Brotherhood of Maintenance of Way Employes Division
of the International Brotherhood of Teamsters

Re: KCS System Production Gang Agreement

Dear Brothers and Sisters:

We are pleased to inform you that BMWED and KCS have negotiated a new System Production Gang Agreement (SPG Agreement) that provides for substantial increases in pay and benefits as well as increased job opportunities. In addition to receiving the highest rates from across the combined KCS properties, employees assigned to positions on these new SPG’s will be entitled to continuity bonus payments and improved away-from-home expenses. The pay increases will be in addition to the percentage wage increases in the tentative National Agreement that is pending ratification. A complete copy of the new SPG Agreement is attached and we urge you to review it very carefully. Some of the key points you will find are as follows:

Rates of Pay - The rates of pay for positions on the SPG’s will be the highest rates for the classification applicable under the KCS, MidSouth, SouthRail, TexMex and Gateway Western Agreements. For many employees, this will result in substantial wage increases. [See Paragraph 1(a) at Page 1 and Attachment “A”]

Bonus Payments - Employees who remain on most SPG positions for at least six (6) months will receive a lump sum payment of up to $1000 and employees who remain on certain key positions (Platter CAT Tamper, Brush Cutter, Brandt Truck, Slot Train and Jordan Spreader) for one year will receive a lump sum payment of up to $2000. [See Paragraphs 2-6 at Pages 6 and 7]

Meal And Lodging Per Diem - The meal and lodging per diem for SPG positions will be controlled by Addendum 21 of the KCS Agreement which currently provides for a per diem of $68.56 per day, seven (7) days per week with an annual COLA adjustment. [See Paragraph 1(f)(12) at Pages 5 and 6]

Travel - Rest day travel home shall be covered by Article XIV of the 1996 National Agreement (currently $25.00 per 100 mile increments and subject to increase by $4.00 to $29.00 per 100 mile increments if the pending National Agreement ratifies). Travel from one assembly point to another shall be covered by Addendum 21 of the KCS Agreement (currently $0.25 per mile after 100 miles subject to increase to $0.29 per mile after 100 miles if the pending National Agreement ratifies). [See Paragraph 1(f)(13) at Page 6]
Seniority - No employe will lose any seniority as a result of this SPG Agreement. Basic district seniority will be maintained and used to assign district jobs in the usual manner. A System Production Bid and Displacement List will be created by dovetailing the district seniority of all employees on the KCS, L&A, Joint Agency, MidSouth, SouthRail, Gateway Western and TexMex. This List will be used to assign positions on the System Production Gangs. Employes who are awarded SPG positions in which they hold no seniority will acquire seniority in that class on their home seniority district. Moreover, an employe may exercise seniority from a System Production Gang back to a position for which he is qualified on his home seniority territory without losing seniority associated with the position relinquished. [See Paragraphs 1(b)(1) through 1(b)6 at Pages 1 and 2]

Walk-On/Walk-Off - Employes with a seniority date earlier than February 7, 2012 will be allowed a one-time “walk-off” from the KCS System Production Gangs and headquatered district employes will be allowed a one-time “walk-on” to the KCS System Production Gangs. Consult your System Officers about the time limit for exercising this one time right. [See Side Letter No. 3].

Work Weeks - Work weeks on the SPG’s may be 4-10’s, 5-8’s or 8 on-6 off compressed halves. The 8 on-6 off compressed half has been used on Union Pacific for nearly two decades and has proven to be one of the most popular work schedules because it allows traveling employees meaningful time at home with their families. [See Paragraph 1(f) at Page 3]

February 7, 1965 Agreement - No employe will be required to exercise seniority to a System Production Gang in order to maintain his protected status under the Feb. 7th Agreement. [See Side Letter #1]

We urge you to carefully study the entire System Production Gang Agreement and call your System Officers if you have any questions. In addition to the substantial wage and travel expense increases, we believe this Agreement will provide increased work opportunities, job stability and diminished reliance on outside contractors.

We also have included a cancellation clause in this Agreement. If for any reason it does not live up to our expectations to increase your earnings, expense payments and job stability, we will not hesitate to cancel it. However, we remain confident that the Agreement will produce the intended result of better wages, expenses and job stability that will benefit you and your families.

