

MEDIATION AGREEMENT

THIS AGREEMENT, made this ___th day of _____, 2003 by and between the participating carriers listed in Exhibit A, attached hereto and made a part hereof, and represented by the National Carriers' Conference Committee, and the employees of such carriers shown thereon and represented by the Brotherhood of Locomotive Engineers, witnesseth:

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - Longevity Bonus

(a) Not later than three months after the date of this Agreement each employee who qualifies under subsection (b) shall be paid a Longevity Bonus of \$1,200. Such Bonus shall be paid in a separate check and shall be subject to withholdings for applicable Federal, State and Local taxes.

(b) To qualify for the Longevity Bonus an employee must:

- (1) have an employment relationship with the carrier as a locomotive engineer on (December 1, 2003);
- (2) have established seniority in train or engine service with a carrier signatory to this Agreement on or before October 31, 1985; and
- (3) (i) have received compensation for active service performed during the period (October 1, 2003 through November 30, 2003), or

(ii) have been on authorized leave for such entire period for personal illness, on-duty injury, or pursuant to the Family and Medical Leave Act, and return to active service not later than (April 1, 2004), or

(iii) have been out of service for such entire period due to carrier disciplinary action that is subsequently rescinded or overturned with pay for all time lost.

(c) There shall be no duplication of the Longevity Bonus by virtue of employment under another agreement, nor will such payment be used to offset, construct or increase guarantees in protective agreements or arrangements.

Section 2 - Lump Sum Payment

(a) Each employee who qualifies under subsection (b) shall be paid a Lump Sum of \$774.00. Such Lump Sum shall be paid at the same time that the retroactive portion of the general wage increases provided for in Sections 3 and 4 of this Article are paid.

(b) To qualify for the Lump Sum an employee must:

(1) have an employment relationship with the carrier as a locomotive engineer on (December 1, 2003); and

(2) (i) have received compensation for active service performed during the period (October 1, 2003 through November 30, 2003), or

(ii) have been on authorized leave for such entire period for personal illness, on-duty injury, or pursuant to the Family and Medical Leave Act, and return to active service not later than (April 1, 2004), or

(iii) have been out of service for such entire period due to carrier disciplinary action that is subsequently rescinded or overturned with pay for all time lost.

(c) There shall be no duplication of the Lump Sum by virtue of employment under another agreement, nor will such payment be used to offset, construct or increase guarantees in protective agreements or arrangements.

Section 3 - First General Wage Increase

(a) Effective July 1, 2002, all standard basic daily rates of pay for employees represented by the Brotherhood of Locomotive Engineers in effect on June 30, 2002 shall be increased by four (4) percent.

(b) In computing the increase under paragraph (a) above, four (4) percent shall be applied to the standard basic daily rates of pay applicable in the following weight-on-drivers brackets, and the amounts so produced shall be added to each standard basic daily rate of pay:

Passenger	- 600,000 and less than 650,000 pounds
Freight	- 950,000 and less than 1,000,000 pounds (through freight rates)
Yard Engineers	- Less than 500,000 pounds
Yard Firemen	- Less than 500,000 pounds (separate computation covering five-day rates and other than five-day rates)

Section 4 - Second General Wage Increase

Effective July 1, 2003, all standard basic daily rates of pay in effect on June 30, 2003 for employees represented by the Brotherhood of Locomotive Engineers shall be increased by two-and-one-half (2-1/2) percent, computed and applied in the same manner prescribed in Section 3(b) above.

Section 5 - Third General Wage Increase

(a) Effective July 1, 2004, all standard basic daily rates of pay in effect on June 30, 2004 for employees represented by the Brotherhood of Locomotive Engineers shall be increased by two-and-one-half (2-1/2) percent, computed and applied in the same manner prescribed in Section 3(b) above.

(b) Effective July 1, 2004, in lieu of an additional general wage increase of one-half (1/2) percent, the carriers shall remit a \$40.00 payment per month with respect to eligible employees to be used to defray the cost of the BLE's insured short-term disability plan, as provided in Article IV, Part A, Section 5(a) of this Agreement.

Section 6 - Standard Rates

The standard basic daily rates of pay produced by application of the increases provided for in this Article are set forth in Appendix 1, which is a part of this Agreement.

Section 7 - Application of Wage Increases

(a) The adjustments provided for in this Article (i) will apply to mileage rates of pay for overmiles, and (ii) will not apply to duplicate time payments, including arbitraries and special allowances that are expressed in time, miles or fixed amounts of money.

(b) Miscellaneous rates based upon hourly or daily rates of pay, as provided in the schedules or wage agreements, shall be adjusted under this Agreement in the same manner as heretofore increased under previous wage agreements.

(c) In determining new hourly rates, fractions of a cent will be disposed of by applying the next higher quarter of a cent.

(d) Daily earnings minima shall be changed by the amount of the respective daily adjustments.

(e) Existing money differentials above existing standard daily rates shall be maintained.

(f) In local freight service, the same differential in excess of through freight rates shall be maintained.

(g) Where applicable, the differential of \$4.00 and/or \$6.00 per basic day in freight, passenger and yard service, and 4¢ and/or 6¢ per mile for miles in excess of the number of miles encompassed in the basic day in freight and passenger service, will be maintained for engineers working without firemen on locomotives on which under the former National Diesel Agreement of 1950 firemen would have been required. Such differential will continue to be applied in the same manner as the local freight differential.

(h) In computing the first increase in rates of pay effective under Section 3 for firemen employed in local freight service, or on road switchers, roustabout runs, mine runs, or in other miscellaneous service, on runs of miles equal to or less than the number comprising a basic day, which are therefore paid on a daily basis without a mileage component, whose rates had been increased by "an additional \$.40" effective July 1, 1968, the four (4) percent increase shall be applied to daily rates in effect on the day preceding the effective date of the general wage increase provided for in Section 3, exclusive of local freight differentials and any other money differential above existing standard daily rates. For firemen, the rates applicable in the weight-on-drivers bracket 950,000 and less than 1,000,000 pounds shall be utilized in computing the amount of increase. The same procedure shall be followed in computing the increases effective July 1, 2003 and July 1, 2004. The rates

produced by application of the standard local freight differentials and the above-referred-to special increase of "an additional \$.40" to standard basic through freight rates of pay are set forth in Appendix 1 which is a part of this Agreement.

(i) Other than standard rates:

(i) Existing basic daily rates of pay other than standard shall be changed, effective as of the dates specified in Sections 3, 4 and 5 hereof, by the same respective percentages as set forth therein, computed and applied in the same manner as the standard rates were determined.

(ii) Where applicable, the differential of \$4.00 and/or \$6.00 per basic day in freight, passenger and yard service, and 4¢ and/or 6¢ per mile for miles in excess of the number encompassed in the basic day in freight and passenger service, will be maintained for engineers working without firemen on locomotives on which under the former National Diesel Agreement of 1950 firemen would have been required. Such differential will continue to be applied in the same manner as the local freight differential.

(iii) Daily rates of pay, other than standard, of firemen employed in local freight service, or on road switchers, roustabout runs, mine runs, or in other miscellaneous service, on runs of miles equal to or less than the number encompassed in the basic day, which are therefore paid on a daily basis without a mileage component, shall be increased as of the effective dates specified in Sections 3, 4, and 5 hereof by the same respective percentages as set forth therein, computed and applied in the same manner as provided in paragraph (i)(i) above.

ARTICLE II - OPTIONAL ALTERNATIVE COMPENSATION PROGRAM

Section 1

A carrier, at its discretion, may offer employees alternative compensation arrangements in lieu of the general wage increases provided in Article I (in whole or part). Such arrangements may include, for example, stock options, stock grants (including restricted stock), bonus programs based on carrier performance, and 401(k) plans.

