

**Affiliated System Federation
Consolidated Rail System Federation
Nickel Plate Federation
Pennsylvania Federation**



May 18, 2009

Dear Brothers and Sisters:

Last month we met with Norfolk Southern management for the purpose of resolving a list of outstanding issues over the interpretation of the N&W Agreement. These are issues which have lingered for a period of time and were pending before various arbitration panels. We also met to discuss the wage disparity issue on NS. Hourly rates for BMWED work on NS are, on average, about 4% less than the same rates paid under other Class 1 Agreements.

We regret to report to you that we were not able to resolve the wage difference issue at this meeting. NS wants concessions to pay for this difference that are greater than the value of the difference. This is an issue that the leadership of the Union, including President Simpson, are committed to finding ways to correct. We will not sway from our course until this matter is properly resolved and it will remain a priority.

In regard to our other purpose for last month's meeting with NS, we were able to make an agreement that resolves most of the current outstanding issues related to interpretation of the N&W Agreement, which are pending before arbitration boards. This agreement is attached for your information and is described and summarized in the remainder of this letter.

The package is based on what we thought would be the realistic outcome of these issues in arbitration. Because NS gets resolution of all of these issues without their share of the risk of arbitration, the package does contain some improvements that we would not have otherwise been able to obtain. This package is based upon the resolution of outstanding claims, and therefore, it does not require membership ratification. There are some changes in the work rules, but the changes are minor and are improvements. Concessions were made on issues that have previously been lost in arbitration (such as paving or scrap pick up), or where we were making an argument that was difficult to support.

Summary and Brief Explanation of Settlement

Paving

We agreed that NS will have the right to use contractors to pave grade crossings. We have lost similar issues in arbitration, unless the company failed to provide us notice. We have found that NS is getting better and better at giving us proper notice and that soon there will be nothing to be gained from pushing this issue. We will continue to do some paving, but we recognize the right of NS to use contractors for this work as they determine the need.

B&B Craft Practices

One criteria used to determine the right of management to contract out work under any contract is the historical practices under the agreement. The agreement language from one railroad to the next can be exactly the same; however, if there is a practice of doing some work on one railroad but not the other, we can make a better argument that management can not contract out the work where there is a prior practice. On the Northern Region we have been making an argument that the practices under the former Conrail agreement apply to B&B contracting under the N&W Agreement. Ironically, the B&B contracting issues in dispute with NS management were also issues in dispute with Conrail management. We have agreed to withdraw our argument that B&B contracting out practices under the former Conrail agreement apply to the N&W. In return for withdrawing this argument, NS agrees that there will be no B&B furloughs whenever a contractor is performing any B&B work anywhere under the jurisdiction of the N&W Agreement.

Herzog Ballast Train

The Herzog Ballast Train is an example where technology has replaced workers. We have been making an argument, with our claims, that all of the workers replaced by the technology need to be retained. There is really no rules support for this argument. We have dropped our claims against the Herzog Ballast Train and recognized that NS can have one supervisor accompany the train and direct the ballast distribution. In exchange, NS agreed that there will always be at least one BMWED employee with the operation and if more workers are needed they will be BMWED employees.

Ballast Delivery

NS sometimes purchases ballast and has it delivered to the spot on the railroad where it will be used. Numerous awards involving rules similar to the N&W rules have held that this practice is permitted and we simply recognize this reality.

Rail Lubricators

Under the settlement with NS they will fill the lubricators with a vendor. This is because NS is threatening to purchase the grease "delivered in place" and this argument is sometimes found to be valid. We are skeptical about the application of this argument under these circumstances, but if we can make an acceptable arrangement we would prefer not to take a risk on it in arbitration. Currently, the job requires one employee to fill the lubricators. In allowing the vendor to fill the lubricators we will still retain one employee because someone will need to obtain protection for the vendor to do the work. The employee who will obtain the protection will be a BMWED employee and we will still retain one job. NS also agrees that all of the maintenance associated with the rail lubricator will continue to be performed by the BMWED.

