



Richard P. Hughes, Jr.
President

October 19, 2009

TO: All ILA Members in Ports from Maine to Texas Covered by the Master Contract

Re: Explanation of Extension Agreement

Dear Sisters and Brothers:

I am setting forth below an explanation of the Memorandum of Settlement.

Elimination of Container Royalty Caps

If the extension is not ratified, royalties available for distribution in 2010 would be capped at 73 million tons. If the contract is ratified, no caps will be in effect, thus producing in 2011 and 2012 additional royalties of more than \$50 million each year. Caps upon annual royalty checks have also been eliminated. This means that if the contract is ratified, your individual container royalty check will not be capped at \$16,500 or \$7,500, respectively.

In order to get USMX to agree to remove the caps for the entire 3-year contract term, the ILA agreed that for the first year only the carriers could suspend temporarily the payment of container royalties until they recoup \$42 million. Consequently, the increase in royalties for 2010 will be less than \$50 million.

Increased Wages

- (a) Effective October 1, 2009, the highest wage will go to \$31.00 per hour.
- (b) Effective October 1, 2011, the highest wage will go to \$32.00 per hour.
- (c) Effective October 1, 2009, wage increases of \$1.50 and \$1.00 will go into effect to employees receiving less than the highest wage.
- (d) Effective October 1, 2009, the starting wage will be \$20.00 per hour.

Every Worker Able To Reach Top Tier

Effective April 1, 2012, and on every October 1 thereafter, longshore workers receiving less than the highest wage rate will receive increases based on their years of service as of the prior September 30 in accordance with the following formula:

- 3 Years of Service – a raise of 25% of the difference between the rate they are receiving and the highest wage rate.
- 5 Years of Service – a raise of 50% of the difference between the rate they are receiving and the highest wage rate.
- 7 Years of Service – a raise of 75% of the difference between the rate they are receiving and the highest wage rate.
- 9 Years of Service – a raise of 100% of the difference between the rate they are receiving and the highest wage rate.

If you vote “YES,” every worker will receive the highest wage rate after nine years of service. Service prior to October 1, 2009 is based on just 1 hour in a contract year. After October 1, 2009, a year of service requires 700 hours. Since most of the workers currently in the lower tiers have substantial years of service already as a result of the 1-hour rule, more than 85% of the current work force will reach the top wage level in 2012. I am attaching a chart that will allow each of you to determine what your rate of pay will be at the end of the extension agreement on September 30, 2012.

If the contract is not approved, the tiered wage structure will remain unchanged, lower tiered workers will not receive wage increases of from \$6.00 to \$11.50 per hour by 2012, your container royalty checks will not grow, and the starting wage rate will continue at \$16 per hour.

Increased Protection for Local Benefits

The ILA has negotiated the creation of a new fund to protect your local benefits. The source of revenue for the new fund is a combination of existing contributions and new money. The existing contributions are used for MILA and the CFS Fund, both of which have more than enough money to provide benefits for the term of the extension. Each year the new fund will pay each port automatically the amount of the cap-refund money it received for the contract year ending September 30, 2009. In addition, each port can file an application for additional assistance should the need arise.

Jurisdiction Protection

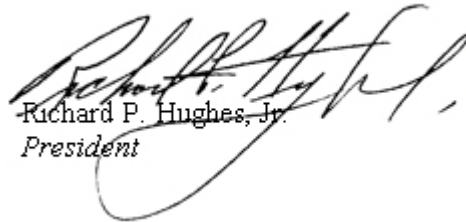
The Jurisdiction Committee's decisions are made final and binding and enforceable in court.

New Technology

A standing committee of management and union members is established to facilitate appropriate economic analyses to assist the parties in resolving issues that may arise from the development of new technology. The committee will analyze possible reassignment, retraining, severance and/or assignment to the ILA of all employment positions resulting from technological changes.

As you can see, the ILA has been able to negotiate an agreement on the major bargaining issues that provides enhanced compensation to each of you at a time when most unions are agreeing to givebacks. This extension agreement assures stability in the industry during troubled economic times, thus assuring the continued flow of cargo to our ports. Addressing these major issues at this time will permit us to negotiate a stronger and more comprehensive agreement in 2012, when economic conditions should have improved.

Fraternally yours,



Richard P. Hughes, Jr.
President

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cc: Mr. Harold J. Daggett, Exec. Vice-Pres., ILA, AFL-CIO
Mr. Robert E. Gleason, Sec.-Treas., ILA, AFL-CIO
Mr. Benny Holland, Jr., Gen. Vice-Pres., ILA, AFL-CIO
Mr. Gerald Owens, Gen. Org., ILA, AFL-CIO
Mr. John D. Baker, Asst. Gen. Org., ILA, AFL-CIO
Mr. John Bowers, Pres. Emeritus, ILA, AFL-CIO
Hon. Milton Mollen, Ethical Practices Counsel
Marrinan & Mazzola Mardon, P.C.