

AGREEMENT BETWEEN

DULUTH, MISSABE AND IRON RANGE RAILWAY COMPANY

AND

**BROTHERHOOD RAILWAY CARMEN DIVISION
TRANSPORTATION COMMUNICATIONS INTERNATIONAL UNION**

IT IS AGREED:

ARTICLE I – RATES OF PAY

- A. Effective July 1, 2005, all rates of pay in effect on June 30, 2005, are increased by three per cent (3%).
- B. Effective July 1, 2006, all rates of pay in effect on June 30, 2006, are increased by three per cent (3%).
- C. Effective July 1, 2007, all rates of pay in effect on June 30, 2007, are increased by three per cent (3%).
- D. Effective July 1, 2008, all rates of pay in effect on June 30, 2008, are increased by four per cent (4%).
- E. Effective July 1, 2009, all rates of pay in effect on June 30, 2009, are increased by three per cent (3%).
- F. Rates of pay resulting from the application of A through E, 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.

**ARTICLE II - COST-OF-LIVING ALLOWANCE AND ADJUSTMENTS THERETO
AFTER JANUARY 1, 2010**

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

- (a) A cost-of-living allowance will be payable in the manner set forth in and subject to the provisions of this Article, 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 BLS CPI. The first such cost-of-living allowance shall be payable effective July 1, 2010 based, subject to paragraph (d), on the BLS CPI for September 2009, as compared with the BLS CPI for March 2010. Such allowance, and further cost-of-living adjustments thereto which will become effective as described below, will be based on the change in the BLS 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).

Measurement Periods		Effective Date of Adjustment
Base Month	Measurement Month	
September 2009	March 2010	July 1, 2010
March 2010	September 2010	January 1, 2011

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

- (b) While a cost-of-living allowance is in effect, such cost-of-living allowance shall apply to straight time, overtime, protected rates, vacations, holidays and personal leave days in the same manner as basic wage adjustments have been applied in the past, except that such allowance shall not apply to special allowances and arbitraries representing duplicate time payments.
- (c) The amount of the cost-of-living allowance, if any, that shall 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 BLS CPI that will be taken into account will be as follows:

<u>Effective Date of Adjustment</u>	<u>Maximum CPI Increase That May Be Taken Into Account</u>
July 1, 2010	3% of September 2009 CPI
January 1, 2011	6% of September 2009 CPI, less the increase from September 2009 to March 2010

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

- (ii) Limitation. In calculations under paragraph (e), only fifty (50) percent of the increase in the BLS CPI in any measurement period shall be considered.
- (iii) If the increase in the BLS CPI from the base month of September 2009, to the measurement month of March 2010, exceeds 3% of the September base index, the measurement period that will be used for determining the cost-of-living adjustment to be effective the following January will be the 12-month period from

such base month of September; 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 September base index; and the maximum increase in that portion of the index that may be taken into account will be 6% of such September base index less the 3% mentioned in the preceding clause, to which shall be added any residual tenths of points which had been dropped under paragraph (e) below in calculation of the cost-of-living adjustment which will have become effective July 1, 2010, during such measurement period.

- (iv) Any increase in the BLS CPI from the base month of September 2009, to the measurement month of September 2010, in excess of 6% of the September 2009, 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 Article is in effect.
- (e) Formula. The number of points change in the BLS CPI during a measurement period, as limited by paragraph (d), will be converted into cents on the basis on 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 will not be counted.)

The cost-of-living allowance in effect on December 31, 2010, will be adjusted (increased or decreased) effective January 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 BLS 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 December 31, 2010, if the BLS CPI will have been higher at the end than at the beginning of the measurement period, and subtracted therefrom if the index will have been lower at the end than at the beginning of the measurement period, but only to the extent 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 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 Index 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 Index during such measurement period.

Section 2 - Application of Section 1 Cost-of-Living Allowances

The cost-of-living allowance provided for by Section 1 of this Article will not become part of basic rates of pay. Such allowance and the adjustments thereto 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) Minimum Daily Increases - The increase in rates of pay described in paragraph (a) 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 will be determined by the number of hours required to be paid for by the rules agreement.
- (c) In making calculations under this Article, fraction 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 - Elimination of Previous Cost-of-Living Provisions

This Article replaces any previous cost-of-living provision in effect prior to the effective date of this Agreement, and the arrangements set forth in this Article shall remain in effect according to the terms thereof until revised by the parties pursuant to the Railway Labor Act. Any payments due or paid under previous provisions shall expire as of the effective date of this agreement and shall be counted toward any retroactive pay due under the provisions of Article I.

