FRANK J. McGARR, Esq.
Arbitration and Mediation

February 10, 2010

The Honorable Milton I. Shadur
United States District Judge
United States District Court
Northern District of Illinois
Eastern Division
219 South Dearborn Street
Chicago, Illinois 60604

Via UPS Next Day

Re: Quarterly Report of Independent Special Counsel, Chao v. Estate of Frank E. Fitzsimmons, et al., No. 78 C 342 (N.D. Ill., E.D.); Chao v. Robbins, et al., No. 78 C 4075 (N.D. Ill., E.D.); and Chao v. Dorfman, et al., No. 82 C 7951 (N.D. Ill., E.D.)

Dear Judge Shadur:

This is to report on my activities during the fourth quarter of 2009 as Independent Special Counsel appointed pursuant to the Fitzsimmons (Pension Fund) and Robbins and Dorfman (Health and Welfare Fund) consent decrees.

I have attended full Board of Trustees meetings, now held every other month (with additional meetings as noted in my reports), and consulted regularly with Fund executives.

Trustee Selection / Board Composition

As indicated in my prior reports, at the Board of Trustees Meeting on July 16, 2009, the Board formalized action to terminate the Pension Fund participation of YRC, Inc. and its affiliates (collectively, "YRC"), due to YRC's inability to remain current in its pension contribution obligations. YRC has historically been one of the most significant employers contributing to both Funds.

As also previously reported, an employee of YRC - Mr. Thomas Ventura - had for several years served as an Employer Trustee. Although Mr. Ventura is an employee of YRC, he was in fact appointed to his Employer Trustee position by an employer

association in which YRC is the major participant, the Motor Carrier Employers Conference-Central States ("MCEC"). In addition to appointing Mr. Ventura, MCEC or its affiliate (the Southern Motor Carriers Association, "SMCLRA," which is now dissolved) also held the appointing authority under the Funds' Trust Agreements with respect to two other Employer Trustees positions.

However, with the termination of YRC's participation in the Pension Fund, and in light of the fact that the MCEC-affiliated SMCLRA was no longer an active employer association, it appeared to the Trustees that MCEC and SMCLRA were less representative of the employers currently participating in the Pension Fund. Therefore, at the September 16, 2009 Board Meeting, the Trustees amended the Trust Agreement to eliminate the appointing authorities previously conferred on MCEC and SMCLRA, *i.e.*, for the Employer Trustee terms ending March 31, 2010, 2011 and 2012. The MCEC/SMCLRA appointing authorities with respect to these three Employer Trustee positions were then conferred, pursuant to Trust Agreement Amendments approved on September 16, upon the following three bodies (with each body authorized to nominate one Employer Trustee):

(1) The Employer Trustees, acting by majority vote, were given authority for the appointment of the Employer Trustee term commencing April 1, 2010;

(2) The Association of Food and Dairy Retailers, Wholesalers and Manufacturers ("AFDRWM"), an employer association representing a number of Fund contributing employers (AFDRWM has been given a Trustee nominating authority, subject to approval by a majority vote of the Employer Trustees), for the Employer Trustee term commencing April 1, 2011; and

(3) ABF, a large contributor to both Funds (ABF has been given a Trustee nominating authority, subject to approval by a majority vote of the Employer Trustees), for the Employer Trustee term commencing April 1, 2012.

These changes in the Employer Trustee selection procedures were made without any effect upon the validity of the four terms of office presently in effect as of the September 16, 2009 effective date of the Trust Agreement Amendments. But the amendments provide that in the event of a vacancy occurring during a term of office, the nominating and appointing authorities that would otherwise have

the authority to nominate and appoint at the expiration of the term would have the power to fill the vacancy.