Tie Pick Up

Arbitrators agree that railroads may sell their scrap to vendors and the picking up of this scrap is not work that belongs to the BMWED. There are some awards which state that when railroads recover used ties from their operations and reuse them, this work belongs to the BMWED. However, the vast majority of work related to selling scrap ties to a vendor is referred to "as is, where is." Once the scrap ties are sold they are no longer NS property and no longer BMWED work. NS has made many arrangements with us, because of their liability associated with recovering fit ties for their own use, to have the work "shadowed" by a BMWED member. This arrangement is unsatisfactory for a number of reasons. The arrangement rarely results in a real increase in man count for the gang. In addition, the reality of this arrangement is that it is in name only and the so called "shadow" often performs other work as well. To resolve this situation we have agreed that one contractor may accompany each tie gang to operate a machine to pick up ties and that the "shadow" arrangement is terminated. All other work associated with the tie pick up will be performed by BMWED. While this forfeits the right to claim the work of the one contractor employee operating the tie pick up machine, it does reserve all of the other work for us. Many of the arbitration awards also give this other work to the contractor.

Tie Unloading Program

NS had two serious accidents with tie unloading where one member was killed and another member was almost killed. We do not believe that this is the result of the

tie unloading operation itself, but NS believes it is and decided to contract out this work and just fight the claims. We believe that using a contractor to unload ties violates our contract. Under the N&W Agreement, NS had five or six contractors unloading ties in 2008. To settle this dispute NS has agreed in 2009 to have three tie unloading positions performed by the BMWED. We agreed that the remainder of the ties for 2009 can be unloaded by contractors. At the end of 2009, we will meet with NS management and review the work performed by the BMWED, and by the contractor, and engage in discussions to return all of the work to the BMWED in 2010. If we are unsuccessful in these discussions we will have forfeited no rights to go to arbitration on this issue. We believe that we can win the case in arbitration, but we think it is better to wait a year, secure a little more than half of the work during that year, and attempt to voluntarily obtain the rest of the work. Although we are very confident of our case in arbitration, there is always a risk when you take an issue to arbitration. Moreover, if we can make a satisfactory arrangement at the end of the year we are much better off than waiting two or three years for an arbitrated answer.

Production Tamper Differential

NS has agreed to extend the dollar differential currently being paid to the Dyna Cat operators to all production tampers of a Mark III class or better. We agreed to apply the bumping restrictions in the Dyna Cat agreement to these positions.

Round Trip Mileage for Rest Days for Traveling Employees Who Commute from Home in Their Personal Vehicle in Lieu of Staying in a Motel

We have a dispute as to how Rule 43 (II) (e)(4) employees are to be paid for traveling on the first and last day of their work week. These are employees assigned to traveling production gangs who are able to go home every night and get IRS mileage for the use of their cars and a noon meal allowance. NS holds the position that these employees are to be paid the Article 14 travel allowance on the first and last day. This would mean that most employees would not get any travel money for these days because Article 14 only pays money after an employee travels 100 miles. In the alternative, the Union believes that the employee is entitled to IRS mileage, but the rule caps this payment at 120 miles or about \$60.00. To settle this dispute we agree that these employee are entitled to one round trip payment of \$25.00 (increase to \$30.00 on 1/1/2010). This is a compromise we agreed upon because this was a very complicated interpretation issue and complicated cases are always risky to arbitrate.

Dining Car Dispute

We have had a dispute with NS about the proper payment for employees who are housed in motels, fed in a dining car and are required to use their personal vehicle to get between the motel and the dining car. This dispute was resolved by paying all employees in this situation \$10.00 per week for each week they have been in this situation. For some employees this payment will go back to 2006. Starting from the

date of this agreement, this payment will be \$15.00 per week. NS agrees to pay any commuting time over thirty minutes and that time will start and stop at the dining car.

Semi Tractor Trailer Trucks

In a previous agreement, we were able to get some of our heavy vehicle operators a higher rate by classifying them at the Class 1 rate. We added the semi tractor trailer drivers to this arrangement.

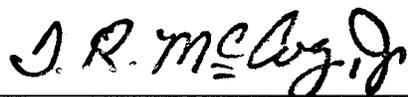
Commercial Drivers License

The CDL differential is increased to 40 cents per hour and extended to all employees who have positions requiring a CDL under the N&W Agreement.

This package puts to rest most of the outstanding claim issues pending before arbitration panels with NS. The package recognizes some of the issues that were likely to be lost. We were able to get a little for this because NS is willing to pay not to take a risk in arbitration. We are confident that the package represents either exactly what an arbitrator would have provided without waiting two years for the decision, or is a little better than an arbitrator would have provided.

If you have any questions please do not hesitate to contact us.

