

AGREEMENT

By and Between

CONNEX RAILROAD, LLC

And

BROTHERHOOD OF LOCOMOTIVE ENGINEERS AND TRAINMEN

WHEREAS, the Connex Railroad, LLC (hereinafter “Connex”) has agreed to assume certain responsibilities for the operation of the Metrolink Commuter Rail System (hereinafter “Metrolink”) for the Southern California Regional Rail Authority (hereinafter “SCRRA”), effective July 1, 2005;

WHEREAS, it is the desire of the parties to this Agreement to avoid any interruption of service in the interests of the public, and to minimize impact on the commuter rail employees of Amtrak, the operator of Metrolink prior to July 1, 2005;

WHEREAS, the assumption of this operation will result in the establishment by Connex of comparable positions necessary to perform certain work formerly performed by commuter rail employees of Amtrak as the operator; and

WHEREAS, Connex intends to offer employment with Connex to certain commuter rail employees of Amtrak,

NOW, THEREFORE, IT IS AGREED:

PART I

1. Connex recognizes the Brotherhood of Locomotive Engineers and Trainmen (hereinafter “BLET” or “Organization”) as the bargaining representative of the Passenger Engineers to be employed in the service covered by this Agreement.
2. The Rules Agreement effective October 26, 1982, as amended, presently in effect between Amtrak and the Brotherhood of Locomotive Engineers and Trainmen and applicable to employees performing service on Metrolink, will continue to apply to the operations and service which Connex is to provide to SCRRA, except as specifically provided herein.
 - A. Nothing in this Agreement is intended or shall be construed to provide additional pay, benefits, or coverage of specific Rules Agreement provisions to Connex employees which were not applicable to them

during their employment with Amtrak, except as specifically provided herein.

2. The service covered by this Agreement will be a single, separate seniority district and the employees securing a position in accordance with this Agreement will be placed on a separate seniority roster identified as the "Metrolink Seniority District Roster."
3. On or about February 15, 2005, Connex will deliver, by certified mail, return receipt requested, to the home address of all qualified Amtrak employees defined in Paragraph B. below, a conditional offer of employment, along with other required documents (such as those described in Side Letter No. 1). These documents must be completed and returned to Connex, by the date set forth therein (which shall be no fewer than ten (10) days), postmark to govern, with a copy to the BLET General Chairman, in order for the Amtrak employee to be eligible for further participation in the employment process set forth in this Agreement. Connex shall have no further obligations to individuals who fail or decline to return the requisite completed documents within the time prescribed. Those Amtrak employees who timely complete the process described in this paragraph are referred to hereinafter as "eligible Amtrak employees."
 - A. Connex will provide the General Chairman of the Organization with not less than thirty (30) days written notification of Connex's assumption of the operation, which notice will list the estimated number of positions to be established by Connex.
 - B. The positions to be established by Connex will be advertised on or before May 1, 2005, also by mail, for a period of ten (10) calendar days via special bulletin notice to the following Amtrak employees:
 - i. All Passenger Engineers with prior rights to Amtrak Work Zones 12.
 - ii. All other Passenger Engineers working in Amtrak Work Zones 12 as of the date of this Agreement.

The advertisement of positions will show the Metrolink headquarters location, run description, starting time, rest days, rate of pay, etc. The bulletin notice will contain the following statement:

"This will serve as notice that these positions will be established on Metrolink for the Connex Railroad, LLC operation effective 12:01 a.m., July 1, 2005. Bids will be accepted only from employees who have declared their eligibility by bidding on the Special Bulletin No. _____ dated _____. Only those bids postmarked or personally delivered to the office of the undersigned and receipt

obtained within ten (10) calendar days of the date of this notice will be accepted.”

