

**COLLECTIVE BARGAINING  
AGREEMENT**

**Between**

**PANHANDLE NORTHERN RAILROAD, LLC  
("PNR")**

**And**

**BROTHERHOOD OF LOCOMOTIVE  
ENGINEERS & TRAINMEN  
("BLET")**

**Effective April 16, 2012**

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## **PREAMBLE**

This following Agreement between the Panhandle Northern Railway, (PNR) and the Brotherhood of Locomotive Engineers and Trainmen (BLET) recognizes the unusual principles and conditions existing within the short line railroad industry that are not applicable to the major trunk line railroads.

PNR, BLET, and the employees further recognize that they have a common and sympathetic interest in the railroad industry. Therefore, a working system of harmonious relationships is necessary to maintain a rapport among, PNR, BLET, and the employees and with the customers and public. Continued peace and harmonious relationships will benefit all concerned and the parties further agree that they will use rational, common sense methods to settle any differences between them.

## **ARTICLE 1** **REPRESENTATION AND DEFINITIONS**

Section 1.1 PNR recognizes that the BLET represents the engine and train service employees on the PNR. Further, PNR, BLET, and the employees recognize their respective rights and responsibilities under the Railway Labor Act, as amended. In addition, it is recognized that the General Committee of Adjustment (GCA) is the bargaining representative and encompasses the GCA, the Local Chairman and anyone designated by the General Chairman. PNR and the BLET shall apply the provisions of this Agreement without discrimination based on union membership, race, color, creed, religion, national origin, age, sex or disability.

### **Section 1.2 Definitions**

1.2.1 The term "employee" means all engine and train service employees represented by the BLET.

1.2.2 The term "emergency" means an event that disrupts the normal flow of business on PNR including but not limited to Acts of God, acts of force majeure, train accidents, vandalism, lack of locomotives, lack of qualified personnel to operate trains, and customer needs or requirements.

Section 1.3 The use of such words as "he", "his" and "him" are not intended to restrict the application of this Agreement to a particular gender, but are used solely for the purpose of grammatical convenience.

## ARTICLE 2

### SCOPE

Section 2.1 Operating employees shall perform any and all services pursuant to the direction of PNR, including but not limited to steps required for the make up of trains or the movement of cars and trains over and through PNR trackage or trackage over which it is permitted to operate by virtue of trackage rights, operating rights or any other such arrangements with other rail carriers. The primary work of the operating employee is the operation of trains, locomotives, remote control devices used to operate locomotives and any other motive power used for the make up or movement of cars and trains. PNR may, however, use other personnel to move locomotives or trains for repairs, maintenance or testing provided such movements do not involve the movement of revenue traffic.

Section 2.2 It is further recognized that PNR may require operating employees from time to time to perform duties outside their primary duties such as fueling locomotives, changing brake shoes, and conducting repairs to locomotives and cars, coupling and uncoupling cars, inspecting cars and locomotives, throwing switches, locking and unlocking derails, opening and closing gates, coupling and uncoupling air hoses, relieving other employees, servicing and supplying locomotives, assisting in training new operating and engine service employees, receiving train orders and/or track warrants, performing air brake tests, daily inspections of engines, receiving, delivering and/or transmitting waybills, car placement information, bills of lading, switch lists and other data, assisting other employees to clear main line or perform other functions as may be necessary, and other duties as may be assigned .

Section 2.3 All PNR policies, practices, and procedures previously or subsequently issued by PNR that are not in conflict with this Agreement govern the employees covered by this Agreement.

Section 2.4 PNR management may perform work normally performed by an employee in the event of the unavailability of an employee, when PNR is unable to contact other qualified bargaining unit employees or in the event of work of an urgent or emergency nature. It is understood that it is not the intent of the PNR to use this latitude to reduce work, overtime or artificially restrict hiring.

## ARTICLE 3

### MANAGEMENT RIGHTS

Section 3.1 PNR retains the sole and exclusive right to manage the affairs of the business and to direct its work force, subject to the provisions of this Agreement. Such functions of management include, but are not limited to, the right to hire, enforce rules of safety, promote, discharge or discipline (including layoff and recall of employees), and maintain efficiency of employees. PNR has the right to alter, rearrange or change, extend, limit or curtail its operations or any part of it, to decide the number of employees that it assigns to work on any job or shift, the equipment employed in the performance of such work, as well as to determine and set performance levels.

