



August 7, 2019

TEAMSTERS

JACK COOPER UPDATE

Leaders of Carhaul Local Unions Approve Sending Job-Saving Plan to Members

On August 5, 2019, leaders of local unions that represent members at Jack Cooper met by tele-conference and voted overwhelmingly to send members a Last, Best and Final Offer (LBFO) aimed at saving more than 2,200 Teamster jobs for a vote in the near future.

The LBFO is in the form of a Restructuring Term Sheet, which contains contractual modifications that require sacrifices of all key stakeholders, including wiping out the existing equity holders and the forgiveness of \$300 million in debt. On August 6, the company filed for Chapter 11 reorganization bankruptcy, and if all parties agree and the court approves the sale/reorganization plan, Jack Cooper will emerge as a new company with a new owner—Solus Alternative Asset Management LP.

"No one wants to be in this position, but given the challenging circumstances we strongly believe this is the best plan possible to save the livelihoods of more than 2,200 Teamsters

and their families," said Kevin Moore, Director of the Teamsters Carhaul Division. "This plan protects Teamster jobs, protects the unionized carhaul industry and gives Jack Cooper the chance to turn around from the dire financial

executives accountable regarding bonuses and compensation, and requires the company to invest at least \$20 million per year to buy or lease new trucks, which is greater than the total annual pension concessions. The

company must place in service 100 newly purchased or leased trucks each year through 2023."

The leaders' overwhelming vote of support paves the way for members to vote on the Last, Best and Final Offer in the near future. Information about the timeline will

"The national committee believes these are the best terms available to us given the situation," said Kevin Moore, Director of the Teamsters Carhaul Division. "This is the Last, Best and Final Offer—there will be no further offers. The rejection of the LBFO will lead to the company being sold piecemeal or liquidated resulting in the destruction of Teamster jobs. This plan offers the best hope to protect the livelihoods of our carhaul members. I urge all carhaul members to not be swayed by misinformation they may see on the Internet. The best source of information is www.teamster.org/JackCooper."

situation it now faces, which in turn will help and protect our members at Jack Cooper.

"While there are changes to pensions, this plan contains no wage concessions or health care benefit concessions, and members will remain protected by the National Master Automobile Transporters Agreement, which is an incredibly important part of the plan," Moore said. "That means our Jack Cooper members remain on solid footing covered under our national carhaul contract. The plan also holds senior

be released soon.

Following the leaders' vote, a tele-forum call was held with more than 1,000 members. Many members left questions during the call (see questions and answers inside this newsletter).

The Teamsters National Automobile Transporters Industry Negotiating Committee (TNATINC) unanimously approved sending the plan to local union leaders with the hope and understanding that Jack Cooper members would vote in the future.

Questions & Answers

1. *I'm about ready to retire and I'm concerned about getting my full pension. What is going to happen now if this goes forward?*

While we suggest you call the Central States Pension Fund directly for specific answers about the changes, the union and the Central States Pension Fund, as with all funds, insisted that no one lose any of their already earned benefits, or “adjustable benefits” as some term it. That essentially means you will keep all the credits and benefits you have earned up until you go into the new Hybrid Fund. Obviously, the pension contribution rate has been reduced so you will not be accruing the same benefits as now, but it is still a defined benefit plan that, in conjunction with your old plan, will move you closer to a retirement benefit, albeit a slower pace.

For members currently participating in either the Local 557, 560 or 710 pension funds, in lieu of pension contributions, the company will make contributions to the Teamsters National 401(k) plan on behalf of each employee covered under the Area Supplements in the amount of \$150 per week.

2. *How does this Term Sheet affect the current contract that expires in May of 2021?*

The Term Sheet contains changes that will last through the end of 2024 because the business and financing plan that the lenders have agreed to needs to run five years so the turnaround can occur. Also, the Central States Pension Fund insisted on a five-year participation agreement for the new company so it can project out and fund the new benefit levels in the Hybrid Plan. In general, whatever is not addressed specifically in the Term Sheet, like typical contract language, will be re-negotiated with the industry and the new company in advance of the May 31, 2021 expiration as it has been done in the past.

