federal Elections Commission and is available for purchase from the Federal Elections Commission, D.C. Members solicited for contributions to this political committee are free to choose not to contribute without fear of any reprisal. Neither this authorization nor any payment hereunder is a condition of membership in the Union or of employment with Kentucky ALLTEL, Inc.

## ARTICLE 12

### UNION SECURITY

1. Under Federal labor laws, and obligations under the Agreement, the Union is required to represent all of the employees in the bargaining unit fairly and equally without regard to whether the employee is a member of the Union. In consideration thereof, Agency Shop provisions will prevail during the term of this Agreement.
  - 1.1 Membership in the Union is not compulsory. Employees in the job classification within the collective bargaining unit are free to accept or to decline membership in the Union.
    - 1.1.1 Any employee who is a member of the Union may, upon proper notice, voluntarily withdraw from such membership but may not, thereby be relieved of Agency Shop requirements herein.
  - 1.2 Subject to conditions set forth within this section, all regular full-time, part-time, and temporary employees within thirty-one (31) calendar days of hire, and, shall as a condition of employment, and at their option either: (1) apply for membership in the Union and, if accepted, maintain membership thereafter during the term of this Agreement; or (2) alternatively arrange to pay to the Union a service fee equal in amount to the membership dues uniformly required for all members.
  - 1.3 For the purposes of Article 12, Section 1, the following definitions will apply:
    - 1.3.1 SERVICE FEE EMPLOYEE – Means a covered employee who elects not to become a member of the Union, or who withdraws membership from the Union and is required in lieu of membership to pay representation fee to the Union.
    - 1.3.2 PROPER NOTICE –Means that the employee will notify both the Company and the Union by registered mail, return receipt requested. Notice to the Company will be directed to the Labor Relations Section, and notice to the Union will be to the Local Union President.
    - 1.3.3 These Agency Shop provisions apply to all covered newly hired employees as defined in Section 1.2 whose date of engagement is on or after April 1, 1980. In addition, for the purposes of this article only, any employee who is transferred into this Bargaining Unit will also be treated as a newly hired employee.

- 1.3.4 An employee who was a member of the Union on the effective date as specified in Section 1.3.3, above, is subject to the Agency Shop requirements herein.
  - 1.3.5 Any employee who is not a member of the Union on the effective date specified in Section 1.3.3, above, is excused from the Agency Shop requirements. However, such employee may elect to join the Union, or to become a Service Fee employee at any later time at his/her option.
  - 1.3.6 Service Fee employees are in no manner members of the Union, and possess no membership rights, privileges, or responsibilities that accrue to members of the Union.
  - 1.3.7 No Service Fee employees shall be required to pay the representation fee during any period that, by Union rules or actions, dues payments are suspended or not enforced for regular members of the Union.
  - 1.3.8 Nothing herein shall be construed to limit the Union's lawful rights to determine and enforce regulations regarding acquisition of, and retention of, membership in the Union. Any covered employee who is refused membership, or whose membership is involuntarily terminated by action of the Union body (other than for refusal to tender initiation fee and periodic dues) shall not be subject to discharge of employment but, rather, shall take on the status of a Service Fee employee.
  - 1.3.9 The Company shall incur no liability in the enforcement of this Article.
2. The Union agrees that it will not intimidate or coerce employees into membership in the Union. The Union further agrees that the Union initiation fees and membership dues or service fees will be uniform, reasonable and not discriminatory.
  3. It is expressly understood and agreed between the parties that nothing herein contained shall require the Company to discharge any employee for non-membership in the Union, except upon written demand of the Union, and only for failure of a covered employee to tender the periodic dues or service fees required as a condition of employment.
  4. The Company will advise all new employees that there is a collective bargaining agreement in existence and furnish the employees with a copy of said agreement.
  5. The Company further agrees to keep the Local Union President advised of the names of the new employees in the Bargaining Unit. It is agreed upon request of the Union representative to discuss with the new employee Union membership, the Company will arrange for the employee to meet with the representative during the regular relief period of the representative.

## **ARTICLE 13**

### **UNION ACTIVITIES**

1. Bulletin Boards. Union bulletin boards of a size and type and location approved by the Company may be installed by the Union without cost to the Company. After installation the bulletin boards will become the property of the Company and will be maintained by the Company.
2. An employee who requests time off for Union activities in addition to regular time off shall be granted same if such time off will not impair the operations of the Company. Any employee desiring to be so excused shall make this request to the Company at least thirty-six (36) hours in advance, unless there are extenuating circumstances. It is provided further that no employee shall receive compensation from the Company for such time off, except as provided in Article 2, Section 13.
3. Union members who are also employees of the Company may solicit members, distribute Union literature and carry on similar Union organization work outside of working periods in space where no Company operations or administrative work is being performed. Such activities shall not interfere with Company operations or service to the public.

## **ARTICLE 14**

### **CONTRACTING WORK**

Nothing in this Agreement shall be construed to limit the Company in the employment of such contract labor as may become necessary in the judgment of the Company. However, contracting of work shall not cause the layoff or part-timing of regular, full-time employees regularly performing the same work as that performed by such contract labor.

It is understood that the transfer of work or functions to other Company locations and/or affiliate companies is not covered by this provision and not restricted by this Agreement.

## **ARTICLE 15**

### **FEDERAL OR STATE LAWS**

Nothing in this Agreement shall be construed to require either of the parties hereto to act contrary to any state or federal law or regulation. In the event that any such condition arises it is agreed that this Agreement shall be deemed to be modified in respect to either or both parties to the extent necessary to comply with such law or regulation.