Section 3.2 The parties recognize the PNR currently has assigned two (2) man crews to work on the majority of trains. However, this recognition does not restrict the PNR in any manner from assigning additional crew members or fewer crew members to work on any trains as the PNR deems necessary.

#### **ARTICLE 4** **PROBATIONARY PERIOD**

PNR shall employ persons hired after the effective date of this Agreement on a probationary basis for a period of one hundred twenty (120) compensated days of actual work. During the probationary period, PNR may dismiss the employee for any non-discriminatory reason and neither the employee nor the BLET shall have any right to grieve or otherwise challenge the dismissal. Falsification by an individual of his application is reason for dismissal of the employee whenever PNR discovers such falsification.

#### **ARTICLE 5** **SENIORITY**

Section 5.1 PNR will prepare two seniority rosters as of January 1<sup>st</sup> of each year. One will be a seniority roster for qualified conductors and another for qualified engineers. PNR will post the seniority rosters on bulletin boards where employees report for duty. The PNR will provide a copy of the seniority rosters to the BLET when they are posted. Any employee who wishes to appeal his placement on a roster must file such appeal within thirty (30) days from the date the seniority roster is posted. If the employee does not appeal his placement by the thirtieth (30<sup>th</sup>) day, his placement is final and binding on him.

Section 5.2 The seniority roster for conductors will show employees in order according to their date of hire. The seniority roster for engineers will show employees in order of promotion to engine service. If there are two individuals with the same hire date, their position on the seniority list will be determined by lottery.

Section 5.3 Conductors are required to take promotion to engine service. Engine service training will be offered in seniority order. If the PNR does not receive a sufficient number of conductors for an engine service training class when such training is offered then the PNR will force conductors into engine service training in order of seniority until the training class is full. This process will be repeated for each subsequent training class.

Section 5.4 Employees that are in training to become a locomotive engineer will be placed on the seniority roster when promoted ahead of any employee that is hired as an engineer during the training period.

Section 5.5 An employee who PNR promotes or reassigns outside of engine and train service will retain and continue to accumulate seniority. Any such employee who voluntarily or involuntarily leaves the promoted or reassigned position must return to engine and train service within ten (10) calendar days or such employee will forfeit all seniority rights.

Section 5.6 An employee cannot be absent from service without authority from the PNR. Employees who are absent without authorized leave in excess of fourteen (14) days will forfeit seniority and will be dismissed.

Section 5.7 PNR is not obligated to reinstate any employee who leaves the service of PNR of his own accord and such employee shall forfeit all seniority rights.

## **ARTICLE 6**

### **ASSIGNMENTS AND BULLETINS**

Section 6.1 PNR will bulletin jobs with an on duty time and location. Five (5) day assignments, excluding the extra board, will have consecutive days off. PNR may change the start time of a regular assignment without penalty. If the start time of a regular assignment is changed more than three consecutive days the job will be rebulletined. Employees must make themselves available one (1) hour prior to the assignment for the purpose of receiving such a call. PNR will contact the crew no less than one (1) hour prior to the scheduled on duty time to inform them that their assignment start time has been changed.

Section 6.2 New assignments will be bulletined for a period of seven (7) days with bulletins posted at locations where employees report for duty. Employees desiring such assignments will indicate their preference therefor on the prescribed form within the seven (7) day period. At the close of the bulletin period, PNR will assign the senior qualified employee making application for the position.

Section 6.3 PNR will permit qualified engineers to bid positions as conductors according to their standing on the conductor's seniority roster and, if the senior applicant, PNR will assign him to the position provided all engineer positions are filled with qualified engineers. In the event an engineer position is vacant and no engineer bids the position, PNR will assign the junior engineer working as conductor to the position.

Section 6.4 Employees who have been assigned to a regular position for a period of ninety (90) calendar days or more will be permitted to exercise seniority to a different position, seniority permitting.

Section 6.5 When PNR is going to abolish or annul assignments on work days or holidays, it will notify the employees assigned to the job during the preceding tour of duty, except in case of an emergency or Act of God. If the company annuls an assignment on a regularly assigned work day and the employee does not work through no fault of their own the employee will be compensated a basic day's pay.

Section 6.6 All employees are required to have a working telephone on which they can be contacted and are required to keep PNR informed of their current telephone number(s) and mailing address.

**ARTICLE 7**  
**GUARANTEED EXTRA BOARD**

Section 7.1 An extra board or boards may be established or discontinued at the discretion of the PNR.

Section 7.2 The extra board will be considered an assigned position. Positions on the extra board will be bulletined and filled by seniority choice. If an assignment for the extra board goes no bid the PNR may force employee(s) to the extra board in reverse order of seniority.

