TEAMSTERS Freight UPDATE
SEPTEMBER 29, 2010

Teamster Leaders Unanimously Agree to Member Vote On Comprehensive Financial Restructuring of YRCW

Leaders of freight local unions unanimously agreed on September 29, 2010 to a member vote on a comprehensive financial restructuring of YRCW to achieve a viable, sustainable company.

"The worst economic recession since the Great Depression continues to batter the trucking industry and threatens our YRCW members' jobs," said Tyson Johnson, Teamsters Freight Division Director and co-chairman of the TNFINC. "While we recognize that this plan contains economic and work-rule concessions that are difficult to accept, members need to fully understand that if this NMFA modification is rejected there is no doubt this company will go out of business. This plan is far from perfect but it will allow more than 25,000 Teamster families to continue to earn a paycheck, maintain healthcare coverage and preserve their pension benefits. The alternative is a YRCW bankruptcy that would be devastating to our members.

Johnson stressed that if the plan is approved, the union will be involved every step of the way as the company restructures.

"We will have greater oversight with the addition of another board seat and we negotiated strong language giving us access to financial records and key stakeholder discussions as the process moves forward," Johnson said. "This company will only be viable with a reduced level of debt and new investors. The sacrifices of YRCW Teamsters set the stage for the company's existing lenders to do their part and make this company an attractive investment for new investors. If our members ratify these concessions they will only remain in place if there is significant level of debt reduction and new investment in the company. We will have access to these discussions when decisions are made. If our interests are not protected, we can pull our concessions back. This will keep everyone's feet to the fire."

The restructuring plan modifies and extends the current National Master Freight Agreement (NMFA) and Supplemental Agreements for a two-year period until March 31, 2015 and extends the current 15 percent wage reduction until that time. The plan calls for annual hourly rate and mileage rate increases (less the 15 percent reduction) of 40 cents on April 1, 2011; 45 cents on April 1, 2012; 40 cents on April 1, 2013; and 40 cents on April 1, 2014.

The plan delays until June 1, 2011 the date the company must resume pension contributions, and the new contribution rate will be 25 percent of the contribution rate that was in effect on July 1, 2009. The plan also requires the company to increase the contributions to the health and welfare funds by 35 cents per hour each year through March 2015. The plan reduces vacation amount by one week for all employees with four or more weeks of vacation, using the current method of computing vacation pay.

Section 8 of the plan contains contract modifications that will be included as part of the first 39 articles of the NMFA (see details inside this newsletter).

In addition to participating in the debt reduction and equity investment discussion to create a sustainable company, the union will require equity ownership of the company and, at a minimum, one additional board seat. The plan also calls for continued equal sacrifice—management and non-union employees are required to participate in cost sharing in an equal manner. There are also "snap-back" provisions that provide wage snap backs to the full NMFA rate if the plan is terminated, if the employers files bankruptcy or if the company is sold without TNFINC's approval.

The plan also calls for a profit sharing provision to provide additional compensation to members if the company reaches certain profit benchmarks, and provides expanded recall rights.

(For detailed plan information, see inside this newsletter).

In the wake of today's vote, ballots will be mailed out on or about Thursday, October 7, and ballots are scheduled to be counted on or about October 28 and 29. Call your local union for information about a meeting in the coming days where you can learn more about the plan.

Additional information will be posted at www.teamster.org as it becomes available.

Summary of the Agreement for the Restructuring of the YRC Worldwide, Inc. Operating Companies

The Agreement for the Restructuring of the YRC Worldwide, Inc Operating Companies ("Restructuring Plan") was negotiated for the express purpose of providing job security for Teamster bargaining unit employees by creating the opportunity to engage in a complete financial restructuring of YRCW by (i) reducing both its level of debt and its labor costs and (ii) by attracting additional investors.

Below is a summary of the (Restructuring Plan 1) Coverage and Economic Terms; 2) Contract Modifications; 3) Key Provisions/ Conditions; and 4) Monitoring and Compliance Terms.