ARTICLE III - HEALTH & WELFARE

- A. Effective January 1, 2008, all BRC-TCIU/DM&IR Health and Welfare plans are cancelled in their entirety and all employees subject to this agreement and their dependents will be covered by the National Health and Welfare Plans, including all subsequent amendments, excluding cost sharing, in effect between the National Carriers' Conference Committee and the Brotherhood Railway Carmen Division Transportation Communications Union, as set forth below:
 - 1. The Railroad Employees National Health and Welfare Plan Covering Certain Employees Represented by the Transportation Communications International Union, Brotherhood Railway Carmen Division of Transportation Communications International Union, and Transport Workers Union
 - 2. Life Insurance Benefits for U.S. Employees and Retirees and Accidental Death and Dismemberment Insurance Benefits for U.S. Employees under The Railroad Employees National Health and Welfare Plan, Effective January 1, 2003

3. The Railroad Employees National Early Retirement Major Medical Benefit Plan (formerly GA-46000)
4. Railroad Employees National Dental Plan for U.S Employees as amended through January 1, 2003
5. Railroad Employees National Vision Plan 1999
6. Supplemental Sickness Benefit Plan covering Railroad Shop Craft Employees, January 1, 2003
7. The National Off -Track Vehicle Plan

B. Effective January 1, 2008, the amount of employee cost sharing for Health and Welfare Plans shall be one hundred dollars (\$100.00) per month for the duration of this agreement.

ARTICLE IV – PENSION PLAN

Effective upon signing of this agreement:

- A. The Bessemer Non-Contributory Pension Plan will be closed to new participants.
- B. Effective July 1, 2011, employees presently participating in the Bessemer Non-Contributory Pension Plan will cease accruing further service credit under the plan. Service credit is used to calculate the amount of pension benefit with respect to completed years and months of plan participation. While the number of years of service credit under the plan will “freeze” July 1, 2011, future salary growth will be considered in the calculation of the pension benefit payable upon retirement or other termination of employment.

Continued employment with the Company after July 1, 2011, will count towards eligibility service. Eligibility service is used to determine which retirement category an employee qualifies for such as a 30-year retirement.

ARTICLE V – 401(k)

As soon as reasonably practical, all employees covered by this Agreement will be eligible to participate in the Illinois Central Union 401(k) plan. Under the plan, for the first four percent (4%) of an employee’s salary contributed, the Company will contribute \$.25 for each \$1.00 contributed by the employee. The employee may contribute an amount above 4% with no Company participation, subject to IRS annual limits.

ARTICLE VI - EMPLOYEE SHARE INVESTMENT PLAN

On the effective date of this Agreement, the Company Employee Share Investment Plan will be made available to all employees subject to this Agreement in accordance with the terms of the Plan. The Company may, at its discretion, alter, amend, revise or discontinue the Plan, in any manner, in whole or in part. This provision will not form part of any Collective Agreement.

ARTICLE VII – PAYROLL DIRECT DEPOSIT

On the effective date of this Agreement, at the Company's discretion, all employees may be paid weekly or bi-weekly to the direct deposit account designated by the employee.

ARTICLE VIII – MILEAGE ALLOWANCE

On the effective date of this Agreement, Rule 3 G is changed to read as follows:

The mileage allowance for the approved use of a personal automobile in the performance of work will be the IRS rate in effect at the time of the use.

ARTICLE IX – BEREAVEMENT

On the effective date of this Agreement, all bereavement rules are abrogated and the following is substituted therefore:

Employees in active service shall be entitled to bereavement leave of three (3) work days, to be taken at the discretion of the employee, upon furnishing proof of death of the employee's immediate family member. Bereavement leave will be taken within six months from the date of death of the employee's immediate family member. For purposes of this rule, immediate family consists of the employee's spouse, child, parent, grandparent, grandchild, brother, sister, half-brother, half-sister, step-parent, step-child and spouse's parent. In such cases, a basic day's pay at the rate of the last service rendered will be allowed for each of the three (3) days. Employees will make provision for taking leave with their supervisor in the usual manner.

- Family relationships created through the legal adoption process shall qualify for bereavement leave. Any other family relationship not specifically mentioned shall be excluded.
- Bereavement leave non-availability shall be considered neutral for determining the qualifying day for holiday pay purposes. The workday preceding or following the employee's bereavement leave, as the case may be, shall be considered the qualifying day for holiday pay purposes.

ARTICLE X- VACATIONS

- A. Effective January 1, 2008, employees entitled to two (2) or more weeks of vacation may split up to two (2) weeks of their vacations into single increment days, one or more days at a time.
- B. Such vacation days may be taken upon two (2) days advance notice, consistent with the needs of service.

ARTICLE XI – GRIEVANCE RESOLUTION/BONUS

- A. Within sixty (60) days of the date of this agreement, all employees in active service on positions covered by this agreement will be paid one thousand dollars (\$1,000.00) each, subject to applicable payroll deductions.
- B. Upon payment of the amount indicated in paragraph (A), all claims and grievances, other than those involving disciplinary action based on an occurrence prior to the effective date of this Agreement are considered resolved without prejudice to the position of either party and with the understanding that such settlements will not be cited by either party in any future case, nor used by either party to allege that the other has agreed to a particular practice.

ARTICLE XII - GENERAL PROVISIONS

- A. The purpose of this Agreement is to settle the Organization’s Section 6 notice dated November 1, 2004, and to fix the general level of compensation and rules covering working conditions through December 31, 2009, and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act, as amended.
- B. Neither party to this agreement shall serve, prior to November 1, 2009 (not to become effective prior to January 1, 2010), any notice or proposal for the purpose of changing, adding to, or deleting the provisions of any agreement in effect between the parties.

