

MEDIATION AGREEMENT

THIS AGREEMENT, made this 1st day of October, 2008 by and between the participating carriers listed in Exhibit A attached hereto and represented by the National Carriers' Conference Committee, and the employees shown thereon and represented by the International Association of Machinists and Aerospace Workers, witnesseth:

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - First General Wage Increase

On July 1, 2006, all hourly, daily, weekly, and monthly rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase in pay irrespective of the method of payment. The increase provided for in this Section 1 shall be applied as follows:

(a) Hourly Rates -

Add 3 percent to the existing hourly rates of pay.

(b) Daily Rates -

Add 3 percent to the existing daily rates of pay.

(c) Weekly Rates -

Add 3 percent to the existing weekly rates of pay.

(d) Monthly Rates -

Add 3 percent to the existing monthly rates of pay.

(e) Disposition of Fractions -

Rates of pay resulting from application of paragraphs (a) to (d), inclusive, above which end in fractions of a cent shall be rounded to the nearest whole cent, fractions less than one-half cent shall be dropped, and fractions of one-half cent or more shall be increased to the nearest full cent.

(f) Application of Wage Increase -

The increase in wages provided for in this Section 1 shall be applied in accordance with the wage or working conditions agreement in effect between each carrier and the labor organization party hereto. Special allowances not included in fixed hourly, daily, weekly or monthly rates of pay for all services rendered, and arbitraries representing duplicate time payments, will not be increased. Overtime hours will be computed in accordance with individual schedules for all overtime hours paid for.

(g) COLA Payments –

Any cost-of-living allowance amounts rolled in to basic rates of pay on or after July 1, 2006 pursuant to Article III , Part B of the National IAM Agreement dated September 1, 2005 (or any local counterpart agreement) shall be excluded before application of the general wage increases provided for in this Section 1 and eliminated from basic rates of pay after application of such increases.

Section 2 - Second General Wage Increase

Effective July 1, 2007 all hourly, daily, weekly and monthly rates of pay in effect on June 30, 2007 for employees covered by this Agreement shall be increased by three (3) percent applied in the same manner as provided for in Section 1 hereof and applied so as to give effect to this increase irrespective of the method of payment.

Section 3 - Third General Wage Increase

Effective July 1, 2008, all hourly, daily, weekly and monthly rates of pay in effect on June 30, 2008 for employees covered by this Agreement shall be increased in the amount of four (4) percent applied in the same manner as provided for in Section 1 hereof and applied so as to give effect to this increase irrespective of the method of payment.

Section 4 - Fourth General Wage Increase

Effective July 1, 2009, all hourly, daily, weekly and monthly rates of pay in effect on June 30, 2009 for employees covered by this Agreement shall be increased in the amount of four-and-one-half (4-1/2) percent applied in the same manner as provided for in Section 1 hereof and applied so as to give effect to this increase irrespective of the method of payment.

Section 5 – Rate Adjustment

On October 1, 2008, all hourly, daily, weekly, and monthly rates of pay in effect on the preceding day for IAM-represented employees on carriers covered by this Agreement (and by the September 1, 2005 IAM National Agreement) for Wages & Rules and Health & Welfare shall be increased in the amount of \$0.38 per hour. This rate adjustment shall be in lieu of the rate adjustment provided for in Article I, Section 5 of the September 1, 2005 IAM National Agreement.

ARTICLE II – OPTIONAL ALTERNATIVE COMPENSATION PROGRAM

Section 1

A carrier or organization may propose alternative compensation arrangements for consideration by the other party. Such arrangements may include, for example, stock options, stock grants (including restricted stock), bonus programs based on carrier performance, and 401(k) plans. The proposed arrangement(s) may be implemented only by mutual agreement of the carrier and the appropriate representatives.

Section 2

The parties understand that neither the carrier nor the organization may be compelled to offer any alternative compensation arrangement, and, conversely, neither the carrier nor the organization may be compelled to agree to any proposal made under this Article.

ARTICLE III - COST-OF-LIVING PAYMENTS

Cost-of-Living Payments Under September 1, 2005 National Agreement

Section 1

Article III, Part B, of the National IAM Agreement dated September 1, 2005 shall be eliminated effective on the date of this Agreement. All cost-of-living allowance payments made under that 2005 Agreement to employees for periods on and after July 1, 2006 shall be recovered from any retroactive wage increase payments made under Article I of this Agreement.