Section 2

(a) The following conditions shall govern implementation of alternative compensation arrangements pursuant to this Article:

- (1) Carrier shall notify the appropriate organization representative(s) regarding its proposed alternative compensation arrangement(s). The parties shall meet promptly on such proposal and use their best efforts to reach agreement on implementation;
- (2) The proposed arrangement(s) may be implemented only by mutual agreement of the carrier and the appropriate organization representative(s);
- (3) The proposed arrangement(s) must be made available to the smallest employee grouping that can be reasonably administered.

(b) Nothing herein shall be construed to bar the parties from reaching mutual agreement on different terms or conditions pertaining to implementation of this Article.

ARTICLE III - COST-OF-LIVING PAYMENTS

Part A - Cost-of-Living Payments Under May 31, 1996 Agreement

Section 1

Article II, Part C, of the May 31, 1996 Agreement, shall be eliminated effective on the date of this Agreement. On June 30, 2002, the forty-eight (48) cent cost-of-living allowance pursuant to such provision in effect on that date shall be rolled in to basic rates of pay.

Section 2

Any local counterpart to the above-referenced Article II, Part C that is in effect on a carrier party to this Agreement shall be amended in the same manner as provided in Section 1.

Part B - Cost-of-Living Allowance and Adjustments Thereto After January 1, 2005

Section 1 - Cost-of-Living Allowance and Effective Dates of Adjustments

(a) A cost-of-living allowance shall be payable in the manner set forth in and subject to the provisions of this Part, on the basis of the "Consumer Price Index for Urban Wage Earners and Clerical Workers (Revised Series) (CPI-W)" (1967=100), U.S. Index, all items - unadjusted, as published by the Bureau of Labor Statistics, U.S. Department of Labor, and hereinafter referred to as the CPI. The first such cost-of-living allowance shall be payable effective July 1, 2005 based, subject to paragraph (b), on the CPI for March 2005 as compared with the CPI for September 2004. Such allowance, and further cost-of-living adjustments thereto which shall become effective as described below, shall be based on the change in the CPI during the respective measurement periods shown in the following table, subject to

the exception provided in paragraph (b)(iii), according to the formula set forth in paragraph (c).

Measurement Periods

<u>Base Month</u>	<u>Measurement Month</u>	<u>Effective Date of Adjustment</u>
September 2004	March 2005	July 1, 2005
March 2005	September 2005	January 1, 2006

Measurement Periods and Effective Dates conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

(b)(i) Cap. In calculations under paragraph (c), the maximum increase in the CPI that shall be taken into account shall be as follows:

<u>Effective Date of Adjustment</u>	<u>Maximum CPI Increase That May Be Taken Into Account</u>
July 1, 2005	3% of September 2004 CPI
January 1, 2006	6% of September 2004 CPI less the increase from September 2004 to March 2005

Effective Dates of Adjustment and Maximum CPI Increases conforming to the above schedule shall be applicable to periods subsequent to those specified above during which this Article is in effect.

(ii) Limitation. In calculations under paragraph (c), only fifty (50) percent of the increase in the CPI in any measurement period shall be considered.

(iii) If the increase in the CPI from the base month of September 2004 to the measurement month of March 2005 exceeds 3% of the September 2004 base index, the measurement period that shall be used for determining the cost-of-living adjustment to be effective the following January shall be the 12-month period from such base month of September; the increase in the index that shall be taken into account shall be limited to that portion of the increase that is in excess of 3% of such September base index; and the maximum increase in that portion of the index that may be taken into account shall be 6% of such September base index less the 3% mentioned in the preceding clause, to which shall be added any residual tenths of points which had been dropped under paragraph (c) below in calculation of the cost-of-living adjustment which shall have become effective July 1, 2005 during such measurement period.

(iv) Any increase in the CPI from the base month of September 2004 to the measurement month of September 2005 in excess of 6% of the September 2004 base index shall not be taken into account in the determination of subsequent cost-of-living adjustments.

(v) The procedure specified in subparagraphs (iii) and (iv) shall be applicable to all subsequent periods during which this Article is in effect.

(c) Formula. The number of points change in the CPI during a measurement period, as limited by paragraph (b), shall be converted into cents on the basis of one cent equals 0.3 full points. (By "0.3 full points"

it is intended that any remainder of 0.1 point or 0.2 point of change after the conversion shall not be counted.)

The cost-of-living allowance effective January 1, 2006 shall be the whole number of cents produced by dividing by 0.3 the number of points

(including tenths of points) change, as limited by paragraph (b), in the CPI during the applicable measurement period. Any residual tenths of a point resulting from such division shall be dropped. The result of such division shall be rolled in to basic rates of pay in effect on December 31, 2005 if the CPI shall have been higher at the end than at the beginning of the measurement period, and subtracted therefrom only if the index shall have been lower at the end than at the beginning of the measurement period, but in no event shall basic rates of pay be reduced below the levels in effect on June 30, 2005. If the result of such division requires a subtraction from basic rates of pay in effect on December 31, 2005, the employee cost-sharing contribution amount in effect on that date pursuant to Article IV, Part B, Section 1(e) of this Agreement shall be adjusted effective January 1, 2006 as appropriate to reflect such subtraction. The same procedure shall be followed in applying subsequent adjustments.

(d) Continuance of the cost-of-living allowance and the adjustments thereto provided herein is dependent upon the availability of the official monthly BLS Consumer Price Index (CPI-W) calculated on the same basis as such Index, except that, if the Bureau of Labor Statistics, U.S. Department of Labor should, during the effective period of this Article, revise or change the methods or basic data used in calculating such Index in such a way as to affect the direct comparability of such revised or changed index with the CPI-W during a measurement period, then that Bureau shall be requested to furnish a conversion factor designed to adjust the newly revised index to the basis of the CPI-W during such measurement period.

Section 2 - Payment of Cost-of-Living Allowances

(a) The cost-of-living allowance payable to each employee effective July 1, 2005 pursuant to Section 1 of this Part shall be rolled in to basic rates of pay on that date.

(b) The cost-of-living allowance payable to each employee effective January 1, 2006 pursuant to Section 1 of this Part shall be rolled in to basic rates of pay on that date.

(c) The cost-of-living allowance payable to each employee effective July 1, 2006 pursuant to Section 1 of this Part shall be rolled in to basic rates of pay on that date.

(d) The procedure specified in paragraphs (b) and (c) shall be followed with respect to computation of the cost-of-living allowances payable in subsequent years during which this Article is in effect.

Section 3 - Application of Cost-of-Living Allowances

Each one cent per hour of cost-of-living allowance that is payable pursuant to this Part shall be treated as an increase of 8 cents in the basic daily rates of pay produced by application of Article I. The cost-of-living allowance will otherwise be applied in keeping with the provisions of Section 7 of Article I.

Section 4 - Continuation of Part B

The arrangements set forth in Part B of this Article shall remain in effect according to the terms thereof until revised by the parties pursuant to the Railway Labor Act.

ARTICLE IV - HEALTH AND WELFARE

Part A - Plan Changes

Section 1 - Continuation of Health and Welfare Plan

The Railroad Employees National Health and Welfare Plan (“the Plan”), modified as provided in this Article with respect to employees represented by the organization and their eligible dependents, will be continued subject to the provisions of the Railway Labor Act.

Section 2 - Plan Benefit Changes

(a) The Plan’s Comprehensive Health Care Benefit (“CHCB”) is amended to include one routine physical examination (including diagnostic testing and immunizations in connection with such examination) each calendar year for covered employees and their eligible dependents. Such CHCB benefit shall cover 100% of the Eligible Expenses involved up to \$150, and 75% of such Eligible Expenses in excess of \$150.

(b) Routine childhood (up to age 18) immunizations, including boosters, for Diphtheria, Pertussis or Tetanus (DPT), measles, mumps, rubella, and polio shall be provided under the CHCB. This benefit is subject to the applicable deductible and percentage of Eligible Expenses payable.