The Company and the Union recognize that it is to their mutual benefit to provide a service which conforms to regulatory requirements. It is the Company's responsibility to establish methods, practices and procedures which comply with the Articles of

Agreement and to explain to employees the need and the relationship to service requirements.

## **ARTICLE 16**

### **CONTINUOUS EMPLOYMENT**

1. During the term of this Agreement, neither the Union nor any employee covered by this Agreement shall instigate, promote, sponsor, engage in or condone any interruption of or interference with work over any dispute involving the interpretation or application of this Agreement, or for any other reason, including a sympathy strike. However, no employee will be required to cross primary picket lines, except those appearing at Kentucky ALLTEL facilities located within the territory covered by the bargaining unit referenced in this Agreement. In the event that any employee or group of employees covered by this Agreement shall, during the term of this Agreement, participate or engage in any of the activities herein prohibited, the Union agrees immediately upon being notified by the Company, to direct such employee or groups of employees to cease such activity and resume work at once.
2. In order that the intent and purpose of this Article 16 may be effectively executed, the Union agrees that the Company may discipline or discharge any employee violating the no-strike provisions of this Article 16.
3. During the term of the Agreement, the Company agrees not to cause, permit or engage in any lockout of its employees.
4. The Company and the Union agree that the grievance and arbitration procedures provided herein shall be the sole and exclusive means of resolving all grievances arising under the terms of this Agreement.

## **ARTICLE 17**

### **TOOLS**

1. It is now the Company's policy to furnish climbers, tool belts and safety belts, lag wrenches, hammers and small hand tools for those plant employees who need them in their work and who desire the Company to do so.
2. The Company reserves the right of inspecting all tools at any time, and condemning for further use any tool which is worn out or unfit for further use or any tool which was not furnished by the Company.
3. Employees who are furnished tools by the Company will be held responsible for their proper use, maintenance, and care of such tools and will be held to an accounting of all tools at the time of replacement thereof, or upon termination of the service of the employee with the Company.

## **ARTICLE 18**

### **WORK BY SUPERVISORS**

1. Supervisors and other employees outside the Bargaining Unit will not perform the work of employees included in the Bargaining Unit except in service emergencies, or for the purpose of training of employees and such other work as may be required when an appropriate Bargaining Unit employee is not available or cannot be reached for an assignment. The parties, however, recognize that there are proper exceptions to this general practice, made in the interest of service, and in such cases nothing herein is intended to prohibit the Company from working supervisors on such non-supervisory work for short periods of justifiable time.

## **ARTICLE 19**

### **WAGE ADMINISTRATION**

1. The wage schedules in Appendix A indicate the six (6) month intervals at which employees covered hereby will be eligible for wage increases and basic wage rates at the time intervals shown on the wage schedules. The basic hourly wage rate shall be determined by the following:
  - 1.1 Job classification.
  - 1.2 Attendance, punctuality, ability, application and conduct as well as quantity and quality of the employee's work.
  - 1.3 Credited service since the last merited progression increase.
  - 1.4 Wage progression increases will be made effective at the beginning of the payroll period nearest the actual six (6) month date.
2. It is recognized that cases may arise where it would be advisable for the Company to grant increases at intervals longer than shown on the schedule for those employees who are not making satisfactory progress.
3. When an increase is withheld, the employee's supervisor shall notify the employee of the reason therefore, in writing, prior to the date on which the increase would have been effective had it not been withheld.
4. When an employee's increase is withheld or an employee is advanced to a higher progression step on the wage schedule at an accelerated rate, his wage length of service will be appropriately adjusted.
5. When an employee is promoted to a higher rated job classification, he will be placed on the wage schedule of the new job classification (a) in accordance with his wage length of service, or (b) on the progression step where the wage rate is closest to and immediately higher than his present wage rate – whichever is the lower wage rate. If

(b), above, is applicable, the employee will progress on the new wage schedule to the next applicable step within the same period of time that he otherwise would have progressed on his prior wage schedule, and progress thereafter in accordance with the normal progression step(s) for the new wage schedule. In addition, when (b), above, is applicable, an appropriate adjustment will be made in his wage length of service.

5.1 When an employee is reclassified to another job classification on the same wage schedule or to a lower rated job classification, he will be placed on the wage schedule of the new job classification in accordance with his wage length of service. If an employee is demoted and returned to his former job classification within the promotional probationary period, his wage length of service will be treated as if the promotion had not occurred.

5.2 In no case shall an employee's new wage rate exceed the maximum rate of his new job classification or wage schedule.

5.3 The wage rate of an employee shall not be advanced to a progression step higher than his wage length of service would warrant.

## **ARTICLE 20**

### **FORCE ADJUSTMENTS**

1. When, in the opinion of the Company, conditions are such as to require part-timing or layoff of regular full-time employees, the Union shall be notified as to the general scope of the layoff two (2) weeks prior to its effect and the following procedure shall apply:

1.1 Regular employees may be transferred to another location in their same job classification according to seniority on a voluntary basis on the part of the employee when a reduction in force exists in their job classification.

1.2 Temporary and part-time employees shall be laid off first.

1.3 Additional regular employees will be laid off or part-timed in inverse order of seniority, to the extent deemed necessary.

2. When an employee is notified by the Company that he/she is to be laid off or bumped by a senior employee, that employee may claim a job held by the least senior employee in a selected, lower or lateral classification, and/or exchange, if he/she is able to perform the duties of that job within a five-day orientation period.

