

# INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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March 24, 2010

U.S. Senate Committee on Banking, Housing & Urban Affairs  
534 Dirksen Senate Office Building  
Washington, DC 20510

Dear Senator:

On behalf of the 1.4 million men and women of the International Brotherhood of Teamsters, I write to commend the Senate Committee on Banking, Housing & Urban Affairs for passing the Restoring American Financial Stability Act of 2010. This legislation represents an important step toward enacting a comprehensive policy to address the regulatory failures that led to the economic crisis in 2008. However, as the bill moves to the floor, it is essential that it be strengthened in several key areas to protect consumers and ensure that a financial crisis of this magnitude never happens again.

Recently, unregulated derivative products played a central role in the near-collapse of the largest less-than-truckload company in the United States, YRC Worldwide (YRCW). YRCW employs 35,000 individuals across the country, approximately 30,000 of whom are represented by the Teamsters Union.

As part of the final piece in a financial restructuring plan to avoid bankruptcy and the loss of thousands of Teamster jobs, YRCW in 2009 initiated a debt-for-equity exchange offer. The company asked its bondholders to exchange more than \$550 million in bonds for 95 percent equity in the company. It was discovered that certain financial firms were marketing and/or employing a strategy where YRCW's bonds and credit default swaps (CDSs) would be bought by investors with the intent of voting against the exchange. This would have triggered a bankruptcy that would pay the investors huge profits from the high CDS payments.

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The Teamsters Union set out to reveal the shameful behavior of the banks and other financial firms, but the lack of transparency and regulation in the market left no way to identify the bondholders in order to persuade them to participate in the company's debt-for-equity exchange offer.

Due to a massive last-minute surge of public relations, political and investor activism spearheaded by the Teamsters, the bond-equity exchange was ultimately successful. Under the threat of public shaming, the financial firms finally acquiesced and helped to facilitate the exchange. YRCW still has hurdles to clear, but without this bond exchange it would not have gotten the chance to continue to provide employment for 30,000 Teamsters in 2010.

Unregulated over-the-counter derivative products pose a real threat to the economy. In this case, a handful of bondholders were permitted to put their own financial gain before the welfare of more than 35,000 workers and hundreds of thousands of retirees. The Teamsters Union urges you to ensure that the final legislation brought to the floor brings transparency and accountability to our shadow capital markets. That includes requiring all standardized derivatives to be cleared and traded on fully transparent exchanges and regulating hedge funds, private equity and venture capital to protect investors and prevent systemic risk. Derivatives, hedge funds and private equity must be clearly and effectively regulated, without exceptions or loopholes that undermine these rules.

As the legislative process moves forward, we hope that the YRCW story can help to illustrate the dangers associated with unregulated shadow financial markets and the threat that these products pose to the lives of working families. We look forward to working with you to strengthen this legislation to ensure that the final bill passed by the Senate creates a truly independent consumer protection agency, brings transparency and accountability to derivatives markets, increases regulatory oversight of hedge funds, private equity and venture capital firms, and includes common-sense safeguards that will protect taxpayers against the need for future bailouts.

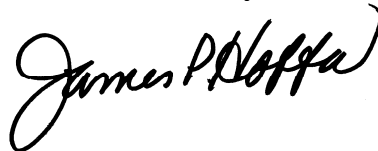
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If you have any questions, please contact Lisa P. Kinard, Director, Department of Federal Legislation and Regulation, at (202) 624-6890 or Sunshine McBride, Policy Analyst, at (202) 624-8986.

Sincerely,

A handwritten signature in black ink that reads "James P. Hoffa". The signature is written in a cursive style with a large, looping initial "J".

James P. Hoffa  
General President