(c) In addition to the Plan’s existing coverage for speech therapy, such therapy will be a Covered Health Service under the CHCB and the Plan’s Managed Medical Care Program (“MMCP”), when given to children under three years of age as part of a treatment for infantile autism, development delay, cerebral palsy, hearing impairment, or major congenital anomalies that affect speech.

(d) Phenylketonurial blood tests (“PKU”) will be a Covered Health Service under the MMCP and the CHCB when given to infants under the age of one in a hospital or on an out-patient basis.

(e) The MMCP will continue to require a co-payment with respect to the first office visit by a participant or beneficiary to her obstetrician or gynecologist for treatment of a pregnancy but will not require a co-payment with respect to any subsequent visit to that obstetrician or gynecologist for treatment of the same pregnancy.

(f) The MMCP will not require a co-payment on behalf of a participant or beneficiary with respect to any visit to a physician’s office solely for the administration of an allergy shot.

(g) A Hearing Benefit will be provided. Such arrangement shall provide a Maximum Benefit of \$600.00 annually for each covered person for covered expenses. Covered expenses shall consist of charges for medically necessary tests and examinations to establish whether and to what extent there is a hearing loss and charges for a permanent hearing aid that is medically necessary to restore lost hearing or help impaired hearing. Such Benefit may, at the carriers’ option, be administered through the Plan or as a separate arrangement administered by the National Carriers’ Conference Committee, and will include standard limitations, conditions and exclusions.

(h) The Plan life insurance benefit for active employees shall be increased to \$20,000, and the Plan’s maximum accidental death and dismemberment benefit for active employees shall be increased to \$16,000.

(i) All of the benefits as changed herein will be subject to the Plan’s generally applicable limitations, conditions, and exclusions. Existing Plan

provisions not specifically amended by this Article shall continue in effect without change.

(j) Each of the changes contained in this Section shall be implemented as soon as practicable.

Section 3 - Vision Care

The benefits provided under the Vision Care Plan shall be changed from the Select to the Standard arrangement as soon as practicable.

Section 4 - Plan Design Changes To Contain Costs

(a) The parties will promptly solicit bids from interested companies to provide those services to the Plan involving the Managed Medical Care Program (“MMCP”) that are currently provided by Aetna U.S. Healthcare. The parties will evaluate the bids received and the capabilities of the companies making those bids and will accept such of them (or enter into negotiations with the bidding company or companies) as the parties deem appropriate.

(b) The parties will promptly research the existence, costs, benefits and services provided, outcomes and other relevant statistics of regional health maintenance organizations, and shall make participation in such of those organizations as the parties deem appropriate available as an option to individuals covered by the Plan.

(c) With respect to geographic areas where the Plan’s MMCP is not currently available but where companies capable of administering the MMCP provide such services, the parties will solicit proposals from such companies to administer the MMCP, and will evaluate the proposals they receive and accept such of them (or enter into negotiations with the proposing company or companies) as the parties deem appropriate.

(d) The parties will solicit proposals from pharmacy benefit managers who specialize in filling prescriptions for injectable medications and will accept one or more of such proposals (or enter into negotiations with the proposing company or companies) as the parties deem appropriate.

(e) With respect to Plan participants and their beneficiaries who live in an area where they may choose between CHCB and MMCP coverage, such Plan's participants and their beneficiaries shall no longer have a choice but shall be enrolled in the MMCP.

(f) The Individual and Family Out-of-Network Deductibles under the Plan's MMCP will be increased to \$200 and \$600, respectively.

(g) During a prescribed election period preceding the first day of _____, 2004, and preceding each January 1 thereafter, employees may certify to the Plan or its designee in writing that they have health care coverage (which includes medical, prescription drug, and mental health/substance abuse benefits) under another group health plan or health insurance policy that they identify by name and, where applicable, by group number, and for that reason they elect to forego coverage for foreign-to-occupation health benefits for themselves and their dependents under the Plan and under any Hospital Association plan in which they participate. Such election is hereafter referred to as an "Opt-Out Election" and, where exercised, will eliminate an employer's obligation to make a contribution to the Plan and/or dues offset payment to a Hospital Association for foreign-to-occupation health benefits for the employee and his dependents.

Each employee who makes an Opt-Out Election will be paid by his employer \$100 for each month that his employer is required to make a contribution to the Plan on his behalf for life insurance and accidental death and dismemberment benefits as a result of compensated service

rendered, or vacation pay received, by the employee during the prior month; provided, however, that the employee's Opt-Out Election is in effect for the entire month.

If an event described below in the final paragraph of this subsection (g) occurs subsequent to an employee's Opt-Out Election, the employee may, upon providing the Plan or its designee with proof satisfactory to it of the occurrence of such event, revoke his or her Opt-Out Election. An employee may also revoke his or her Opt-Out Election by providing the Plan or its designee with proof satisfactory to it that, after the employee made the Opt-Out Election, a person became a dependent of the employee through a marriage, birth, or adoption or placement for adoption. An employee who revokes an Opt-Out Election will, along with his or her dependents, be once again covered (effective the first day of the first month following such revocation that the employee and/or his dependents would have been covered but for the Opt-Out Election the employee had previously made) for foreign-to-occupation health benefits under the Plan or, in the case of an employee who is a member of a Hospital Association, by the Plan (for dependent coverage) and by the Hospital Association (for employee coverage). See Side Letter No. 6.

The following events are the events referred to in the immediately preceding paragraph:

- (1) the employee loses eligibility under, or there is a termination of employer contributions for, the other coverage that allowed the employee to make the Opt-Out Election, or
- (2) if COBRA was the source of such other coverage, that COBRA coverage is exhausted.

(h) The Plan's Prescription Drug Card Program co-payments per prescription are revised as follows: (i) Generic Drug - \$5.00; (ii) Brand

Name Drug - \$10.00. The Plan's Mail Order Prescription Drug Program co-payment is revised as follows: (i) Generic Drug - \$10.00; (ii) Brand Name Drug - \$15.00.

(i) Each of the Plan design changes contained in this Section shall be implemented as soon as practicable except as otherwise provided.

Section 5 - Short-Term Disability

(a) During each month beginning with the month of July, 2004, the carrier shall remit to the BLE's insured short-term disability plan ("STD Plan") the sum of \$40.00 (as provided in Article I, Section 5(b)) on a pre-tax basis with respect to each employee covered by this Agreement for whom the carrier is required to make a payment to the Railroad Employees National Health and Welfare Plan or to the new health and welfare plan described in Part C of this Article during the same month for foreign-to-occupation health care benefits.

(b) For carriers not covered by Article I, Section 5(b), carrier payment arrangements (if any) with respect to the STD Plan shall be governed by such terms as may be agreed to by the parties.

Part B - Employee Cost Sharing of Plan Cost Increases

Section 1 - Employee Cost-Sharing Contributions

(a) Effective July 1, 2001, each employee covered by this Agreement shall contribute \$33.39 per month to the Plan for each month that his employer is required to make a contribution to the Plan on his behalf for foreign-to-occupation health benefits coverage for himself and/or his dependents.

(b) Effective July 1, 2002, the per month employee cost-sharing contribution amount set forth in subsection (a) shall be changed to \$81.18.

(c) Effective July 1, 2003, the per month employee cost-sharing contribution amount set forth in subsection (b) shall be changed to \$79.74.

(d) Effective July 1, 2004, the per month employee cost-sharing contribution amount set forth in subsection (c) shall be increased by the lesser of (x) thirty (30) percent of the increase, if any, in the carriers' 2004 monthly payment rate over such payment rate for 2003, and (y) \$20.26.