Section 7.3 The work week for the extra board will be Monday through Sunday. Employees assigned to the extra board must be available for service seven (7) days per week and will receive a guarantee of fifty (50) hours if they are available for service the entire week. Employees will be compensated at the highest applicable rate of pay in accordance with Appendix A to this Agreement, with a minimum basic day of ten (10) hours for the assignment they are called to work. Employees assigned to the extra board that mark off or are otherwise unavailable for call will forfeit a basic day of ten (10) hours from the guarantee for each day they are unavailable.

Section 7.4 The extra board shall be a combination engineer/conductor rotary board with employees being called in rotation on a first-in/first-out basis depending on qualification for the assignment called. An employee in the first-out position on the extra board who is not qualified for a position called may be runaround by the next available employee assigned to the extra board who is qualified for the position. If a certified engineer is not available on the extra board and the vacancy to be filled is for the engineer's position, and the conductor on the job is a certified engineer, PNR may move the conductor over to fill the engineer's position and then call the next available employee from the extra board to fill the conductor's position. If the conductor working on the job on which the engineer's vacancy exists is not a certified engineer, and the extra board is exhausted of available engineers, PNR may use the junior engineer to fill the vacancy.

Section 7.5 Employees on the extra board may be assigned to positions for the purpose of qualifying the employee for the position at the discretion of the PNR. These assignments may be for a single day or longer as determined by the PNR in order for the employee to become qualified. The PNR will have the sole determination regarding the qualification of an employee.

7.5.1 Employees will be required to provide the PNR with a telephone number or numbers where the employee can be contacted. Employees will be called as near as practicable but not less than two (2) hours prior to the on duty time of the assignment.

7.5.2 Extra board employees who tie up at the same time will be marked up in the order called for the service just ended.

7.5.3 When an extra board employee misses a call or marks off on call he will not be allowed to mark up for a period of at least eight (8) hours. The PNR may however, call the employee before the expiration of the eight (8) hours and see if he is available for service,



providing the extra board is exhausted. There will be no penalty if the PNR needs to use an employee before the expiration of the eight (8) hours period. Employees marking up after having been off for any reason will be marked to the bottom of the board. Employees are not permitted to pass on a call for service when they are in the first-out position and qualified for the position they are being called for.

## **ARTICLE 8** **REDUCTION IN FORCE**

Section 8.1 If PNR reduces the workforce, it will furlough employees in reverse order of seniority.

Section 8.2 When PNR recalls the workforce, it will recall employees to service in seniority order. Recalled employees will retain their original seniority date and standing, provided they contact the designated officer at the PNR within seven (7) calendar days of notification and advise the company of their intent to return to service and then physically report within fourteen (14) calendar days from the date of notification. An employee that fails to physically report for service within the fourteen (14) calendar day period referred to above will forfeit seniority, unless other arrangements have been made with the General Manager. Notification for a recall to service must be made via certified mail. PNR will provide the BLET copies of the recall letters upon request.

Section 8.3 All employees must keep PNR informed of their current mailing address.

## **ARTICLE 9** **VACANCIES**

Section 9.1 PNR may abolish a position if it deems the position is no longer necessary or redundant.

Section 9.2 Permanent vacancies are defined as newly established positions or positions vacated due to exercise of seniority, retirement, death, dismissal, resignation or reassignment that PNR has not abolished and that it expects to remain open for thirty (30) days.

Section 9.3 Temporary vacancies are those due to illness, injury, vacation and all other reasons except those referred to in Section 9.2 above. Temporary vacancies will be filled as follows:

9.3.1 From the Guaranteed Extra Board (GEB).

9.3.2 If the GEB is exhausted of available employees the work will be offered in seniority order. If no one volunteers to do the work, PNR may force the junior qualified available employee to the assignment.

9.3.3 By another qualified PNR employee.

## **ARTICLE 10**

### **WAGES**

Section 10.1 PNR will pay each employee in full by electronic deposit on a semi-monthly basis as set forth in Appendix A.

Section 10.2 Pay shortages will be paid promptly upon notification. PNR will provide each employee with an itemized statement of gross earnings and an itemized statement of all deductions made for any purpose.

## **ARTICLE 11**

### **MEAL PERIOD**

PNR recognizes that due to the constraints of service, employees occasionally cannot take their lunch within a tour of duty and may have to forego their meal period. If PNR directs the employee to forego the meal period, it will pay him thirty (30) minutes at the respective straight time rate for that tour of duty.