Plan Coverage and Economic Terms

The Restructuring Plan modifies and extends the current NMFA and Supplemental Agreements for a two-year period until March 31, 2015 and extends the current 15 percent wage reduction until March 31, 2015. If adopted, the plan would become effective with the first payroll period following ratification. The Restructuring Plan provides for hourly rate increases and equivalent mileage rate increases (less the 15 percent reduction) of 40 cents on April 1, 2011; 45 cents on April 1, 2012; 40 cents on April 1, 2013; and 40 cents on April 1, 2014. The cost of living adjustment is suspended for the life the Plan. (Sections 1, 3, 6, 7, 14, 15)

The Restructuring Plan extends the Non-Permanent Pension Contribution Termination Period to May 31, 2011. As with the previous Pension Contribution Termination Period, there will be no accrual of benefits during this time period. Effective June 1, 2011, the company will be required to resume its participation in the pension funds at 25 percent of the contribution rate that was in effect on July 1, 2009. (Sections 4, 5)

The Restructuring Plan requires the company to increase the contributions to the health and welfare funds by 35 cents per hour on August 1, 2011; 35 cents per hour on August 1, 2012; 35 cents per hour on August 1, 2013; and 35 cents per hour on August 1, 2014. (Section 11)

The Restructuring Plan reduces vacation amount by one week for all employees with 4 or more weeks of vacation, using the current method of computing vacation pay. (Section 8 (k))

Contract Modifications Included in the National Portion of the NMFA

Section 8 of the Restructuring Plan contains the contract modifications that will be included as part of the first 39 Articles of the NMFA. These modifications include:

- The creation of a "four hour guaranteed local cartage classification" to enhance the Company's ability to compete and provide work for laid-off employees. (Subsection a)
- Flexibility on Drop & Hooks and Spotting Trailers, Pre-Stringing Trailers, and Drop & Picks (Subsections b, d, and e)
- Language that permits a Sunday through Saturday Flex Week in all Supplemental areas. (Subsection c)
- An ability to use Road Casuals in all Supplemental areas in line with current established practices and expanding the job duties of hostlers within their own general classification. (Subsections f and i)
- The Company can add up to 3 additional start times to a maximum of 12. (Subsection g)
- Other alterations, such as reduced break times and new lunch hour designations reflect the minimum standards that are in place in various regions of the country. (Subsection h and j)

Key Provisions/Conditions for the Restructuring Plan

There are a number of key provisions the union insisted upon as a condition of the economic relief:

- First is that the Union will be involved in the discussions around debt reduction with the existing lenders and new equity investment with potential investors. Incorporated into the Restructuring Plan is a "Term Sheet" that establishes a framework for a corporate transaction, the Unions role in structuring and participating in such a transaction, and the key elements that must be achieved for the Union to permit concessions to continue. (Section 2; See separate Summary of Term Sheet for additional details)
- In addition to participation in the debt reduction and equity investment discussion to create a sustainable company, the Term Sheet also indicates that in exchange for the cost savings the Union will require equity ownership of the company and, at a minimum, one additional board seat. (Section 2; See separate Summary of Term Sheet for additional details)
- The concept of equal sacrifice that was contained in prior agreements. Management and non-union employees are required to participate in cost sharing in an equal manner. (Section 4)
- The expansion of recall rights from the prior agreement continues. That provision provides for additional job security for laid off bargaining unit employees is provided by amendment of Article 5, Section 1(b) of the NMFA to extend recall rights from 5 to 10 years. (Section 12)
- A series of "snap back" protections that provide wage snap backs to the full NMFA rate if the plan is terminated, if the employer files bankruptcy or if there is a material change in ownership (i.e., if the company is sold). (Sections 19, 20, 24)
- The right of bargaining unit employees to take a leave of absence without pay during the Non-Permanent Pension Contribution Termination Period is extended until June 1, 2011. (Section

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Monitoring and Compliance Terms

In addition to the key provisions, the Restructuring Plan contains language on monitoring and enforcement rights. The employer is required to share financial information sufficient for the union to monitor compliance. (Section 16)

In addition, a subcommittee is created to monitor compliance, resolve disputes and discuss other pertinent information including the implementation of the employer's business plan. Disputes if not resolved by the subcommittee, will to go to the grievance procedure in the NMFA. (Section 17)

YRCW Teleconference

Tuesday, October 5, 8pm EDT

YRCW Teamsters are urged to call in to learn more from Teamster leaders and to ask questions. The call-in number is 1-877-229-8493. You will then be asked to dial the access code, which is 14111.

