

Mac A. Fleming
President



William E. LaRue
Secretary-Treasurer

Brotherhood of Maintenance of Way Employees
Affiliated with the A.F.L.-C.I.O. and C.L.C.

August 22, 2002

All Grand Lodge (Elect) and
System Officers

Dear Sirs & Brothers:

This is to advise you of information reported to Grand Lodge in a telephone conversation with Joe Stinger and Len Beauchamp of the IBB on Tuesday, August 20, 2002, regarding the Carriers notifying the IBB, that because of a stock market driven decline in value of approximately 16% of the Boilermakers Pension Trust, they are, at this time, unable to follow through with their previous tentative agreement with the IBB regarding the implementation of the Boilermakers Pension Trust to the Railroad Division members as part of their contract settlement. Likewise, this will delay implementation of the IBB Pension Trust to BMW members as provided in the proposed merger agreement with the BMW.

What this means is that the language contained in the proposed merger agreement between the BMW and IBB regarding the implementation of the pension will necessarily be put on hold until market conditions improve. It is also important to note that the IBB Pension Trustees could adjust past service credits as they apply to all future participants because of funding. While we hope that past service credit will continue as current under the Plan, it is not guaranteed.

It has been made clear by the IBB that they are not abandoning, nor does this change the agreement with the BMW. It just means that railroad members' pension participation cannot be implemented at this time. However, the market is expected to improve in the coming year and when it does, the IBB intends to resume negotiations to implement the pension for its current Railroad Division workers, and if we are merged, BMW Division as well. Let me assure you that this does not change anything in the merger. However, it will again make pension participation a bargaining priority with the Carriers. As evident from the attached article that appeared in *The Detroit Free Press* on August 21, 2002, General Motors, as well as other pension plans are experiencing similar situations.

Like others who have invested in the stock market, the Trust has incurred a decline since September 11, 2001. At the time the agreement was negotiated, the IBB Pension Trust was substantially over funded, a condition which was assumed in the Boilermakers' tentative agreement with the carriers. While the plan as of December 31, 2001, remains in an over funded condition, the percentage has declined and caused concern among the Carriers and the Board of Trustees.

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August 22, 2002

While all of us who have worked hard to bring this merger to fruition are disappointed at this turn of events, we should not be surprised or discouraged given the recent lows experienced in the stock market. We are, however, likewise optimistic that the market will fully recover, thus, enabling implementation of the pension.

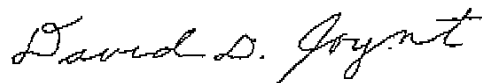
At this writing, we are moving forward with the intent of advancing the proposed merger agreement to the members for a vote as determined by actions of the recent Grand Lodge Convention. We believe that the downturn is temporary, as the situation has already begun improving and we remain steadfast in our belief that the proposed merger agreement continues to provide substantial benefits for the members.

In solidarity,

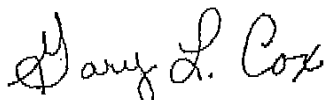
Merger Committee



William Brehl, Pacific Region
General Chairman
Canadian System Federation



David D. Joynt
General Chairman
Burlington System Division



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Federation



Perry K. Geller, General Chairman
Consolidated Rail System Federation



David D. Tanner
General Chairman
Union Pacific System Division

Attachment

cc: Local Lodge Secretary-Treasurers
Grand Lodge Appointees