(e) Effective July 1, 2005, the per month employee cost-sharing contribution amount set forth in subsection (d) shall be increased by the lesser of (x) one-half of the increase, if any, in the carriers' 2005 monthly payment rate over such payment rate for 2004, and (y) one-half of the cost-of-living allowance effective July 1, 2005 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the average straight-time equivalent hours ("ASTE Hours") for calendar year 2003.

(f) Effective January 1, 2006, the per month employee cost-sharing contribution amount in effect on December 31, 2005 shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers' 2006 monthly payment rate over such payment rate for 2005, plus (ii) the amount (if any) by which the number described in part (x) of subsection (e) of this Section exceeds the product described in part (y) of such subsection (e), and (y) one-half of the cost-of-living allowance effective January 1, 2006 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.

(g) Effective July 1, 2006, the per month employee cost-sharing contribution amount in effect on June 30, 2006 shall be increased by the lesser of (x) the amount (if any) by which the number described in part (x) of subsection (f) of this Section exceeds the product described in part (y)

of such subsection (f), and (y) one-half of the cost-of-living allowance effective July 1, 2006 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2004.

(h) Effective January 1, 2007, the per month employee cost-sharing contribution amount in effect on December 31, 2006 shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers' 2007 monthly payment rate over such payment rate for 2006, plus (ii) the amount (if any) by which the number described in part (x) of subsection (g) of this Section exceeds the product described in part (y) of such subsection (g), and (y) one-half of the cost-of-living allowance effective January 1, 2007 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2005.

(i) The pattern specified in subsections (g), and (h) above shall be followed with respect to computation of adjustments to the amount of the employee cost sharing contribution in subsequent periods during which this Part is in effect.

(j) For purposes of subsections (d) through (i) above and subsection (l) below, the carriers' payment rate for any year shall mean twelve times the sum of what the carriers' payments to the Plan would have been, in the absence of any employee contributions to the Plan, for foreign-to-occupation health benefits under the Plan per month (in such year) per employee. The carriers' monthly payment rate for any year shall mean the carriers' payment rate for that year divided by 12. An "employee" for these purposes shall include any employee who has elected to opt-out of foreign-to-occupation health benefits under the Plan and under any Hospital Association plan in which he participates (except for employees who opt-out pursuant to item no. 2 of Side Letter No. 5).

Carrier payments to the Plan for these purposes shall be deemed to include amounts paid pursuant to Section 4(g) of Part A of this Article IV

to employees who elected to opt-out of foreign-to-occupation health benefits under the Plan and under any Hospital Association plan in which they participate, but shall not be deemed to include the amounts per such employee per month (in such year) taken from the Special Account, or from any other special account, fund or trust maintained in connection with the Plan, to pay or provide for current Plan benefits, or any amounts paid by remaining carriers to make up the unpaid contributions of terminating carriers pursuant to Article III, Part A, Section 1 of the November 7, 1991 Implementing Document between the organization signatory hereto and the carriers represented by the National Carriers' Conference Committee.

(k) For the purpose of this Section, the ASTE Hours to be used shall be based on all such hours for individuals in operating crafts and classes represented by the Brotherhood of Locomotive Engineers and who are employed by Class One carriers that are participating in national bargaining in the round of negotiations that commenced January 1, 2000.

(l) If the per month employee cost-sharing contribution amount ("cost-sharing amount") is increased for the period July 2005 through December 2005 or any subsequent periods and if a lower payment rate is established for the calendar year that immediately follows, then the cost-sharing amount shall be adjusted as appropriate to reflect such decreased benefit costs. Such adjustment shall be made effective January 1 of the calendar year for which such payment rate decrease is applicable and in no event shall take into account any portion of a payment rate below the payment rate level established for calendar year 2004. The cost-sharing amount shall also be subject to adjustment as provided in Article III, Part B, Section 1(c) of this Agreement.

(m) For purposes of this Section 1, all references to the "Plan" (whether express or implied) mean, on or after its effective date, the new health and welfare plan described in Part C of this Article, except for such

references that appear in the definition of the carriers' payment rate in subsection (j). On and after the effective date of the new plan described in Part C of this Article, those references mean both such new plan and The Railroad Employees National Health and Welfare Plan.

Section 2 - Pre-Tax Contributions

Employee cost-sharing contributions made pursuant to this Part shall be on a pre-tax basis, and in that connection a Section 125 cafeteria plan will be established pursuant to this Agreement.

Section 3 - Retroactive Contributions

Retroactive employee cost-sharing contributions payable for the period on and after July 1, 2001 shall be offset against any payments applicable to the employee under Article I of this Agreement.

Section 4 - Prospective Contributions

For months subsequent to the retroactive period covered by Section 3, at the employer's election, employee cost-sharing contributions may be made for the employee by the employee's employer. If that election is exercised, the employer shall then deduct the amount of such employee contributions from the employee's wages and retain the amounts so deducted as reimbursement for the employee contributions that the employer had made for the employee.

Part C – Creation of New Health and Welfare Plan

Section 1 – Initial Terms

As soon hereafter as practicable, the parties shall establish and maintain a new health and welfare plan to be known as The National

Railway Carriers and Brotherhood of Locomotive Engineers Health and Welfare Plan (the “NRC/BLE Plan”) and to be governed by a Joint Governing Committee (“JGC”) with respect to which the carriers party hereto and the organization party hereto will have equal representation. The benefits, limitations, terms, conditions and exclusions provided for under the NRC/BLE Plan will be substantially the same as those provided for under The Railroad Employees National Health and Welfare Plan (“National Plan”) that are described in the booklet entitled, “The Railroad Employees National Health and Welfare Plan,” effective January 1, 2003, subject to the modifications of such benefits, limitations, terms, conditions and exclusions provided for in this Article.

Section 2 – Participation

Upon the date on which the NRC/BLE Plan becomes effective, (i) the BLE shall cease participation in the National Plan and begin participation in the NRC/BLE Plan, (ii) employees of the carrier parties hereto who are represented by the BLE shall be eligible for coverage under the NRC/BLE Plan, and (iii) no employee covered for employee and/or dependent benefits under the NRC/BLE Plan during any month shall be covered for employee and/or dependent benefits during such month under the National Plan or under the NRC/UTU Plan.

Section 3 - Additional Employee Vendor Options

Blue Cross Blue Shield programs chosen by the JGC will be made available, as soon as practicable, for selection by employees choosing coverage under the MMCP in all areas where the MMCP is made available under the NRC/BLE Plan and throughout the United States for selection by employees choosing coverage under the CHCB.

Section 4 - Flexible Spending Accounts

Cafeteria plan arrangements shall be effectuated, as soon as practicable, in connection with the NRC/BLE Plan that satisfy the requirements of Section 125 of the Internal Revenue Code and all other pertinent provisions of applicable law and that permit an employee to choose on a pre-tax basis (to the extent allowable under the Internal Revenue Code) between receiving his/her wages in full or receiving less than such full wages and applying such wage deduction to medical expense reimbursements (in an amount no greater than \$2400.00 per year), dependent care assistance benefits (in an amount per month that is no greater than that permitted under Section 129 of the Internal Revenue Code), and/or benefits under the BLE's insured short-term disability plan (in an amount no greater than \$20.00 per month).

ARTICLE V - PAY SYSTEM SIMPLIFICATION

PART A - GENERAL

Section 1 - General

The parties have agreed that the current pay system should be simplified. In agreeing upon a new pay system the following principles shall apply:

(a) The new pay system will neither create nor result in additional pay-related costs for a carrier, nor gains for its employees, nor losses for pre October 31, 1985 employees, except insofar as those employees acquiring seniority in train or engine service subsequent to October 31, 1985 who, coincident with the establishment of Trip Rates pursuant to this Article, will have their Trip Rates calculated based upon elements of pay for which they were not eligible prior to the date of this Agreement.