In Solidarity,

Dennis R. Albers
General Chairman

Hayward J. Granier
General Chairman

cc: President Simpson
Vice President Sanchez
AGREEMENT

BETWEEN

KANSAS CITY SOUTHERN RAILWAY COMPANY

AND

THE BROTHERHOOD OF MAINTENANCE OF WAY EMPLOYEES

(including Kansas City Southern, Louisiana and Arkansas Railway, Joint Agency, Mid South Rail Corporation, South Rail, Gateway Western Railway and the Texas Mexican Railroad Company)

The purpose of this Agreement is to expand work opportunities to employees of the Kansas City Southern Railway Company. Therefore, it is agreed:

The Carrier shall have the right to operate mobile system production gangs without regard for existing maintenance of way seniority district boundaries on all respective properties to perform maintenance of way production activities.

The initial system production gangs covered under this Agreement shall include Gangs 500, 501, 506, 714, 715, 118, 119, 760, 762, 763 and 764. The Carrier will also establish gangs for the Jordan Ditcher/Spreaders, Slot Trains, Brandt Trucks and Power Units under this Agreement.

The Carrier retains the right to expand by bulletin or abolish Gangs by notice operating under this Agreement.

1. The maintenance of way gangs identified in this agreement shall be governed by the collective bargaining agreement between the Kansas City Southern Railway Company (“KCS”) and the Union reviewed July 1, 1979, as subsequently amended, which is currently in effect on the KCS, except as otherwise provided below:

(a) The rates of pay for assignment shall be the highest rate of pay for the classification applicable under the agreement between the BMWE/KCS L&A CBA or the agreement between the BMWE/Mid South, SouthRail, Tex-Mex or Gateway Western as found in Attachment “A”.

(b) Seniority for purposes of assignment to positions and other exercises of seniority within the gangs shall be determined on the basis of each employee’s relative standing on the “System Production Bid and Displacement List” (hereafter the “List”). The List shall be created as follows:
(1) The seniority rosters of the involved seniority districts on the KCS, L&A, Joint Agency, Mid South, South Rail, Gateway Western and Tex-Mex will be dovetailed in seniority order for the purpose of establishing the agreed upon “List” as attached under Attachment “B” to be used solely to administer bids and displacements to the Gangs established under this Agreement.

(2) Employees on the List that apply for positions in Gangs established under this Agreement in a class in which they have no seniority, will, if qualifications are sufficient, be awarded the position and will acquire seniority in that class on their home seniority district roster\(^1\).

An employee who establishes seniority in a classification on his/her home seniority district will have his/her name and seniority in that classification placed on the “List” concurrent with the establishment of the new seniority.

(3) Except as otherwise provided, an employee may exercise seniority to a position for which he is qualified in a gang established under this Agreement based upon his or her relative ranking on the List.

(4) Except as otherwise provided, an employee who holds a position on a gang established pursuant to the System Production Agreement dated February 7, 2012, may displace on such system production gang prior to exercising displacement rights on their home seniority district.

   (i) An employee who elects to remain on a system gang as outlined above, will not suffer a loss of seniority or any protective benefits to which they may be entitled.

(5) Except as otherwise provided, an employee may exercise seniority back to a position for which he is qualified on his home territory without losing seniority associated with the position relinquished.

(6) The List will be published and distributed to all employees subject to this Agreement on its effective date and every January 1 thereafter.

(c) Seniority for purposes of the assignment shall continue to accrue in the home seniority district.

\(^1\) For employees that possess seniority on more than one seniority district, the home seniority district will be the district which lists his/her earliest BMWE seniority date.
(d) Positions which become vacant shall continue to be filled in the usual manner per the provisions of the July 1, 1979 BMWE/KCS L&A agreement.

(e) Whenever a Gang established under this Agreement enters a territory identified in the header of this Agreement, employees holding seniority rights in that territory may not exercise seniority to displace an employee from another territory in the Gang.

(f) The work week of the System Production Gangs under this Agreement will be established under a Four-Ten Hour Day work week, a Five-Eight Hour Day work week or an Accumulated Rest Day Work arrangement of eight (8) consecutive working days followed by six (6) consecutive rest days or an alternative work period agreement to be agreed upon by the parties.

(1) The parties agree that the provisions of the July 1, 1979 BMWE/KCSL&A agreement and Article X of the July 29, 1991 National Agreement will apply to paragraph (f) when gangs are working on either a Four-Ten hour work week or Five-Eight hour work week.

(2) The Carrier reserves the right to change or modify the schedule if there are changes in the amount or nature of traffic or business and/or seasonal fluctuations, provided a seven (7) day advance notice is given to the members of the gang and the respective general chairmen.

(3) The consecutive compressed half arrangement will equal the number of hours worked as if the assignment was for a normal half with 8-hour workdays. Accumulated rest days for employees assigned to a gang working a consecutive compressed half arrangement will consist of the remaining days in the payroll period. The work days and rest days of the consecutive compressed half work period may be scheduled on a non-consecutive basis for holidays or governmental regulations.

