

VIA FACSIMILE TRANSMISSION

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Gentlemen:

As promised you, the following is a recap of the events which led to the expedited arbitration award of June 26, 2007, so that each Local would have in its archives some sense of how we were able to position ourselves in order to obtain the most recent expedited arbitration award.

As you know, in September 2006, both Locals requested the CTA open negotiations for the purpose of negotiating a new collective bargaining agreement. Throughout the next several months, we met with CTA representatives in an attempt to reach a prompt resolution of our contract negotiations. As you are both aware, the history at the CTA has been that talks drag on for years before they break down and then the parties move to arbitration. In an effort to break that cycle, we attempted to convince the CTA that "business as usual" was not going to happen again. Despite our best efforts, the embedded administration at the CTA did nothing but provide lip service to their supposed promise of trying to work with the Unions in expediting a contract agreement. In January 2007, it became apparent that the CTA had no intentions of having our contract dispute expeditiously resolved. In this same time frame, we provided to the CTA a list of proposals which needed to be addressed. After several months of discussion, we became convinced that the CTA was not going to voluntarily agree to anything, and therefore we demanded arbitration. Shortly after demanding arbitration, we selected Arbitrator Harvey Nathan to hear the contract dispute. However, the earliest possible dates that Arbitrator Nathan offered were in October 2007.

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Fortuitously, around this same time, CTA management changed and a new administration took over. Throughout this process, I, along with Joe Burns, attorney for Local 308, met with representatives of the RTA in an effort to impress upon them the need for significant additional funding for the CTA, without which there would be no possibility of obtaining any agreement. In May, it became apparent that the legislature in Springfield was beginning to pay attention to our plight and I was requested to make a presentation to the legislature in Springfield regarding the plight of our pension and retiree health and welfare fund. As you all know, both of these funds were on the brink of insolvency and something had to be done immediately in order to save both benefits. After our presentation to the legislatures, things began to accelerate. It becomes apparent that we finally had the ear of key legislative people, as well as the RTA.

In mid-June 2007, the legislative activity became fast and furious. As you know, the legislature was set to adjourn at the end of June and we were advised that there must be some agreement between the parties by the end of June in order for the legislature to take into account what might be necessary to fund whatever contract the parties were to live by.

As a result, we met with the CTA and its new management team and attempted to negotiate a settlement. Unfortunately, our efforts to have the CTA voluntarily agree to what we thought would have been fair and reasonable were unsuccessful. We did, however, convince them to proceed with an expedited arbitration process with the understanding that an award must be issued prior to the end of June 2007 so that the Illinois Legislature would be able to consider what was necessary to fund any contract awarded through the arbitration process. We were successful in obtaining Arbitrator Edward Benn to hear our dispute on an expedited basis. At the arbitration, the CTA submitted 29 separate exhibits covering several hundred pages and the Union submitted 81 different exhibits covering several hundred pages. We made our arguments to the Arbitrator as to why our proposal should have been accepted. Likewise, the CTA made arguments as to the wisdom of their proposals. During the arbitration process, the Arbitrator, of course, explored the key issues and the fact that the award had to be expressly conditioned upon certain legislative action.

The Arbitrator then issued his decision. As you are aware, from the Unions' standpoint, the key provisions are that the CTA must now put \$1 billion into our pension plan, as well as \$450 million into a retiree trust fund so that the retirees will have some measure of health insurance when they retire. In my opinion, this was a monumental step toward securing our retirees' pension, as well as their retiree health insurance. The Arbitrator also mandated that those employees who had previously been excluded from retiree health insurance were now to be provided retiree health insurance. As a result, all current and future employees of the CTA will not only have a pension but will also have retiree health insurance. These provisions, along with the fact that active employees will have their current health insurance costs frozen, were, in my opinion, tremendous gains for the Local Unions. Considering the fact that we were able to also secure a wage increase of 16%, our decision to proceed to expedited arbitration was a wise one.

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Obviously, if we would have had more time before the Arbitrator, we may have been able to persuade him to provide some additional benefits and changes. However, as everyone was keenly aware, we were under a very tight timeframe created by the Illinois Legislature, which insisted that if there was going to be any consideration for transit funding, we had to have an award or an agreement by the end of June. When the CTA refused to agree to the terms which we thought fair and reasonable, we asked for and received immediate interest arbitration and the award of Edward Benn. Enclosed is a signed copy of that Award.

If you need anything further to document what has transpired, please do not hesitate to call and I will be more than happy to provide the same. Best of luck to all of you.

Very truly yours,

Joseph J. Pass

JJP:dmc
Enclos.