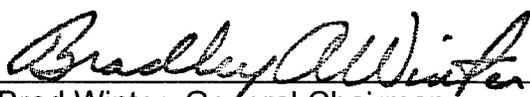
In Solidarity,



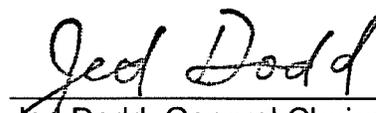
Tom Mc Coy, General Chairman
Affiliated System Federation



Paul Beard, General Chairman
Nickel Plate Federation



Brad Winter, General Chairman
Consolidated Rail System Federation



Jed Dodd, General Chairman
Pennsylvania Federation



Norfolk Southern Corporation
223 East City Hall Avenue
Norfolk, Virginia 23510-1728

S. R. Weaver
Assistant Vice President
Labor Relations
(757) 629-2453

May 25, 2009

AG-MW-2

Mr. P. R. Beard
General Chairman, BMWED
2665 Navarre Avenue, Suite A
Oregon, Ohio 43616

Mr. T. R. McCoy, Jr.
General Chairman, BMWED
9300 Runyon Road
Catlettsburg, Kentucky 41129

Mr. J. Dodd
General Chairman, BMWED
421 North 7th Street, Suite 299
Philadelphia, Pennsylvania 19123

Mr. B. A. Winter
General Chairman, BMWED
58 Grande Lake Drive, Suite #2
Port Clinton, Ohio 43452

Gentlemen:

This is in reference to our February 13, 2009 discussions concerning pending disputes under the current July 1, 1986 NW-Wabash Agreement, as amended, the proper application of certain provisions in a uniform manner across the Eastern, Western, and Northern Regions, and settlement of the associated claims that have been filed, in connection with these respective disputes. We agree that the respective issues are resolved as follows:

I. USE OF CONTRACTORS

A. B&B Craft Practices –

In order to resolve the dispute as to whether former pre-June 1, 1999 Conrail practices apply to the use of contractors on the Northern Region of the July 1, 1986 NW-Wabash Agreement, the parties agree as follows:

1. Past practices concerning the use of contractors under the July 1, 1986 NW-Wabash Agreement apply on the Northern Region and the former pre-June 1, 1999 Conrail practices concerning the use of contractors do not apply and do not constitute a basis to restrict the use of contractors.
2. There will be no furloughed employees who hold B&B seniority under the NW-Wabash Agreement while a

contractor is performing bridge or building work within the scope of the NW-Wabash Agreement (i.e., work which has customarily or historically been performed by B&B employees even if contractors may have performed such work in the past under certain circumstances). The only exception shall be bridge tenders who have no other B&B seniority.

3. This Part I A shall not be construed as either permitting or prohibiting the contracting out of bridge or building work when there are no furloughed B&B employees. Rather, when there are no furloughed B&B employees the respective rights of the parties concerning contracting out of B&B work shall continue to be controlled by the rules and practices under the July 1, 1986 NW-Wabash Agreement.

All claims involving the use of a contractor to do B&B work on the Northern Region that were progressed based on former Conrail practices, including but not limited to Cases 1, 2, 3, 4, 6, 8, 9, 11, 12, 13 and 17 of PLB 7272 and subsequent cases held in their abeyance, are withdrawn.

B. Paving –

Commencing on January 1, 2009, the Carrier has the right at its sole discretion, on a case-by-case basis, to use either a contractor or Company employees to perform paving work. When the Carrier chooses at its managerial discretion to use a contractor to perform paving, there is no requirement for advance notice in accordance with Appendix F and the use of contractors to pave shall not constitute a basis for any time claims.

All claims involving paving are withdrawn, including but not limited to Case 5 of PLB 7272, Case 156 of SBA 1048 and any cases that are being held in abeyance. However, a monetary settlement will be made in consideration of all of the pending claims in Case 5 of PLB 7272, Case 156 of SBA 1048 and any cases that are being held in abeyance, or subsequent claims that have been appealed to Labor Relations that involve paving work performed prior to January 1, 2009, for which either the General Chairman has already discussed in conference or the nine month time limit has not expired. The payment rate will be based on 30 cents per dollar at the straight time rate for the man hours actually consumed by the contractor in paving work.

C. Herzog Ballast Train –

The Carrier may contract for the use of the Herzog Ballast Train to unload ballast on the right-of-way without assigning any BMWED-represented employee to

work directly on or with the ballast train. However, at least one BMWED-represented employee from the local forces shall be assigned to the hi-rail crew that will patrol behind the train to perform the work of clearing the dumped ballast from switches, road crossings, etc. Not more than one non-agreement supervisor may be assigned to this hi-rail crew; if more than two employees (1 supervisor and 1 BMWED-represented employee) are required to clear dumped ballast or perform other scope covered work, all additional employees will be BMWED-represented employees.