3. *It sounds like most of the same management team will be in charge of the company going forward. Aren't these the same people who got us in this mess?*

The union strongly objected to having the same individuals running the new company but was met with great resistance from the lender whose group members have worked closely with current senior management over the past three years. The lender believes they know the industry, and are best equipped to lead the company going forward. Because there are simply no other new entities willing to invest any

new cash into the company or other existing debt holders willing to convert their debt to equity, we negotiated a compromise. In this compromise, the company will be governed by a new independent Board of Directors, not controlled by the Riggs family, and the lenders, now majority owners, will have a much more “hands on” approach to running the business. They will likely bring new leadership in key roles to grow the business over time. The company removed its chief financial officer and said “goodbye” to a division president and eliminated several other senior positions since we began talks as well. Also, we pressed senior management to pay back any and all recent bonuses as part of the transaction in exchange for a small percentage of stock equity when the transaction is over. We have also limited the ability of executives to get any bonuses for the next few years. Of course, we will be monitoring the company very closely as it executes this turnaround and in preparation for full contract talks that will begin with the industry in roughly 15 months.

4. *Why was a bankruptcy filing necessary now?*

There are essentially two kinds of bankruptcy filings, and while both are overseen by the courts and a judge, they follow very different tracks. One path, Chapter 7, is where the company simply liquidates and shuts down—that is NOT the case here. The other is Chapter 11, where the company continues to operate as a going concern but attempts to shed certain types of debts and obligations that would otherwise cause it to cease to operate. In the latter type of case, where a company wants to continue in business, there are also two choices: a debt-ridden company, like Jack Cooper, can “pre-arrange” terms with as many of their constituents and issues related to their liabilities, financing, and labor agreements in advance of the filing so it's a more stable, known process that will get the necessary transactions completed and approved as quickly as possible. The other, an uncontrolled Chapter 11 bankruptcy, like we saw with PTS and Allied a couple of times, is very time consuming, contentious and expensive and can have disastrous results. Jack Cooper chose, along with its contractual parties, to pre-arrange the majority of its terms for the restructuring in advance so the process is quicker, less disruptive, less expensive and the major terms are known to the judge in advance. It's a preferred path since it is more orderly and involves less risk and cost to all parties.

5. *Where will the money come from to buy new trucks and when will we see this happen?*

The one issue that all parties could agree on over the last few weeks was the need for a lot of new equipment to go into service to better match the competition's service and provide a safer and more reliable loading and unloading experience. The new owners have committed in writing to an aggressive business plan that will deploy hundreds of new rigs. The new company will spend at least \$20 million annually, or the lease equivalent, which will include 100 percent of the pension concessions. Within that plan they must place in service 100 newly purchased and or leased trucks each year through 2023.

While we were skeptical at first, the new owners acknowledged that very high maintenance costs and declining service issues can only be addressed this way. Through an unprecedented lease-to-own program, new rigs can be quickly deployed especially since many orders have been cancelled by other carriers due to the slowing economy this year. In addition, part of the business plan includes determined refurbishment. In total there will be hundreds of new rigs and refurbs on the road by the end of 2020. All of these actions, which are planned on an "as soon as possible" basis, will save money on fuel, improve load factor, use of fewer spares, and improve productivity—all allowing for a better working experience for our members and better service to the customers.

6. *How will this affect my medical and dental benefits, and vacation and holiday pay?*

There are no changes to medical and dental benefits in the Term Sheet. In fact, the Term Sheet protects your health care benefits. By insisting that the new owners agree to sign the NMATA, your vacation pay, sick days, holiday pay are all covered by this agreement and remain unchanged by this proposed Term Sheet and pending sale.

7. *What happens after the plan expires at the end of 2024?*

At the expiration of the Term Sheet, those conditions contained within it will expire as well. The NMATA would still be in effect. Anything otherwise would require a ratification of the affected members at that time.

8. *Who's buying the company, and when do they take over? How financially secure are they?*

The new owners are the former junior lenders, Solus Alternative Asset Management LP. The union believes the new owners will take a greater "hands on" approach to running the company. Solus has a lot at stake and they will want to make sure its investment pays off. The only way to recoup its investment is to turn the company around and grow the business.

9. *How will the union hold the new company accountable to follow through on this plan?*

The Term Sheet has very tight language and conditions the company must abide by. For example, the "purchased transportation" proposal contains very strict limitations, and the union reserves the right to discontinue it if the company abuses it. All items contained in the Term Sheet are enforceable through the grievance and arbitration procedure, as is true of all language under the NMATA.