## **ARTICLE 12**

### **QUALIFICATION, CERTIFICATION, AND TRAINING**

Section 12.1 All employees must qualify on PNR operating rules and PNR has the right to qualify or place restrictions on employees. A restriction that is placed for disciplinary reasons (i.e., as a result of an incident involving an alleged rule violation) may only be imposed after fulfillment of the requirement of Article 15 ("Hearings").

Section 12.2 PNR shall conduct periodic training programs designed to enable the employees to become certified for the engineer and conductor positions. PNR will afford employees who fail the certification test additional training and the opportunity to test a second time.

Section 12.3 It is understood that failure to pass the certification test or rules exam on the second attempt shall result in the forfeiture of seniority rights and dismissal.

Section 12.4 Regularly assigned employees that are not qualified for assignments may be force assigned to assignments not qualified on by the PNR. This is for the purpose of gaining qualification. The PNR will have the sole determination regarding the qualification of an employee.

Section 12.5 If it is determined by the PNR that an employee has become qualified on a position they have been force assigned to train on the employee will be allowed to return to the assignment they bid on during the regular bid cycle, unless they are required to train on another assignment they are not qualified for.

### ARTICLE 13

#### LEAVE OF ABSENCE

Section 13.1 PNR may grant an employee a leave of absence of up to ninety (90) calendar days at its sole discretion but not for a longer period except by agreement between PNR and BLET or as required by law. An employee granted such leave shall sign a copy of the written authorization for PNR's records. Any employee that fails to return to service within the allotted time allowed under the leave of absence, without making arrangements with the General Manager for an extension of the leave will forfeit seniority and will be dismissed.

Section 13.2 Any employee on leave of absence from PNR may not work for another rail carrier unless so approved by PNR and BLET.

### ARTICLE 14

#### GRIEVANCE AND ARBITRATION PROCEDURE

Section 14.1 If the Employee feels he is aggrieved, he must submit a written, detailed grievance within five (5) calendar days from the date of the alleged grievance to the General Manager of PNR. The General Manager must respond in writing within ten (10) days of the date of receipt of the grievance, either allowing or denying the grievance.

Section 14.2 If the Employee is not satisfied with the General Manager's decision, the General Chairman must appeal the decision in writing to the Highest Designated Officer (HDO) of the PNR within thirty (30) calendar days of the date of the General Manager's decision. The HDO shall hear and decide the appeal within thirty (30) days of the date of receipt of the appeal.

Section 14.3 If PNR and the BLET fail to settle the grievance, they shall handle the matter in accordance with the Railway Labor Act, as amended. All claims or grievances involved in a decision of the highest officer shall be barred unless within six (6) months from the date of said officer's decision proceedings are instituted by the employee or his duly authorized representative before a tribunal having jurisdiction pursuant to law or agreement of the claim or grievance involved. It is understood, however, that the parties may by agreement in any particular case extend the six months' period herein referred to.

Section 14.4 Any party that fails to comply with any of the time limitations outlined above has abandoned all rights and the decision given by the other party at the last applicable step is final and binding. The parties may agree in writing to waive any of the time limitations outlined above.

Section 14.5 Each party will supply the other with the names of all officers or persons who shall function in its behalf in the grievance procedure.

## ARTICLE 15 HEARINGS

Section 15.1 PNR shall notify an employee in writing of a hearing concerning incident(s) that could lead to suspension or termination within thirty (30) days from the time the appropriate supervisory officer of the PNR first gained knowledge of the incident(s). Notification will be made by registered mail or hand delivery. The notice of hearing will contain information sufficient to apprise the employee of the act or occurrence to be investigated. It will also include the time and location of the hearing. Employees so charged will be given sufficient time to obtain representation, prepare a defense and request witness to testify on their behalf at the hearing. The hearing will be held within fifteen (15) days of the date of notification unless postponed for cause by either party. Postponements of investigations will not be unreasonably requested or denied. At the hearing the charged employee or his representative will be permitted to be present for the entire proceeding, to hear all testimony, and to question all witnesses.

Section 15.2 A decision will be rendered within fifteen (15) days following the completion of the hearing. The employee will be notified of the decision via U.S. mail or hand delivery. The postmark will be used to determine compliance with this fifteen (15) day time limit if mailed. Failure of PNR to issue notice of discipline within this fifteen (15) day requirement will negate its right to assess discipline for the relevant matter.

