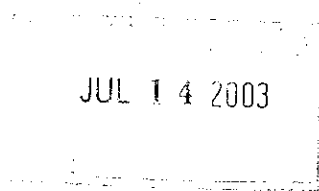


KANSAS CITY SOUTHERN

MAILING ADDRESS: P.O. BOX 219335 • KANSAS CITY, MO 64121-9335



July 7, 2003



L/R File: 140.30-17
1300.20

Mr. Bill R. Palmer
General Chairman, BMW
324 W. Whaley
P. O. Box 2767
Longview TX 75606-2767

Mr. E. R. Spears
Vice President, BMW
201 E. Old Route 66, Unit 2
Stafford, MO 65757-8211

Gentlemen:

Enclosed please find a fully signed copy of the brushcutting system agreement.

Yours truly,

A handwritten signature in black ink, appearing to read 'Kathy'.

Kathleen A. Alexander
Director-Labor Relations

AGREEMENT

Between

KANSAS CITY SOUTHERN

And

THE BROTHERHOOD OF MAINTENANCE OF WAY EMPLOYES

(including the former Louisiana and Arkansas Railway and Joint Agency)

The purpose of this Agreement is to expand work opportunities to all employees of the KCS/L&A/JT. Therefore, it is agreed:

1. The Carrier shall have the right to operate one (1) maintenance of way gang without regard for existing maintenance of way seniority district boundaries, to perform brushcutting. Each gang must consist of at least three (3) machines unless otherwise agreed to by the parties.
2. The maintenance of way gangs identified in Paragraph 1 above, shall be governed by the collective bargaining agreement between the Kansas City Southern Railway Company ("KCS") and the Union revised 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 positions established in the gangs shall be the highest rate of pay applicable under the agreement between the BMW/KCS CBA.
 - 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 Bid and Displacement List" (hereafter "the List"). The List shall be created as follows:
 1. The seniority rosters of the involved seniority districts will be dovetailed for the purpose of establishing the "List" to be used solely to administer bids and displacements to the Gangs established under this Agreement
 2. Positions on the Gangs established under this Agreement will be advertised to all seniority districts. Employees on the "List" shall be awarded positions based on seniority, qualifications being sufficient.

3. Employees on the "List" that apply for positions on 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.

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.

4. Except as otherwise provided, an employee may exercise seniority to a position for which he/she is qualified in a gang established under this Agreement based upon his/her relative ranking on the "List".
5. The "List" will be published and distributed to all employees subject to this Agreement on its effective date and every January 1 thereafter.

- c. Whenever a Gang established under this Agreement enters a previously separate seniority district, employees holding seniority rights in that territory who do not hold assignments in the Gang may, within fifteen (15) days of the Gang entering the territory, exercise seniority to displace a junior employee from another territory in the Gang occupying a position in the classification in which the displacing employee holds seniority. Displacements will be governed by the overall ranking on the "List".
- d. The work week of a Gang established under this Agreement will be established under either a Four-Ten Hour Day work week, a Five-Eight Hour Day work week, or an Accumulated Rest Day work arrangement to be agreed upon by the parties.

Changes in the work week of gangs working a four or five day work week cannot be made without four (4) working days notice to the employees. An employee working in the Gang who receives such notice, if requested within five (5) calendar days, will be given a cut-off letter allowing him/her an exercise of seniority.

Changes in the work week of gangs working an Accumulated Rest Day arrangement may only be made within the last five (5) working days of the cycle.

- e. Each employee assigned to a gang established 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 annually equal to five percent of his/her compensation earned during the calendar year on that gang. Such compensation shall not exceed \$1,000 and, it shall be paid within 30 days of the completion of the employee's service on the gang. If the Carrier


disbands the gang in less than six (6) months, the Carrier will be responsible for payment of the production incentive earned as of that date.

1. 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 district boundaries except as expressly provided herein.

This Agreement will become effective April 16, 2003, and will remain in effect until amended or changed in accordance with the Railway Labor Act, as amended.

