

MEDIATION AGREEMENT

THIS AGREEMENT, made this 23rd day of April, 2008 by and between the Birmingham Southern Railroad Company and the car repair employees of such carrier represented by the Brotherhood Railway Carmen - Division of Transportation Communication International Union, witnesseth:

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - First General Wage Increase

Effective July 1, 2008, all rates of pay in effect on June 30, 2005 for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2-1/2) percent. This increase shall be applied by adding 2-1/2 percent to the existing rates of pay.

(a) Disposition of Fractions -

Rates of pay resulting from application of this general wage increase which end in fractions of a cent shall be rounded to the nearest whole cent. Fractions of less than one-half cent shall be dropped, and fractions of one-half cent or more shall be increased to the next full cent.

(b) Application of Wage Increase -

This general wage increase shall be applied in accordance with the working agreement in effect between the parties. Special allowances not included in fixed 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 the working agreement for all overtime hours paid for.

Section 2 - Second General Wage Increase

Effective July 1, 2008, after application of the first general wage increase, all rates of pay for employees covered by this Agreement shall be increased in the amount of three (3) percent, applied in the same manner as provided for in Section 1 hereof.

Section 3 - Third General Wage Increase

Effective July 1, 2008, after application of the first and second general wage increases, all rates of pay for employees covered by this Agreement shall be increased in the amount of three (3) percent, applied in the same manner as provided for in Section 1 hereof.

Section 4 - Fourth General Wage Increase

Effective July 1, 2008, after application of the first, second and third general wage increases, all rates of pay 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.

[Note: carman's hourly rate will be \$24.02 as of 7/1/08, after 4th GWI.]

Section 5 - Fifth General Wage Increase

Effective July 1, 2009, all 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.

[Note: carman's hourly rate will be \$25.10 as of 7/1/09.]

ARTICLE II - COST-OF-LIVING PAYMENTS

Cost-of-Living Payments Under National Arbitrated Agreement Effective January 23, 2003

Section 1

The \$.72 per hour COLA currently being paid to the employees under Article II, Part B, of the National BRC - Division of TCU Arbitrated Agreement effective January 23, 2003, pursuant to the Award of Arbitration Board No. 579 (hereinafter referred to as the last national agreement) will remain in effect until midnight June 30, 2008, at which time Article II, Part B shall be eliminated.

Section 2

Any local counterpart to the above-referenced Article II, Part B shall be amended in the same manner as provided in Section 1.

ARTICLE III - HEALTH AND WELFARE

Part A - Continuation of Plans

The existing Preferred Provider Organization Insurance Plan (hereinafter referred to as the PPO plan), the Dental plan, and 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.

Part B - Employee Cost-Sharing

Effective July 1, 2008, each active employee covered by this Agreement shall begin making a cost-sharing contribution of \$166.25 for each month that his health benefits coverage is in effect for himself and/or his eligible dependents, as his share of part of the year-to-year increased cost of his health benefits coverage. The dollar amount of the employees' cost-sharing contribution is the same as covered employees pay under the National Agreement dated October 1, 2007. [Monthly cost-sharing contributions shall be deducted from an employee's wages for the first half of the calendar month.]

The amount of the employees' monthly cost-sharing contribution under this Agreement will be adjusted annually. The parties' intent is that the amount of the monthly employee cost-sharing contribution for employees covered by this Agreement be the same - no more, no less - than the amount being contributed each month by the BRC-represented employees of the Class I carriers, for the remainder of the term of this Agreement, and thereafter until changed.

NOTE: In the application of this provision, it is understood that covered employees who perform no compensated service during a calendar month due to furlough, illness or injury are not considered active employees for that month and they are not subject to cost-sharing. However, effective January 1, 2010, if an employee remains inactive more than six months and remains eligible for continued health benefits coverage, he will become subject to cost-sharing beginning in the seventh month, on the same basis as an active employee.

Employee cost-sharing contributions will be made on a pre-tax basis under the existing Section 125 cafeteria plan to the extent applicable.

[NOTE: Under the National Agreement, the amount of the employee monthly cost-sharing contribution will be adjusted, effective January 1, 2009, so as to equal 15% of the Carriers' Monthly Payment Rate for 2009. Effective January 1, 2010, the employee monthly cost-sharing contribution amount will 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.]