Section 2

Any local counterpart to the above-referenced Article III, Part B 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 on and after January 1, 2011

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 January 1, 2011 based, subject to paragraph (b), on the CPI for September 2010 as compared with the CPI for March 2010. 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).

<u>Measurement Periods</u>		<u>Effective Date</u>
<u>Base Month</u>	<u>Measurement Month</u>	<u>of Adjustment</u>
March 2010	September 2010	January 1, 2011
September 2010	March 2011	July 1, 2011

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>
January 1, 2011	3% of March 2010 CPI
July 1, 2011	6% of March 2010 CPI, less the increase from March 2010 to September 2010

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 March 2010 to the measurement month of September 2010 exceeds 3% of the March 2010 base index, the measurement period that shall be used for determining the cost-of-living adjustment to be effective the following July shall be the 12-month period from such base month of March; 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 March base index; and the maximum increase in that portion of the index that may be taken into account shall be 6% of such March base index less the 3% mentioned in the preceding clause, to which shall be added any residual fractional points which had been dropped under paragraph (c) below in calculation of the cost-of-living adjustment which shall have become effective January 1, 2011 during such measurement period.

(iv) Any increase in the CPI from the base month of March 2010 to the measurement month of March 2011 in excess of 6% of the March 2010 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 July 1, 2011 shall be the whole number of cents produced by dividing by 0.3 the number of points change, as limited by paragraph (b), in the CPI during the applicable measurement period. Any residual fractional points resulting from such division shall be dropped. The result of such division shall be rolled in to basic rates of pay in effect on June 30, 2011 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 December 31, 2010. If the result of such division requires a subtraction from basic rates of pay in effect on June 30, 2011, the employee cost-sharing contribution amount in effect on that date pursuant to Article IV, Part C, Section 1(a) of this Agreement shall be adjusted effective July 1, 2011 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 January 1, 2011 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 July 1, 2011 pursuant to Section 1 of this Part shall be rolled in to basic rates of pay on that date.

(c) The procedure specified in paragraphs (a) and (b) 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

The cost-of-living allowance provided for by Section 1 of this Part B will be payable as provided in Section 2 and will be applied as follows:

(a) Hourly Rates – Add the amount of the cost-of-living allowance to the hourly rate of pay produced by application of Article I.

(b) Daily Rates – Determine the equivalent hourly rate by dividing the established daily rate by the number of hours comprehended by the daily rate. The amount of the cost-of-living allowance multiplied by the number of hours comprehended by the daily rate shall be added to the daily rate produced by application of Article I.

(c) Weekly Rates – Determine the equivalent hourly rate by dividing the established weekly rate by the number of hours comprehended by the weekly rate. The amount of the cost-of-living allowance multiplied by the number of hours comprehended by the weekly rate shall be added to the weekly rate produced by application of Article I.

(d) Monthly Rates – Determine the equivalent hourly rate by dividing the established monthly rate by the number of hours comprehended by the monthly rate. The amount of the cost-of-living allowance multiplied by the number of hours comprehended by the monthly rate shall be added to the monthly rate produced by application of Article I.

(e) Minimum Daily Increases – The increase in rates of pay described in paragraphs (a) through (d), inclusive, shall be not less than eight times the applicable increase per hour for each full time day of eight hours, required to be paid for by the rules agreement. In instances where under the existing rules agreement an employee is worked less than eight hours per day, the increase shall be determined by the number of hours required to be paid for by the rules agreement.

(f) Application of Wage Increases – The increase in wages produced by application of the cost-of-living allowances shall be applied in accordance with the wage or working conditions agreement in effect between each carrier and its employees represented by the Organization signatory hereto. Special allowances not included in said rates and arbitraries representing duplicate time payments will not be increased.