- C. Eligible applicants will be accepted in seniority order based upon their standing on the current Amtrak Passenger Engineers’ National Seniority Roster; provided, however, that a Passenger Engineer with prior rights to Amtrak Work Zone 12 shall be placed on the Metrolink Roster ahead of non-prior rights Zone 12 employees in the same relative order as he/she stands on the Work Zone 12 Prior Rights Roster.
- D. Eligible Amtrak employees who apply for but are unable to secure a position under this Agreement because of insufficient seniority, prior to Connex assuming the service, will be placed in a Metrolink application pool. As positions become available, they will be offered Passenger Engineer positions which they must accept or relinquish their rights to employment as Passenger Engineers. Upon accepting such positions, they will be placed on the Metrolink roster in the same relative standing they would have been given if they had been a successful bidder during the original application period.
- E. Eligible, qualified Passenger Engineers, as set forth in B. above, who are inactive for the entire application and bidding period by reason of sickness, pregnancy, temporary or occupational disability, disciplinary suspension or dismissal (including revocation of engineer certification), military leave, furlough, vacation, or leave of absence (except as set forth in paragraph F below) pursuant to Rule 22 of the rules agreement, shall have the right to make application within five (5) days of their return to active status. Such Passenger Engineers possessing sufficient seniority to have been selected in accordance with Paragraph C., above, will be placed on the Metrolink Roster as if they had been in active status during the original application period, and will exercise their seniority in accordance with the applicable provisions of the Rules Agreement. Those Passenger Engineers in this category who, upon return to active status, lack sufficient seniority to have been selected in accordance with Paragraph C., above, will be placed in the application pool with the same relative standing they would have had if they had been in active status during the original application period.

Note: With the exception of those employees on vacation during the application and bidding period, the provisions of Part II, Item 1.C.(1) and (2) of this Agreement shall not apply to employees in this status on the effective date of the Agreement.

- F. Employees who were granted leaves of absence to take promotion to

management (non-agreement) positions on Amtrak unrelated to Metrolink service must make application as set forth under this Section 4 or will forfeit any seniority rights on the Metrolink Seniority District Roster.

7. Existing Rules Agreement provisions pertaining to disapproval of employment application will not be applicable to those Amtrak employees who accept employment with Connex pursuant to the terms of this Agreement, provided all the provisions of Side Letter No. 1 have been completed prior to July 1, 2005.
8. Compensated days and years of service currently recognized by Amtrak shall be used in determining eligibility for vacation entitlements for Amtrak employees who accept a position with Connex pursuant to this Agreement. The Company anticipates it will receive information from Amtrak outlining such information, as well as the number of vacation and personal leave days each employee has accrued but has not taken for the calendar year. An individual employee who disputes the correctness of the information provided by Amtrak may request further review. In the event of disagreement, the Local Chairman and General Manager (or his designate) will meet for the purpose of informally resolving the dispute. In the event this disagreement cannot be resolved, it will be subject to the existing grievance procedure as set forth in the rules agreement.
9. Connex agrees to provide employees covered by this Agreement health and welfare benefits substantially equivalent to those in effect on June 30, 2005. Connex will seek input and participation from the Organization in its fulfillment of this commitment.
 - A. Each employee covered by this Agreement shall make a monthly contribution of \$100.00 by payroll deduction, commencing July 1, 2005, which represents a cost-sharing contribution to the health benefits plan cost increases. Employee cost-sharing contributions made pursuant to this section shall be on a pre-tax basis, and in that connection a Section 125 cafeteria plan will be established pursuant to this Agreement. Employees who have no compensation for an entire month will not be subject to the deduction for that month. (See Side Letter No. 11 for "Opt-Out" options)
10. There shall be no pyramiding or duplication of any benefit(s) in the application of any portion of this Agreement.

PART II

1. It is understood and acknowledged that the Brotherhood of Locomotive Engineers and Trainmen is currently engaged in wage and rules negotiations with Amtrak pursuant to notices served under Section 6 of the Railway Labor Act (hereinafter "RLA") upon Amtrak on or about December 30, 1999, and counter-proposals

served by Amtrak upon the Organization. In that regard, the parties agree as follows:

- A. By executing this Agreement, it is agreed and understood that any and all outstanding notices served under Section 6 of the RLA by and between the Organization and Amtrak shall have no standing as between the parties to this Agreement. The Organization represents that such notices have not been settled with Amtrak. The parties agree that Connex has no obligation with respect to retroactive wage or other settlement monies, if any, which the Organization may believe are owed to the employees covered under this Agreement by their predecessor employer (Amtrak). This Agreement shall not be construed as a relinquishment by the Organization of its rights to pursue payment of any such monies from Amtrak for the period preceding July 1, 2005.
- B. The basic wage rates in effect for Passenger Engineers on Metrolink effective upon Connex's assumption of the service will be as follows:

Passenger Engineer	30.09 per hour
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- C. Thereafter, the following shall apply:
 - (1) Subject to the conditions set forth below, effective on the date of Connex's assumption of the Metrolink Commuter Rail service, each eligible employee covered by this Agreement who fully and successfully participates in Connex's employment process and who becomes a Connex employee on July 1, 2005 will be paid a signing bonus of one thousand dollars (\$1,000). This bonus is subject to the commencement of Organization's ratification process for this Agreement on or before March 1, 2005, and successful completion of the ratification process on or before April 1, 2005. The Organization acknowledges and agrees that Connex may commence the application and hiring process for BLET members during this ratification process. Connex will make all reasonable efforts to pay the signing bonus within 30 days from July 1, 2005.
 - (2) Incentive Bonus
 - a. In order that Connex be able to determine the adequacy and qualifications of its work force, it is imperative that it receive commitments from eligible Amtrak employees at the earliest possible date regarding their intention to accept employment by Connex. In order to expedite that process, each employee who signs the employee commitment letter and other documents (such as those described in Side letter No. 1) by **March 10, 2005** (postmark to govern) and thereafter successfully completes

Connex's employment process and becomes a Connex employee on July 1, 2005, will be paid an incentive bonus of two thousand dollars (\$2,000). The timing of payment of this bonus to eligible employees is set forth in more detail in Side Letter No. 8.

- b. In order to minimize disruptions to the service and the traveling public when Connex commences service on July 1, 2005, it is in the interests of both parties that territorial familiarization be kept to an absolute minimum. To help achieve that goal, Connex is agreeable to payment of an additional incentive bonus of one thousand dollars (\$1,000) to each employee who meets the qualification criteria under paragraph a. above, who commences service with Connex on July 1, 2005, and is fully qualified on the run or job to which assigned. This bonus will be paid within sixty (60) days to employees who, during their first 30 days of service with Connex, do not require any familiarization trips.

(3) First General Wage Increase

Effective July 1, 2006, the hourly base rates of pay of employees covered by this Agreement shall be increased in the amount of three percent (3 %).

(a) Disposition of Fractions

Rates of pay resulting from application of this Section B. which end in a fraction of a cent will be rounded to the nearest whole cent; fractions less than one-half cent will be dropped, and fractions of one-half cent or more will be increased to the nearest full cent.

(b) Application of Wage Increases

The increase in wages provided for in this Section B. shall be applied in accordance with the wage or working conditions agreement in effect. Special allowances and differentials not included in fixed hourly 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.

(4) Second General Wage Increase

Effective July 1, 2007, the hourly base rates of pay of employees covered by this Agreement shall be increased in the amount of two and three fourths percent (2.75 %). The increase provided in this

Section will be applied in the same manner as provided in Section (3) hereof.

(5) Third General Wage Increase

Effective July 1, 2008, the hourly base rates of pay of employees covered by this Agreement shall be increased in the amount of two and three fourths percent (2.75%). The increase in this Section will be applied in the same manner as provided in Section (3) hereof.

(6) Fourth General Wage Increase

Effective July 1, 2009, the hourly base rates of pay of employees covered by this Agreement shall be increased in the amount of two and three fourths percent (2.75 %). The increase provided in this Section will be applied in the same manner as provided in Section (3) hereof.

(7) Fifth General Wage Increase

Effective July 1, 2010, the hourly base rates of pay of employees covered by this Agreement shall be increased in the amount of two and one-half percent (2.5 %). The increase in this Section will be applied in the same manner as provided in Section (3) hereof.

- D. The existing COLA provisions between the BLET and Amtrak shall have no further force and effect. Effective July 1, 2010, Appendix I shall become effective. Any COLA adjustment which may be applied in accordance with Appendix I shall not be rolled into base rates without future negotiations and agreement between the parties.
- E. The purpose of this Part II is to fix the general level of compensation during the period of the Agreement. No party to this Agreement shall serve, prior to July 1, 2009 (not to become effective before January 1, 2011) any notice or proposal for the purpose of changing the subject matter of the provisions of this Agreement or which proposes matters covered by the proposals of the Organization cited in Paragraph 1 of this section.

Part III

1. Any dispute or controversy with respect to the interpretation, application or enforcement of the provisions of this Agreement which has not been resolved by the parties within thirty (30) days may be submitted by either party to a Special

Board of Adjustment for final and binding decision thereon as provided by Section 3, Second of the Railway Labor Act.

2. This Agreement shall become effective July 1, 2005, and shall continue in effect thereafter unless or until changed pursuant to the terms of the Railway Labor Act, as amended.

Signed at _____ this ____ day of _____, 2005.