2.1 An employee may elect to claim a higher rated job classification if they have previously held the job and meet all other criteria described in paragraph 2, above.

2.2 Reassignment pay protection. When an employee is to be placed in a lower classification as a result of force reduction and the employee's wage rate prior to the adjustment is in excess of the maximum wage rate for the new job, the

employee's rate will be adjusted to the maximum rate for the new job, effective at the beginning of the sixth payroll period which occurs after the effective date of the reclassification. When the employee's rate of pay at the time of the adjustment is equal to or less than the top rate of the new job, the employee shall be paid at his/her existing rate.

3. Recall after layoff or displacement of regular employees shall be in the reverse order of layoff or displacement provided the employee is available, has kept the Company informed of any change in address, is physically capable of performing the job available at the time of recall, and the period of layoff for such employee has not exceeded two (2) years.
4. For a period of two (2) years after the effective date of force adjustment, the following will apply to recall:
  - 4.1 Employees who have been laid off or who exercised their seniority under paragraphs 1 and 2 shall be recalled to their former job and exchange as vacancies occur, in order of seniority.
  - 4.2 Prior to hiring, laid off employees will be given one (1) offer of re-employment within their own district as vacancies occur. Acceptance or refusal of such a vacancy will not cancel the employee's recall rights to former job or exchange.
  - 4.3 Employees being offered return from layoff will be notified by registered letter sent to the last mailing address shown in the Company's records. Employees must accept or refuse return within seven (7) days and if they accept must report to the job within fifteen (15) days.
5. Separation Allowance – Regular employees laid off in accordance with this Article and employees retiring at compulsory retirement with insufficient accredited service to receive a pension, shall be paid termination allowance in accordance with the following table:

Complete Years of Net Credited Service	No. of Weeks Basic Pay
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9
10	10
11	12
12	14
13	16
14	18

15	20
16	22
17	24
18	26
19	28
20 and Over	30

6. Transfer or moving expense in connection with the exercise of the rights under this Article shall be borne by the employee except that he shall suffer no loss of basic pay for up to two (2) days off to arrange for the moving of household furnishings and travel time to the new location.

### **ARTICLE 21**

#### **NON-DISCRIMINATION**

It is agreed that neither the Company nor the Union will discriminate against any employee because of race, creed, color, religion, sex, age, national origin or membership or non-membership in the Union. We are also committed to the employment and advancement of qualified handicapped individuals, disabled veterans, and veterans of the Vietnam era. Commitment is also made to make reasonable accommodation for qualified handicapped individuals in accordance with the Americans with Disabilities Act.

### **ARTICLE 22**

#### **COLLECTIVE BARGAINING**

The number of employees who shall suffer no loss in basic pay during their scheduled working hours for time consumed in collective bargaining meetings with Management shall not exceed four at any meeting.

### **ARTICLE 23**

#### **RECORDS**

1. Personnel records kept by the Company regarding an employee within the bargaining unit shall be subject to his inspection.
2. When entries other than those of a routine nature are made to an employee's record which may affect his employment, the employee shall be so advised.

### **ARTICLE 24**

#### **TRAINING**

1. Assignments of potential management employees from within this bargaining unit to positions covered by this contract for general training purposes shall be made at the discretion of management. The assignment of an employee to a particular job classification shall not exceed three (3) months and no more than three (3) employees

within the bargaining unit shall be assigned at any time. The Company will notify the Union President of the assignment one week in advance. It is understood that the only objective of this training is to provide these individuals with the familiarity and knowledge necessary for the proper execution of the ultimate job for which the employee is in training. It is specifically agreed that such trainee shall not, in the course of the training in the various craft classifications, displace, replace, or result in the transfer of regular craft personnel.

2. Bargaining unit employees assigned to assist in the training of employees under this Article will be paid a training differential of \$.10 per hour.
3. Experience gained by bargaining unit employees while participating in assignments of this type will not be considered under Article 4, Section 5.2.2.

## **ARTICLE 25**

### **SAFETY AND FIRST AID**

The Company will instruct its employees in safe methods and practices of performing their work through a Safety Program consisting of instruction on Company time in safety practices and first aid.

## **ARTICLE 26**

### **JOB CLASSIFICATIONS**

1. The Company will notify the Union of the creation of any new or reconfigured job classifications which are the result of Company approved initiatives. Such notification will include information concerning job content and minimum requirements. This notification will take place in advance of the staffing so that negotiations can take place over the wage schedule. In addition to the above referenced wage negotiations, it is agreed that the Union will be fully consulted concerning the general duties and nature of the new job classification.
2. Should the parties be unable to reach agreement on wage rates, the matter may be submitted to arbitration as described in Article 3 if the Company is notified within 45 days of receiving the Company's final wage offer.
3. It is agreed that employees who are currently performing the primary work activity of the new classification will not be subject to pre-placement testing for the new job. An employee who bids on a job in a different job family or higher classification may be required to pass a pre-placement test.

## **ARTICLE 27**

### **GROUP INSURANCE**

From the effective date of this Agreement through December 31, 2004, group insurance coverages and benefit levels, other than prescription drug coverages and benefit levels, shall be unchanged from those in effect prior to effective date. During that same period, Company and employee contributions toward the cost of such benefits shall remain as prior to the effective date of this Agreement. Prescription drug coverages and benefit levels will change on the first day of the month following the effective date of this Agreement, as agreed upon during negotiations leading to this Agreement.

