

This document is intended for the sole use of Oak Harbor Freight Lines, Inc. employees that are full time and eligible for benefits prior to November 1, 2007. The intent of this document is to provide general illustrations and give general information about the new compensation plan, any misunderstandings or conflicting information will be resolved by a Company President on a case by case basis. This document is not a guarantee of wages or benefits and the information is subject to change as needed for accuracy and clarity. This document is for informational purposes only. Because each employee has many available choices the actual affect will vary according to employee situations and choices. Nothing in this document is intended to be individual bargaining for those employees who are otherwise represented by a union as all such wages, hours and conditions are subject to bargaining.



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THE NEW COMPENSATION PLAN

Introduction and details





What is inside:

- Changes effective January 1, 2008
- List of options
- Tools to determine the personal impact



Our Mission at
Oak Harbor Freight Lines

is to be the premier
transportation services
company. We are committed to
providing timely, accurate and reli-
able service,
remaining profitable
to ensure stability, being
recognized for integrity, and gen-
erating complete
internal and external
customer loyalty.



Oak Harbor Freight Lines, Inc.



NOTES

Q29. How does the sick pay change effect salaried employees?

A29. This change does not affect salaried employees, they do not accrue sick pay and they are not getting an adjustment to their wage due to the elimination of this program. They will remain on the current sick policy for salaried employees. That is why there are separate wage calculators, one for hourly and one for salaried, based on when they started.

Q30. What is the two-third rule for calculating my sick bank buyout?

A30. Your sick leave bank will be divided by 40. After taking into account full days, if the remainder is higher than .66 you will receive a full personal holiday for that time. For example if you have 142 hours in your bank you would receive 3 days, $(142 / 40 = 3.55)$ or if you have 150 hours you would receive 4 days, $(150 / 40 = 3.75)$.

Q31. What options do I have for liquidating my sick bank?

A31. You have 2 options. Take all days (1 for 5) as additional personal holidays within 2008 or get paid out all days (1 for 5) in cash by 3/30/08. You must make your choice by 12/31/07 as to which option your taking.

Q32. Does this plan affect my vacation pay or Holidays?

A32. No they are same as before.



FAQ'S

Q27. What am I supposed to do if I am sick, I can't afford to take the time off?

A27. Based on your own needs you should manage the money that you earn as a sick benefit. If this is a concern you can purchase short term disability insurance or invest the additional money that you get for sick benefit for a rainy day.

Q28. What is the cost of the short term disability plan that is available as a payroll deduction?

A28. That depends on many factors. Age, wage, and when you want it to kick in 1, 3, 7, or 14 days for example. You can contact our insurance agent, Van Winkle Agency 425-787-2400, to get a quote based on your personal criteria.

The plan we currently offer as of 9/12/07 for a person 24-49 years old, starting after 14 day wait period, paying 60% of your wage for 26 weeks and is \$38.88/ month. You would probably want a plan that kicks in after 1, 3 or even 7 days; Van Winkle Agency can quote your cost on that.

Remember the sick pay plan would have paid you max 24 days (30 if you were here over 10 years) the insurance plans typically pay you up to 26 weeks. That is a significantly larger benefit.



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WHY CHANGE OUR COMPENSATION SYSTEM?

The plan we are currently under is not adequate to meet the goals of our company. We are competing with companies that pay more in wages but pay far less in benefits such as Healthcare and Pension. We think that we can maintain the level of benefits you currently enjoy and level the playing field with our competition by giving you the choice of what benefits you desire. Our current system is one in which we pay for all the benefits and you may or may not use or need them.

HIGH LEVEL OVERVIEW

This plan is by design very simple. It applies to all full-time employees that are not covered by a union contract. The company will increase your wage or salary and will ask you to contribute part of that increase back to the company to help pay for the benefits you elect to receive. In every case, if you elect to receive the same benefits that you've received in the past, you will still see an increase in your wage or salary. Remember the intent of this plan is not to take benefits away but to pay for benefits that employees want to receive. If you elect to receive fewer benefits you will keep more of the increase as a higher wage.

Here is the bullet version of the plan, the rest of



FAQ'S

Q23. If I am off sick for a month do I lose my insurance coverage and do I have to pay a contribution while I am out?

A23. That depends, if your absence is due to a FMLA qualifying event you would not lose your coverage for 12 weeks. You would be required to pay the 1% or 2% of your previous year's average weekly wages, this is the same number used to calculate your vacation pay-out.

Q24. Can I use my FSA Account to pay for my contribution for healthcare?

A24. No, your FSA funds can't be used to buy an insurance plan. Since the FSA money and the healthcare deduction are both pretax there is no benefit to using the FSA money.