Except as otherwise provided herein, pay elements not specifically identified in Part B, Section 5 will continue to be covered by existing rules and will not be impacted by this Article.

(b) The provisions of the new pay system will have no effect on work rules except where a pay element is incorporated in a Trip Rate.

(c) Any pay element incorporated in a Trip Rate established hereunder will not be used to support a claim for that pay element relating to that trip, and carrier shall not be required to respond to any such claim.

Section 2 - Mutual Cooperation

The parties recognize that successful implementation of this Article is dependent upon the mutual cooperation of all involved. Therefore, a Joint Committee shall be established on each carrier party to this Agreement consisting of an equal number of organization and management participants. To the extent possible, the Committee shall consist of representatives from that property who participated in the negotiations leading to this Agreement. The initial responsibility of the Committee shall be to explain the intent of this Article to the affected employees and managers so that there will be a clear and consistent understanding as to the Article's purpose and intent.

PART B - THROUGH FREIGHT SERVICE

Section 1 - General

A new pay system shall be implemented as provided in this Part for all employees covered by this Agreement working in through freight (assigned and unassigned) service.

Section 2 - Trip Rates

(a) Each carrier shall develop Trip Rates for Starts in through freight service runs/pools. The Trip Rates shall incorporate the pay elements specified in Section 5 except as otherwise agreed by the parties or determined by the Disputes Committee established in Section 6 hereof. Once Trip Rates become effective for runs/pools, pay elements incorporated in such Trip Rates will not be used to support any claims for those pay elements relating to that trip. Pay elements not included in Trip Rates will continue to be covered by existing rules.

(b) A Trip Rate shall be developed for each separate run/pool except as otherwise provided in Section 9.

Section 3 - Computation of Trip Rates

(a) Trip Rates for through freight service runs/pools shall be derived as follows:

- (1) add together all earnings attributable to the elements of pay to be incorporated in the Trip Rate actually paid to the employees (including extra employees) whose seniority in train service was established on or before October 31, 1985 ("Pre-85 Employees") for all through freight Starts involving service performed on such runs/pools during the Test Period;
- (2) divide the earnings derived from the calculation in (1) above by the total through freight Starts made during the Test Period by the Pre-85 Employees (including extra employees) who performed service;

- (3) the Trip Rate for each Start on such run/pool for all employees (including extra employees) shall be the dollar amount derived by the calculation set forth in (2);
- (4) the earnings described in paragraph (1) above shall include all compensation attributable to the Starts described in paragraph (2) above and subsection (b) below.

(b) For purposes solely of this Article, the term “Start” shall mean a fully compensated trip performed by the pool/run (including extra employees), including other trips such as deadhead, hours of service relief, and turnaround service directly related to and performed by the pool/run.

(c) Test Period. The parties agree that the differences in the prevailing operating conditions on each Carrier signatory to this Agreement warrant the establishment of Test Periods being developed on an individual railroad basis, pool/run by pool/run. The objective in developing Test Periods will be to establish a measurement which reflects a 12-month period of “normalized operations.” Normalized operations as defined and used herein will mean an operating pattern which is not adversely affected by the implementation of a major transaction such as an acquisition, control or merger involving two or more Carriers or any other unusual or extenuating circumstances. The Carrier will bear by a preponderance of the evidence the burden of substantiating its reasons for selecting the Test Periods proposed for runs/pools.

Section 4 - Computation and Application Adjustments

(a) In the computation and application of the Trip Rates described in Section 3 above, the adjustments set forth in subsection (b) and (c) shall be made, where appropriate:

(b) Computation Adjustments:

- (1) If and to the extent that General Wage Increases and Cost of Living Adjustments (except as to pay elements which are not currently subject to wage adjustments) become effective during a Test Period, appropriate computation adjustments shall be made, but there shall be no duplication or pyramiding;
- (2) Trip Rates shall be subject to adjustment for General Wage Increases and Cost of Living Adjustments (except as to pay elements which are not currently subject to wage adjustments) that become effective during the period from close of the Test Period to the effective date of the Trip Rate, but there shall be no duplication or pyramiding.

(c) Application Adjustments:

- (1) General Wage Increases and Cost of Living Adjustments (except as to pay elements which are not currently subject to wage adjustments) that become effective on or after the effective date of a Trip Rate shall be applied, but there shall be no duplication or pyramiding.
- (2) Trip Rates applicable to employees covered by rules adjusting compensation based on the employee's length of service with the carrier (such as Article IV, Section 5 of the November 7, 1991 BLE Implementing Document) shall be adjusted by such rules.

(d) Each Trip Rate established pursuant to this Article shall be used solely to compensate employees for a Start in the involved run/pool. The

Trip Rate shall not modify existing rules governing payment for personal leave, vacation, etc.

Section 5 - National Pay Elements

(a) The following pay elements shall be incorporated in each Trip Rate except as otherwise agreed by the parties or determined by the Disputes Panel established in Section 6 of this Part:

- (1) payments attributable to mileage or time;
- (2) payments attributable to terminal/departure/yard runarounds;
- (3) payments attributable to conversion of the employee's assignment to local freight rates;
- (4) payments made, pursuant to agreement, to employees in lieu of being afforded meal periods, and penalty payments made to employees attributable to violations of rules relating to employees eating en route in through freight service (this does not apply to non-taxable meal allowances);
- (5) payments made to an employee resulting from being required, in accordance with existing agreements, to "step up" in the employee's pool, which for this purpose shall mean taking a turn in such pool earlier than would otherwise be the case due to other sources of supply being exhausted.
- (6) payments attributable to initial terminal delay;

- (7) payments attributable to final terminal delay;
- (8) payments attributable to deadheading;
- (9) payments attributable to terminal switching (initial, intermediate and final).

(b) In the establishment of Trip Rates for runs/pools pursuant to this Article, the parties may mutually agree to modify the National Pay Elements specified above, and/or to include additional pay elements, with respect to such Trip Rates. Pay elements not expressly included in Trip Rates will continue to be covered by existing rules.

Section 6 - National Disputes Committee

A National Disputes Committee (“Disputes Committee”) is established for the purpose of resolving any disputes that may arise under this Article. Such Committee shall consist of the President of the BLE and the Chairman of the NCCC, and a neutral Chairman selected by the parties or, absent agreement, appointed by the National Mediation Board. Each partisan member may select others to serve on the Committee at his discretion. If the partisan members of the Committee are unable to agree on resolution of any dispute within ten (10) days after convening, the matter will be referred to the neutral Chairman for resolution. The neutral Chairman will resolve the dispute within ten (10) days after referral of the matter. Each party shall bear its own costs and shall equally share the fees and expenses of the neutral. Any resolution by the Committee or by the neutral shall be final and binding and shall be enforceable and reviewable under Section 3 of the Railway Labor Act.

Section 7 - New Runs/Pools

Trip Rates for new runs/pools that existing agreements permit to be established may be so established based on Trip Rates for comparable runs/pools. Any dispute regarding such matters may be referred by either party to the Disputes Committee.

Section 8 - Material Changes

Trip Rates established pursuant to this Article shall be established in such a manner as to make them stable. If subsequent material changes occur that significantly affect a run/pool, the Trip Rate for such run/pool shall be adjusted to fairly reflect the changed circumstances occasioned by the material change. If the parties cannot agree on such adjustment, the matter may be referred by either party to the Disputes Committee. The burden of proof by a preponderance of the evidence shall rest on the party that contends that a material change that significantly affects a run/pool has occurred.

Section 9 - Implementation

(a) Runs/Pools. Trip Rates for runs/pools shall be implemented as follows:

Carrier will serve notice on the authorized Organization representative(s) that will include the following information:

- (1) Identification of runs/pools involved;
- (2) Test Period Proposed (consistent with Section 3(c));

- (3) Proposed Trip Rate(s) for the runs/pools, together with a summary of the underlying data supporting computation, based solely on incorporation of National Pay Elements set forth in Section 5 above;
- (4) Any proposed modifications to the National Pay Elements and/or additional pay elements to be incorporated with respect to the proposed Trip Rate(s) for the runs/pools, and a summary of the underlying data supporting computation of such Trip Rate(s).

