

December 20, 2004

LOCAL UNIONS AND
REGIONAL DIRECTORS

Re: Kone Vacation Pay Issue

Dear Brothers and Sisters:

The IUEC filed a grievance against KONE after the company stopped withholding federal tax on vacation pay at weekly rates and began withholding, instead, on a lump sum basis. At the same time, KONE requested a Private Letter Ruling from the IRS, seeking a determination from the government that withholding on a lump sum basis, rather than on a weekly basis, was appropriate under IRS regulations. On November 9, 2004, shortly before the scheduled arbitration hearing on the union's grievance, the IRS released its Private Letter Ruling, stating that KONE should treat the vacation pay as "supplemental wages" and that withholding on a 25% lump sum rate was therefore appropriate. In view of this ruling, binding on KONE only (and not other companies), the IUEC determined it was best not to proceed ahead with the arbitration and withdrew the grievance against KONE.

Fraternally yours,

James H. Chapman, Jr.

Assistant to the General President

JHC/mrg