Summary of TNFINC YRCW Term Sheet

The "Term Sheet" defines key conditions to the continued effectiveness of the Teamster Concessions set forth in the "Restructuring Plan". TNFINC negotiated the Term Sheet to:

- provide a framework for a series of YRCW corporate restructuring transactions that must be achieved for the Union to allow the Concessions to continue; and
- provide protections with respect to the Union's role in structuring and participating in such transactions.

As a general matter the Union has taken the position that the Company must reduce its debt burden and raise new cash equity to recapitalize the business and provide a stable and sustainable financial position.

Key elements of the Term Sheet include:
Framework/Timing

Requires the Company to reduce the amount of debt it is carrying and to raise new equity, in each case on terms satisfactory to the Union.

If the Company fails to meet these goals the Concessions snap back at the election of the Union and the Company has to repay Concession amount.

The Company has two timing windows:

- by December 31, 2010 obtain a definitive agreement with an equity player and failing that equity commitment, require that the Lenders convert a portion of their debt to equity in order to keep Teamster Concessions in place; and,
- by March 31, 2011 to close on the new equity financing or the Union can terminate the Concessions.

During each of these two periods the Company must keep the Union fully apprised of all matters so that it gets a chance to weigh in along each step of the way.

Conditions to Continuation of Concessions

Revolving Credit and Term Loan Facilities: Requires conversion of a significant amount of YRCW's outstanding debt into common stock. Remaining debt is provided under market terms, extends maturity dates to match Teamster contract time period and converts bank deferred interest and fees into common stock. This is a key provision as YRCW needs significant debt reduction to be a viable company.

Equity Ownership of the Company: This provision indicates that the Union's members will receive equity ownership in the Company to be used to provide an economic benefit to YRCW members. The amount of equity to be obtained by the Union will be negotiated with the new equity investors and Lenders. The Concessions are available to the new equity investor, but are only available if a satisfactory deal is struck between the Union and the new equity investor and the Lenders.

Capital Event: Requires the Company to raise $300 million (or amount determined sustainable by the TNFINC) in new equity by December 31, 2010 and close the deal by March 31, 2011.

Other Conditions to Concessions

ABS Credit Facility: Requires renewal of YRCW's ABS credit facility (expiring October 26, 2010). The TNFINC gets to review the terms negotiated by the Company with those lenders and will receive copies of the documents.

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Summary of TNFINC YRCW Term Sheet

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Sale/leaseback and Senior Convertible Notes: Requires the Company to review avenues to improve terms on the sale/leaseback transactions and senior convertible notes and to satisfy the TNFINC as to the validity of the approach taken.

Non-Union Pension Funding Obligations: Requires the Company to look at ways to reduce funding of non-union pension obligations and to satisfy the TNFINC of the validity of the approach taken.

Capital Raising Effort: Establishes the process and involvement of the TNFINC in the debt reduction and equity raising efforts. TNFINC is to be provided real time information and the ability to participate in appropriate negotiations with various parties. Under these provisions the TNFINC will be able to protect the Union's interests as the process unfolds as compared to only being able to review a deal after all other parties have settled matters among themselves. This is a key section for the Union to be part of the process.

Process Requirements

Subcommittee: Re-establishes subcommittee from previous MOU to monitor agreement. The section also provides mechanisms to achieve compliance among the pension funds and establishes the payment of reasonable fees and expenses for financial and legal advisors.

Remedies: Provides mechanism to specifically enforce terms of agreement (mainly information sharing and "seat at the table" provisions) so that the TNFINC and the Union has a way to get expeditious relief if terms are not complied with.

Post Closing Transactions Requirements

Restricted Payments: Restricts dividends and other payments made during concession period.

Recapture Provisions: This provision also indicates that the Union will require a "profit sharing" provision that captures additional compensation if operating profit targets are achieved

Board Composition and Representation: Sets minimum Union representation on board at two after a capital raising event and additional seats under certain circumstances.

Stockholder Rights/Registration Rights: Provides the right to be able to sell Union's negotiated equity position when we want in the public market and that we have the "tag along" right to sell when others investor sell their stock.

Indemnity: Company would indemnify the Union if it sued as a result of the Term Sheet and related transactions.