

**Synopsis of the proposed 2009
Memorandum of Agreement
between the
CSXT
and the
Brotherhood of Locomotive Engineers and Trainmen**

Provided in accordance with the BLET Bylaws, Section 41(a)

Section I – General Wage Increases

The proposed agreement includes five (5) General Wage Increases over the life of the agreement. The first increase of 5% is intended to adjust the rates of pay as contemplated in Article 6 of the 2007 SSA. In that agreement, a 3% wage increase was applied effective January 1, 2007, but the remaining 14% from the 2007 National Agreement were not applied to the CSX engineer rates. Applying 5% of that 14% on January 1, 2010 leaves 9% from the 2007 Nat. Agr. However, in Section II of the proposal you will find that the \$15.00/.15 has been retained in the proposed agreement. The 2007 SSA is clear in that the \$15.00/.15 is eliminated if the Bonus Plan is not continued, but as the proposed agreement continues the Bonus Plan it also retains the \$15.00/.15.

While the value of retaining the \$15.00/.15 varies by assignment, it is worth at least 3% of the remaining 9% GWI from the 2007 National Agreement. The combination of subtracting a 5% GWI and retention of the \$15.00/.15 at approximately 3% from the 14% in GWI not currently in CSX engineer rates leaves approximately 6% GWI of the 14% from the 2007 Nat. Agr.,. However, in Section III you will note that in return for that 6% in GWI, engineers will be entitled to an increased annual maximum Bonus Plan payout of 12%. The Bonus Plan will be further described in Section III.

Going forward, the proposed agreement includes four additional annual wage increases beginning on January 1, 2011 of 2.5%, 2.5%, 3% and 3% for a total of 11% over four years. As the upcoming National Bargaining round has yet to begin, it is impossible to compare the value of these increases to any national product, but it is worth noting that the proposed agreement, if adopted, would resolve and close all Section 6 Notices for both parties in this bargaining round, preventing any possible changes to existing work rules. The proposed agreement will also apply General Wage Increases to engineer rates on CSX long before the National Bargaining Round is completed if the round takes as long as it has taken in previous rounds.

Section II-Special Pay Differential-Engineer Certification Allowance “EC”

As noted above, the proposed agreement retains the \$15.00/.15 “EC” payment. Pursuant to the 2007 SSA, if this proposal is not adopted, the \$15.00/.15 payment will revert back to the

previous \$5.00 Engineer Certification Allowance on January 1, 2010. It is noteworthy that the \$5.00 allowance would be subject to the 17% in GWI found in the last national agreement, making its January 1, 2010 value approximately \$5.90. Even at that value, at a minimum on a five day yard assignment, retaining the \$15.00/.15 is worth approximately \$2400.00 per year. On a road assignment of 200 miles, retaining the \$15.00/.15 is worth approximately \$4700.00 per year. As you can see, even on a 5 day yard assignment, retaining the \$15.00/.15 is worth more than 3% in corresponding GWI. Multiply either value by five (5) to determine the value over the life of the proposed agreement.

Section III-Performance Bonus Program

The proposed agreement continues the Bonus Program for five additional years, 2010 through 2014 and replaces the current Article 6 of the 2007 SSA in its entirety. The proposed agreement also raises the maximum possible annual payout from the 10% payable in 2009 to 12% for each year covered by the proposed agreement. As described in Section I, the General Wage Increases in the proposed agreement and retention of the \$15.00/.15 would leave approximately 6% in General Wage Increases from the 2007 National Agreement that will not apply to CSX engineer rates. The proposed agreement in essence trades that 6% in GWI for a maximum Bonus Plan payout of 12% per year. In application, the annual Bonus Plan payout must be at least 50% of the maximum payout, or 6%, for engineers to break even on the trade. It is understood that the traded 6% in GWI would be worth slightly more with compounding, however it must also be understood that the Bonus Plan Payout base includes frozen monies and pay codes, such as ITD and FTD within some trip rates, that are not subject to the 6% in GWI. Making these payments subject to Bonus Plan all but counteracts in loss from the lack of compounding. In the end, anything above a 6% annual payout between 2010 and 2014 and the engineers covered by the agreement are money ahead.