Q25. I am a participant in the manager's profit sharing; do I pay 2% of that for healthcare?

A25. No, the 2% does not apply to the profit share payments.

Q26. Why have you eliminated sick pay?

A26. A small percentage of our employees actually received benefit from the last one, that didn't seem equitable. The government is also making it very difficult to manage these types of plans. Again, we want you to have the choice of how you use the resource and everyone shares the benefit equally.



FAQ'S

A18. No, the 401k matching only applies to full time employees who are eligible for benefits.

Q19. How does the matching work if I contribute 16% into my 401k during the first 6 months of the year and 0% during the last 6 months?

A19. The company would match 6% or 7.5% dollar for dollar in the first 6 months and 0% during the last 6 months. You would be better off contributing 8% for the whole year so you would receive the maximum match for the year as well.

Q20. Does this change effect my Roth 401k options?


A20. No, it will not be affected in any way.

Q21. Is the healthcare the same plan as we had before?

A21. Yes, it is the same plan that you had before.

Q22. How often can you change the benefit elections for healthcare?

A22. The coverage rules have not changed. As always, we will have an open enrollment period in the last quarter of the year. Any changes to your healthcare plan must be made at that time unless you have a qualified life event. Contact HR for qualified life events. Make sure that you make your elections within this period for 2008 because your elections determine your contribution percentage.




this booklet will go into more detail for each item and provide you with examples and calculators to see how this will affect you.

- Employees will receive an increase in wage or salary (11% / hr, or 12.5% / hr)
- You will have an option to contribute to the company 401k (pension) and the company will match up to either 6% or 7.5%.
- You can choose which healthcare coverage you need and contribute 1 or 2% (employee only = 1%, employee, spouse and/or dependent = 2%, or employee plus 2 or more dependents = 2%).
- For hourly employees, you will receive an addition \$.15 per hour in your wage in place of a sick pay benefit.

The breakdown of what you will receive is based on 2 criteria:

1. When you started with the company, on or before December 31, 2002 or after December 31, 2002.
2. Salaried or Hourly compensation

The reason for the first criteria is that employees that started on or before December 31, 2002 received 15% pension contribution while those who started after December 31, 2002 received 12%. This means that the company will match 7.5% of



the pension contribution for the 15% people and 6% for the 12% people. This makes both groups whole.

The reason for the second criteria is that salaried employees don't currently have a sick leave benefit and hourly people do. Since the sick leave benefit is being restructured into hourly compensation it does not apply to salaried employees.

SALARY / WAGE INCREASE

Every full-time employee covered under this plan will receive an increase in wage or salary. Here are the details of what you will be receiving starting January 1, 2008:

Hourly starting after 12/31/02

Increase of 11% in wage plus \$.15 per hour. If your wage is \$20.05/hr you will move to \$22.41/hr. ($20.05 \times 1.11 + \$.15$)

Hourly starting on or before 12/31/02

Increase of 12.5% in wage plus \$.15 per hour. If your wage is \$20.05/hr you will move to \$22.71/hr. ($20.05 \times 1.125 + \$.15$)



FAQ'S

Q14. Does this change affect the survivorship of my retirement money?

A14. No, your money is your money; it will have 100% survivorship just like the previous plan.

Q15. What happens to the last 2007 pension contribution to the 2007 pension plan?

A15. It is invested into the 2007 plan and will be rolled into the new plan.

Q16. I am not eligible for the current company pension until July 2008, when am I eligible for new 401k pension and when does the matching start?

A16. All full-time employees who are eligible for benefits who start with the company prior to October 31, 2007 will be eligible to contribute to the 401k pension on January 1, 2008 and will receive up to 6% matching unless the 7.5% applies. This is subject to the vesting rules.

Q17. How does the 401k vesting work?

A17. You are fully vested in your contributions. The vesting for the matching funds contributed into your 401k pension works the same as the previous pension plan, 0% under 1 year, 20% after 1 year, 40% after 2 years, 60% after 3 years and 80% after 4 years and 100% after 5 years. Vesting is calculated based on the date you are hired.

Q18. Will there be 401k matching for Casual employees?



FAQ'S

Q11. Can I have the 401k managed by the same people that managed the pension?

A11. Yes, you will have the choice of multiple mutual funds and the management group that managed the previous pension.

Q12. Can I still contribute to my current 401k and the new one or will they be combined if they are combined and what is the max I can contribute into a 401k?

A12. You can only contribute to 1 pretax 401k so the funds in your current 401k and your pension will be rolled into the single 401k effective 1/1/08. The max contribution you can make into a 401k is \$15,500 annually unless you are 50 or over, then it is \$20,500. This may change as this is a tax law not a company imposed limit.

