Summary of Economic Relief Plan

The Wage Reduction—Job Security Plan ("Plan") Memorandum of Agreement was negotiated with the express purpose of enabling YRCW the ability to compete and provide job security for Teamster bargaining unit employees. Upon being presented with the facts surrounding the company's need for economic relief that were verified by independent financial experts, the union entered into discussions to provide the company with economic relief in the form of a wage reduction. In exchange, the Union insisted on key provisions that included language that codifies management's belief of the soundness of its business plan, requires equal sacrifice among all YRCW employees, an ability to obtain stock in the company if it makes significant economic improvement, places restrictions on where the savings can be used, and provides for wages to "snap back" to full rates under the NMFA if the company goes into bankruptcy or is sold. The plan also provides for additional monitoring and compliance mechanisms.

Below is a summary of the Wage Reduction—Job Security Plan coverage and terms, key provisions/conditions and monitoring and compliance.

Plan Coverage and Terms

The plan calls for a reduction in gross wages and mileage rates of 10 percent effective the first payroll period after ratification through the term of the NMFA—March 31, 2013. The wage and mileage increases called for under the NMFA will also be reduced by 10 percent The cost of living adjustment is also suspended for the life the Plan. (Sections 1, 2, 4, 7, 8, 15)

The economic relief provided in the Plan was limited to the 10% wage reduction. **There are no changes to any health, welfare and pension contributions.** These plans are funded as provided for in the NMFA. (Section 5)

Key Provisions/Conditions for the Wage Reduction

There are a number of key provisions the union insisted upon as a condition of the wage reduction:

- First, management had to certify its representation to the union that, to the best of its ability, the business plan it presented is likely to succeed. The "representation" gives the union recourse if management improperly represented the facts. (Section 18).
- Second is the concept of equal sacrifice. Management and non-union employees are required to participate in cost sharing in an equal manner. If cuts made to these individuals already in 2008 (termination of retiree medical, suspension of defined contribution pension, plan, freezing of defined benefit plan, increased cost of health care and elimination of wage increases for 2009) do not meet the 10 percent compensation reduction, then additional wage and benefit cuts must be implemented. The employer is obligated to achieve similar cost reductions from its other bargaining units. (Section 3)
- Third is the ability for those taking the 10 percent wage cut to have the opportunity to earn some of that money back if the company's stock appreciates. This comes in the form of warrants. The company will issue warrants to purchase common stock to a trust in the amount at or equal to 15 percent of the equity of YRCW (approximately 10 million shares). Each warrant represents the right to purchase a share of YRCW common stock at a price set by the closing price of the stock on the date the wage reductions go into effect, around January 1, 2009. The trust can sell the stock (exercise the warrants) at some point after January 1, 2010 with the hope to maximize recovery (sell price less the price of the stock on the date wage reductions go into effect). (Section 9)
- Fourth is work preservation. The employer is prevented from purchasing any non-union LTL entity without approval of the union and limits the employer's use of saving achieved by the 10 percent reduction to expand non-union North American or any international operations. If the employer is allowed to purchase a new non-union less than truckload (LTL) carrier, the union neutrality and card check provision will apply when organizing that workforce. (Sections 12 and 17)

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- Fifth are 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 13, 14, 19)

Monitoring and Compliance

In addition to the key provisions, the plan contains additional language on monitoring and enforcement rights. The employer is required to share financial information sufficient for the union to monitor compliance with the plan and pay for an annual audit to determine compliance. (Section 10)

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 6, 11).