As to previous payouts, the four year average from 2005-2008 paid under CSX's MICP was 97.5%. Article 6(E) of the 2007 SSA requires that CSX provide BLET with the projected payout for 2009 by August 10, 2009. CSX has advised BLET that the projected payout for 2009 will be 66% of the maximum 10%, resulting in a 6.6% Bonus Plan payout, due in 2010 if the projection becomes reality. Please remember that 2009 has been a catastrophic year for all American railroads, CSX is no exception. Even in such a difficult year, the 66% of maximum payout projected for 2009 would exceed the 50% of maximum needed in years 2010-2014 to break even on the value of the traded GWI. While the projected 66% is not as high as we would like, even with that low year included, the projected 5 year average Bonus Plan payout from 2005-2009 would be slightly over 91% of maximum. If these averages hold true, engineers would make more with the maximum 12% Bonus Plan payout than they would receive by applying the traded 6% in GWI over the life of the agreement.

It must also be noted that the proposed agreement eliminates the two tier structure that previously existed in Article 6(E) of the 2007 SSA. That provision required engineers with a seniority date on or after January 1, 2010 to start at a 10% maximum payout, working up to the

full 12% value 1% per year. The proposed agreement eliminates this requirement, treating all engineers similarly regardless of seniority.

Section IV-Health and Welfare

Section IV of the proposed agreement defers future negotiations on Health and Welfare benefits to the National Bargaining Round. As with the 2007 SSA, adoption of the proposed agreement would be agreeing to abide by the outcome of the National Agreement covering Health and Welfare benefits. Section IV also includes a similar set aside for the National Disability Plan. Should the Carriers contribution to that plan be modified in National negotiation, then CSX engineers will be governed by that modification as well.

Section V-General Provisions

Section V of the agreement sets forth the moratorium on both parties in so far as future Section 6 Notices are concerned. If adopted, the proposed agreement would settle all potential Section 6 Notices for both parties until the end of the life of the agreement. CSX would be unable to pursue any changes in work rules that may be part of the upcoming National Negotiations. In addition, Section V establishes the terms for the parties to return to On Property negotiations at the end of the life of the agreement, including a potential agreement to continue the Bonus Plan beyond 2014. If BLET and CSX are unable to reach an agreement continuing the Bonus Plan at that time, the “snap back” provisions in the proposed Section V would apply.

In application, the Snap Back provision in Section V is identical to the Snap Back that will be applied if the proposed agreement is not adopted. If the engineers snap back in 2014, engineer rates of pay would be increased by all of the GWI found in the 2007 National Agreement, which is identical to what will happen if the Snap Back is exercised at the end of 2009. Also like the 2009 Snap Back option, if the engineers Snap Back at the end of 2014 the \$15.00/.15 will be eliminated and replaced with the \$5.00 Certification Allowance. In addition, a Snap Back at the end of 2014 will apply all GWI negotiated in future National Agreements that cover the period from 2010 through 2014 to CSX engineer rates. In application, the 2014 Snap Back will give the engineers on CSX the same pay rates and Certification Pay that they would have if they Snap Back today. As a result, the proposed agreement is a five (5) year deal that trades certain General Wage Increases in return for potential Bonus Plan payouts, but that trade can be completely undone going forward in 2014 if the engineers decide to do so at the end of the life of the agreement.

The following represents a Key point summary of the proposed Agreement.

1. 16% in General Wage Increase beginning annually on January 1, 2010 (5% the first year, 2.5% the second year, 2.5% the third year, 3% the fourth year, 3% the fifth year)
2. Retained the \$15.00/\$0.15 overmile allowance. (Article 4)
3. Increased the Maximum Performance Bonus Payout from 10% in 2009 to 12% each year payable on March 1, of each year for the years of 2010 through the last year of 2014 to be paid on March 1, 2015.
4. Eliminated previous two tier structure of Bonus Plan that required engineers hired/promoted after 2010 to start at 10% max payout and work up.
5. Set aside to the H&W and National Disability Plan to be handled and resolved by our National BLET negotiating team.
6. Snap back option at the end of 2014 ending the Performance Bonus Plan but regaining all GWI from the 07 National Agreement and upcoming applicable national bargaining round(s) should parties be unable to agree on continuation. (15/15 eliminated in that snap back option as it would have been in the current agreement)
7. Moratorium on Section 6 notices. CSXT cannot serve any notices to change or modify any of the BLET/CSXT System Agreement until November 1, 2014, to be effective on January 1, 2015.
8. We are taking 6% of the actual wages we could have gained on January 1, 2010 and placing this potential wage increase into a risk/reward plan with the potential to gain a 12% Performance pay out each year in exchange for the 6%.

CSXT Labor Agreement No. 1-030-09

Effective

September 15, 2009

Between

CSX TRANSPORTATION, INC.