(4) Where it would be required to work a fraction of a day on a consecutive compressed work period arrangement under paragraph 1(f) in order to equal the number of hours in the period, respectively, the remaining hours will be distributed and worked throughout the compressed work period unless agreed to work a partial day at the end thereof.

(5) The Carrier reserves the right to modify the work arrangement period up to six (6) times per calendar year. Should the Carrier modify the work arrangement period
beyond six (6) times per calendar year, an employee who has their work week rearranged will have the privilege of exercising seniority in accordance with the BMWE/KCS L&A July 1, 1979 CBA upon written notification to his Manager within three (3) calendar days of the notice. The employee may rescind his decision by written notice to the Manager prior to the end of the work cycle. Such exercise of seniority will be granted at the end of the payroll period or work week just prior to the change in schedule.

(6) Except for any distributed hours provided for in paragraph 1(f), time worked prior to or after the assigned daily hours will be paid at the overtime rate in accordance with the overtime provisions of the Agreement.

Holiday Observance

(7) Carrier will publish in advance a tentative annual work schedule at the start of the operating year that will include the recognized holidays under the National Agreement. Any subsequent changes to the annual work schedule will be published via a Maintenance of Way Circular with a copy to the respective general chairman.

(i) If a holiday falls on a Monday, Tuesday, Wednesday, Thursday, Friday or Sunday, the holiday may be observed either at the beginning or end of the compressed work period depending upon the operational requirements during that compressed work period and the amount of service hours ordinarily scheduled in line with the terms of this Agreement will be reduced by eight (8).

(ii) If a holiday falls on a Saturday, there will be no reduction in the amount of service hours ordinarily scheduled in line with the terms of this Agreement.

(iii) Canvassing a majority of the employees subject to a compressed work period arrangement as defined in paragraph 1(f) provided herein may be used to determine what day(s) will be used to make up time and which rest days will be worked in exchange for time off on work days immediately preceding and/or following a holiday.

(iv) Any rest days worked under this provision will be in the pay period the holiday is observed and will be paid for at the straight time rate.

(v) Thanksgiving, the day after Thanksgiving, Christmas Eve, Christmas Day and New Year's Day holidays will be on its normal observed day.
(vi) Employees who qualify for holiday allowances under existing rules will be compensated eight (8) hours at the straight time rate for the holiday involved.

(vii) If required to perform service during the hours at the end of the compressed work period observed as the holiday, employees will be compensated at the overtime rate.

Vacation

(8) For vacation qualifying purposes, employees assigned to a compressed work period arrangement as provided herein will be allowed credit for each day worked during the calendar year as follows:

<table>
<thead>
<tr>
<th>Work Hours</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>9</td>
<td>1.125</td>
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<tr>
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<tr>
<td>11</td>
<td>1.375</td>
</tr>
<tr>
<td>12</td>
<td>1.5</td>
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</tbody>
</table>

(9) Where the hours of the fraction of a day contemplated in paragraph 1(f) of this agreement are distributed throughout the compressed work period, there will be no additional vacation credit allowed. If at the end of the calendar year an employee’s vacation qualifying days would be adversely affected as a result of this provision, upon presentation of proof of an adverse impact, vacation qualifying days will be adjusted accordingly.

(10) Employees who observe their vacation while assigned to a gang working a compressed work period arrangement will be compensated on the basis of the gang’s regular assigned hours, at the pro rata rate and will be charged the number of vacation days based upon the ratio in paragraph 1(f)(9).

Meal Periods

(11) Rule 18 – Meal Period of the BMWE/ KCS L&A agreement dated July 1, 1979 will apply.

Per Diem & Travel Allowance

(12) Employees assigned to gangs under this agreement, will be paid per diem allowance under Addendum 21 of the BMWE/KCS L&A agreement dated July 1, 1979.
(i) The current per diem rate under Addendum 21 is $68.56 which is adjusted (increased or decreased) on July 1 of each year based on the annual percentage increase (or decrease) in the Bureau of Labor Statistics Consumer Price Index for Wage Earners (CPI-W) for the preceding fiscal year (April 1 – March 31).

(13) Employees assigned to gangs under this agreement, will be paid a travel allowance as defined under Addendum 21 of the BMWE/KCS L&A agreement dated July 1, 1979 and the National Agreement as modified by PEB 243. When the assembly point is moved one hundred (100) miles or more, travel allowances will be allowed at the new rate of twenty-nine ($0.29) per mile for those miles traveled in excess of one hundred (100) miles, regardless of where the employee(s) being moved resides.