(b) The parties shall meet within thirty (30) days after service of the carrier notice to discuss the carrier proposal and any related proposals made by the Organization. At the request of the Organization, carrier will provide opportunity to review all relevant carrier data supporting the proposed Trip Rate computations.

(c) Trip Rates for the runs/pools shall become effective as follows:

- (1) On the date agreed to by the parties;
- (2) Absent agreement or a written referral to the Disputes Committee, thirty (30) days after service of the Carrier notice, where Trip Rate is based solely on incorporation of the National Pay Elements; or
- (3) Where the matter has been referred to the Disputes Committee, on the effective date of such Committee's resolution of the dispute.

(d) If the parties are unable, despite best efforts, to reach agreement on implementation of a Trip Rate for a run/pool, either party may refer the dispute to the Disputes Committee. The burden of proof by a preponderance of the evidence shall rest on the party that proposes implementation.

(e) If either party concludes that implementing a Trip Rate for a run/pool is inappropriate, it shall promptly notify the other party of its conclusion. The parties shall meet and make a reasonable effort to resolve the matter after review and discussion of all relevant information. If the parties are unable to resolve the matter despite their best efforts, either side may refer the matter to the Disputes Committee. The burden of proof by a preponderance of the evidence shall rest on the party that proposes not to implement a Trip Rate with respect to the run/pool involved.

(f) The parties mutually intend to work diligently with the ultimate objective of developing Trip Rates for through freight runs/pools. If either party believes that the rate of progress in developing Trip Rates is insufficient, it may refer the matter to the Disputes Committee, and it shall bear the burden of proof by a preponderance of the evidence.

(g) Trip Rates for runs/pools should be implemented as expeditiously as possible, but in any event, all of them shall be implemented no later than thirty (30) months after the date of this Agreement, unless the parties otherwise agree or the Dispute Committee otherwise decides.

(h) In the event that Trip Rates are not implemented for runs/pools on a carrier by the date specified in subsection (g) above, effective the next day thereafter, the dual basis of pay shall be eliminated with respect to post October 31, 1985 employees on such runs/pools (including extra employees) and such employees will be paid on the same basis as Pre-85 Employees represented by BLE with respect to the national pay elements

identified in Section 5 of this Part, provided, however, that where the carrier has taken all actions required in this Part to implement Trip Rates with respect to the above-referenced runs/pools as described in this Section and the trip rate issue(s) is/are in the dispute resolution process described in this Article, such runs/pools will be governed solely by the outcome of such dispute resolution process.

PART C - OTHER CLASSES OF SERVICE

Trip rates will be established for other classes of road service (road switchers, local freight, etc.) consistent with the terms, conditions, principles and guidelines as currently established in this Article and consistent with each class of service.

ARTICLE VI - SERVICE SCALE

Section 1

Any employee who is subject, on June 30, 2004, to Article IV, Section 5 of the November 7, 1991 BLE Implementing Document shall be compensated, on and after July 1, 2004, at the full rate of the position when working as a locomotive engineer.

Section 2

Local rules that adjust compensation for employees based on length of service on carriers that are not covered by the aforementioned Article IV, Section 5 are hereby amended in the same manner as provided in Section 1.

Section 3

Each carrier covered by this Article shall establish a Service Scale that shall be applicable to all employees whose seniority in engine or train service is established on or after July 1, 2004. Such Service Scale shall conform to the rules in effect on such carrier on June 30, 2004 that adjust employee compensation based on length of service (including the aforementioned Article IV, Section 5 where and to the extent applicable). The carrier shall make arrangements with the applicable organization representative(s) for a process to review such preexisting rules prior to establishment of the Service Scale.

ARTICLE VII - ENHANCED MANPOWER UTILIZATION

Section 1

(a) A carrier may propose implementation of a rule providing for the automatic mark up of employees for service after the expiration of any period of authorized or approved time off, in accordance with the procedures set forth herein.

(b) The carrier shall serve written notice of its proposal on the appropriate organization representative(s). Such proposal shall include a synopsis of the proposed rule, which shall be consistent with validated current scientific data and findings regarding employee rest and fatigue abatement. An initial conference on the proposal will be held within thirty (30) days after the postmarked date of the notice. If the parties fail to resolve the matter within sixty (60) days after the date of the initial conference, the carrier may submit the matter to final and binding party-paid arbitration at any time thereafter.

(c) The arbitrator's jurisdiction shall be limited to a determination of the terms and conditions for an automatic mark-up rule in light of all relevant circumstances involved. The arbitrator's decision shall be in writing and shall be issued not later than thirty (30) days after conclusion of the hearing.

ARTICLE VIII - NATIONAL WAGE AND RULES PANEL

The parties mutually recognize that the National Wage and Rules Panel has provided a non-confrontational setting and meaningful opportunity to obtain and share information, analyze problems and develop options to deal with issues of common concern. Continuation of the Panel's efforts will, in the parties' judgment, continue to build trust, avert conflict and improve administration of their labor agreements.

Section 1 - Continuation of Panel

The National Wage and Rules Panel established pursuant to Article XI of the May 31, 1996 BLE Agreement shall continue as provided therein, except as otherwise specified in this Article.

Section 2 - Amendments to Article XI

(a) Article XI, Section 1 is amended to read as follows:

“(a) The parties, realizing the complexities of the changing rail industry and environment, and to alleviate any adversarial relationships emanating from such, agree to establish a non-binding joint review Panel to study and examine those unresolved subjects. The National Wage and Rules Panel (Panel) shall consist of three (3) members representing the Brotherhood of Locomotive Engineers and three (3) members representing the carriers. The President of BLE and the Chairman of the National

Carriers' Conference Committee (NCCC) shall be ex officio members of the Panel.

(b) The parties will assume the compensation and expenses of their respective members. Any incidental expenses incurred in connection with Panel meetings shall be shared equally by the parties.”

(b) The list of subjects set forth in Article XI, Section 2 is amended to add the following issues, and the parties hereby commit to use their best efforts to resolve such matters:

- O employee protective arrangements
- O employee availability
- O vacation scheduling
- O daily mark up (preference) rules in yard service
- O technology issues

(c) Article XI, Section 4(a) is amended to read as follows:

“While the Panel’s recommendations shall not be considered final and binding, the parties shall exert good faith efforts to utilize those recommendations as a basis for settlement of the issues involved. Notwithstanding any provision to the contrary, the Panel may be dissolved at any time by majority vote of the members.”

ARTICLE IX - OFF-TRACK VEHICLE ACCIDENT BENEFITS

Article IV(b) of the March 10, 1969 BLE Agreement, as amended by Article X of the July 26, 1978 BLE Agreement, is further amended as follows effective on the date of this Agreement.

Section 1

Paragraph(b)(1) - Accidental Death or Dismemberment of the above-referenced Agreement provisions is amended to read as follows:

"(1) Accidental Death or Dismemberment

The carrier will provide for loss of life or dismemberment occurring within 120 days after date of an accident covered in paragraph (a):

Loss of Life	\$300,000
Loss of Both Hands	\$300,000
Loss of Both Feet	\$300,000
Loss of Sight of Both Eyes	\$300,000
Loss of One Hand and One Foot	\$300,000
Loss of One Hand and Sight of One Eye	\$300,000
Loss of One Foot and Sight of One Eye	\$300,000
Loss of One Hand or One Foot or Sight of One Eye	\$150,000

"Loss" shall mean, with regard to hands and feet, dismemberment by severance through or above wrist or ankle joints; with regard to eyes, entire and irrecoverable loss of sight.