AND ITS EMPLOYEES REPRESENTED BY

BROTHERHOOD OF LOCOMOTIVE
ENGINEERS AND TRAINMEN

EASTERN LINES – WESTERN LINES - NORTHERN LINES



MEMORANDUM OF AGREEMENT

Between

CSX TRANSPORTATION, INC.

And its employees represented by the

**BROTHERHOOD OF LOCOMOTIVE ENGINEERS AND TRAINMEN
(EASTERN LINES – WESTERN LINES - NORTHERN LINES)**

It is hereby agreed that CSXT Labor Agreement No. 1-023-07 is modified only to the extent described herein:

I – RATES OF PAY

- A. Effective January 1, 2010, all standard rates of pay for Engineers subject to Agreements between CSXT and the Brotherhood of Locomotive Engineers and Trainmen (BLET) in effect on December 31, 2009, including extra board guarantees, shall increase by five percent (5%).
- B. In computing the increase under Paragraph A. above, the 5% 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 rate of pay. The adjustments provided for in this Article will apply to mileage rates of pay for overmiles, and will not apply to duplicate time payments, including arbitraries and special allowances that are expressed in time, miles, or fixed amounts of money, except as otherwise provided.
- Passenger 950,001 and less than 1,000,000 pounds
 - Freight 950,001 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)
- C. Additional General Wage Increases will be effective on the following dates for Engineers subject to Agreements between CSXT and the Brotherhood of Locomotive Engineers and Trainmen (BLET) and will be computed and applied in the same manner prescribed in paragraph A. and B. above:
- a) January 1, 2011 – two and one half percent (2 ½ %)
 - b) January 1, 2012 – two and one half percent (2 ½ %)
 - c) January 1, 2013 – three percent (3%)
 - d) January 1, 2014 – three percent (3%)
- D. Rates of pay will be posted by the Carrier electronically for access by the employees.

II. SPECIAL PAY DIFFERENTIAL-ENGINEER CERTIFICATION ALLOWANCE “EC”

The parties agree that the Special Pay Differential (Engineer Certification Allowance, “EC”) is retained and preserved as established and described in Article 4 of CSXT Labor Agreement No. 1-023-07.

III - PERFORMANCE BONUS PROGRAM

- A. The parties agree that Engineers subject to Agreements between CSXT and the Brotherhood of Locomotive Engineers and Trainmen (BLET) will be eligible for a bonus payment under the Performance Bonus Program established in this Agreement for the periods and on the basis set forth below:
1. Effective January 1, 2010 and payable in 2011, Locomotive Engineers will be eligible for a bonus up to a maximum of twelve percent (12%) of their Locomotive Engineer earnings in 2010, calculated in accordance with paragraph B below.
 2. Effective January 1, 2011 and payable in 2012, Locomotive Engineers will be eligible for a bonus up to a maximum of twelve percent (12%) of their Locomotive Engineer earnings in 2011, calculated in accordance with paragraph B below.
 3. Effective January 1, 2012 and payable in 2013, Locomotive Engineers will be eligible for a bonus up to a maximum of twelve percent (12%) of their Locomotive Engineer earnings in 2012, calculated in accordance with paragraph B below.
 4. Effective January 1, 2013 and payable in 2014, Locomotive Engineers will be eligible for a bonus up to a maximum of twelve percent (12%) of their Locomotive Engineer earnings in 2013, calculated in accordance with paragraph B below.
 5. Effective January 1, 2014 and payable in 2015, Locomotive Engineers will be eligible for a bonus up to a maximum of twelve percent (12%) of their Locomotive Engineer earnings in 2014, calculated in accordance with paragraph B below.
- B. 1. Locomotive Engineers covered by this Agreement who are eligible to receive a bonus for a year specified in paragraph A. above, payable in the following year, will receive this bonus payment only if an annual bonus is paid under CSXT’s Management Incentive Compensation Program (MICP) for that year.

For such years, the amount payable to a Locomotive Engineer under paragraph A. above will be calculated by multiplying the employee’s Locomotive Engineer earnings in that calendar year (as defined herein by the appropriate percentage in paragraph A. above and then by the percentage of the bonus payout to the second decimal place), up to a maximum of one hundred percent (100%), paid under the MICP for that year. The “percentage of the bonus payout”, up to a maximum of one hundred percent (100%), paid under the MICP for any given year is hereinafter referred to as the Performance Bonus Payment, hereinafter “PBP.”