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 Plans

The Railroad Employees National Health and Welfare Plan (“the Plan”), the Railroad Employees National Dental Plan (“the Dental Plan”), and the Railroad Employees National Vision Plan (“the Vision 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 Managed Medical Care Program (“MMCP”) will be offered to all employees in any geographic area where the MMCP is not currently offered and United Healthcare, Aetna, or Highmark BlueCross Blue Shield has a medical care network (“white space”). For purposes of this subsection, such “network” shall mean a “point-of-service” network in the case of United Healthcare and Aetna, and a preferred provider network in the case of Highmark BlueCross BlueShield. Employees who live in a white space may choose between coverage under MMCP or the Comprehensive Health Care Benefit, subject to subsection (b) below.

(b) The parties may, by mutual agreement and subject to such evaluation and conditions as they may deem appropriate, designate specific geographic areas within the white space as mandatory MMCP locations. Employees who live in mandatory MMCP locations shall not have a choice between CHCB and MMCP coverage, but shall be enrolled in the MMCP.

(c) United Healthcare and Aetna, respectively, shall apply “nationwide market reciprocity” to employees and their dependents who are enrolled in MMCP. The term “nationwide market reciprocity” is intended to mean, by way of example, that a person enrolled in MMCP with UHC in

market A is permitted to get in-network MMCP benefits from a UHC point-of-service network provider in market B.

(d) The Basic Health Care Benefit shall be eliminated as an option for employees covered by this Agreement and their dependents.

(e) In addition to the Plan's existing coverage for cochlear implants, such implants for diagnosis or treatment of hearing loss will be a Covered Health Service under the CHCB and MMCP.

(f) This Section shall become effective with respect to employees covered by this Agreement as soon as practicable.

Section 3 - Design Changes To Contain Costs

(a) The Plan's MMCP shall be revised as follows:

- (1) The Office Visit Co-Payment for In-Network Services shall be increased to \$20.00 for each office visit to a provider in general practice or who specializes in pediatrics, obstetrics-gynecology, family practice or internal medicine, and \$35.00 for each office visit to any other provider;
- (2) The Urgent Care Center Co-Payment for In-Network Services shall be increased to \$25.00 for each visit;
- (3) The Emergency Room Co-Payment for In-Network Services shall be increased to at least \$50.00 for each visit, but if the care received meets the applicable Plan definition of an Emergency, the Plan will reimburse the employee for the full amount paid for such care, except for \$25.00 if the visit does not result in hospital admission. For purposes of this Paragraph, the phrase "at least" shall be interpreted and applied consistent with practice under the Plan preceding the date of this Agreement.

- (4) The Annual Deductible for Out-of-Network Services shall be increased to \$300.00 per individual and \$900.00 per family;
- (5) The Annual Out-of-Pocket Maximum for Out-of-Network Services shall be increased to \$2,000 per individual and \$4,000 per family.

(b) The Plan's Comprehensive Health Care Benefit shall be revised as follows:

- (1) The Annual Deductible shall be increased to \$200.00 per individual and \$400.00 per family;
- (2) The Annual Out-of-Pocket Maximum shall be increased to \$2,000 per individual and \$4,000 per family.

(c) The Plan's Prescription Drug Card Program co-payments to In-Network Pharmacies per prescription are revised as follows:

- (1) Generic Drug – increase to \$10.00;
- (2) Brand Name (Non-Generic) Drug On Program Administrator's Formulary – increase to \$20.00;
- (3) Brand Name (Non-Generic) Drug Not On Program Administrator's Formulary – increase to \$30.00;
- (4) Brand Name (Non-Generic) Drug on Program Administrator's Formulary that is not ordered by the patient's physician by writing "Dispense as Written" on the prescription and there is an equivalent Generic Drug- increase to \$20.00 plus the difference between the Generic Drug and the Brand Name (Non-Generic) Drug;

- 5) Brand Name (Non-Generic) Drug Not On Program Administrator's Formulary that is not ordered by the patient's physician by writing "Dispense as Written" on the prescription and there is an equivalent Generic Drug-increase to \$30.00 plus the difference between the Generic Drug and the Brand Name (Non-Generic) Drug.

(d) The Plan's Mail Order Prescription Drug Program co-payments per prescription are revised as follows:

- (1) Generic Drug – increase to \$20.00;
- (2) Brand Name (Non-Generic) Drug On Program Administrator's Formulary – increase to \$30.00;
- (3) Brand Name (Non-Generic) Drug Not on Program Administrator's Formulary – increase to \$60.00.