Part C - Employee Co-Pays

There will be no change in employee co-pays for office visits or prescription drugs under the PPO plan during the term of this Agreement. However, effective January 1, 2010, employee co-pays for prescription drugs under the PPO plan will be as follows:

Prescription drugs:

Retail (drug store) - \$10 generic; \$15 brand name; \$20 non-formulary

Mail order - \$20 generic; \$30 brand name; \$40 non-formulary

Part D - Opt-Out Election

The PPO plan will be amended to include the Opt-Out Election Agreement contained in Attachment "A", incorporating the same principles as contained in the last national agreement, including provision for employees being able to revoke their Opt-Out election under certain circumstances.

Part E - Basic Life Insurance

Effective May 1, 2008, the schedule of basic life insurance now in effect will be eliminated and replaced by a basic life insurance benefit of \$20,000 for each eligible employee subject to this Agreement.

Part F - Retiree Insurance Choices

The carrier will continue to offer all post-1988, non-Medicare retirees the following annual insurance choices: 1) the PPO plan; or 2) retiree coverage under the former indemnity plan, including optional major medical coverage.

ARTICLE IV - SUPPLEMENTAL SICKNESS

The parties adopt the amendments to the national Supplemental Sickness Benefit Agreement set forth in Article V of the National Agreement, effective May 1, 2008.

ARTICLE V - DIRECT DEPOSIT

Effective May 1, 2008, or as soon thereafter as practicable, the sole method of payment of wages to employees covered by this Agreement will be by direct deposit into a bank or credit union account. All employees must make the necessary arrangements in order to receive their wages and any other payments via direct deposit.

ARTICLE VI - LOCAL RULES CHANGES

See Attachment "B".

ARTICLE VII - EFFECT OF THIS AGREEMENT

- (a) This Agreement is in settlement of the dispute growing out of the notice served upon the carrier by the organization dated November 1, 2004, and the proposals served by the carrier for concurrent handling therewith.

- (b) This Agreement will remain in effect, without change, through December 31, 2009, and thereafter until changed or amended in accordance with the provisions of the Railway Labor Act, as amended.
- (c) Neither party to this Agreement will serve or progress prior to November 1, 2009 (not to become effective before January 1, 2010), any notice or proposal under Section 6 of the Railway Labor Act, as amended, of an intended change in agreements affecting rates of pay, rules, or working conditions, including notices served for the purpose of changing the subject matter of the provisions of this Agreement, and pending notices dealing with any of these matters are hereby withdrawn.
- (d) Nothing contained herein will bar the parties from agreeing upon any subject of mutual interest.
- (e) The effective date of this Agreement is May 1, 2008.

SIGNED AT FAIRFIELD, ALABAMA THIS 23RD DAY OF APRIL, 2008.

FOR THE CARRIER:



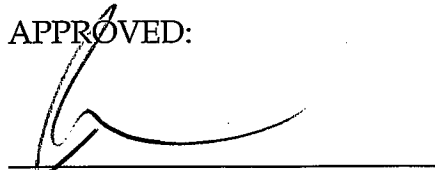
T. H. Weideman
Sr. Manager Labor Relations

FOR THE EMPLOYEES REPRESENTED BY THE
BROTHERHOOD RAILWAY CARMEN:



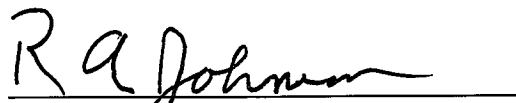
D. E. Grissom, Int'l Rep

APPROVED:



J. F. Ingham
Sr. Director Labor Relations

APPROVED:



R.A. Johnson, Gen Pres-BRC

Birmingham Southern Railroad Company

P. O. Box 579
Fairfield, AL 35064

Thomas H. Weideman
Senior Manager Labor Relations

April 23, 2008

Mr. D. E. Grissom
International Representative
Carmen's Division, TCIU
P.O. Box 7657
Virginia Beach, VA 23458

Side Letter #1

Dear Mr. Grissom:

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

Effective July 1, 2008, the regular union dues deduction shall be made from employees' wages for the second half of the month because the cost-sharing contribution is scheduled to be deducted from employees' wages for the first half of the month, starting in July.

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

Respectfully,

/s/T. H. Weideman

T. H. Weideman
Sr. Manager Labor Relations

Agreed:

/s/D. E. Grissom
D. E. Grissom
International Representative

Birmingham Southern Railroad Company

P. O. Box 579
Fairfield, AL 35064

Thomas H. Weideman
Senior Manager Labor Relations

April 23, 2008

Mr. D. E. Grissom
International Representative
Carmen's Division, TCIU
P.O. Box 7657
Virginia Beach, VA 23458

Side Letter #2

Dear Mr. Grissom:

This is to confirm that the carrier will indemnify, defend and save harmless the organization from any and all liability arising from making or applying Article V (Direct Deposit) of this Agreement.