As also previously reported, on September 23, 2009, Mr. Tom Ventura (the YRC employee appointed Trustee by MCEC) tendered notice of his resignation. This resignation created a vacancy for the Employer Trustee term ending March 31, 2010. Pursuant to the Trust Agreements outlined above, Mr. Art Bunte was appointed to serve the balance of the term ending March 31, 2010 as well as the five year term commencing April 1, 2010. As Mr. Bunte has already been approved by the Court overseeing the consent decrees, no further Court approvals are required. There currently exists a vacancy in Employer Trustee term ending March 31, 2011, which vacancy is to be filled by a nomination to be submitted by the AFDRWM, subject to approval by a majority vote of the other, then sitting Employer Trustees. If the candidate to be nominated by AFDRWM has never previously been appointed to serve as a Trustee, then the ultimate appointment would be subject to approval by this Court, pursuant to the process established by the consent decrees. The Funds' Staff has indicated that the issue of filling this Employer Trustee vacancy will be discussed at future meetings of the Board of Trustees.

Audit

At the November 17, 2009 Meeting of the Board of Trustees, the Funds' Internal Audit Department presented a report concerning its audit of Withdrawal Liability Processing. The overall conclusion of these audits was that adequate administrative and internal accounting controls surrounding contracts and accounts receivable processing are operating in accordance with the Funds' policies and procedures, and provide a basis for reliance on the propriety of the transactions processed.

Pension Fund

Funding and PPA-Related Issues

As previously reported, in July 2005 the Internal Revenue Service approved the Fund's request for a 10-year extension for amortizing unfunded liabilities. This extension is believed likely to defer for the near term a statutory funding deficiency. The IRS granted the request subject to certain conditions. In general terms, these IRS conditions require the Pension Fund to maintain its existing ratio of assets to liabilities through 2011, and in

subsequent years to show moderate annual improvements in that funding ratio.

To meet these IRS imposed conditions, the Board of Trustees determined based on actuarial and legal advice that the Pension Fund needs increased employer contributions. At their November 8, 2005 meeting, the Board accordingly amended the Pension Plan to require such increased contributions (at a rate the Board sets) in collective bargaining agreement renewals as a condition of continued participation, and approved specific rates reflecting 7% annual increases for contracts renewing by December 31, 2006. The Fund so notified all locals and employers participating in the Fund by special bulletin dated November 28, 2005 and held extensive meetings explaining the changes to local unions and employers.

At their November 8, 2006 meeting, again as recommended by the Pension Fund's actuaries to enable the Fund to comply with the funding ratio conditions imposed by the IRS, the Board of Trustees approved 8% per year as the required contribution rate increase for all collective bargaining agreements expiring in 2007. Local unions and participating employers were notified of this rate increase in December 2006.

The Pension Fund's Board of Trustees also asked the negotiators of the United Parcel Service, National Master Freight Agreement and Carhaul agreements to allocate to the Pension Fund fringe benefit contribution increases which were scheduled for 2006. The negotiators agreed to that allocation. Allocations of increased fringe benefit contributions to the Pension Fund were also made in 2007.

As explained in previous reports, the multiemployer plan funding rules of the Pension Protection Act of 2006 ("PPA") became effective on January 1, 2008. On March 24, 2008, the Fund's actuary certified the Fund to be in "critical status" under the PPA for the 2008 plan year; on March 31, 2009, the actuary certified that the Fund remains in critical status for the 2009 plan year. As a result of the initial critical status certification, the Trustees adopted a "rehabilitation plan" as the PPA requires for critical status plans. The plan approved by the Trustees attempts to build upon and incorporate the funding improvement program instituted prior to the January 1, 2008 effective date of the PPA, and designed to ensure compliance with the conditions imposed by the pre-PPA amortization extension. In broad outline, the Rehabilitation Plan approved by the Trustees contains a "Primary Schedule," which will require each contributing employer to agree

to five years of 8% annual contribution increases (7% if the increases began in 2006) in order to maintain current benefit levels for the affected bargaining unit. The PPA also requires that a rehabilitation plan contain a "Default Schedule," which must provide for the reduction in what the PPA terms "adjustable benefits." ("Adjustable benefits" under the PPA generally include all benefits other than a contribution based retirement benefit payable at age 65.) Accordingly, the Pension Fund's Rehabilitation Plan includes a Default Schedule providing for 4% annual contribution rate increases and for the loss or reduction of adjustable benefits for bargaining units electing that Schedule. The PPA also provides that if the bargaining parties have not chosen any of the schedules established by a rehabilitation plan (*i.e.*, the Primary or Default Schedule) within 180 days following the expiration of the parties' last labor agreement, the Default Schedule will be imposed as a matter of law.