(e) For purposes of the Plan, the term "children" as used in connection with determining "Eligible Dependents" under the Plan, shall be defined as follows:

"Children include:

- o natural children,
- o stepchildren,
- o adopted children (including children placed with you for adoption), and
- o your grandchildren, provided they have their legal residence with you and are dependent for care and support mainly upon you and wholly, in the aggregate, upon themselves, you, your spouse, scholarships and the like, and governmental disability benefits and the like."

(f) The definition of the term “children”, as used in connection with determinations of “Eligible Dependents” under the terms of the Dental Plan and the Vision Plan, respectively, shall be revised as provided in subsection (e) above.

(g) Blue Cross Blue Shield programs that are currently available under the Plan will be made available for selection by employees covered by this Agreement who choose coverage under the MMCP in all areas where the MMCP is made available under the Plan and throughout the United States for selection by such employees who choose coverage under the CHCB.

(h) The design changes contained in this Section shall become effective on the date of this Agreement or as soon thereafter as practicable.

Part B - Employee Sharing of Cost of H&W Plans Through 2010

Section 1 – Monthly Employee Cost-Sharing Contributions

(a) Effective January 1, 2007, each employee covered by this Agreement shall contribute 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, a monthly cost-sharing contribution in an amount equal to 15% of the Carriers’ Monthly Payment Rate for 2007.

(b) The employee monthly cost-sharing contribution amount shall be adjusted, effective January 1, 2008, so as to equal 15% of the Carriers’ Monthly Payment Rate for 2008 and, effective January 1, 2009, so as to equal 15% of the Carriers’ Monthly Payment Rate for 2009.

(c) Effective January 1, 2010, the employee monthly cost-sharing contribution amount shall be adjusted to be the lesser of:

- (1) 15% of the Carrier’s Monthly Payment Rate for 2010, or
- (2) \$200.00 or the January 1, 2009 employee monthly cost-sharing contribution amount, whichever is greater.

(d) For purposes of subsections (a) through (c) above, the “Carriers’ Monthly Payment Rate” for any year shall mean the sum of what the carriers’ monthly payments to —

- (1) the Plan for foreign-to-occupation employee and dependent health benefits, employee life insurance benefits and employee accidental death and dismemberment insurance benefits,
- (2) the Dental Plan for employee and dependent dental benefits, and
- (3) the Vision Plan for employee and dependent vision benefits,

would have been during that year, per non-hospital association road employee, in the absence of any employee contributions to such Plans.

(e) The Carriers’ Monthly Payment Rate for the calendar years 2007 and 2008, respectively, has been determined to be \$1,108.34. The Employee Monthly Cost-Sharing Contribution Amount for the calendar years 2007 and 2008, respectively, has been determined to be \$166.25.

Section 2 - Pre-Tax Contributions

Employee cost-sharing contributions made pursuant to this Part shall be made on a pre-tax basis pursuant to the existing Section 125 cafeteria plan to the extent applicable.

Section 3 - Retroactive Contributions

Retroactive employee cost-sharing contributions payable for the period on and after January 1, 2006 shall be offset against any retroactive wage payments provided to the affected employee under Article I, Sections 1, 2 and 3 of this Agreement, provided, however, there shall be no such offset for any month for which the affected employee was not obligated to make a cost-sharing contribution.

Section 4 – Prospective Contributions

For months subsequent to the retroactive period covered by Section 3, employee cost-sharing contributions will be made for the employee by the employee's employer. The employer shall 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 - Employee Cost Sharing of Plan Cost Increases Beginning January 1, 2011

Section 1 - Employee Cost-Sharing Contributions

(a) Effective January 1, 2011, the per month employee cost-sharing contribution amount in effect pursuant to Article IV, Part B, Section 1(c) above shall be increased by the lesser of (x) one-half of the increase, if any, in the carriers' 2011 monthly payment rate over such payment rate for 2010, and (y) one-half of the cost-of-living allowance effective January 1, 2011 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 2009.

