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Douglas Finnon
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Trainmen, Yardmen & Conductors

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To All Members

We are writing this letter to you in order that you are aware of the continued legal battle the Union has been involved in, and the fact that a settlement to this legal situation is imminent.

A number of years ago the WIB Top Up Plan that was implemented in 1996 was running into a deficit problem. National Life wanted to increase the premiums significantly. Eventually the Plan was cancelled when it was in a deficit situation. The membership was made aware of this through bulletins dated February 9, 1999, and March 4, 1999, by the General Chairs of the day.

For several years, National Life Assurance of Canada has advanced a lawsuit related to the former Weekly Indemnity Top Up Plan, which was cancelled in 1999. The basis of the suit is the premiums paid to National Life did not cover the cost of the benefits paid out. National Life is seeking to recover the amount of overpayment made during the period the Top Up Plan was in effect. This amount is about \$990,000.00. Interest has been accruing on that amount, legal bills are mounting for both parties, and if National Life wins their case, their legal bills would have to be paid for by the Union. The Union was given a legal opinion that the potential liability to the Union members could be as much as two million dollars should this lawsuit continue, and National Life be successful.

As clarification, this legal situation does not involve the Locomotive Engineer Long Term Disability Plan. The LTD plan is very healthy at this time and in no way is it involved nor will it be affected by the outcome of the anticipated settlement.

We have been made aware that the National Office has been involved in settlement discussions through legal counsel. Legal counsel has provided written advice supporting the settlement of the lawsuit as opposed to continued legal action. As General Chairmen, we have not been involved in the settlement discussions, however we have been made aware of them. The settlement will make us responsible to pay off the original deficit, but we are not paying any interest charges nor any legal fees



It is our understanding that a negotiated settlement of the lawsuit will be finalized before the end of August, and that this means the funds to pay for the settlement must be gathered together. The National Office has informed us that the responsibility to pay for the settlement of this lawsuit lies with the membership at CP. There is only one way for the membership at CP to pay for this settlement, and that is through the payment of Union Dues. It is our understanding the final settlement amount will be about \$990,000.00, although we have not been advised of the exact amount. We understand the final details, including the final amount and the repayment agreement, will be finalized this month.

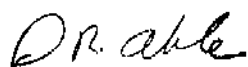
The General Committees at CP Rail do not have sufficient money on hand to simply pay the settlement amount. Therefore, we have no alternative but to make a dues increase of twenty-five dollars (\$25.00) per active member, per month, until the settlement amount is paid off. The entire \$25.00 will be directed to pay off the law suit settlement. The increase will be in effect for approximately nine months, and will be made on the pay period where regular Union dues are collected. This increase will be effective on the September 22, 2005, pay cheque.

While this is an unpopular decision, we believe that we must be proactive and collect the money over a period of time instead of seeking the full amount at one time. There is nowhere else to look for financial assistance when we are sued. The Union is the members, and each of us must now pay our share of the cost associated with the settlement of this long-outstanding lawsuit where our members received a benefit that was not fully paid for.

The increase will be removed immediately upon final payment of the settlement amount.

Some of you are aware that we have taken legal action against the UTU in an attempt to have the members' money returned to Canada, and to the CTY General Committees. We cannot rely on that matter to be settled soon, and we will advise of the results of that situation at the appropriate time.

In Solidarity



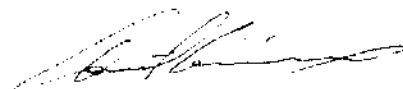
Dave Able
General Chairman



Douglas Finnon
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Tim Beaver
General Chairman



Daniel Genereux
General Chairman

History of the issue.

In 1999 the National Life top up for Weekly Indemnity Benefit plan was shut down due to burgeoning losses. There had been an alarming increase in the number of claims, and the length of claims had increased substantially. The plan was paying out substantially more money than the premiums were bringing in.

National Life filed a lawsuit against the then CCROU, UTU/BLE. The original suit was filed in Ontario, and this suit was not successful. National Life then filed in the Quebec courts, where the provincial laws are somewhat different than in Ontario.

This lawsuit has been ongoing with legal counsel for both sides in and out of the Courts for the past four years, at considerable costs to both parties.

We have been advised by the National Office that upon the advise of legal counsel they have reached a proposed settlement in this case.

The Plan:

- July, 15 1995 Justice Adams ordered that a top up plan be put into place.
- December 1, 1996 the CCROU entered into a contract with National Life establishing the WIB top up plan.
- October 14, 1997 WIB deficit \$450,000
- July 1998 in an effort to continue the plan an agreement was reached with National Life that the membership would be responsible for any deficit. This agreement is commonly referred to as a "hold harmless" agreement effective December 1, 1997.
- April 13, 1999 the policy was cancelled with a deficit of approximately \$980,000.
- April 25, 2000 National Life commenced legal action in Ontario.
November 15, 2001 National Life commenced legal action in Quebec.