For the Organization:

For the Company:

General Chairman, BLET

Regional Vice President, Connex

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers and Trainmen

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between Connex and BLET relating to Connex assumption of operation of the Metrolink Commuter Rail System service on July 1, 2005.

During our negotiations it was agreed, without prejudice to the positions of either party concerning Connex's right to require pre-employment physicals, Connex will modify its pre-employment medical requirements to the following extent:

1. Amtrak commuter rail employees will be required to sign a release instructing and authorizing Amtrak to provide Connex with a copy of the employee's Amtrak medical records. The Amtrak employee will also be required to complete Connex's Pre-employment Medical Questionnaire. Should Connex's Medical Department determine that additional information is required as a result of the information provided on that Questionnaire, the employee will be required to request his/her physician to provide such additional information. Any further action in this area, which may include an examination by a Connex-designated physician, will be handled on a case-by-case basis in accordance with the provisions of the applicable Rules Agreement.
2. The Amtrak commuter rail employee will be required to undergo drug and alcohol testing. This testing will commence as early as April 1, 2005. Any employee testing positive for a controlled substance will be provided the opportunity, upon his/her request, for a split sample test at the employee's expense, by a testing facility selected by Connex which will use another testing method that is specific for the substance(s) detected in the initial test.
3. In the event of a confirmed positive result, the employee may not be accepted for employment by Connex. The employee may, at no cost to Connex, seek self-recovery and provide a satisfactory test result within 45 days from the date of deferral. Upon such timely presentation, the employee will then be eligible to complete the employment process set forth in the Agreement. As a condition of employment, the employee will be required to agree and comply with the instructions set forth in the Prevention Program Companion Agreement.

4. Eligible Amtrak employees who fail to complete any applicable provision of the processes set forth above prior to the July 1, 2005 date of assumption of service will not be accepted for employment by Connex, provided Connex provides sufficient time to complete said processes.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

AGREED:

General Chairman, BLET

Side Letter No. 2
January 26, 2005

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers and Trainmen

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between Connex and BLET relating to Connex assumption of operation of the Metrolink Commuter Rail System service on July 1, 2005.

During our negotiations Connex expressed its desire and belief that all employees accepting employment will perform their duties with diligence and in compliance with the rules. Therefore, Connex will not propose to seek or obtain past Amtrak discipline records, and agrees that employees will begin their employment with Connex with a clean disciplinary slate, except for the following:

1. Employees with a previous Rule G violation that resulted in a Waiver Agreement and probationary period that is still in effect on July 1, 2005, will be considered still bound by the terms of such arrangement when employed on Metrolink. This will include, but not be limited to, obligations of ongoing participation in EAP counseling, follow-up/random testing, and/or any other condition agreed to in conjunction with the Waiver Agreement. Upon completing the probationary requirements, the provisions of the Rule G Bypass and Prevention Program Companion Agreements will apply.
2. This Agreement does not supercede any action which Connex may be required to take under the provisions of the CFR, federal or other laws, or regulations imposed by the FRA.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

AGREED:

General Chairman, BLET

Side Letter No. 3
January 26, 2005

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers and Trainmen

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between Connex and BLET relating to Connex assumption of operation of the Metrolink Commuter Rail System service on July 1, 2005.

During our discussions we addressed the matter of progressing grievances. Connex believes it is in the best interests of everyone involved when disputes are resolved as expeditiously as possible. The parties acknowledged that in order to achieve this goal, modifications of the Rules Agreement are necessary in order to accommodate the streamlined administrative structure on Connex. Accordingly, the Company and the General Chairman agree to commence discussion and adopt mutually agreed upon changes to Rules 20 (Time Limit on Claims) and Rule 21 (Discipline and Investigation) prior to July 1, 2005. Those administrative adjustments will be incorporated as an addendum to this Side Letter.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

AGREED:

General Chairman, BLET

Side Letter No. 4
January 26, 2005

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers and Trainmen

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between Connex and BLET relating to Connex assumption of operation of the Metrolink Commuter Rail System service on July 1, 2005.

During our negotiations we discussed the desirability of recodification of the current Amtrak collective bargaining agreement to eliminate provisions that have become outdated, superceded, or are not applicable to this commuter service. The parties agreed to meet within 90 days following commencement of service for the purpose of reaching agreement upon such recodification. When successfully completed, the agreement will be reproduced and furnished all employees with the cost of such printing and distribution borne by the Company.

At the time the above meetings are held, the Company also agreed to review the Organization's request to change the definition of "work week" in Rule 2 for Engineers assigned to an extra board.