Staff has reported to the Trustees that as of November 2009, a vast majority of the Fund's active members were covered by collective bargaining agreements that have come into compliance with the Fund's rehabilitation plan. Almost all of the compliant employers and bargaining units have agreed to adopt the rehabilitation plan's Primary Schedule (generally requiring 7-8% annual contribution increases for five years and maintaining current benefit levels). As of the Trustees' November 17, 2009 Meeting, only 8 bargaining units, comprising a total of 229 active participants, have agreed to adopt the rehabilitation plan's Default Schedule (4% annual increases and elimination of PPA adjustable benefits). As of November 2009, approximately 17 bargaining units, comprising approximately 127 participants, have had the Default Schedule imposed on them by operation of law under the PPA, due to their failure to agree to be bound by either Primary Schedule or the Default Schedule within 180 days of the expiration of the units' last collective bargaining agreement.

Contributing employers who have not agreed to be bound by one of the Schedules created by the Rehabilitation Plan are required under the PPA to pay a non-benefit bearing surcharge to the Fund on their contractual pension contribution obligation. Under the PPA, the surcharge was 5% of the pension contribution obligation during 2008, and was increased to 10% as of January 1, 2009. Staff has reported that (1) as noted, most employers are in compliance with the Rehabilitation Plan and are *not* incurring surcharges, and (2) as of November 2009, most of the employers who are incurring the surcharges are also voluntarily paying them. Thus Staff reported at the November 17, 2009 Trustees' Meeting that only 2 employers

are delinquent in paying their surcharges, and that the total surcharge delinquency of these 2 employers was approximately $2,000; these employers are being pursued under the Fund's delinquent account collection procedures, including litigation where necessary. (It should be noted that surcharged employers – *i.e.*, those not compliant with the Rehabilitation Plan – are not necessarily subject to the Default Schedule under which the affected participants incur a loss of PPA adjustable benefits. Under the PPA, the Default Schedule is imposed on the bargaining parties only after the lapse of 180 days from the expiration of a non-compliant collective bargaining agreement. As reported above, only approximately 17 bargaining units, comprising approximately 127 participants, have so far incurred the Default Schedule through this PPA-mandated process.)

At the November, 2009 Board of Trustees Meeting, Staff also presented reports concerning certain employers and bargaining units who may have triggered "Rehabilitation Plan Withdrawals" from the Pension Fund. Under the Pension Fund's Rehabilitation Plan adopted pursuant to the PPA, a Rehabilitation Plan Withdrawal ("RPW") generally occurs where an employer ceases to have an obligation to contribute to the Fund at one or more of its locations or facilities, but continues to do the same type of work for which contributions were previously required. The consequence for a bargaining unit incurring an RPW is the loss of PPA adjustable benefits (*i.e.*, the loss of all benefits other than a contribution-based benefit payable at age 65).

Although it thus appears the Pension Fund has reported progress in securing increased employer contributions and controlling benefits as required of "critical status" plans under the PPA, the financial information presented below makes clear that the Fund suffered serious investment losses in the general stock market and economic downturn that commenced in 2008. As also set forth in the financial data presented below, during 2009 the Pension Fund enjoyed a significant (but by no means complete) recovery of its 2008 investment losses. In addition, Staff has reported that, for plan year 2008, the Pension Fund was unable to satisfy the funding ratio targets that are a condition of the amortization extension granted to the Fund by the IRS in 2005 (described above, pp. 3-4). Staff has also reported, with the concurrence of the Trustees, that in early 2009, the Pension Fund filed an application with the IRS requesting a waiver of the funding ratio targets for 2008, in view of the unexpected economic decline that has occurred; that application is still pending. The Trustees have also directed Staff to continue to monitor and pursue

additional regulatory or legislative initiatives that may assist the Pension Fund in addressing the funding problems created by recent conditions in the general economy and stock markets.