(b) Effective July 1, 2011, the per month employee cost-sharing contribution amount in effect on June 30, 2011 shall be increased by the lesser of (x) the amount (if any) by which the number described in part (x) of subsection (a) of this Section exceeds the product described in part (y) of such subsection (a), and (y) one-half of the cost-of-living allowance effective July 1, 2011 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2009.

(c) Effective January 1, 2012, the per month employee cost-sharing contribution amount in effect on December 31, 2011 shall be increased by the lesser of (x) the sum of (i) one-half of the increase, if any, in the carriers' 2012 monthly payment rate over such payment rate for 2011, plus (ii) the amount (if any) by which the number described in part (x) of subsection (b)

of this Section exceeds the product described in part (y) of such subsection (b), and (y) one-half of the cost-of-living allowance effective January 1, 2012 pursuant to Article III, Part B, Section 1(a), multiplied by one-twelfth of the ASTE Hours for calendar year 2010.

(d) The pattern specified in subsections (a) through (c) 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.

(e) For purposes of subsections (a) through (c) above and subsection (g) 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. 6 to the September 1, 2005 IAM National Agreement).

Carrier payments to the Plan for these purposes shall be deemed to include amounts paid 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 July 1, 1992 National IAM Agreement applicable to employees represented by the organization signatory hereto and the carriers represented by the National Carriers' Conference Committee.

(f) For the purpose of this Section, the ASTE Hours to be used shall be based on all such hours for individuals in machinist crafts and classes

represented by the International Association of Machinists and Aerospace Workers, and who are employed by Class One carriers that are participating in national bargaining in the round of negotiations that commenced January 1, 2010.

(g) If the per month employee cost-sharing contribution amount (“cost-sharing amount”) is increased for the period January 2011 through June 2011 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 2010. The cost-sharing amount shall also be subject to adjustment as provided in Article III, Part B, Section 1(c) of this Agreement.

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 - Employer Election

At the employer’s election, employee cost-sharing contributions may be made for the employee by the 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.

ARTICLE V - SUPPLEMENTAL SICKNESS

The March 29, 1979 Supplemental Sickness Benefit Agreement, as amended by Article V of the September 1, 2005 National IAM Agreement (Sickness Agreement), shall be further amended as provided in this Article.

Section 1 - Adjustment of Plan Benefits

(a) The benefits provided under the Plan established pursuant to the Sickness Agreement (“SSB Plan”) shall be adjusted as provided in paragraph (b) so as to restore the same ratio of benefits to rates of pay as existed on December 31, 2004 under the terms of that Agreement.

(b) Section 4 of the Sickness Agreement shall be revised as follows:

	<u>Per Hour</u>	<u>Per Month</u>
Class I Employees Earning (as of 12/31/04)	\$20.99 or more	\$3,652 or more
Class II Employees Earning (as of 12/31/04)	\$17.33 or more but less than \$20.99	\$3,015 or more but less than \$3,652
Class III Employees Earning (as of 12/31/04)	Less than \$17.33	Less than \$3,015

Basic and Maximum Benefit Amount Per Month

<u>Classification</u>	<u>Basic</u>	<u>RUIA</u>	<u>Maximum</u>
Class I	\$1,189.00	\$1,218.00	\$2,407
Class II	\$ 932.00	\$1,218.00	\$2,150
Class III	\$ 712.00	\$1,218.00	\$1,930

Combined Benefit Limit

<u>Classification</u>	<u>Maximum Monthly Amount</u>
Class I	\$2,582
Class II	\$2,304
Class III	\$2,068

Section 2 - Further Adjustment of Plan Benefits

Effective December 31, 2009, the benefits provided under the Plan shall be adjusted so as to restore the same ratio of benefits to rates of pay as existed on the effective date of this Article.

Part B – Notice of Disability

Existing agreements and practices regarding the time within which notices of disability must be filed under the SSB Plan, and the consequences of failure to file within that time period, shall be modified as set forth below.

Section 1 – Notification

A SSB Plan participant shall give the vendor administering claims under the Plan notice of disability, solely with respect to disabilities beginning on or after the date of this Agreement, within sixty (60) days after the start of the disability, unless failure to do so is due to a serious physical or mental injury or illness suffered by the participant, in which case the notice of disability must be given to the vendor as soon as amelioration of such serious physical or mental illness or injury reasonably permits. All claims

with regard to which a notice of disability is not given in compliance with this time limitation shall be denied whether or not the SSB Plan has been prejudiced by such noncompliance or the claim is otherwise valid and payable.