All claims related to the use of the Herzog Ballast Train are withdrawn, including but not limited to Case 7 of PLB 7272 and subsequent cases held in abeyance.

D. Ballast Delivery –

Other than BMWED-represented employees may transport ballast purchased from a vendor for delivery from the vendor to a work site and the use of contractors to do so shall not constitute a basis for any time claims.

All claims involving contractor delivery of ballast from a location not on Carrier property are withdrawn, including but not limited to Case 10 of PLB 7272 and subsequent cases held in abeyance.

E. Rail Lubricators –

The Carrier may use a vendor's specially equipped truck, operated by the contractor employee and with one BMWED-represented employee from the local forces as the Roadway Worker in Charge (RWIC), to fill the lubricator tanks. All other work on lubricators that has customarily been performed by BMWED-represented employees shall continue to be performed by them consistent with historical practices. The Carrier currently owns one specially equipped truck that is operated by a BMWED-represented employee to fill lubricators. That truck shall be retained in service and continue to be operated by a BMWED-represented employee to fill lubricators until the end of the vehicle's normal service life. The parties agree that in the absence of a catastrophic event such as a wreck, the normal service life of this truck will extend at minimum to December 31, 2010, and possibly beyond.

F. Tie Handling –

1. Tie Pick Up –

One contractor owned machine operated by a contractor employee may be used with each T&S Gang to pick up/load ties removed from the track by the T&S Gang, without a BMWED-represented employee being assigned to accompany the contractor employee. However, all other pick-up related work, such as sorting, stacking and banding the ties, will

be performed by BMWED-represented employees. Likewise, stockpiles of scrap ties that are located on the Carrier right-of-way may be loaded by contractors into rail cars or trucks for transportation off the Carrier's property, without a BMWED-represented employee being assigned to accompany the contractor employee. However, if the loading work may foul Carrier tracks that are in service and therefore requires Roadway Worker Protection, the Roadway Worker In Charge and any additional employees necessary to implement the Roadway Worker Protection plan (watchmen, look outs, etc.) shall be BMWED-represented employees.

2. Unloading Program Ties –

The parties agree to adopt an arrangement wherein as long as the Carrier has one employee assigned to a bulletined position on each of the three seniority Regions (Eastern, Western, and Northern) who actually operates a Lucky Loader/Jimbo Style Tie Unloading Machine, contractors may be used to perform any additional tie unloading required and with no contractual obligation to place a BMWED-represented employee to accompany the contractor operator. It is understood that employees occupying these Lucky Loader/Jimbo positions may at times perform tasks other than unloading ties, such as handling rail or on track material (OTM). However, prior to January 31, 2010, the parties will meet to discuss in good faith the circumstances concerning the use of the Lucky Loader/Jimbo style machines, the amount of tie unloading actually performed by contractors, and the feasibility of eliminating the use of contractors for any tie unloading. If the parties fail to reach an understanding to continue or adjust this without prejudice arrangement for tie unloading, the parties will revert to their former positions with respect to the rights to use contractors and the rights of BMWED-represented employees to be engaged in the work of unloading ties.

3. Claims Concerning Tie Handling –

Pending claims that involve use of a contractor to pick up or unload ties will be disposed of by making payment at the straight time rate for the man hours that the contractor actually performed tie handling work without a BMWED-represented machine operator present. Any such tie-handling claim in which a BMWED-represented machine operator was present with the contractor is withdrawn.

II. PRODUCTION TAMPER DIFFERENTIAL –

A. The terms in the 9/28/07 and 12/28/07 Dyna-Cat Agreements are expanded to include all production tampers of Mark III or subsequent generation [excludes operators of backup/chase tampers].

B. By June 4, 2009, the Carrier will notify the current occupants of each Tamper Operator position who will be covered by Part II A and advise them, in writing, as follows:

1. The terms of Part II A, including the \$1.00 per hour differential, six months restriction on vacating the position and six months protection against displacement shall become effective on June 22, 2009, unless the current occupant elects to vacate the position pursuant to Paragraph 2 below.

2. Employees electing to vacate their position must notify their supervisor, in writing, by June 18, 2009, that they do not desire to remain on the position under these new terms. Such employees who timely notify their supervisor will be allowed to exercise seniority and vacate their Tamper Operator position; however, such employee may be held during the initial bulletin and award cycle of the vacancy created. The bulletin for the vacancy will include the new terms.