No more than \$300,000 will be paid under this paragraph to any one employee or his personal representative as a result of any one accident.”

Section 2

Paragraph (b)(3) - Time Loss of the above-referenced Agreement provisions is amended to read as follows:

“(3) Time Loss

The carrier will provide an employee who is injured as a result of an accident covered under paragraph (a) commencing within 30 days after such accident 80% of the employee’s basic full-time weekly compensation from the carrier for time actually lost, subject to a maximum payment of \$1,000.00 per week for time lost during a period of 156 continuous weeks following such accident provided, however, that such weekly payment shall be reduced by such amounts as the employee is entitled to receive as sickness benefits under provisions of the Railroad Unemployment Insurance Act.”

Section 3

Paragraph(b)(4) - Aggregate Limit of the above-referenced Agreement provisions is amended by raising such limit to \$10,000,000.

ARTICLE X – GENERAL PROVISIONS

Section 1 - Court Approval

This Agreement is subject to approval of the courts with respect to participating carriers in the hands of receivers or trustees.

Section 2 - Effect of this Agreement

(a) The purpose of this Agreement is to fix the general level of compensation during the period of the Agreement and is in settlement of the dispute growing out of the notices dated November 1, 1999 served by and on behalf of the carriers listed in Exhibit A upon the organization signatory hereto, and the notices dated on or subsequent to November 1, 1999 served by the organization upon such carriers.

(b) This Agreement shall be construed as a separate agreement by and on behalf of each of said carriers and their employees represented by the organization signatory hereto, and shall remain in effect through December 31, 2004 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act, as amended.

(c) The parties to this Agreement shall not serve nor progress prior to November 1, 2004 (not to become effective before January 1, 2005) any notice or proposal for changing any matter contained in:

- (1) This Agreement,
- (2) the proposals of the parties identified in Section 2(a) of this Article, and
- (3) Section 2(c) (3) of Article VIII of the National Agreement of March 6, 1975,

and any pending notices which propose such matters are hereby withdrawn.

(d) The parties to this Agreement shall not serve nor progress prior to November 1, 2004 (not to become effective before January 1, 2005) any notice or proposal.

(e) This Article will not bar management and committees on individual railroads from agreeing upon any subject of mutual interest.

SIGNED AT WASHINGTON, D.C. THIS ____ DAY OF _____, 2003.

**FOR THE PARTICIPATING
CARRIERS LISTED IN EX-
HIBIT A REPRESENTED
BY THE NATIONAL CAR-
RIERS' CONFERENCE
COMMITTEE:**

**FOR THE EMPLOYEES
REPRESENTED BY THE
BROTHERHOOD OF
LOCOMOTIVE ENGI-
NEERS:**

Robert F. Allen
Chairman

Don M. Hahs
President

[Other Signatures Lines Omitted]

_____, 2003
#1

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding with respect to the general wage increases provided for in Article I, Sections 3 and 4 of the Agreement of this date.

The carriers will make all reasonable efforts to pay the retroactive portion of such general wage increases as soon as possible and no later than sixty (60) days after the date of this Agreement.

If a carrier finds it impossible to make such payments by that date, such carrier shall notify you in writing explaining why such payments have not been made and indicating when the payments will be made.

Very truly yours,

Robert F. Allen

_____, 2003
#2

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding with respect to the general wage increases provided for in Article I, Sections 3 and 4 of the Agreement of this date.

It is understood that the retroactive portion of those wage increases shall be applied only to employees who have an employment relationship with a carrier on the date of this Agreement or who retired or died subsequent to June 30, 2002.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

Robert F. Allen

I agree:

Don M. Hahs

_____, 2003
#3

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding with respect to Article III, Part A of the Agreement of this date.

Any cost-of-living amount payments made to employees pursuant to Article II, Part C of the May 31, 1996 Agreement on and after July 1, 2002 shall be recovered from any retroactive wage increase payments made under Article I.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

Robert F. Allen

I agree:

Don M. Hahs

_____, 2003
#4

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This will confirm our understanding with respect to the Agreement of this date (Agreement).

The provisions of Article IV, Part A, Section 4(g) (Opt-Outs) and Part B (Employee Cost Sharing of Plan Cost Increases) are not applicable to employees covered by the Agreement who reside in Canada.

Please acknowledge your agreement by signing your name in the space provided below.

Yours very truly,

Robert F. Allen

I agree:

Don M. Hahs

_____, 2003
#5

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

Article IV, Part A, Section 4(g) of the Agreement of this date (Agreement) provides employees with an option to opt out of coverage for foreign-to-occupation health benefits for themselves and their dependents under the Railroad Employees National Health and Welfare Plan ("National Plan") (or, after its effective date, the new NRC/BLE Plan) and under any Hospital Association plan in which they participate. This will confirm our understanding with respect to the intended application of that provision.

1. An employee who opts out will be opting out of FO health coverage only and (if he otherwise satisfies eligibility and coverage requirements) will continue to have on-duty injury coverage, coverage under the Dental and Vision Plans, and life and AD&D insurance coverage.

2. If, prior to the effective date of the new NRC/BLE Plan, a husband and wife are each covered by the National Plan (or the NRC/UTU Plan or a Hospital Association), or if, on or after the effective date of the new NRC/BLE Plan, a husband and wife are each covered by it (or by the National Plan, the NRC/UTU Plan or a Hospital Association), in each case

by virtue of railroad employment and either or both hold positions covered by this Agreement, a BLE-represented spouse may elect to opt out as provided in Section 4(g). If that election is made (and provided the other spouse remains so covered), (i) such BLE-represented spouse shall not receive the \$100/month payment provided in Section 4(g) and shall not be required to make the employee cost-sharing contributions required under Article IV, Part B, and (ii) the coordination of benefits rules in effect on the date of this Agreement that are applied when a husband and wife are covered under the National Plan both as an Eligible Employee and as an Eligible Dependent shall continue to be applicable.

Please acknowledge your agreement by signing your name in the space provided below.

Yours very truly,

Robert F. Allen

I agree:

Don M. Hahs

_____, 2003
#6

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding with respect to the opt-out provision, Article IV, Part A, Section 4(g) of our Agreement of this date.

It is understood that for purposes of Section 9801(f) of the Internal Revenue Code, (i) any opt-out election shall be treated as a declination of coverage, or a failure to enroll, for foreign-to-occupation health benefits under the Plan and under any Hospital Association plan in which the employee making the election may participate, (ii) that the provisions of Section 9801(f) and the regulations thereunder shall govern how any individual covered by an election to opt-out may nonetheless become covered for foreign-to-occupation health benefits under the Plan or any Hospital Association plan prior to the next regular opt-out election period, (iii) that the terms of Article IV, Part A, Section 4(g) of our Agreement shall be interpreted and applied so as to be in compliance with Section 9801(f), and (iv) that the employer's payment of \$100 per month to an employee who has elected to opt-out shall cease immediately upon the employee and/or his dependents or any one of his dependents becoming covered, pursuant to Section 9801(f), for foreign-to-occupation health benefits under the Plan or any Hospital Association plan.

Furthermore, and notwithstanding the above, the parties recognize that an employee may lose coverage under the health plan or health insurance policy that he or she relied upon in electing to forego coverage for foreign-to-occupation health benefits under the Plan, and that such loss of coverage may be attributable to an event that is not listed in Section 9801(f) of the Internal Revenue Code and is beyond the control of the employee or of any member of his or her family. In such a case, and only to the extent permissible under Section 125 of the Internal Revenue Code: (a) the employee may ask his/her employer that his or her opt-out election be revoked; (b) the employer involved may in its discretion grant the request in the interest of fairness and equity; and (c) if the request is granted, the employee's opt-out election shall be treated as revoked as of the day the employer received the request.