It was also agreed that effective July 1, 2005, the bi-annual optional displacements shall occur in April and October, coincident with the change of time.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

AGREED:

General Chairman, BLET

Side Letter No. 5
January 26, 2005

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers and Trainmen

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between Connex and BLET relating to Connex assumption of operation of the Metrolink Commuter Rail System service on July 1, 2005.

This will confirm that a modification to existing understandings is necessary to conform to requirements imposed upon all bidders for the service by SCRRA. SCRRA has advised it will not reimburse any operator for any time in excess of sixty minutes (60") per tour of duty spent for on-duty sign up and off-duty sign-off. Therefore, effective July 1, 2005, the current times of 45" (sign-on) and 25" (sign-off) will be reduced to forty minutes (40") and twenty minutes (20"), respectively. It is not the intent of this provision to deny payment to employees, in unusual circumstances and by management instruction, if service is required at the conclusion of the tour of duty that exceeds the normal sign-off time of 20".

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

AGREED:

General Chairman, BLET

Side Letter No. 6
January 26, 2005

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers and Trainmen

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between Connex and BLET relating to Connex assumption of operation of the Metrolink Commuter Rail System service on July 1, 2005.

During our discussions the Organization expressed a concern by the employees about the potential for furlough after accepting employment with Connex and severing their employment relationship with Amtrak. This will confirm our commitment that employees accepting employment with Connex under the terms of this agreement will not thereafter be subject to furlough. If an employee is unable to hold a regular assignment, including extra boards that are fully staffed, such employee shall be assigned to an extra board of management's choice in lieu of furlough.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

AGREED:

General Chairman, BLET

Side Letter No. 7
January 26, 2005

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers and Trainmen

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between Connex and BLET relating to Connex assumption of operation of the Metrolink Commuter Rail System service on July 1, 2005.

During our negotiations Connex explained that its existing payroll systems were designed on the basis of bi-weekly pay periods (26 pay days per calendar year). It was agreed that when service under this agreement commences, employees will revert to that schedule of pay periods. In our discussions regarding transitional matters, Connex agreed with your request that the lump sum payment set forth in Part II, Section 1. C. (2) a. will be made to coincide with the payroll change to help alleviate any cash flow problems that might occur by virtue of the changeover.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

AGREED:

General Chairman, BLET

Side Letter No. 8
January 26, 2005

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers and Trainmen

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between Connex and BLE relating to Connex assumption of operation of the Metrolink Commuter Rail System service on July 1, 2005.

During our negotiations we discussed the matter of performance incentive payments provided under the terms of the company's contract with SCRRA. The purpose of this side letter is to assure the employees that employee performance incentive payments, designated and paid by SCRRA as such, will be distributed to all employees in the service in the manner specified in the operating agreement with SCRRA.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

AGREED:

General Chairman, BLET

Side Letter No. 9
January 26, 2005

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers and Trainmen

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between Connex and BLE relating to Connex assumption of operation of the Metrolink Commuter Rail System service on July 1, 2005.

With regard to the health care deduction referenced in Part I, Item 7, it was understood that the payroll deduction for this item will be made from the pay period when union dues are not being withheld.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

AGREED:

General Chairman, BLET

Side Letter No.10
January 26, 2005

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers and Trainmen

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between Connex and BLET relating to Connex assumption of operation of the Metrolink Commuter Rail System service on July 1, 2005.

During our negotiations we discussed the matters of Safety, Training and Recruitment. The Organization and Connex emphasized their commitment to continually discuss and improve these disciplines throughout the term of this Agreement.

Connex expressed to the Organization that safety is of the utmost importance, and it is the Company's intention to implement a comprehensive and effective safety program on the property at the earliest possible date. The Company recognizes the critical importance of partnering with the Organization in the formulation and execution of its safety effort, and the parties agreed to meet prior to July 1, 2005 to discuss this matter in greater depth and produce an improvement draft. Connex also expressed its commitment to establishing a joint management/labor safety committee to meet periodically and discuss those issues related to safety.

Finally, the parties discussed the importance of developing a comprehensive and effective training program for engineers. Connex is committed to developing a thorough training program that combines both locomotive simulator training and extensive on-the-job training. Connex will seek input from the Organization as it formulates its program for recruitment and training of locomotive engineer candidates, and as it develops and modifies its training programs.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

AGREED:

General Chairman, BLE

Mr. Mark B. Kenny
General Chairman
Brotherhood of Locomotive Engineers and Trainmen

Dear Mr. Kenny:

This has reference to the Agreement entered into this date between Connex and BLE relating to Connex assumption of operation of the Metrolink Commuter Rail System service on July 1, 2005.