For the remaining term of this Agreement the Company will maintain and make available to employees the Medical benefits, Dental benefits, Prescription Drug benefit, Life/AD&D benefits, and LTD benefits, which it provides to non-bargaining unit personnel from time to time. To the extent that these benefits are insured and/or administered by insurance carriers/administrators, the Company may change such carriers/administrators. The Company will also make available to employees any HMO and/or EPO option which the Company contracts with an insurance carrier or medical provider to provide in areas covered by the bargaining unit. Such HMO/EPO options may change from year to year.

With respect to medical benefits, prescription drug benefits, and any HMO/EPO option made available, effective January 1, 2005, and for the remainder of the Agreement, premium costs shall be shared, 85% by the Company and 15% by the employee. Specifically, whether the employee selects employee only, employee and spouse, employee and children, or employee and family coverage, the Company will pay 85% of the premium and the employee will pay 15% of the premium.

With respect to Dental benefits, effective January 1, 2005, the premium costs shall be paid by the Company for employee only coverage. With respect to any and all other levels of Dental coverages (employee and spouse, employee and children, or employee and family coverage), the premium costs shall be shared 50% and 50%.

## **ARTICLE 28**

### **RETIREMENT PLANS**

All employees who are both employed on the effective date of this Agreement and covered by this Agreement on its effective date shall continue to be covered by the provisions of the ALLTEL Corporation Pension Plan which presently cover them. (This means that the old Verizon Plan for Hourly Paid Employees' Pensions provisions will continue in effect for these employees. See former Verizon-IBEW MOAs at the back of this Agreement which describe features and methods, which, except where contrary to law, will continue to be followed in administration of the Plan.)

All employees who are not described in the first sentence of this Article (including, but not limited to, rehires, and transferees) shall be covered by the provisions of the ALLTEL

Corporation Pension Plan referenced in the National pension agreement between ALLTEL and IBEW.

Effective for payroll periods after the final 2004 payroll period, i.e., the last payroll period fully completed during calendar year 2004, all Company matching contributions to the ALLTEL Corporation 401(k) Plan shall cease. Thereafter, participation in the Plan will be available, per Plan terms, without Company contribution. Prior to that time Company matching contributions will continue as under the contract which expired March 13, 2003.

## **ARTICLE 29**

### **MANAGEMENT OF THE COMPANY**

The management of the business and direction of the working force shall remain with the Company, including the right to hire, promote, and discharge for just cause, to use improved methods or equipment, to transfer work to affiliate entities, to transfer the location of work, to subcontract, to determine work assignments and tours, to decide the number of employees needed at any particular time or place, to close or sell/trade all or part of its operations, and to be the sole judge of the communications service rendered to the public.

Except where limited by express provisions of this Agreement, nothing contained in this Agreement shall be deemed to limit the Company in any way in the exercise of the regular and generally recognized customary functions and responsibilities of management. Moreover, such functions of management as may be included herein shall not be deemed to exclude other functions of management not specifically included herein.

## **ARTICLE 30**

### **INCENTIVE PROGRAMS**

The Company may develop and implement programs which will provide employees covered by such programs the opportunity to earn merchandise, cash, and other awards of value based on individual and/or group performance in achieving standards developed and administered solely by the Company. In addition, the Company agrees to notify the Union of such incentive programs (other than those that provide awards of nominal value) prior to implementation by the Company.

The development, design, size and frequency and/or administration of incentive programs are wholly within the discretion of the Company and are not subject to the Grievance and Arbitration provisions of the Labor Agreement. However, if a dispute arises regarding the amount of merchandise, cash or other awards of value earned by participating employees in accordance with the provisions of an incentive plan, such disputes may be resolved through the Grievance and Arbitration procedures set forth in the Labor Agreement.

**ARTICLE 31**

**DURATION AND TERMINATION**

1. This Agreement shall take effect as of February 7, 2004, shall remain in effect through March 13, 2007 and shall remain in effect from year to year thereafter until terminated, amended, or reopened in accordance with this Article.
2. If this Agreement is to be terminated, a written notice must be sent by either party to the other not less than ninety (90) days prior to the termination date set forth above.
3. This Agreement may be amended or modified by either party giving written notice to the other of such desire to so amend or modify sixty (60) days prior to the termination date set forth above.
4. Change in this Agreement mutually agreeable to the authorized representatives of the parties may be made at any time.
5. It is expressly understood by the parties hereto that basic wages are not subject to arbitration under this Agreement.

IN WITNESS WHEREOF, this Agreement is entered into as of this 7<sup>th</sup> day of February, 2004.

KENTUCKY ALLTEL, INC.

INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL  
UNION 463

By Katherine J. Warn, Director,  
Labor Relations

By Johnny Hunt, President/  
Business Manager

**KENTUCKY ALLTEL, INC.**

**AND**

**INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL UNION NO. 463**

**MEMORANDUM OF AGREEMENT**

**MINOR REPAIRS**

It is agreed between the Company and the Union that the following functions of minor repair of telephone instruments may be performed by employees outside of the bargaining unit in Phone Mart locations:

- Replacing the line cord.
- Replacing the handset cord.
- Replacing the transmitter cap.
- Replacing the transmitter capsule.
- Replacing the receiver cap.
- Replacing the receiver capsule
- Replacing the ringer
- Adjusting the ringer
- Tightening loose connections (only screw-type terminal connections).

KENTUCKY ALLTEL, INC.

INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL  
UNION 463

By Katherine J. Warn, Director,  
Labor Relations

By Johnny Hunt, President/  
Business Manager

Date: February 7, 2004

Date: February 7, 2004

**KENTUCKY ALLTEL, INC.**

**AND**

**INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL UNION NO. 463**

**MEMORANDUM OF AGREEMENT**

**EMPLOYEE ADJUSTMENT INCOME PLAN (EAIP)**

1. Kentucky ALLTEL, Inc. and Local 463, IBEW recognize the need for technological change in the business and hereby enter into this Memorandum of Agreement (hereinafter referred to as the Agreement). In order to lessen the economic impact upon regular employees who become surplus due to technological change, the Company and the Union agree to establish the EMPLOYEE ADJUSTMENT INCOME PLAN (the Plan). "Technological change" shall be defined as a change in a plant or equipment, or a change in a method of operation, diminishing the total number of regular employees required to supply the same services to the Company or its subscribers. "Technological change" shall not include layoffs or force realignment caused by business conditions, variations in subscribers' requirements or temporary or seasonal interruptions of work.
2. During the term of this Agreement, if the Company notifies the Union in writing that a technological change has created or will create a surplus in any job title in any work group and/or work location, regular employees meeting the following qualifications shall be eligible for Plan participation:
  - A. Accredited service of fifteen (15) or more years.
  - B. The combination of age and accredited service must total at least 76 as of the date of the Company's notice to the Union.

However, the Company reserves the right to apply this Plan to any surplus in force, whether or not it is brought about by technological change that the Company deems appropriate. All elections shall be voluntary, and acceptance by the Company will be in order of seniority.

3. The Company reserves the right to determine the job titles and work group(s) and/or work location(s) in which a surplus exists, the number of work groups and/or work locations in which a surplus exists, the number of employees in such titles and locations which are considered to be surplus, and the period during which the employee may, if he or she so elects, leave the service of the company pursuant to this Plan. In no event shall the number of employee elections accepted under the terms of the Plan exceed the number of employees determined by the Company to be surplus.

4. An employee's election to leave the service of the Company and receive adjustment pay benefits must be in writing and transmitted to the Company within fourteen (14) calendar days from the date of the Company's offer in order to be effective, and it may not be revoked after such fourteen (14) calendar day period.
5. For employees who are eligible in accordance with Sections 1 and 2, the Company will pay a monthly benefit as follows:

Schedule of Adjustment Pay Benefits

<u>Years of Accredited Service</u>	<u>Monthly Payment</u>
15 but less than 20	\$ 600
20 but less than 25	700
25 but less than 30	770
30 but less than 35	850
35 but less than 40	940
40 or more	1,040

6. Adjustment pay benefits for employees, who so elect to leave the service of the Company in accordance with Section 2, shall begin within one (1) month and after such employee has left the service of the Company and shall continue until twenty-four (24) monthly payments have been made.
7. In addition, the affected employee may elect one (1) of the following options which shall not exceed \$3,500:
  - A. For up to twenty-four (24) months from the date of separation, a continuation of Company-paid premiums for existing medical plan coverage (excluding dental coverage) for the employee and his/her dependents; or in lieu thereof, the employee may elect to receive a lump sum alternative of \$3,500 subject to legally required deductions.
  - B. Reimbursement for successful completion of retraining in a new career field within a twenty-four (24) month period from the date of separation.
    - Eligible employees may receive financial assistance for approved courses and/or programs undertaken at accredited or state-approved educational institutions.
    - The cost of tuition, required textbooks, and required lab and entrance fees will be reimbursed up to a maximum of \$3,500 as follows:
      - (i) 35% reimbursement of approved costs upon presentation of receipted bills;
      - (ii) 65% reimbursement of approved costs upon submission of proof of successful completion of course/program.

Approved training expenses that are covered by other employers, government benefits or scholarships will not be subject to reimbursement by the Company.

C. A miscellaneous moving expense associated with an actual relocation to a new residence within a twenty-four (24) month period from the date of separation.

8. The maximum amount of adjustment pay benefits payable shall in no event exceed a total of \$24,960 and when combined with one of the elected options shall not exceed \$28,460. The dollar amounts set forth in this agreement shall be prorated for regular part-time employees based on the percentage of a full year's equivalent (i.e., 700 hours worked taken as a percent of 2,080 hours equals 33.65%)

In no event shall the total adjustment pay benefits exceed the equivalent of twice the employee's annual compensation at the basic weekly wage rate (exclusive of tour premiums or temporary differentials, overtime pay, commissions, bonuses, or other extra payments) received during the year immediately preceding the termination of service.

9. In addition to the benefits set forth in Sections 5, 6, and 7, employees who so elect to leave the service of the Company and receive adjustment pay benefits may elect to receive, in combination with such benefits, a retirement service pension if eligible for such pension.
10. Payments under the Plan, with the exception of the retraining benefits, shall cease upon the reemployment of a recipient by the Company or any affiliated or subsidiary companies within the Kentucky ALLTEL, Inc. If an employee is enrolled in a course/program at the time of reemployment, the 65% reimbursement portion of the retraining benefits will be made upon the successful completion of the course/program within twenty-four (24) months from the date of separation or twelve (12) months from the date of reemployment, whichever occurs later. No reimbursement will be made beyond that date.
11. Reemployed employees must complete one (1) full year of accredited service with the Company before becoming eligible again for termination benefits. In subsequent terminations to which this Agreement is applicable, the employee shall receive the difference between the termination benefits for which he or she is presently eligible and any benefits previously received.
12. All benefits payable under the Plan are subject to legally required deductions.
13. Upon the death of a recipient, all remaining adjustment pay benefits under the Plan will be paid as a lump sum to the designated beneficiary or estate.
14. This Agreement will be implemented prior to invoking the provisions of Article 20 (Force Realignments) of the Collective Bargaining Agreement, when conditions set forth in Section 1 of this Agreement exist as determined by the Company.