For purposes of this letter, the term "Plan" when used herein means, prior to the effective date of the new NRC/BLE Plan, the Railroad Employees National Health and Welfare Plan and on and after such effective date means the new NRC/BLE Plan.

Please acknowledge your agreement by signing your name in the space provided below.

Yours very truly,

Robert F. Allen

I agree:

Don M. Hahs

_____, 2003
#7

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding regarding the Agreement of this date.

The Union Pacific Railroad Employees Health Systems (“UPREHS”) will be afforded the opportunity to bid to provide services to the new NRC/BLE Plan involving (i) the MMCP in all areas served by UPREHS where the MMCP is made available, and (ii) the CHCB in all areas served by UPREHS. It is understood that in each case and with respect to each geographical area, UPREHS and its programs would be required, as reasonably determined by the JGC, to meet (and maintain compliance with) all qualifications, criteria, and standards that are applicable to vendors with respect to the Railroad Employees National Health and Welfare Plan or that are agreed to by the parties to this Agreement.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

Robert F. Allen

I agree:

Don M. Hahs

_____, 2003
#8

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding with respect to the effect generally of the new health and welfare plan established pursuant to our Mediation Agreement of this date upon various provisions of collective bargaining agreements between us that refer to Policy Contract GA-23000 or to The Railroad Employees National Health and Welfare Plan.

It is understood that, on and after the effective date of our new health and welfare plan, such references will be read to include it either in substitution for, or in addition to, Policy Contract GA-23000 or The Railroad Employees National Health and Welfare Plan, as the context may indicate, it being our purpose and intention that those provisions be read to reflect that the new health and welfare plan is designed to replace The Railroad Employees National Health and Welfare Plan with respect to health care services rendered or deaths or dismemberments occurring on or after the new plan's effective date.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

Robert F. Allen

I agree:

Don M. Hahs

_____, 2003
#9

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding with respect to the Agreement of this date.

A Local Official's obligation for (i) retroactive cost-sharing contributions for periods on or after July 1, 2001 pursuant to Article IV, Part B, Section 3, plus (ii) repayment of cost-of-living amounts received on and after July 1, 2002 pursuant to Side Letter #3, shall in no event exceed the total amount payable to such individual under Article I, Sections 1 and 2 plus the retroactive portion of the General Wage Increases provided under Article I, Sections 3 and 4.

For the purpose of this letter, the term "Local Official" shall mean employees represented by the organization who hold positions as working General Chairmen, Local Chairmen, and State Legislative Board Chairmen.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

Robert F. Allen

I agree:

Don M. Hahs

_____, 2003
#10

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding regarding the Agreement of this date.

Beginning with the first full calendar month immediately following the date of this Agreement in which an active employee receives his or her FO healthcare benefits from a Hospital Association and not from the National Health & Welfare Plan (or, after its effective date, from the NRC/BLE Plan) and makes a prospective contribution to either of those Plans pursuant to Article IV, Part B, Section 4, then, at the carrier's option, either:

- (1) Such employee's monthly "cost-sharing contribution amount" referred to in Article IV, Part B, Section 1 shall be reduced by the Reduction Factor; or
- (2) The carrier shall pay the Hospital Association each month an amount equal to the Reduction Factor, provided that the Hospital Association that receives such payment has agreed to decrease the employee's dues by the same amount.

For purposes of this Side Letter, the term "Reduction Factor" means with respect to any given month, the smallest of:

- (i) the monthly dues amount in effect on January 1, 2003 that was established by the Hospital Association for payment by an active employee,
- (ii) the “cost-sharing contribution amount” for the month referred to in Article IV, Part B, Section 1, or
- (iii) the monthly dues amount established by the Hospital Association for payment by an active employee in that month.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

Robert F. Allen

I agree:

Don M. Hahs

_____, 2003
#11

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding with respect to our Agreement of this date.

The parties will meet at mutually agreeable times to discuss and explore design changes and other matters related to the NRC/BLE Plan that involve employee options that will help to contain the costs of its maintenance and operation in a manner consistent with the quality of health care made available by it to its participants and their families.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

Robert F. Allen

I agree:

Don M. Hahs

_____, 2003
#12

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding with respect to Article V - Pay System Simplification of our Agreement of this date.

Article V, Part B, Section 4(d) provides in pertinent part that a Trip Rate “shall be used solely to compensate employees for a Start in the involved run/pool.” Section 3(b) of that Part B defines “Start” to include “other trips such as deadhead directly related to and performed by the pool/run. The answer to Q-17 of the agreed-upon Questions and Answers concerning Article V states that “[w]here Trip Rates are implemented, employees will receive the Trip Rate for both the deadhead and the working trip.

Article VI - Deadheading , Section 2(b), of the Appendix B to the Award of Arbitration Board No. 458 dated May 19, 1986 provides, in the case of employees whose earliest seniority date in engine or train service is established on or after November 1, 1985 (“Post-85 Employee”), for payment of a minimum of a basic day for certain deadhead trips made separate from service. Such Section 2(b) further provides that “[n]on-service payments such as held-away-from-home terminal allowance will count toward” such minimum basic day.

During our negotiations, the BLE requested that the carriers concur with its interpretation that the Article VI adjustment described above does not apply to a Trip Rate paid to a Post-85 employee under circumstances related to deadheading and the payment of held-away-from-home terminal (“HAFHT”) allowance. The carriers refused, asserting that the BLE interpretation was erroneous and that the proper interpretation of those provisions was that such an adjustment should be made under those circumstances.

Solely in the interest of concluding a final agreement with the Organization, and without prejudice to their position concerning the appropriate interpretation and application of the provisions cited above, the carriers have agreed not to apply the Article VI adjustment to a Trip Rate paid to a Post-85 employee under circumstances related to deadheading and the payment of HAFHT allowance.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

Robert F. Allen

I agree:

Don M. Hahs

_____, 2003
#13

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding with respect to Article VIII - National Wage and Rules Panel ("Panel"), of our Agreement of this date.

During our negotiations we have discussed technology issues. In mutual recognition of the complexity and importance of this subject to both sides, the parties have agreed to refer the matter to the Panel as one of the topics within its purview.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

Robert F. Allen

I agree:

Don M. Hahs

_____, 2003
#14

Mr. Don M. Hahs
President
Brotherhood of Locomotive Engineers
1370 Ontario Street
Cleveland, Ohio 44113-1702

Dear Mr. Hahs:

This confirms our understanding with respect to our Agreement of this date.

During our negotiations the Organization expressed concern that engineers who expire under the Hours of Service Act be transported in a timely manner to the destination terminal.

The parties recognize the interests of the railroads and their engineers are best served when a train reaches the destination terminal within the hours of service set by law. This will confirm the advice given to you that when an engineer ties up under the Hours of Service Act before reaching the destination terminal, the carriers will make reasonable efforts to relieve and expeditiously transport such engineer to the tie-up point.

In the event the Organization finds that this commitment is not being fulfilled at a particular location, the appropriate BLE General Chairman shall promptly contact the appropriate Director of Labor Relations (“DLR”), in writing, stating the reasons or circumstances involved. The DLR will promptly schedule a conference between the parties to discuss the matter and seek a resolution. The conference will include the appropriate representatives of the Organization and the carrier.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

Robert F. Allen

I agree:

Don M. Hahs

OTHER ITEMS

1. Add Agreed-to Q & A's (adapted from UTU Agreement)
2. New Trip Rate Q & A:

Q If none of the earnings attributable to a particular type of pool/run Start made during the Test Period are included in the aggregate earnings used in the computation of the Trip Rate for that pool/run, will such a Start be paid at that Trip Rate after it becomes effective?

A No. This is not intended to address situations in which a pool/run consists entirely of post-85 employees, which is covered by Q & A 7 under Article V.