The following was agreed to with regard to the provisions of Part I, Item 7.A. of this Agreement:

On or before January 1, 2006, and preceding each January 1 thereafter, employees may certify to the Company's Health Care Plan Administrator in writing that they have health care coverage (which includes medical, prescription drug, and mental health/substance abuse benefits) under another group 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 under the Company's health benefits plan for themselves and their dependents. Such election is hereafter referred to as an "Opt-Out Election" and, where exercised, will eliminate that employee's obligation to make the cost-sharing contribution described in Part I, Item 7.A. of this Agreement.

If an event described below occurs subsequent to an employee's Opt-Out Election, the employee may, upon providing the Plan Administrator with proof satisfactory to said Administrator 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 Administrator with proof satisfactory to said Administrator that, after the employee made the Opt-Out Election, a person became a dependent of the employee through marriage, birth, or adoption or placement for adoption. An employee who revokes an Opt-Out Election will, along with his dependents, be once again covered (effective on 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) under Company's health benefits plan, and concurrent with such resumption of coverage the cost-sharing contributions described in Part I, Item 7.A. of this Agreement will commence.

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 the 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.

If the foregoing adequately and accurately outlines our understanding in this matter, please so indicate by signing in the space provided for that purpose below.

Yours truly,

AGREED:

General Chairman, BLE

APPENDIX I

Cost of Living Allowance and Adjustments Thereto After July 1, 2010

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 Appendix, 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 (d), 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 (d)(iii), according to the formula set forth in paragraph (e).

<u>Measurement Periods</u>		
<u>Base Month</u>	<u>Measurement Month</u>	<u>Effective Date 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 Appendix is in effect.

(b) While a cost-of-living allowance is in effect, such cost-of-living allowance will apply to straight time, overtime, vacations, holidays and to special allowances in the same manner as basic wage adjustments have been applied in the past, except that such allowance shall not apply to duplicate time payments, including arbitraries and special allowances that are expressed in time, miles or fixed amounts of money.

(c) The amount of the cost-of-living allowance, if any, that will be effective from one adjustment date to the next may be equal to, or greater or less than, the cost-of-living allowance in effect in the preceding adjustment period.

(d) (i) Cap. In calculations under paragraph (e), 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 Appendix is in effect.

(ii) Limitation. In calculations under paragraph (e), 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 will be used for determining the cost-of-living adjustment to be effective the following July will be the 12-month period from such base month of March; the increase in the index that will be taken into account will 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 will be 6% of such March base index less the 3% mentioned in the preceding clause, to which will be added any residual tenths of points which had been dropped under paragraph (e) 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 will not be taken into account in the determination of subsequent cost-of-living adjustments.

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

(w) Formula. The number of points change in the CPI during a measurement period, as limited by paragraph (d), will 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 in effect on June 30, 2011 will be adjusted (increased or decreased) effective July 1, 2011 by the whole number of cents produced by dividing by 0.3 the number of points (including tenths of points) change, as limited by paragraph (d), in the CPI during the applicable measurement period. Any residual tenths of a point resulting from such division will be dropped. The result of such division will be added to the amount of the cost-of-living allowance in effect on June 30, 2011 if the CPI will have been higher at the end than at the beginning of the measurement period, and subtracted therefrom only if the index will have been lower at the end than at the beginning of the measurement period and then, only, to the extent that the allowance remains at zero or above. The same procedure will be followed in applying subsequent adjustments.

(f) 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 Appendix, 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 that becomes effective January 1, 2011 shall be payable to each employee commencing on that date.

(b) The increase in the cost-of-living allowance effective July 1, 2011 pursuant to Section 1 of this Appendix shall be payable to each employee commencing on that date.

(c) The increase in the cost-of-living allowance effective January 1, 2012 pursuant to Section 1 of this Appendix shall be payable to each employee commencing 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 Appendix is in effect.

(e) In making calculations under this Section, 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.

Section 3 – Application of Cost-of-Living Allowances

The cost-of-living allowance provided for by Section 1 of this Appendix will be payable as provided in Section 2 of this Part and will not become part of basic rates of pay. Such allowance shall 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 Part II B. (2) through (8).

(b) 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

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

(End of Appendix)