This will also confirm that in the application of this article, the carrier will not make any debit entries or adjustments for any credit entries made in error, including overpayments, to any employee's account at a commercial bank, savings bank, credit union, etc.

Further, should a "bank error" related to the direct deposit of the employee's pay result in an employee incurring overdraft charges, the carrier will make the employee whole, provided the problem was the carrier's fault and not the fault of the bank or employee involved.

Respectfully,

/s/T. H. Weideman

T. H. Weideman
Sr. Manager Labor Relations

Agreed:

/s/D. E. Grissom
D. E. Grissom
International Representative

OPT-OUT ELECTION AGREEMENT

During a prescribed election period preceding July 1, 2008 and preceding each January 1 thereafter, employees may certify to the Company (or its designee) in writing that they have health care coverage (which includes medical, prescription drug, and mental health substance abuse benefits) under another group health plan or health insurance policy that they identify by name and, where applicable, by group number, and for that reason they elect to forego coverage for health benefits for themselves and their dependents under the Preferred Provider Organization (PPO) Insurance Plan. Such election is hereafter referred to as an "Opt-Out Election".

Each employee who makes an Opt-Out Election will be paid by the Company \$100 for each month during which he would otherwise have been covered under the PPO Plan; provided however, that the employee's Opt-Out Election is in effect for the entire month.

If any of the following events occurs subsequent to an employee's Opt-Out Election, the employee may, upon providing the Company (or its designee) with proof satisfactory to it of the occurrence of such event, revoke his or her Opt-Out Election:

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

An employee may also revoke his or her Opt-Out Election by providing the Company (or its designee) with proof satisfactory to it that, after the employee made the Opt-Out Election, a person became a dependent of the employee through a marriage, birth, or adoption or placement for adoption. An employee who revokes an Opt-Out Election will, along with his or her dependents, be once again covered (effective the first day of the first month following such revocation that the employee and/or his dependents would have been covered but for the Opt-Out Election the employee had previously made) for health benefits under the PPO Plan. See Side Letter No. 2.

Birmingham Southern Railroad Company

P. O. Box 579
Fairfield, AL 35064

Thomas H. Weideman
Senior Manager Labor Relations

April 23, 2008

Mr. D. E. Grissom
International Representative
Carmen's Division, TCIU
P.O. Box 7657
Virginia Beach, VA 23458

Side Letter #1

Dear Mr. Grissom:

This confirms our understanding with respect to the Opt-Out Election Agreement of this date.

The Agreement provides that employees may opt out of coverage for health benefits for themselves and their dependents under the Preferred Provider Organization (PPO) Insurance Plan. This will confirm our understanding with respect to the intended application of the Agreement.

1. Employees who opt out will be opting out of health coverage only and they will continue to have dental, vision and life insurance coverage, subject to eligibility and coverage requirements.

2. If a husband and wife are each covered by the PPO Plan and either or both hold positions covered by the agreement between the parties, a BRC-represented spouse may elect to opt out as provided in the Agreement. If that election is made (and provided the other spouse remains so covered), (i) such BRC-represented spouse shall not receive the \$100/month payment provided in the Agreement and shall not be required to make the required employee cost-sharing contributions, and (ii) the Plan's coordination of benefits rules in effect on the date of this Agreement that are applied when a husband and wife are covered under the Plan both as an Eligible Employee and as an Eligible Dependent shall continue to be applicable.

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

Respectfully,

/s/T. H. Weideman

T. H. Weideman
Sr. Manager Labor Relations

I agree:

/s/D. E. Grissom

D. E. Grissom

Birmingham Southern Railroad Company

P. O. Box 579
Fairfield, AL 35064

Thomas H. Weideman
Senior Manager Labor Relations

April 23, 2008

Mr. D. E. Grissom
International Representative
Carmen's Division, TCIU
P.O. Box 7657
Virginia Beach, VA 23458

Side Letter #2

Dear Mr. Grissom:

This confirms our understanding with respect to the Opt-Out Election Agreement of this date.

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

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

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

Respectfully,

/s/T. H. Weideman

T. H. Weideman
Sr. Manager Labor Relations

I agree:

/s/D. E. Grissom
D. E. Grissom