Example 1: If the PBP is 100% for MICP payments made for calendar year 2010 (payable in 2011), and the Locomotive Engineer earnings in his craft in 2010 are \$70,000, the following calculation applies:

$$.12 \times \$70,000 \times 100\% = \$8400.00 \text{ (payable in 2011)}$$

Example 2: If the PBP is 96.78% for MICP payments made for calendar year 2011 (payable in 2012), and the Locomotive Engineer earnings in his craft in 2011 are \$70,000, the following calculation applies:

$$.12 \times \$70,000 \times 96.78 \% = \$8129.52 \text{ (payable in 2012)}$$

2. For the purposes of this article, BLET earnings consist of all payments made by agreement between CSXT and BLET during the applicable calendar year. The following payments shall be excluded from BLET earnings:
 - (i) Bonus payments.
 - (ii) Expense reimbursements and allowances, including, but not limited to those required by any protective conditions.
 - (iii) Any payment, other than for back pay, made pursuant to a jury verdict, court order, settlement, or other resolution of a legal dispute.
 - (iv) Earnings from another craft.
3. Employees may make an irrevocable election prior to the beginning of the calendar year in which the bonus will be paid to defer all or a portion of their bonus into the CSX Corporation Capital Builder Plan, or BLET Merrill Lynch Program, up to the limits of and in accordance with the provisions of the respective Plan.

- C. CSXT will advise the BLET of the PBP for each calendar year for which the Company pays a bonus under the MICP. The determination of the percentage of bonus payment under the MICP, including but not limited to the methodology employed and the determination of any data utilized in the calculation of the percentage of bonus payment under the MICP, shall be at management's sole discretion, and shall not be a subject for review, negotiation or dispute. Bonus payments payable under this Bonus Program will be made no later than March 1 of the year in which the payment is due.
- D. Bonus payments shall be included in vacation calculation payments.
- E. Any provision of Article 6 of CSXT Labor Agreement No. 1-023-07 not brought forward into this Article III is eliminated, i.e., Subpart A. 4. Nothing in this Paragraph E. will eliminate the payment of the bonus provided in Article 6 A. 3. earned in 2009 and payable in 2010.

IV – HEALTH AND WELFARE

- A. The parties agree that they shall grant and maintain their powers of attorney to their representatives at the National Level to progress and resolve any Section 6 Notices related to the Health and Welfare Plans in any National Bargaining Round(s) that occur between the effective date of this Agreement and December 31, 2014, including any changes associated with the BLET National Short Term Disability Plan. When the National Agreement(s) covering Health and Welfare Plans including the BLET National Short Term Disability Plan, is consummated, such Agreement(s), including the moratorium/duration provisions, will be applicable to the parties signatory to this Agreement.
- B. Pending settlement of the next National Agreement, the current Health and Welfare Plans and Carrier contributions to the BLET National Short Term Disability Plan will be maintained.

V – GENERAL PROVISIONS

- A. 1. The purpose of this September 15, 2009 revision to CSXT Labor Agreement 1-023-07 is to fix the general level of compensation and Engineers' working conditions through December 31, 2014.
2. This Agreement shall bar any Notices or proposals for changing any matter contained in CSXT Labor Agreement 1-023-07 and this Agreement or any notice or proposal which might properly have been served pursuant to Article 6.K., or Article 86, Paragraphs E. and F., of CSXT Labor Agreement 1-023-07, by either party prior to November 1, 2014 (not to become effective before January 1, 2015). This Paragraph A. 2. shall not bar the handling of Notices or proposals covering Health and Welfare Plans as contemplated by Section IV above.
- B. 1. The parties shall commence voluntary negotiations and exchange proposals covering wages, the Performance Bonus Program, and any desired changes to working conditions, no later than March 1, 2014. The Agreement covering these proposals including any required ratification shall be completed no later than October 1, 2014, unless this deadline is extended by mutual agreement of both parties.
2. Should the parties fail to reach an Agreement under Paragraph B. 1. above, the following will apply:
 - a) The Engineers' participation in the Performance Bonus Plan will be terminated effective December 31, 2014. Any performance bonus payment for the year 2014 will be made no later than March 1, 2015.
 - b) The Special Pay Differential (Engineer Certification Allowance, "EC") in Article 4 of CSXT Labor Agreement 1-023-07 and retained by Section II above shall be eliminated effective December 31, 2014. The \$5.00 Engineer Certification Allowance will be re-established on January 1, 2015. It is the intent of the parties to adjust the \$5.00 rate referred to herein as provided for in Article 6, Paragraph J. of CSXT Labor Agreement 1-023-07.
 - c) Effective January 1, 2015 all standard basic daily rates of pay for Engineers subject to Agreements between CSXT and the Brotherhood of Locomotive Engineers and Trainmen (BLET) shall be increased by taking the rates of pay in effect on June 30, 2005 and applying all subsequent General Wage Increases resulting from BLET National Agreements prior to or on January 1, 2015.
- C. This Section will not bar Management and the Organization from agreeing upon any subject of mutual interest.