Financial Information - Investment Returns

The Pension Fund's investment return for the fourth quarter 2009 was 4.4%.

The Fund's financial group prepared for the Trustees a comparison of the Pension Fund's performance to the TUCS[1] universe results published for the fourth quarter of 2009. This comparison (showing percent returns on investment) is summarized in the following tables:

Pension Fund's Composite Return

	4th Quarter Ended Dec. 31, 2009	One Year Period Ending Dec. 31, 2009	Three Year Period Ending Dec. 31, 2009
TUCS 1st Quartile	3.87	22.29	(0.07)
TUCS Median	3.45	18.74	(1.25)
TUCS 3rd Quartile	2.74	15.24	(2.14)
Fund's Composite Return	4.40	27.49	(1.68)

Pension Fund's Total Equity Return

	4th Quarter Ended Dec. 31, 2009	One Year Period Ending Dec. 31, 2009	Three Year Period Ending Dec. 31, 2009
TUCS 1st Quartile	5.91	35.65	(4.65)
TUCS Median	5.49	32.19	(5.02)
TUCS 3rd Quartile	5.32	30.51	(5.50)

[1] "TUCS" is the Trust Universe Comparison Service. Its Custom Large Funds Universe is composed of plans with assets exceeding $3 billion.

Fund's Total Equity Return	5.61	32.69	(5.75)

Pension Fund's Fixed Income Return

	4th Quarter Ended Dec. 31, 2009	One Year Period Ending Dec. 31, 2009	Three Year Period Ending Dec. 31, 2009
TUCS 1st Quartile	1.40	16.00	6.88
TUCS Median	0.81	11.90	6.39
TUCS 3rd Quartile	(0.13)	8.65	5.63
Fund's Fixed Income Return	1.14	12.50	6.76

The Fund's named fiduciaries (Goldman Sachs Asset Management and Northern Trust Global Advisors, Inc.) submit monthly investment reports to the Trustees, summarized below (showing percent returns on investment):

Goldman Sachs Asset Management

	Year-to-Date as of Dec. 31, 2009	4th Quarter 2009	Oct. 2009	Nov. 2009	Dec. 2009
Goldman-Sach's Composite Return	32.66	4.76	(1.66)	3.04	3.38
Benchmark Composite Return	30.10	3.97	(2.08)	2.78	3.30
Goldman Sach's Total Fixed Income Return	21.50	2.12	1.09	1.02	0.00
Benchmark Fixed Income Return	19.47	1.94	0.88	1.20	(0.15)

Goldman Sach's fourth quarter 2009 composite return included a 7.19% return on U.S. equities (7.40% large cap and 7.01% on small cap U.S. equities), 3.42% on international equities and 10.09% on real estate.

Northern Trust Global Advisors, Inc.

	Year-to-Date as of Dec. 31, 2009	4th Quarter 2009	Oct. 2009	Nov. 2009	Dec. 2009
Northern Trust's Composite Return	34.81	5.51	(1.59)	4.27	2.82
Benchmark Composite Return	30.00	5.03	(1.78)	4.42	2.41
Northern Trust's Total Fixed Income Return	28.10	4.15	1.94	1.08	1.07
Benchmark Fixed Income Return	18.52	1.96	0.76	0.86	0.33

Northern Trust's fourth quarter 2009 composite return included a 5.78% return on U.S. equities (5.79% large cap and 5.00% on small cap U.S. equities), 5.13% on international equities and 8.76% on real estate.