Section 2 – Appeals

All final (second-level) appeals from claim denials under the SSB Plan that are pending on the date of this Agreement or are thereafter filed, where disposition of the claim required medical judgment that involved the participant's eligibility for SSB Plan benefits, his or her physical condition, the cause of his or her disability, or the date his or her disability started, will be considered and determined by a Disputes Committee consisting of one or more individuals selected by MCMC, LLC, an independent review entity, or such successor as may be mutually selected by the parties. In the event of a disagreement between the parties regarding selection of a successor, such dispute shall be resolved in the same manner as provided for in the existing arrangements governing disposition of deadlocks on matters brought before the Joint Plan Committee of the National H&W Plan.

ARTICLE VI - 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 settle the disputes growing out of the notices served upon the organization by the carriers listed in Exhibit A on or subsequent to November 1, 2004 (including any notices outstanding as of that date), and the notices served by the organization signatory hereto upon such carriers on or subsequent to November 1, 2004 (including any notices outstanding as of that date).

(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, 2009 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act, as amended.

(c) No party to this Agreement shall serve or progress, prior to November 1, 2009 (not to become effective before January 1, 2010), any notice or proposal.

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

SIGNED AT WASHINGTON, D.C., THIS 1st DAY OF OCTOBER, 2008.

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

(SIGNED) _____
ROBERT F. ALLEN

(SIGNED) _____
E. BOUCHARD

(SIGNED) _____
S. E. CRABLE

(SIGNED) _____
J. FLEPS

**FOR THE EMPLOYEES
REPRESENTED BY THE
INTERNATIONAL ASSO-
CIATION OF MACHINISTS
AND AEROSPACE WORKERS:**

(SIGNED) _____
JOE R. DUNCAN

(SIGNED) _____
ROBERT ROACH, JR.

(SIGNED)

L. FRITZ

(SIGNED)

H. R. MOBLEY

October 1, 2008

#1

Mr. Robert Roach Jr.
General Vice President
International Association of
Machinists & Aerospace Workers
9000 Machinists Place
Upper Marlboro, MD 20772-2687

Dear Mr. Roach:

This confirms our understanding with respect to the general wage increases provided for in Article I, Sections 1, 2 and 3 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,

(Signed)

Robert F. Allen

October 1, 2008
#3

Mr. Robert Roach Jr.
General Vice President
International Association of
Machinists & Aerospace Workers
9000 Machinists Place
Upper Marlboro, MD 20772-2687

Dear Mr. Roach:

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

The provisions of Article IV, Parts B and C (Employee Sharing of Cost of H&W Plans) are not applicable to employees covered by the Agreement who reside in Canada.

This will also confirm that existing contractual arrangements concerning Opt-Outs 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.

Very truly yours,

(Signed)
Robert F. Allen

I agree:

(Signed)
Robert Roach, Jr.

October 1, 2008

#4

Mr. Robert Roach Jr.
General Vice President
International Association of
Machinists & Aerospace Workers
9000 Machinists Place
Upper Marlboro, MD 20772-2687

Dear Mr. Roach:

This confirms our understanding regarding the Agreement of this date.

In any month in which an active employee receives his or her FO healthcare benefits from a Hospital Association and not from the National Health & Welfare Plan and makes a Plan contribution pursuant to Article IV, Parts B and C, 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 and Part C, Section 1, respectively, 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,

(Signed)

Robert F. Allen

I agree:

(Signed)
Robert Roach, Jr.

October 1, 2008
#6

Mr. Robert Roach Jr.
General Vice President
International Association of
Machinists & Aerospace Workers
9000 Machinists Place
Upper Marlboro, MD 20772-2687

Dear Mr. Roach:

This confirms our understanding regarding Article IV, Part A, Section 3(a)(1) of the Agreement of this date (“2008 IAM Agreement”).