Section 15.3 In the event discipline is assessed, a complete and accurate transcript of the hearing will be provided to the employee and his representative along with PNR's decision. The employee or his representative has the right to appeal the decision provided such appeal is filed with the officer of PNR designated to handle appeals within thirty (30) calendar days of the date of the decision. If an appeal is not filed within this time period, the matter is barred from further action or appeal by the BLET unless the parties mutually agree otherwise.

Section 15.4 PNR's designated officer must issue a written decision on the employee's appeal within thirty (30) business days of the date of receipt of the employee's appeal. If PNR fails to issue such decision within this thirty (30) day period, the appeal will be sustained in its entirety.

Section 15.5 The decision reached pursuant to Article 15.4 is final and binding unless, within thirty (30) business days, the General Chairman of the BLET notifies the Highest Designated Officer (HDO) of the PNR that he desires a conference on the matter. The parties will hold such a conference within thirty (30) business days of the date of the General Chairman's request for the conference unless the parties mutually agree to extend the time period. Within thirty (30) business days of the date of the conference, the HDO must issue a final written decision to the General Chairman. Failure to issue a final decision within that time period will result in the appeal being sustained in its entirety.

Section 15.6 If PNR and the BLET fail to settle the grievance, they shall handle the matter in accordance with the Railway Labor Act, as amended. All claims or grievances involved in a decision of the highest officer shall be barred unless within six (6) months from the date of said officer's decision proceedings are instituted by the employee or his duly authorized representative before a tribunal having jurisdiction pursuant to law or agreement of the claim or grievance

involved. It is understood, however, that the parties may by agreement in any particular case extend the six months' period herein referred to.

Section 15.7 If the matter is submitted for arbitration under this Article, the parties agree that the arbitrator shall consider only the dispute or question presented to him in the notice. Further, any decision rendered by the arbitrator is limited to the dispute or questions contained in the request for arbitration. The decision shall not add to, subtract from, modify, rescind or disregard any provision of this Agreement. The arbitrator's decision is final and binding.

Section 15.8 An employee notified to attend an investigation and found to be not guilty, will be paid for all time lost.

Section 15.9 If PNR calls an employee to attend an investigation as a carrier witness on his off duty time it will pay him for all time from the time required to report until the time of final release by the investigation officer.

Section 15.10 PNR may offer a charged employee the right to waive the investigation and accept responsibility for the charges. Such a waiver will be in writing, signed by the carrier officer and the employee, witnessed by the local chairman, and contain the specific amount of discipline that will be assessed as a result of the employee waiving his or her rights to an investigation. Offers of waivers that are rejected by the employee will not be referred to by either party in any other forum.

Section 15.11 If, as a result of handling a matter at any stage of this Article, the employee is exonerated, he will be reinstated, if out of service, paid for all time off if any, and will have the relative notation removed from his personal record. The BLET will also not use any such removed notation for any purpose.

Section 15.12 All time limitations set forth in this Article may be extended by mutual agreement of the parties.

## **ARTICLE 16** **HOLIDAYS**

Section 16.1 PNR will recognize Memorial Day, Independence Day, Labor Day, Thanksgiving Day, the day after Thanksgiving Day, Christmas Eve Day, Christmas Day, and New Years Day.

Section 16.2 PNR will pay each employee who does not work on a holiday his daily rate of pay for one day. To be eligible for holiday pay, the employee must have worked or have been available for work on his last regularly assigned work day before the holiday and his first normally assigned work day following the holiday. Employees who are on vacation or bereavement leave when the holiday occurs are considered to have met this requirement.

Section 16.3 If PNR requires an employee to work on a holiday, it will pay him the holiday rate of pay of one and one-half (1 1/2) times the daily rate of pay specified in Appendix A except that the employee will not have to work five (5) consecutive days before the holiday to receive the holiday pay.

**ARTICLE 17**  
**PAID TIME OFF**

Section 17.1 An employee will accrue paid time off ("PTO") pursuant to the following schedule:

Years of Service*	Accrual Rate	Semi-Monthly Days Per Month	Days Per Year	Maximum Days Carry Over
Up to 1	4 hours	1.00	12	6
2 – 3	6 hours	1.50	18	9
4 – 5	8 hours	2.00	24	12
6 – 9	9 hours	2.25	27	13
10 +	10 hours	2.50	30	15

\* For purposes of measuring an employee's PTO entitlement, the years of service will be measured from the date of his hiring at PNR.