The Fund's financial group reported asset allocation of the Pension Fund as whole as of December 31, 2009 as follows: 69% equity, 26% fixed income, 2% other and 3% cash. The financial group also reported that for the fourth quarter of 2009 the return on the indexed fixed income account was 0.12%. For the fourth quarter of 2009 the passive equity account had a return of 6.05%.

Financial Information - Net Assets
(Dollars shown in thousands and do not include final year end adjustments)

The financial report prepared by Fund staff for the twelve months ending December 31, 2009 shows net assets as of that date of $19,573,600, compared to $17,358,652 at December 31, 2008, an increase of $2,214,948 compared to a decrease of $9,447,195 for the same period last year. The $11,662,143 difference is due to $11,927,752 more investment income offset by ($265,609) more net operating loss.

The Fund's staff report further notes that for the twelve months ended December 31, 2009, the Fund's net asset decrease from operations (before investment income) was $2,050,468 compared to a decrease of $1,784,859 for the same period in 2008, or a $265,609 unfavorable change. This change in net assets from operations (before investment income) was attributable to:

a) ($210,838) less contributions, primarily a decrease in FTEs and YRC termination,

b) ($55,510) more benefits paid, and

c) $739 less general and administrative expenses.

During the twelve months ended December 31, 2009 and 2008, the Fund withdrew $2,148,019 and $1,714,842, respectively, from investment assets to fund the cash operating deficit.

Financial Information - Participant Population

The December 31, 2009 report prepared by Fund staff further notes that the eleven-month average number of Full-Time Equivalent (FTE) memberships decreased 22.06% from November 2008 to November 2009 (going from 93,638 to 72,977). During that period, the average number of retirees increased 0.09% (from 212,247 to 212,441).

Named Fiduciaries

Officers of the Named Fiduciaries, Goldman Sachs Asset Management and Northern Trust Global Advisors, Inc. met with the Board of Trustees during this quarter to discuss portfolio matters including asset allocation.

The Fund's financial group reported to the Board of Trustees at their November 17, 2009 meeting on investment expenses incurred through the third quarter of 2009. These investment expenses (fiduciary, custodial and investment management fees) totaled $40,616,904 through the third quarter of 2009 compared to $57,825,632 for the same period in 2008, a 29.8% decrease.

Bankruptcies and Litigation

The Funds' Executive Director continued to report to the Trustees on employer bankruptcies, including interim recoveries collected in the Funds' ongoing pursuit of claims for contributions and withdrawal liability against Consolidated Freightways Corporation and related entities. Approximately $86.9 million has been collected to date from Consolidated Freightways companies.

YRC

As previously reported, YRC and its affiliates ("YRC") are trucking subsidiaries of YRC Worldwide, the product of a merger between Yellow Transportation and Roadway. YRC in recent years has been one of the largest contributing employers to both the Pension Fund and the Health and Welfare Fund. As also previously reported, the Funds' Executive Director informed the Trustees at their March 24, 2009 Meeting that YRC reported cash flow issues caused by the current decline in the general economy. As a result, YRC proposed an arrangement under which portions of its payment obligations to the Funds would be deferred, and the Funds would be given liens or mortgages to secure the deferred obligations.

In May 2009 the Funds entered a Contribution Deferral Agreement ("Deferral Agreement") with YRC. Under the Deferral Agreement, the Pension Fund agreed to defer payment of YRC's pension contribution obligations accrued during January, March, April and May of 2009 (the "Deferral Period," representing a deferral of contributions totaling approximately $83 million). The Fund's financial consultant indicated that absent deferral of these contribution obligations, YRC would be in default of loan covenants with its banks; Staff reported that such a default would risk triggering an insolvency and liquidation of YRC, which would destroy any chance of rehabilitating the employer as a healthy contributor to the Funds.