The carriers are currently in active discussions with the CRLO, acting on behalf of its participating rail labor organizations, with respect to the interpretation and application of this pattern H&W provision. This will confirm our agreement that any mutual interpretation and application growing out of those CRLO discussions will be applicable to the 2008 IAM Agreement.

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

Very truly yours,

(Signed)
Robert F. Allen

I agree:

(Signed)
Robert Roach, Jr.

October 1, 2008

#7

Mr. Robert Roach Jr.
General Vice President
International Association of
Machinists & Aerospace Workers
9000 Machinists Place
Upper Marlboro, MD 20772-2687

Dear Mr. Roach:

This confirms our understanding regarding Article IV of the Agreement of this date.

1. The provisions of Article IV reflect compromises made by both parties, including without limitation compromises involving plan benefits, deductibles, co-payments and co-insurance, other aspects of plan design, employee contributions, cost containment, and tax consequences. The parties intend that these compromises not be materially altered by federal legislation that may be enacted or by federal regulations that may be adopted.

2. In the event that either party believes that federal legislation is enacted, or federal regulations are adopted, that materially adversely affects its settled expectations and interests in the compromises reflected in Article IV, such party shall give written notice to the other describing in detail such material adverse effect.

3. If a notice is given pursuant to Paragraph 2, the parties shall promptly commence discussions for the purpose of reaching a voluntary agreement that, notwithstanding required compliance with such federal legislation (or regulation), will preserve, to the fullest extent practicable, the same relative economics that resulted from the compromises reflected in

Article IV. It is mutually understood that the procedures of Section 6 of the Railway Labor Act shall not apply to these discussions.

4. If the parties are unable to reach a voluntary agreement pursuant to Paragraph 3 to achieve the objective described therein, the controversy shall be resolved through interest arbitration either pursuant to the procedures set forth in Section 7 of the RLA or through such other procedures as may be agreed upon by the parties.

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

Very truly yours,

(Signed)

Robert F. Allen

I agree:

(Signed)
Robert Roach, Jr.

October 1, 2008
#8

Mr. Robert Roach Jr.
General Vice President
International Association of
Machinists & Aerospace Workers
9000 Machinists Place
Upper Marlboro, MD 20772-2687

Dear Mr. Roach:

This confirms our understanding regarding Article V, Part B of the Agreement of this date.

All claims for SSB Plan benefits (a) for disabilities beginning before the date of this Agreement, (b) that were denied for failure to provide timely notice of disability, and (c) appeal from the denial of which is now pending, shall be promptly reevaluated.

1. If the vendor administering claims under the Plan determines through that reevaluation that, apart from when the notice of disability was given, the claim is otherwise valid and payable, the claim shall be allowed and processed.

2. If the vendor determines that the claim should be denied for reasons other than a failure to give timely notice of disability, the claim shall be denied, which denial shall be treated as an initial denial of the claim that may be appealed in accordance with Plan procedures.

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

Very truly yours,

(Signed)

Robert F. Allen

I agree:

_____*(Signed)*_____

Robert Roach, Jr.

October 1, 2008
#9

Mr. Robert Roach Jr.
General Vice President
International Association of
Machinists & Aerospace Workers
9000 Machinists Place
Upper Marlboro, MD 20772-2687

Dear Mr. Roach:

This confirms our understanding with respect to further discussions between the organization and individual railroads covered by this Agreement regarding shift differentials.

Upon written request by the organization's designated representative(s) to the carrier's highest designated officer for the IAM, the parties shall commence discussions on shift differentials. Those discussions shall be conducted in such manner as may be mutually agreed by the parties.

It is expressly understood and agreed that:

1. Such discussions are voluntary and informal (i.e., not under Section 6 of the Railway Labor Act). Accordingly, any arrangements growing out of these discussions shall be implemented only by mutual agreement of the parties.
2. Such discussions shall conclude no later than October 31, 2009, unless extended by mutual agreement of the parties.
3. This Side Letter shall not be deemed to establish any right to or precedent for similar future undertakings and shall not be referable in connection with any demand or request for same.

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

Very truly yours,

(Signed)

Robert F. Allen

I agree:

(Signed)

Robert Roach Jr.