10. *Why should I vote YES?*

When Jack Cooper contacted the union regarding its financial troubles, we sent industry and financial experts to go through Jack Cooper's business plan and financial statements with a fine-tooth comb. We agreed to a confidentiality agreement to ensure full disclosure of everything we needed to examine. The outcome of that analysis showed Jack Cooper was in deep financial trouble with no other available options than a restructuring and potential sale through the bankruptcy court to resolve their crushing debt. There are no other potential buyers than the existing junior debt holder who already owns approximately \$300 million of Jack Cooper's debt. They were willing to step forward and trade their debt for equity (ownership) conditionally in an effort to salvage their investment. We believe this plan is the only viable option. There are no other potential options or offers. If the LBFO Term Sheet is rejected, then the company's plan to emerge from a short bankruptcy will not happen, resulting in a longer bankruptcy process that will most likely lead to a liquidation and loss of jobs.

**To read additional questions and answers,
visit www.teamster.org/JackCooper**



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***To View the Restructuring Term Sheet and the
Agreement on Purchased Transportation, visit
www.teamster.org/JackCooper***

Key Terms of Plan to Save Teamster Carhaul Jobs at Jack Cooper

Following round-the-clock negotiations with Jack Cooper and Solus Alternative Asset Management LP during the week of July 29, the Teamsters National Auto Transporters Industry Negotiating Committee (TNATINC) has received a Last, Best and Final Offer (LBFO) in the form of a Restructuring Term Sheet to save more than 2,200 Teamster jobs and a total of nearly 3,000 jobs at the company.

The Restructuring Term Sheet contains contractual modifications that Jack Cooper and Solus states are necessary for the company's survival in a brutal market place. In addition, the LBFO Term Sheet and related stakeholder term sheets require sacrifices of all key stakeholders including completely wiping out the existing equity holders and the forgiveness of \$300 million in debt. All the key stakeholders need to reach agreements on the terms of a restructuring which will then need to be implemented through a Chapter 11 reorganization bankruptcy filing. If all parties agree and the Court approves the sale/reorganization plan, Jack Cooper will emerge as a new company, with a new owner, Solus, and a lot less debt.

The LBFO Term Sheet, if approved by leaders of carhaul local unions and their members, would run until December 31, 2024. More information will be available soon, but here are the limited contractual modifications:

- There are NO wage concessions;
- There are NO health care benefit concessions;
- For members participating in the Central States Pension Fund, by way of agreement with the Central States Pension Fund, a member's accrued pension benefit (adjustable benefit) will not be cut or reduced by this term sheet or transaction. This means what you've already earned prior to this transaction will not be affected by this sale. On a going-forward basis (effective from the date of company's sale) a member's future pension benefit would then be based on a reduced contribution of \$150.00 per week paid to the Central States Hybrid plan.
- For members currently participating in either the Local 557, 560 or 710 Pension Funds, in lieu of pension contributions, the company will make 401(k) contributions on behalf of each employee covered under the Area Supplements to the Teamsters National 401(k) Plan in the amount of \$150 per week
- New provisions to increase Jack Cooper's ability to service its customers (Purchased Transportation);
- Restricts the company from using labor cost savings to underbid existing unionized work;
- The expiration of these modifications is December 31, 2024.

In addition to these limited contractual modifications, the Term Sheet requires other conditions to be met. Key provisions include:

- The new Employer will be part of the National Master Automobile Transporters Agreement and the terms of that agreement except as modified by the items above;
- The new Employer agrees to be a successor and assume the terms of the contract as modified, including seniority, accrued paid time off and pending grievances;
- Requires senior company officials to reinvest any bonuses paid in 2019 into equity of the new company;
- Restricts going forward "variable" compensation of senior executives for a period of two years and ties any compensation to key performance metrics as defined by the current business plan and/or re-fleeting plan;
- Requires the new company to invest a minimum of \$35 million of new equity into the new company;
- Provides for a minimum annual investment into a new fleet (100 vehicles per year through 2023) and is at least \$20 million per year;
- Provides that the new company have a majority of new, independent directors in its new Board of Directors and that the CEO will be separate from the Chairman of the Board.