Some 25 other multiemployer pension plans in which YRC participates joined in the Deferral Agreement, but the Pension Fund is owed approximately 64% of the contributions deferred under the Agreement.[2]

Repayment of the Deferral Period contributions is secured under the Deferral Agreement by first lien collateral on approximately 150 real estate parcels owned by YRC, plus additional second lien collateral. The Pension Fund's Staff reported (1) that this was the maximum collateral package that could be obtained from YRC and its banks to support the Deferral Period contributions, and (2) that YRC's banks (who had a first lien on virtually all the company's

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[2]As of May 15, 2009, YRC became current in its contribution obligations to the Health and Welfare Fund and it apparently intends to remain current in its payments to that Fund for the foreseeable future.

assets) required the Pension Fund to agree to the Deferral Agreement as a condition for the banks' release of the collateral.

The Deferral Agreement required repayment of the deferred contributions in 36 monthly installments commencing in January 2010. YRC was also scheduled under this Agreement to pay interest on the deferred contributions on a current basis commencing on July 15, 2009 and continuing on the 15th of each month thereafter. The Pension Fund's Staff has reported that YRC has made timely interest payments to the Fund of approximately $2.2 million as of December 15, 2009. In addition, Staff has reported that to date YRC has sold a portion of the first lien collateral provided by the Deferral Agreement, and the Pension Fund received approximately $10.8 million as its share of the net proceeds from these sales as a pre-payment under the Deferral Agreement.

However, the Pension Fund's Staff and financial consultants reported that YRC was both unable and unwilling to meet its pension contribution payment obligations beyond the Deferral Period, *i.e.*, contribution obligations accrued after May of 2009. Staff also advised the Trustees that the protection of the Pension Fund's interests cautions in favor of *terminating* the participation of YRC in the Pension Fund in order to stop the accrual of further pension obligations for which the company is not able to provide funding. Accordingly, at the Trustees' July 16, 2009 Meeting, the Board formalized action to terminate YRC's participation in the Pension Fund.

The Pension Fund's Staff also reported that a few days before this formal action to terminate YRC at the Trustees' Meeting on July 16, 2009, representatives of YRC and the International Brotherhood of Teamsters reached an agreement to amend YRC's current labor agreement to eliminate the company's pension contribution obligation for the next 18 months, and to resume making those contributions in January 2011. In light of YRC's intention to return to the Pension Fund as a participating employer at a later date, and upon a recommendation from Staff, the Trustees decided at their July 16, 2009 Meeting that YRC's termination of participation in the Pension Fund should not at this time (and subject to certain conditions) be treated as a complete and permanent cessation of its obligation to contribute to the Pension Fund that would trigger withdrawal liability. For similar reasons, the Trustees resolved that YRC's termination of participation in the Pension Fund should not at this time be treated as a Rehabilitation Plan Withdrawal (*see* p. 6 above), which would reduce the pension benefits of the YRC participants.

At the September 16, 2009 Board Meeting, the Trustees also approved treating YRC's delinquent contributions for the post-Deferral Period (*i.e.*, the contribution obligations accrued during June and July 2009, prior to the July 2009 termination of YRC's Pension Fund participation – approximately $26 million) as additional deferrals subject to repayment under the Deferral Agreement. The rationale expressed by the Trustees and their consultants for permitting this additional deferral was much the same as the rationale for the original deferral: Absent the deferrals, an insolvency and liquidation of the company would apparently result, and given the security package provided under the Deferral Agreement, the Pension Fund's best collection prospect is to rely on that security and while giving the company an opportunity to re-establish strong cash flow and profitability.