Unless otherwise indicated, this agreement is effective on the date signed.

Signed the ____ day of _____, 2007, at _____, Illinois.

FOR THE DULUTH, MISSABE
AND IRON RANGE RAILWAY COMPANY

FOR THE BROTHERHOOD
RAILWAY CARMEN DIVISION
TRANSPORTATION COMMUNICATIONS
INTERNATIONAL UNION

R. K. MacDougall
Sr. Director – Labor Relations

Danny Lancaster
General Chairman

R. N. Bateman
Sr. Manager - Labor Relations

APPROVED:

R.A. Johnson
General President

K.A. McCarthy
Manager – Labor Relations



**Labor Relations
Department**

17641 S. Ashland Avenue
Homewood, Illinois 60430

SIDE LETTER 1

December 4, 2007

Mr. Danny Lancaster
General Chairman
Brotherhood of Railway Carmen
Division Transportation Communications
International Union
1205 23rd Street, Suite 3-B
Canyon, TX 79015

Dear Mr. Lancaster:

This will confirm our understanding reached during negotiations leading to the agreement of this date.

We agreed that, in an effort to ease the transition to a bi-weekly (every other Friday) pay system with two weeks delay, actively working employees who are transferred to the bi-weekly pay system will have the option to receive \$1,500, not subject to applicable withholding taxes on the last scheduled pay date under their current procedures. The \$1,500 will be considered an advance and will be recovered at the rate of \$125 per pay period, beginning with the first scheduled regular bi-weekly pay date. An employee who leaves the service of the Company will have any remainder deducted from their last paycheck.

It is further agreed that any employee may elect not to receive the \$1,500 advance payment.

Yours truly,

K. A. McCarthy
Manager-Labor Relations



**Labor Relations
Department**

17641 S. Ashland Avenue
Homewood, Illinois 60430

SIDE LETTER 2

December 4, 2007

Mr. Danny Lancaster
General Chairman
Brotherhood of Railway Carmen
Division Transportation Communications
International Union
1205 23rd Street, Suite 3-B
Canyon, TX 79015

Dear Mr. Lancaster:

This will confirm our understanding reached during negotiations leading to the agreement of this date.

The retroactive portion of the general wage increases provided in Article I shall be payable only to actively working employees effective upon the signing of this Agreement on their regular paycheck. Eligible employees who are not in active service effective upon signing of this Agreement will be eligible for the retroactive portion of the general wage increases upon their return to active service.

Yours truly,

K. A. McCarthy
Manager-Labor Relations



**Labor Relations
Department**

17641 S. Ashland Avenue
Homewood, Illinois 60430

SIDE LETTER 3

December 4, 2007

Mr. Danny Lancaster
General Chairman
Brotherhood of Railway Carmen
Division Transportation Communications
International Union
1205 23rd Street, Suite 3-B
Canyon, TX 79015

Dear Mr. Lancaster:

This will confirm our understanding reached during negotiations leading to the agreement of this date.

We agreed that the grievance resolution bonus due actively working employees as a result of this agreement shall be paid within sixty (60) days of the signing of this agreement via an off-cycle payment.

Yours truly,

K. A. McCarthy
Manager-Labor Relations



**Labor Relations
Department**

17641 S. Ashland Avenue
Homewood, Illinois 60430

SIDE LETTER 4

December 4, 2007

Mr. Danny Lancaster
General Chairman
Brotherhood of Railway Carmen
Division Transportation Communications
International Union
1205 23rd Street, Suite 3-B
Canyon, TX 79015

Dear Mr. Lancaster:

This will confirm our understanding reached during negotiations leading to the agreement of this date.

This will confirm our understanding reached during negotiations leading to the Agreement of this date. We agreed that all actively working employees in service on July 1, 2011 who have not attained 30 years of continuous service will receive a lump sum payment of five thousand (\$5,000) dollars. Eligible employees who are not in active service effective upon signing of this agreement that have not attained 30 years of continuous service will be eligible for this lump sum payment upon their return to active service.

Yours truly,

K. A. McCarthy
Manager-Labor Relations



**Labor Relations
Department**

17641 S. Ashland Avenue
Homewood, Illinois 60430

SIDE LETTER 5

December 4, 2007

Mr. Danny Lancaster
General Chairman
Brotherhood of Railway Carmen
Division Transportation Communications
International Union
1205 23rd Street, Suite 3-B
Canyon, TX 79015

Dear Mr. Lancaster:

This will confirm our understanding reached during negotiations leading to the agreement of this date.

During our negotiations the parties recognized that despite our best efforts, it might not be possible to coordinate an orderly transfer of all employees to the National Health and Welfare Plans by January 1, 2008. If a transfer to the National Health and Welfare Plan is not accomplished by January 1, 2008, employees will continue under their current Health Care Plans until the first of the month following the date that the transfer is completed. In any event, employee Health & Welfare cost sharing contributions shall be made on a pre-tax basis of \$100.00 per month effective January 1, 2008.

Yours truly,

K. A. McCarthy
Manager-Labor Relations