15. An employee who elects under the Plan shall not be entitled to any of the provisions outlined in Article 20 of the Collective Bargaining Agreement, nor any other termination allowance offered by the Company.
16. Neither the right to effect a technological change, the determination of a surplus condition, eligibility for participation in the Plan, nor any other part of this Plan or Agreement shall be subject to the arbitration procedure of the Collective Bargaining Agreement.
17. This Memorandum of Agreement is effective on February 7, 2004, and shall expire on March 13, 2007. The parties specifically agree that the terms and conditions set forth in this Memorandum of Agreement, including the EAIP, shall also terminate on March 13, 2007 and shall not survive the expiration of this Memorandum of Agreement unless agreed to by the parties in writing.

KENTUCKY ALLTEL, INC.

INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL  
UNION 463

By Katherine J. Warn, Director,  
Labor Relations

By Johnny Hunt, President/  
Business Manager

Date: February 7, 2004

Date: February 7, 2004

KENTUCKY ALLTEL, INC.

AND

INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL UNION NO. 463

MEMORANDUM OF AGREEMENT

EMPLOYEE ADJUSTMENT INCOME PLAN (EAIP) ALTERNATIVE

1. Kentucky ALLTEL, Inc. and Local 463, IBEW agree to this Employee Adjustment Income Plan (EAIP) Alternative.
2. Employees, otherwise eligible for the EAIP, may elect this alternative in lieu of the EAIP when offered at the Company's discretion.
3. In lieu of the 24 monthly payments and the \$3,500 option (for medical benefits, education benefits or moving expenses), eligible employees may elect to receive a lump sum, subject to legally required deductions. The lump sum payment schedule is as follows:

<u>Years of Accredited Service</u>	<u>Monthly Payment</u>	<u>Lump Sum Payment</u>
15 but less than 20	\$ 600	\$ 17,900
20 but less than 25	\$ 700	\$ 20,300
25 but less than 30	\$ 770	\$ 21,980
30 but less than 35	\$ 850	\$ 23,900
35 but less than 40	\$ 940	\$ 26,060
40 or more	\$ 1,040	\$ 28,460

4. This Memorandum of Agreement is effective on February 7, 2004 and shall expire on March 13, 2007. The parties specifically agree that the terms and conditions set forth in this Memorandum of Agreement, including the EAIP Alternative, shall also terminate March 13, 2007 and shall not survive the expiration of this Memorandum of Agreement unless agreed to by the parties in writing.

KENTUCKY ALLTEL, INC.

INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL  
UNION 463

By Katherine J. Warn, Director,  
Labor Relations

By Johnny Hunt, President/  
Business Manager

Date: February 7, 2004

Date: February 7, 2004

**KENTUCKY ALLTEL, INC.**

**AND**

**INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL UNION NO. 463**

**MEMORANDUM OF AGREEMENT**

**TERMINATION PAY PLAN**

1. Kentucky ALLTEL, Inc. and International Brotherhood of Electrical Workers (Local Union No. 463) recognize the need for technological change in the business and hereby enter into this Memorandum of Agreement. In order to lessen the economic impact upon regular full-time employees brought about by technological change, the Company and the Union agree to establish the Termination Pay Plan (“the Plan”). For purposes of this Memorandum of Agreement only “technological change” shall be defined as a change in plant or equipment, or a change in a method of operation diminishing the total number of regular employees required to supply the same services to the Company or its customers. “Technological change” shall not include situations where layoffs or force adjustments are implemented as a result of business conditions, variations in customers’ requirements or temporary or seasonal interruptions of work. The Plan shall apply when technological change would otherwise bring about a need to layoff and/or force adjust employees in any job classification.
2. During the term of this Agreement, if the Company notifies the Union in writing that a technological change has created a surplus situation in a particular location or classification while vacancies exist in different locations or classification(s) the transfer procedures in Article 4 and Article 20 will not be used in filling the vacancies, if such use would prevent the Company from offering vacant positions to qualified employees who are surplus and are in positions having the same or higher top rates than those of available vacant positions. To the extent necessary for the Company to offer qualified surplus employees transfers or reclassifications to lateral or lower positions, the job posting and bidding provisions of Article 4 shall be waived. Regular full-time employees, who have not been offered a transfer or reclassification to a position within 40 miles of their present headquarters, who meet the following qualifications shall be eligible for plan participation.
  - a. Accredited service of one year or more
  - b. Ineligible for a service pension
  - c. Not eligible to participate in the Employee Adjustment Income Plan.

The Company reserves the right to apply the Plan to any surplus situation not brought about by technological change that the Company deems appropriate. All elections

shall be voluntary. (Regular full-time employees who may become surplus as a result of any sale or other disposition by the Company or a property/operation will be subject to the Plan, if offered by the Company, unless the employees are offered at least comparable employment by the new management of the property/operation.)