October 1, 2008
#10

Mr. Robert Roach Jr.
General Vice President
International Association of
Machinists & Aerospace Workers
9000 Machinists Place
Upper Marlboro, MD 20772-2687

Dear Mr. Roach:

This confirms our understanding with respect to further discussions between the organization and individual railroads covered by this Agreement on the subject of higher wage rates in areas/locations where the cost-of-living is greater (“locality adjustments”).

Upon written request by the organization’s designated representative(s) to the carrier’s highest designated officer for the IAM, the parties shall commence discussions on locality adjustments. Those discussions shall be conducted in such manner as may be mutually agreed by the parties.

It is expressly understood and agreed that:

1. Such discussions are voluntary and informal (i.e., not under Section 6 of the Railway Labor Act). Accordingly, any arrangements growing out of these discussions shall be implemented only by mutual agreement of the parties.
2. Such discussions shall conclude no later than October 31, 2009, unless extended by mutual agreement of the parties.
3. This Side Letter shall not be deemed to establish any right to or precedent for similar future undertakings and shall not be referable in connection with any demand or request for same.

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

Very truly yours,

(Signed)

Robert F. Allen

I agree:

(Signed)

Robert Roach Jr.

October 1, 2008
#11

Mr. Robert Roach Jr.
General Vice President
International Association of
Machinists & Aerospace Workers
9000 Machinists Place
Upper Marlboro, MD 20772-2687

Dear Mr. Roach:

This confirms our understanding regarding the Agreement of this date.

The parties concur that the hypothetical example set forth in Attachment A to this letter describes the methodology concerning the (i) computation of gross retroactive pay and retroactive H&W cost-sharing that shall be utilized by the railroads in determining the net retroactive amount payable to a covered employee under the terms of this Agreement, and (ii) determination of the hourly rate of pay produced by application of the general wage increases provided for in Article I of this Agreement.

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

Very truly yours,

(Signed)
Robert F. Allen

I agree:

(Signed)
Robert Roach, Jr.

October 1, 2008
#12

Mr. Joe R. Duncan
President Directing General Chairman
District Lodge 19
International Association of
Machinists & Aerospace Workers
P.O. Box 279
9502 Petros Highway
Petros, TN 37845

Dear Mr. Duncan:

This will confirm our understanding that the arrangements and practices with respect to coverage of the administrative secretarial staff of IAM District Lodge 19 (“Lodge 19”) under the Supplemental Sickness Benefit Plan Covering Railroad Shop Craft and Signal Employees and payment by Lodge 19 for such coverage that were in effect on January 1, 2005 and subsequently terminated will be restored effective October 1, 2008.

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

Very truly yours,

(Signed)
Robert F. Allen

I agree:

(Signed)

Joe R. Duncan

***EXHIBIT A**

(IAM)

RAILROADS REPRESENTED BY THE NATIONAL CARRIERS' CONFERENCE COMMITTEE IN CONNECTION WITH NOTICES SERVED ON OR SUBSEQUENT TO NOVEMBER 1, 2004 BY AND ON BEHALF OF SUCH CARRIERS UPON THE INTERNATIONAL ASSOCIATION OF MACHINISTS & AEROSPACE WORKERS AND NOTICES SERVED ON OR SUBSEQUENT TO NOVEMBER 1, 2004 BY THE GENERAL CHAIRMEN, OR OTHER RECOGNIZED REPRESENTATIVES, OF THE INTERNATIONAL ASSOCIATION OF MACHINISTS & AEROSPACE WORKERS UPON SUCH CARRIERS.

Subject to indicated footnotes, this authorization is co-extensive with notices filed and with provisions of current schedule agreements applicable to employees represented by the International Association of Machinists & Aerospace Workers.

Alameda Belt Line
Alton & Southern Railway Company
The Belt Railway Company of Chicago
The Burlington Northern and Santa Fe Railway Company
Consolidated Rail Corporation
CSX Transportation, Inc.
Elgin, Joliet and Eastern Railway Company - 1
Indiana Harbor Belt Railroad Company
The Kansas City Southern Railway Company
 Kansas City Southern Railway
 Gateway Western Railway
 Joint Agency
 Louisiana and Arkansas Railway
 Mid Louisiana Rail Corporation
 MidSouth Rail Corporation