Q13. How long will it take to roll my pension into the new 401k and when do I get control over that investment.

A13. You will have control over the funds invested into the new 401k from the moment they are invested on your behalf. The process for rolling over the old pension funds and the old 401k will start on 1/1/08 but can't be finalized until the IRS signs off on it, this can take a year or longer. That money will continue to be managed as before within the old plans, any funds contributed after 1/1/08 will go into the new 401k.



Salaried starting after 12/31/02

Increase of 11%. So if your salary is 45,000 per year or \$1875/pay period you would go to \$2081.25/pay period. $(45000 \times 1.11 / 24)$

Salaried starting on or before 12/31/02

Increase of 12.5%. So if your salary is 45,000 per year or \$1875/pay period you would go to \$2109.38/pay period $(45000 \times 1.125 / 24)$

What you will find when you look at the entire compensation plan is that the amount of wage increase is higher than the amount you will be asked to contribute for your benefits. If you choose the same benefits as you had in 2007 you will still have an increase in your wage or salary. If you need and therefore choose fewer benefits you keep more of that increase in your paycheck.

COMPANY 401K (PENSION)

To replace the current pension you will have the option of investing part of your increase in salary / wage into a Company 401k. This is a pretax contribution just as before and here is how this breaks down.

Hourly and Salary starting after 12/31/02

Your pension contribution under the old plan was 12%. In the new plan the company will match up to 6% so that your contribution of 6% and the company match of 6% would be the same 12%.



COMPANY 401K (PENSION) CONT...

Hourly and Salary starting on or before 12/31/02

Your pension contribution under the old plan was 15%. In the new plan the company will match up to 7.5% so that your contribution of 7.5% and the company match of 7.5% would be the same 15%.

This means that you can choose to participate in the Company 401k and how much you would like to contribute. You can choose to contribute less into the pension and keep more of the increase in your wage or Salary.

If you participate you will also have more options on how that money is invested, you will have multiple mutual fund options as well as the option to have the same group manage it that managed the former pension.

Since we can only offer one 401k per employee group your current company 401k and your current pension amounts will be rolled into the new 401k.

If you are within your one year waiting period to enroll in the current pension program you will be eligible for the 401k and the matching on January 1, 2008. Your vesting will still rely on your anniversary date.



FAQ'S

ees as possible, the compensation plan is a major part of how we operate and we want the union employees to understand it. We don't want any misinformation surrounding this new plan. Some of the union employees may have to make decisions to move under this plan if they take jobs at union-free facilities or as supervisors. Also, we stated in earlier communications that we are looking for more employee choice in our contract this time around and in our minds this is what employee choice looks like.

Q8. Is this the same thing you're trying to get in the new contract?

A8. We will propose a similar plan to the unions, what we end up with will be subject to the negotiation process

Q9. What is the deadline for my elections to be submitted?

A9. November 30, 2007.

Q10. When and how often can I change my elections of 401k contributions?

A10. The same rules apply to managing your new 401k (pension) as the old 401k. You will be able to update your investment mix as often as desired at www.pfc401k.com.



FAQ'S

they need less then they will see more in their paychecks. This will help us reduce our cost and put us in a better place to recruit future employees.

Q5. This seems too good to be true, what's the catch?

A5. No catch. We are trying to create a plan that gives you the choice based on the benefits you need and a plan that allows the company to only pay for benefits that people want. You get more choice and more total compensation value and the company gets lower costs due to not having to pay for benefits that are not used.

Q6. How will this affect me from a tax standpoint?

A6. If you elect to match the previous benefits, 6% pension and 2% healthcare, there is no effect on your taxable income accept for the impact of the increase in wages. Your contributions for benefits are deducted pretax so if you choose to receive less benefits and more wage, you will see additional taxable income because your taxable wage is higher.

Q7. Why are we giving this information to the union employees, it doesn't apply to them?

A7. We want to be as transparent to our employ-



HEALTHCARE INSURANCE

This portion of the plan is the same no matter who you are. You will have the choice of what amount of coverage you receive under this program. Here is the detail of your choices

1. No coverage. You contribute 0%.
2. Employee only insurance. For this option you will contribute 1%.
3. Employee, spouse and/or dependents. For this option you will contribute 2%.

These choices let you decide what mix of health-care coverage you need. If you need the same level of coverage as before then you will use 2% of your wage increase to cover healthcare. If you need less coverage you will keep more of the increase in your wage or salary.