2. Except for those employees identified in paragraph 3 below, each employee assigned under this Agreement who does not leave the gang voluntarily for a period of at least six (6) months shall be entitled to a lump sum payment not to exceed $1,000.00 annually and, it shall be paid on or before January 31 of the following year. If the Carrier disbands the gang in less than six months, the Carrier will be responsible for payment of the production incentive earned as of that date.

3. Each employee assigned as an Plasser Cat Tamper, Brush Cutter, Brandt Truck, Slot Train or Jordan Spreader operator under this Agreement who does not leave the gang voluntarily for a period of at least one (1) year (i.e. an employee who remains assigned as an operator for one (1) continuous year as measured from the date assigned to the same date the following year) shall be entitled to an annual lump sum payment not exceeding $2,000.00 for each one (1) year period so assigned, and the lump sum(s) shall be paid on or before January 31 of the following year after completion of each one (1) year period.

4. If during any six (6) month or one (1) year assignment period as described paragraph 2 and 3 above the Carrier abolishes the position, the carrier will be responsible for payment of the pro-rated production incentive earned as of that date. The proration provided for herein shall be measured as a percentage of the total number of days worked and compensated time not worked by the employee on the assigned gang during the assignment period divided by the total number of scheduled work days in the assignment period.

5. An employee displaced from a system gang position under this agreement who exercises seniority within this gang or on any other system gang will remain eligible for the incentive bonus (upon satisfaction of the six (6) continuous months of service or the one (1) year of continuous service) computed from the first day the employee reported to his initial assignment on a system gang covered under this agreement.
6. Employees with less than six (6) months continuous service or one (1) year of continuous service as defined above on a system gang under this agreement who are displaced and no longer able to hold a position on a system gang, will be eligible for a pro-rated incentive bonus earned up to the date of the displacement from the system gang covered under this agreement. The proration provided for herein shall be measured as a percentage of the total number of days worked and compensated time not worked by the employee on the assigned gang during the assignment period divided by the total number of scheduled work days in the assignment period.

7. This Agreement may be cancelled by either party provided that notice is received by the other party no later than 90 days before the cancellation date. Faxed service of notice will be sufficient to trigger the notice period, with the original to follow in the U.S. mail. Following service of notice, the parties shall meet within thirty (30) days or as soon as practical in an effort to resolve the condition or circumstance giving rise to the notice.

All changes to the terms and conditions effecting employees assigned to the System Ganges under this Agreement must be agreed upon by all signatories to this Agreement.

Except as otherwise provided herein, this Agreement makes no change to existing agreements between the Carrier and the Union nor shall this Agreement be construed to change existing seniority boundaries except as expressly provided herein.

This Agreement is made without prejudice to either party's position. Notwithstanding the above, this agreement may be extended or amended by the parties.

Signed this ___ day of FEBRUARY __, 2012, at Kansas City, Missouri

FOR THE EMPLOYEES:

Dennis Albers
General Chairman, BMWE

FOR THE CARRIER:

Tammy Hordge Stephenson
Director Labor Relations

System Production Agreement 2012
Hayward J. Granier  
General Chairman, BMWE

Donald E. Emery  
Assistant Vice President Labor Relations

APPROVED:

Roger Sanchez  
Vice President, BMWE

Jeffrey Songer  
AVP Engineering & Planning

Vernon Jones  
AVP Engineering

System Production Agreement 2012
ATTACHMENT "A"

SYSTEM PRODUCTION GANG RATES OF PAY

<table>
<thead>
<tr>
<th>Position</th>
<th>Rate Code</th>
<th>Rate Per Hour</th>
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<tbody>
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</tr>
<tr>
<td>Track Asst Foreman</td>
<td>FOA</td>
<td>$23.61</td>
</tr>
<tr>
<td>Equipment Mechanic (Rdwy Equip Mechanic)</td>
<td>MCH</td>
<td>$25.33</td>
</tr>
<tr>
<td>Brandt Truck Operator</td>
<td>MOC</td>
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<tr>
<td>Brandt Truck Operator Helper</td>
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<tr>
<td>Trackman – Laborer</td>
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<tr>
<td>Machine Operator&lt;sup&gt;1&lt;/sup&gt;</td>
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<tr>
<td>Welder</td>
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<tr>
<td>Welder Helper</td>
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<tr>
<td>Specialty Equipment Operator&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>$24.40</td>
</tr>
</tbody>
</table>

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<sup>1</sup> Machine Operator rate includes but is not limited to: Tamppers, Regulators, Cranes, Tie and Rail Installation Equipment

<sup>2</sup> Specialty Equipment Operator rate includes but is not limited to: Plasser Tamppers, Jordan Spreader, Slot Train, Power Units and Bushcutters