Signed this 7th day of April, 2003, at Kansas City, Missouri.

FOR THE EMPLOYEES:



Bill R. Palmer
General Chairman, BMW

FOR THE CARRIER:



Kathleen A. Alexander
Director of Labor Relations



Emerson M. Bouchard
Vice President of Labor Relations

APPROVED:



Vice President, BMW

KANSAS CITY SOUTHERN

427 WEST 12TH STREET • KANSAS CITY, MISSOURI 64105



FOUNDED 1887

February 25, 2003

Side Letter #1

Mr. Bill R. Palmer
General Chairman, BMW
324 W. Whaley
P. O. Box 2767
Longview TX 75606-2767

Dear Sir:

This is in reference to the system agreements dated April 7, 2003. Paragraph d of the agreements allows the work week of the gang(s) established to be under a Four-Ten hour work week, a Five-Eight hour work week or on an Accumulated Rest day basis.

It is agreed that the provisions of the July 1, 1979 basic agreement and Article X of the July 29, 1991 National Agreement will apply to paragraph d when gangs are working on either a Four-Ten hour work week or a Five-Eight hour work week.

Please indicate your concurrence in the space provided below.

Yours truly,

Emerson M. Bouchard
Vice President-Labor Relations

I CONCUR:

Bill R. Palmer
General Chairman

KANSAS CITY SOUTHERN

427 WEST 12TH STREET • KANSAS CITY, MISSOURI 64105



February 25, 2003

Side Letter #2

Mr. Bill R. Palmer
General Chairman, BMW
324 W. Whaley
P. O. Box 2767
Longview, TX 75606-2767

Dear Sir:

This is in reference to the system agreements dated April 7, 2003. We agreed that an employee who is entitled to protection under the terms of the February 7, 1965 Agreement, as amended, may:

1. Elect to not exercise seniority to other than his/her home territory. If an employee elects not to exercise seniority, that employee's entitlements under the upgraded Feb. 7 Agreements are suspended until such time as the employee voluntarily returns to service, is recalled to service, or there is no position the employee could hold in the normal exercise of seniority on his expanded work district(s).
2. Nothing in paragraph 1 above diminishes the obligation of employees to exercise their seniority in accordance with the particular employee's collective bargaining agreement.

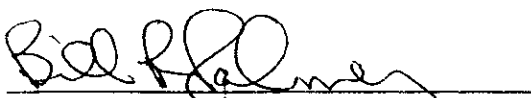
Please indicate your concurrence in the space provided below.

Yours truly,



Emerson M. Bouchard
Vice President-Labor Relations

I CONCUR:



Bill R. Palmer

KANSAS CITY SOUTHERN

427 WEST 12TH STREET • KANSAS CITY, MISSOURI 64105



FOUNDED 1887

February 25, 2003

Side Letter #3

Mr. Bill R. Palmer
General Chairman, BMW
324 W. Whaley
P. O. Box 2767
Longview, TX 75606-2767

Dear Sir:

This is in reference to the system agreements dated April 7, 2003. Paragraph e of the agreements provides for a \$1,000.00 bonus if certain conditions are met. We agreed in the application of this rule that the following will also apply in order for employees to qualify for the bonus

1. An employee displaced from a system gang position who exercises seniority within this gang or on any other system gang will remain eligible for the incentive bonus (upon satisfaction of the six continuous months of service) computed from the first day the employee reported to his initial assignment on a system gang.
2. Employees with less than six months continuous of service on a system gang who are displaced and no longer able to hold a position on any system gang, will be eligible for a pro rated incentive bonus earned up to the date of displacement from the system gang.

Please indicate your concurrence in the space provided below.

Yours truly,

A handwritten signature in black ink, appearing to read 'Emerson M. Bouchard'.

Emerson M. Bouchard
Vice President-Labor Relations

I CONCUR:

A handwritten signature in black ink, appearing to read 'Bill R. Palmer'.

Bill R. Palmer
General Chairman