3. The Company reserves the right to determine the job classifications and work group(s) and/or work location(s) in which a surplus exists, the number of employees in such classifications, work groups, and locations who are considered to be surplus, and the date on which or the period during which the employee may, if he or she so elects, leave the service of the Company pursuant to this Plan. (It is agreed that the names of the surplus employees will be the least senior employees in the surplus group, the number of such employees being equal to the number that the Company identifies as being surplus.) In no event shall the number of employees who make an election under the terms of the Plan exceed the number of employees determined by the Company to be surplus. Additionally, an employee's election to leave the service of the Company under the terms of the Plan and receive adjustment pay benefits must be in writing and received by the Company within seven (7) calendar days from the date of the Company's offer in order to be effective, and it may not be revoked after such seven (7) calendar day period.
4. For employees who elect the Plan in accordance with the foregoing, the Company will provide:
  - a. One week's pay at the "basic rate" as defined in the Labor Agreement for each full year of accredited service up to and including ten (10) years.
  - b. Two (2) weeks' pay at the basic wage rate for each full year of accredited service in excess of ten (10) years to a maximum of thirty-six (36) weeks' pay in total.
  - c. Continuation of one-half (1/2) of the Company-paid premiums for existing medical, dental and life insurance coverage for the employee and his or her dependents for a period not to exceed six (6) months.
  - d. Reimbursement up to \$2,200 for packing and cartage fees for a move 50 miles or more from the employee's present residence within a twenty-four (24) month period from the date of separation. (Employees electing reimbursement for retraining benefits under (e) below will not be eligible for the miscellaneous moving expense.)
  - e. Reimbursement for the successful completion of retraining in a new career field within a twenty-four (24) month period from the date of separation at a cost not to exceed \$3,000.

To be eligible for retraining benefits, approved courses, and/or programs must be taken at accredited or state-approved educational institutions, and enrollment must be within three (3) months from the date of separation from the Company. The cost of

tuition, required textbooks, and required lab and entrance fees will be reimbursed as follows:

- i. 35% reimbursement of approved costs upon presentation of receipted bills, and
- ii. 65% reimbursement of approved costs upon submission of proof of successful completion of the course/program.

Approved training expenses that are covered by other employers, government benefits or scholarships will not be subject to reimbursement by the Company.

If an employee is enrolled in a course/program at the time of reemployment by the Company or any affiliated or subsidiary companies within Kentucky ALLTEL, Inc., the 65% reimbursement portion of retraining benefits will be made upon successful completion of the course/program within twenty-four (24) months from the date of separation or twelve (12) months from the date of reemployment whichever occurs later. No reimbursement will be made beyond that date.

The dollar amounts set forth in this section shall be prorated for regular part-time employees based on the percentage of hours normally scheduled in a normal work week; i.e., thirty (30) hours normally worked in a normal work week, would result in termination benefits paid at 75% of those set forth in Paragraphs (a), (b), (d) and (e) of this Section 4.

5. Termination pay benefits for employees who so elect to leave the service of the Company in accordance with the foregoing shall begin within two (2) weeks after such employee has left the service of the Company and shall continue on the normal pay cycle until the earliest of (a) exhausting of benefits as set forth in Paragraph 4, or (b) offer of reemployment by the Company or any affiliated or subsidiary companies of Kentucky ALLTEL, Inc. at a location within 40 miles of the employee's last headquarters location (employees will be expected to report for work no later than one week after the offer) or (c) death of the former employee.
6. In the event that an employee should be rehired by the Company, said employee must complete one (1) full year of accredited service with the Company before becoming eligible again for termination benefits. In subsequent terminations to which this agreement is applicable, the employee shall only receive the difference between the termination benefits for which presently eligible and any benefits previously received.
7. This Agreement will be implemented prior to invoking the layoff/force adjustment provisions of Article 20 of the Labor Agreement when conditions set forth in Paragraphs 1 or 2 of this Agreement exist as determined by the Company.
8. An employee who elects under the Plan shall not be entitled to any of the provisions outlined in Article 20.

9. Neither the right to effect a technological change, the determination of a surplus situation, eligibility for participation in the Plan, nor any other part of the Plan or Agreement shall be subject to the arbitration provisions of the Labor Agreement.
10. This agreement is effective February 7, 2004 and shall remain in effect up to and including March 13, 2007.

KENTUCKY ALLTEL, INC.

INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL  
UNION 463

By Katherine J. Warn, Director,  
Labor Relations

By Johnny Hunt, President/  
Business Manager

Date: February 7, 2004

Date: February 7, 2004

**KENTUCKY ALLTEL, INC.**

**AND**

**INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL UNION NO. 463**

**MEMORANDUM OF AGREEMENT**

**VACATION BANKING**

Employees eligible for four weeks or more of vacation may carry forward a limited number of weeks each vacation year in accordance with the following provisions:

1. Employees eligible for four (4) or more weeks of vacation may carry forward a maximum of one (1) vacation week for each vacation year.
2. Employees eligible for five (5) weeks of vacation may carry forward two (2) vacation weeks for each vacation year.
3. Such carried forward vacation shall be subject to advance written application.
4. Future scheduling of such carried forward accumulated vacation is subject to Company approval.
5. The maximum vacation an employee may bank is four (4) weeks. However, employees with more than four (4) weeks banked as of February 7, 2004, may retain or use all vacation to their credit as of that date.

KENTUCKY ALLTEL, INC.

INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL  
UNION 463

By Katherine J. Warn, Director,  
Labor Relations

By Johnny Hunt, President/  
Business Manager

Date: February 7, 2004

Date: February 7, 2004

**KENTUCKY ALLETEL, INC.**

**AND**

**INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL UNION NO. 463**

**MEMORANDUM OF AGREEMENT**

**BST – SPECIAL SERVICE**

The job classification of BST Special Service was created as described in Article 26 and placed on wage schedule C (same as BST 1). It is understood that the primary function of this classification will include the installation and maintenance of special service circuits.