The Pension Fund's Staff also reported that in mid-October 2009, YRC approached the Fund and requested the ability to postpone for at least one year the principal and interest payments that were scheduled to fall due under the Deferral Agreement commencing on January 15, 2010. YRC based this request upon its continuing cash flow difficulties, and the willingness of YRC's banks and other creditors to make comparable concessions, including significant deferrals of interest and fees owed to the banks. YRC presented this as time-sensitive issues that had to be resolved by October 27, 2009 in order to coordinate with the company's other creditors. The Fund's Staff has reported that it appeared that if the Fund were to insist that YRC make the payments scheduled to commence on January 15, 2010, the other creditor groups would withdraw the concessions they were offering to make – thus resulting in a liquidation of YRC. As a result, in a phone conference held on October 26, 2009, the Trustees approved the requested postponement of the principal and interest payments previously scheduled to commence in January 2010 under the Deferral Agreement, because the Trustees viewed a liquidation of YRC at this time as contrary to the interests of the Fund. This decision was formalized at the Trustees' November 17, 2009 Meeting.

More recently, YRC has indicated that as of year-end 2009, it achieved a debt restructuring with its banks and many of its bondholders. This included an agreement from a significant bondholder group to exchange their bonds for equity positions and an agreement by the banks to defer interest and fees. The Pension Fund's agreement to the one year deferral of the commencement of the amortized pay down of YRC's unpaid contributions (as discussed above) was contingent on the achievement of this debt restructuring.

Health and Welfare Fund
Financial Information
(Dollars in thousands and do not include final year end adjustments)

The Health and Welfare Fund's financial summary for the fourth quarter of 2009 is compared below with interim financial information for the same periods of 2008:

	4th Quarter Ended Dec. 31,	
	2009	2008
Contributions	$288,059	303,380
Benefits	242,222	249,255
TeamCare administrative expenses	7,424	7,682
General and administrative expenses	8,836	9,657
Net operating income	29,577	36,786
Investment income (loss)	20,699	(29,221)
Increase in net assets	50,276	7,565
Net assets, end of period	1,281,723	1,102,042
Eleven-month average participants (FTEs)	88,044	95,973

For the twelve months ended December 31, 2009, the Health and Welfare Fund's net asset increase from operations (before investment income) was $81,374 compared to an increase of $97,754 for the same period in 2008, or a $16,380 unfavorable change:

(a) ($49,225) less contributions, primarily due to a decrease in FTEs offset by an increase in contribution rates,

(b) $29,525 less benefits,

(c) $925 less TeamCare administrative fees, and

(d) $2,395 less general and administrative expenses.

Net investment income for the twelve months ended December 31, 2009 was $177,578 more than for the same period last year. This increase resulted primarily from $185,805 favorable change in realized/unrealized gain (loss) offset by $8,193 less interest and dividend income.

During the twelve months ended December 31, 2009 and 2008, the Fund transferred $96,567 and $104,485, respectively, to investments (BNY Mellon) as the operations generated positive cash flows for those periods.

The enclosed report entitled "Central States Funds Financial and Analytical Information" prepared by the Fund's financial group as of December 31, 2009 shows the investment asset allocation as 75% fixed income and 25% equity.

This report also notes that the eleven month average number of Full-Time Equivalent (FTE) memberships decreased 8.26% from November 2008 to November 2009 (going from 95,973 to 88,044). During that period, the average number of retirees covered by the Health and Welfare Fund decreased by 9.13% (from 14,114 to 12,826).

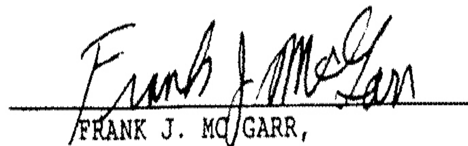
Article V (H)

As required by Article V(H) of the Health and Welfare Fund Consent Decree, the Health and Welfare Fund has paid during the fourth quarter of 2009 the following for professional services and expenses for the Independent Special Counsel:

October	$	281.75
November	$	0
December	$	0

I will be glad to provide additional details regarding any aspect of my activities as Independent Special Counsel. Should you have any questions or comments, please do not hesitate to contact me.

Sincerely,



FRANK J. McGARR,

Enclosure

cc: Ms. Deborah Greenfield (w/encl.) **Via UPS Next Day**
Mr. Michael A. Schloss (w/encl.) **Via UPS Next Day**
Mr. Thomas C. Nyhan