This agreement shall be effective on the date signed and shall remain in effect until changed or modified pursuant to Section V of this Agreement or in accordance with the provisions of the Railway Labor Act, as amended.

Signed at Jacksonville, Florida this 15th day of September, 2009.

FOR THE COMPANY

FOR THE UNION

Rick Hiel
Director – CSXT Labor Relations

Tony Smith
BLET General Chairman, Former SCL

Myron Becker
Director – CSXT Labor Relations

Don Moates
BLET General Chairman – Former L&N,C&O

Rick Finamore
BLET General Chairman – Former B&O

Approved:

CSX Transportation:

Brotherhood of Locomotive Engineers & Trainmen:

David Ingoldsby
Assistant President Labor Relations

Dennis Pierce
National Vice President

Stephen Crable
Vice President Labor Relations



Labor Relations
500 Water Street (J455)
Jacksonville, FL 32202

David Ingoldsby
AVP - Labor Relations

September 15, 2009

Side Letter #1

T. Smith, General Chairman
Brotherhood of Locomotive Engineers & Trainmen
P. O. Box 1207
Troy, AL 36081-1207

D. L. Moates, General Chairman
Brotherhood of Locomotive Engineers and Trainmen
274 Highway 310
Etowah, TN 37331

R. A. Finamore, General Chairman
Brotherhood of Locomotive Engineers & Trainmen
6 Fairfield Boulevard, Suite 12
Ponte Vedra Beach, FL 32062

Re: Article V B. 2.

Gentlemen:

This will confirm our discussions which led to CSXT Labor Agreement 1-030-09 dated September 15, 2009.

In the very unlikely event that wage increases in the upcoming round(s) of National Negotiations fail to produce material wage increases, the following was agreed upon in the application of Section V B. 2. (c) of CSXT Labor Agreement 1-030-09.

It is agreed that if the total of the General Wage Increases in the 2007 BLET National Agreement and those later negotiated in the BLET National Agreement(s) covering the period between January 1, 2010 and December 31, 2014 do not exceed the total of the three (3%) percent increase in CSXT Labor Agreement 1-023-07 and the five (5) General Wage Increases described in Section I A. and C. of CSXT Labor Agreement 1-030-09, then the rates produced by the General Wage Increases described in CSXT Labor Agreement 1-023-07 and Section I A. and C. of

CSXT Labor Agreement 1-030-09, will remain in place should the parties fail to reach agreement under Section V B. 1. and thus trigger V. B.2.

If this properly reflects our understanding, please sign in the space provided below.

Very truly yours,

AVP – Labor Relations

I CONCUR:

General Chairman Eastern Lines

General Chairman Western Lines

General Chairman Northern Lines

APPROVED:

Vice President, BLET



Labor Relations
500 Water Street (J455)
Jacksonville, FL 32202

David Ingoldsby
AVP - Labor Relations

September 15, 2009

Side Letter #2

T. Smith, General Chairman
Brotherhood of Locomotive Engineers & Trainmen
P. O. Box 1207
Troy, AL 36081-1207

D. L. Moates, General Chairman
Brotherhood of Locomotive Engineers and Trainmen
274 Highway 310
Etowah, TN 37331

R. A. Finamore, General Chairman
Brotherhood of Locomotive Engineers & Trainmen
6 Fairfield Boulevard, Suite 12
Ponte Vedra Beach, FL 32062

Re: L&N Apprentice Engineers

Gentlemen:

This will confirm our discussions which led to CSXT Labor Agreement 1-030-09 dated September 15, 2009.

It is agreed that Rate schedules for L&N Apprentice Engineers will be adjusted pursuant to the GWI and COLA terms of the BLET National Agreement at the time such agreement is implemented.

If this properly reflects our understanding, please sign in the space provided below.

Very truly yours,

AVP – Labor Relations

I CONCUR:

General Chairman Eastern Lines

General Chairman Western Lines

General Chairman Northern Lines

APPROVED:

Vice President, BLET