III. ROUND TRIP MILEAGE HOME FOR REST DAYS FOR TRAVELING EMPLOYEES WHO COMMUTE FROM HOME IN THEIR PERSONAL VEHICLE IN LIEU OF STAYING IN A MOTEL –

A. Employees on positions that do not have a fixed headquarters, who are not provided camp cars and commute from home in their personal vehicle during the workweek in lieu of using a Company provided motel, will be reimbursed the flat amount of \$25 for their one round trip made in their personal vehicle between work and their residence over their rest days. Accordingly, such employees' round trip personal automobile mileage to go home at the end of the week and return to work for the beginning of the next week is not covered by the Article XIV – Travel Allowance or Rule 43 (II) (e) (4) and therefore will not be submitted on the TA or MH code. This flat \$25 amount will be raised to \$30 on January 1, 2010. The employees' round trip home and back in their personal vehicle each day during the workweek, in lieu of using a motel, remains covered by Rule 43 (II) (e) (4) rather than the flat amount described above for the rest day round trip. Article XIV – Travel Allowance will continue to apply to traveling employees who reside in camp cars or motels during their work week and travel to their residences on their weekend rest days in other than Company provided transportation.

B. Existing claims for the round trip home over the rest days to be paid under Rule 43 (II) (e) (4) [the MH payment] are withdrawn, including but not limited to Case 18 of PLB 7272; however, settlement will be made for subsequent claims filed by the Consolidated Federation for round trips prior to January 1, 2009, that specifically identified respective employee names, dates and trip information.

IV. DINING CAR COMMUTE –

A. Rather than adopt the Wesman decision, it is agreed that when employees on production gangs are lodged in motels instead of camp cars but are also furnished meals in a dining car, such employees will:

1. Not be paid a meal allowance;
2. Eat their breakfast and dinner in the dining car on their own unpaid time;
3. Begin and end their paid time for their workday at the dining car;
4. Be paid for the amount of commuting time that is in excess of thirty minutes in traveling between the motel and dining car; and
5. Will be afforded a Gasoline Allowance of \$15 per week for any week subsequent to the effective date of this agreement that the employee works but is not provided Company transportation between the motel and dining car. However, with one exception this allowance will not be paid for any week when an employee is voluntarily absent from work on one or more days. The exception to the non-payment of the allowance because of voluntary absence is that such employee shall still receive the \$15 allowance for a week when the voluntary absence is limited to just one day and the employee used either an approved vacation day or personal leave day for that voluntary absence.

B. Employees who worked in this capacity prior to the effective date of this agreement (on R-8 subsequent to November 13, 2006, T&S 32 subsequent to April 16, 2007, T&S 33 subsequent to June 4, 2007, and T&S 31 subsequent to September 30, 2007) will be allowed \$10 per week, up to the effective date of this agreement, in settlement of all claims in connection with transportation and travel between the motel and dining car and being furnished meals in a dining car while lodged in a motel.

V. SEMI TRACTOR TRAILER TRUCKS –

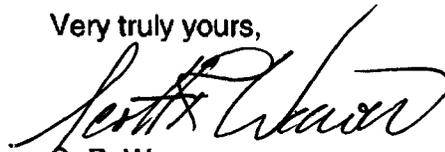
The semi-tractor vehicle operator positions on the Northern Region, currently one at Shiremanstown, Pennsylvania, and one at Toledo, Ohio, and their incumbents will be moved from the vehicle operator classification to the Class I Machine Operator Foster in the same manner as the Brandt Material Handling Trucks and the Log Loaders were handled in the 9/28/07 Agreement.

VI. COMMERCIAL DRIVERS LICENSE –

Upon the effective date of this agreement the current 31 cent per hour differential is raised to be 40 cents per hour and will also apply to the Eastern and Western Regions in the same manner as it currently applies on the Northern Region and on the DPGs.

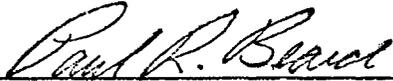
Please indicate your concurrence with the above understanding by signing below.

Very truly yours,



S. R. Weaver
Assistant Vice President
Labor Relations

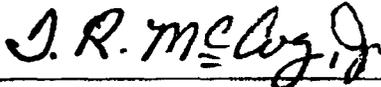
AGREED:



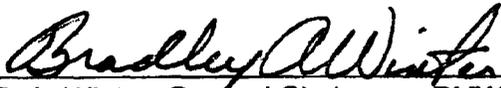
P. R. Beard, General Chairman - BMWED



J. Dodd, General Chairman - BMWED



T. R. McCoy, Jr., General Chairman - BMWED



B. A. Winter, General Chairman - BMWED

APPROVED:



F. N. Simpson, President - BMWED