SICK PAY BENEFIT

Government regulations have made the administration of sick pay very difficult and, often times, unfair to many employees. We believe that there are a small percentage of employees who receive little if any benefit from this program. We feel it is much more equitable to pay all hourly employees \$.15 per hour in additional wage and eliminate the sick pay program.



SICK PAY BENEFIT CONT.

You now have the choice of what to do with this money. For example you could set it aside in a personal savings account to use for times when you are sick or you could use it to pay for short term disability insurance. We offer a payroll deduct program for a short term disability plan offered by Van Winkle Agency or you could shop outside for an individual plan.

For those of you that have a “bank” you will be allowed to schedule eight (8) hours paid time off, within the 2008 calendar year, for every forty (40) hours in your sick bank or you can choose to receive the cash value for those days. Rounding will be based on a two-thirds rule. The Sick pay banks will no longer exist after January 1, 2008. HR will notify you of the number of extra personal days you will be eligible to use, that document will be used to make your choice of days or pay. The benefit of this change is that you can schedule that time off, just like your personal holiday or vacation, you do not have to be sick or ill to use it. This is a one time arrangement for the purpose of liquidating the current sick pay banks.

The absenteeism policy and our commitment to complying with FMLA regulations will continue so nothing will change regarding leaves or absences.



FAQ'S

For your convenience we have collected some questions that frequently come up. If you have a question that this material doesn't answer please talk to your supervisor, the HR department or e-mail: Asktheboss@oakh.com

Q1. Why did the company choose to roll this out in September, given the plan doesn't start until January 1, 2008?

A1. We needed to ensure we had adequate time to educate people on how the plan works and to get elections made and submitted prior to the start date?

Q2. How does this benefit me?

A2. You get an increase in wage rate or salary. With that increase you can elect to receive the benefits you want or need. Even if you choose the same benefits as before you will see an increase in total compensation; the online calculators will illustrate this.

Q3. How do I get to the online wage calculators?

A3. <http://www.oakhanswers.com/newplan.htm>

Q4. How does the company benefit from this plan?

A4. We will have the ability to offer and pay for only the benefits that people need and want. If



SCENARIOS

There are online calculators you can access to run your specific details and find out your actual impact at

<http://www.oakhanswers.com/newplan>



SCENARIOS

Here are some scenarios and how they play out:

1. Hourly employee started after 12/31/02 making 20.05 / hour, wants no pension and employee only healthcare coverage.

Current wage		\$20.05
Increase		\$2.36
New Wage		\$22.41
Pension election	0%	(.00)
Healthcare election	1%	(.22)
Net effective Wage after benefits		\$22.19

2. Hourly employee started after 12/31/02 making 20.05 / hour, wants 12% total pension and employee plus 3 dependent healthcare coverage.

Current wage		\$20.05
Increase		\$2.36
New Wage		\$22.41
Pension election	6%	(1.34)
Healthcare election	2%	(.45)
Net effective Wage after benefits		\$20.62

*reflects employee contribution only and is a percentage of the new wage. An equal amount is matched by the company up to the maximum match.



SCENARIOS

3. Hourly employee started before 12/31/02 making 20.05 / hour, wants no pension and employee only healthcare coverage.

Current wage		\$20.05
Increase		\$2.66
New Wage		\$22.71
Pension election*	0%	(.00)
Healthcare election	1%	<u>(.23)</u>
Net effective Wage after benefits		\$22.48

4. Hourly employee started before 12/31/02 making 20.05 / hour, wants 15% total pension and employee plus 3 dependents healthcare coverage.

Current wage		\$20.05
Increase		\$2.66
New Wage		\$22.71
Pension election*	7.5%	(1.70)
Healthcare election	2%	<u>(.45)</u>
Net effective Wage after benefits		\$20.56

*reflects employee contribution only and is a percentage of the new wage. An equal amount is matched by the company up to the maximum match.



SCENARIOS

5. Salaried employee started on or before 12/31/02 making 1875 / pay period, wants 15% total pension and employee plus 3 dependents healthcare coverage.

Current Salary (pay-period)		\$1,875.00
Increase		234.38
New Salary		\$2,109.38
Pension election*	7.5%	(158.20)
Healthcare election	2%	<u>(42.19)</u>
New Wage after benefits		\$1,908.99

6. Salaried employee started after 12/31/02 making 1875 / pay period, wants 12% total pension and employee plus 1 dependents healthcare coverage.

Current Salary (pay-period)		\$1,875.00
Increase		206.25
New Salary		\$2,081.25
Pension election*	6.0%	(124.88)
Healthcare election	2%	<u>(41.63)</u>
New Wage after benefits		\$1,914.74

*reflects employee contribution only and is a percentage of the new wage. An equal amount is matched by the company up to the maximum match.