1. The initial staffing of this classification in E'town was two positions taken from the Elizabethtown BST1 work group. The two positions were offered by seniority to the employees in the BST group. In the absence of two volunteers, the least senior employee(s) would have been assigned to this classification.
2. It was understood that if both of the new BST-Special Service positions were filled with employees who did not have experience performing this work, one employee would have been moved immediately and the second would have been moved two months later. During this two month time the company would have assigned the current employee(s) the special service duties as needed.
3. All future staffing of the BST-Special Service job classification will be according the normal job bidding procedures.
4. Should the company, in the future consolidate the responsibility for this work with other BST work, these employees will be merged back into the BST1 job classification and work group.

Future Application:

Should a similar situation arise in the future the company and union will meet and discuss the need and rational prior to any action taken.

It is also agreed that the company has the option to apply the process described in items 1-4 above when a new job classification is created (per Article 26) and the company determines that the initial staffing needs to come from an existing work group in the same location.

KENTUCKY ALLTEL, INC.

INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL UNION 463

By Katherine J. Warn, Director,  
Labor Relations

By Johnny Hunt, President/  
Business Manager

Date: February 7, 2004

Date: February 7, 2004

**KENTUCKY ALLTEL, INC.**

**AND**

**INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL UNION NO. 463**

**MEMORANDUM OF AGREEMENT  
CUSTOMER ENGINEER INTERWORKING**

- The parties agree that the Company may, at its discretion, establish a team of employees classified Customer Engineer-Data Applications to install and maintain Data and Video services across the state of Kentucky. These employees may be assigned to exchanges represented by either CWA or Local 463, IBEW. It is agreed that this team of Customer Engineers may be assigned to perform work in either IBEW or CWA represented exchanges as needed. This provision only applies to the Customer Engineer – Data application classification.
- All Customer Engineers in this bargaining unit will select tours and vacations on the same schedule. This provision only applies to the Customer Engineer—Data Application classification.
- It is agreed that a layoff of employees in the Customer Engineer-Data Application classification will result in the suspension of the provision in this memorandum that allows for the crossing of jurisdictional boundaries until such employees are recalled or the reduced position is filled otherwise.
- It is agreed that adequate training material will be provided to employees who wish to take the pre-placement tests required for the Customer Engineer position.
- It is agreed that employees in the Customer Engineer position will be properly and comparably trained based on the demands of the business. This should result in reasonably equal opportunity to work overtime.
- It is understood that employees in the Customer Engineer classification position may, at the Company's discretion, be required to participate in Company paid uniform program. Additionally, the Company may establish reasonable dress standards based on the needs of the business.
- The provisions of the current CBA between ALLTEL and Local 463, IBEW, will govern all other working conditions, except as specifically modified above.

KENTUCKY ALLTEL, INC.

I.B.E.W., LOCAL UNION 463

Katherine J. Warn, Director  
Labor Relations

Johnny Hunt, President/Business Manager

Date: February 7, 2004

Date: February 7, 2004

**KENTUCKY ALLTEL, INC.**

**AND**

**INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, LOCAL UNION NO. 463**

**MEMORANDUM OF AGREEMENT**

**SELLING OF PRODUCTS AND SERVICES**

1. It is everyone's best interest that employees sell Company products and services to existing/potential customers. Employees in the following classifications: Business System Technician, Customer Service Technician, and Customer Engineer-Data Applications are required to participate in the referral programs established by the Company.
2. Participating employees will create records of his/her referrals by using and following the mechanisms and procedures determined by the Company.
3. The Company will not discipline any employee during the term of our new collective bargaining agreement, through March 13, 2007, solely for failure to complete sales or referrals. This will not prevent the discipline of any employees for other reasons (even if the employee also happens to have a poor referral record), subject to the usual just cause standard.

KENTUCKY ALLTEL, INC.

INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS,  
LOCAL UNION NO. 463

By Katherine J. Warn, Director,  
Labor Relations

By Johnny Hunt, President/  
Business Manager

Date: February 7, 2004

Date: February 7, 2004

**APPENDIX A**  
**WAGE SCHEDULES**

**Wage Schedule A**

Teller

	<b>Effective 2/7/04</b>	<b>Effective 3/13/05</b>	<b>Effective 3/13/06</b>
Start	\$ 8.11	\$ 8.39	\$ 8.68
6 Months	\$ 8.83	\$ 9.14	\$ 9.46
12 Months	\$ 9.60	\$ 9.94	\$10.29
18 Months	\$10.44	\$10.81	\$11.19
24 Months	\$11.35	\$11.75	\$12.16
30 Months	\$12.35	\$12.78	\$13.23
36 Months	\$13.43	\$13.90	\$14.39
42 Months	\$14.86	\$15.48	\$16.02

**Wage Schedule B**

Cable Splicer  
Customer Service Technician  
Facilityperson  
Lineworker

	<b>Effective 2/7/04</b>	<b>Effective 3/13/05</b>	<b>Effective 3/13/06</b>
Start	\$11.32	\$11.72	\$12.13
6 Months	\$12.31	\$12.74	\$13.19
12 Months	\$13.35	\$13.82	\$14.30
18 Months	\$14.52	\$15.03	\$15.56
24 Months	\$15.75	\$16.30	\$16.87
30 Months	\$17.14	\$17.74	\$18.36
36 Months	\$18.65	\$19.30	\$19.98
42 Months	\$20.23	\$20.94	\$21.67
Top	\$22.13	\$23.00	\$23.81