Section 17.2 PTO will be scheduled prior to the beginning of the calendar year in which it is taken and scheduling will be handled between the Local Chairman of the BLET and the designated officer of the PNR. Employees will be allowed their first choice of PTO in seniority order until the roster is exhausted and then employees will be offered their second choice of PTO in seniority order. Employees will schedule a minimum of fifty percent (50%) of their available PTO allotment when the schedule is made.

Section 17.3 Employees will be allowed to take up to fifty percent (50%) of their PTO in single day increments on a first-come, first-serve basis. Employees may request a single day of PTO with a minimum forty-eight hours advance notice to the designated officer of the PNR. The PNR may grant or deny such PTO request based upon its requirements of service.

Section 17.4 It is the intent of the parties that employees will normally take PTO in increments of one (1) week or more except that employees may not take more than two (2) weeks at a time without the written approval of the General Manager.

Section 17.5 Employees must submit a request for PTO on the form supplied by PNR.

Section 17.6 PNR reserves the right to grant or deny PTO requests based upon its service or operational needs.

Section 17.7 PNR will pay an employee his accrued but unused PTO upon the termination of the employee's employment with PNR.

**ARTICLE 18**  
**BEREAVEMENT LEAVE**

Section 18.1 Bereavement leave allows an employee time off when a death occurs in the immediate family. PNR will give an employee a leave of up to three (3) days, calculated at the employee's equivalent of hourly rate of pay.

Section 18.2 The definition of an employee's immediate family is the employee's spouse, child, parent, parent-in-law, step-parent, grandparents, step-child, and employee's brother or sister.

Section 18.3 The days of leave for which PNR shall pay the employee is limited to those days on which the employee is regularly scheduled to work and is unable to work because he is arranging for, traveling to and from or attending the funeral. PNR will not grant pay to employees for this purpose who are already on vacation, leave of absence, lay off or paid holiday. Employees will be required to furnish documentation upon return to service (death certificate, obituary, death notice, etc.) to support a claim for bereavement leave.

**ARTICLE 19**  
**JURY DUTY**

Section 19.1 PNR will pay employees who serve jury duty the difference between the amount paid by the court for such service and the amount of their regular earnings at their equivalent hourly rate of pay that they would have otherwise earned for a period of a maximum of thirty (30) days a year. PNR will not grant any jury duty pay to the employee if the employee is on leave of absence, lay-off, vacation or holiday. PNR will not consider hours paid under this provision as time worked when it computes overtime.

Section 19.2 If an employee is subpoenaed by some other party or required by the PNR to attend any court proceeding, coroners request or deposition to provide testimony in connection with actions arising out of his employment or to assist the PNR in connection with such proceedings, inquest or deposition, the PNR will reimburse him for reasonable expenses incurred in connection with his attendance, provided that if the employee is under criminal investigation or is a party to a civil suit, the PNR shall not be obligated to reimburse the employee unless the General Manager of the PNR and the BLET mutually agree.

**ARTICLE 20**  
**GROUP HEALTH BENEFIT PLANS**

Section 20.1 PNR covers employees in the PNR Group Health Benefit Plans. Employees must first meet the qualifying criteria as described in the group plan before they are eligible to receive benefits. This insurance is only effective as long as the Employee is eligible for insurance and becomes and remains insured as provided in the Group Policy. An employee will make a premium contribution in an amount equal to one hundred dollars (\$100) less per month for family health care, seventy-five dollars (\$75) less per month for employee plus spouse or employee plus one, and fifty dollars (\$50) less per month for single employee coverage than the amounts for those coverages shown in the group plan policy.

Section 20.2 If the employee fails to qualify for coverage during a calendar month, PNR will afford him the option to continue coverage under the plan by paying the premium cost, if permitted by the insurance carrier.

Section 20.3 PNR retains the right to change insurance companies/programs as long as the new group benefit plan provides reasonably similar benefits and the plan recognizes the employee payment provisions set forth in Section 21.1.

## **ARTICLE 21**

### **PAYROLL DEDUCTION**

Section 21.1 All employees covered by the terms of this agreement will be required to become and maintain membership in the BLET except as otherwise specifically provided herein. Union membership, for purposes of this Agreement, is required only to the extent that employee must pay either: (i) the BLET's initiation fees and periodic dues or (ii) service fees. The service fees shall be equal to the BLET's initiation fees and periodic dues and, in the case of an objecting service fee payer, shall be the proportion of the initiation fees and dues corresponding to the portion of the BLET's total expenditures that support representational activities.

Section 21.2 Subject to the conditions set forth below, PNR will deduct from wages earned by an employee all sums for periodic union dues, initiation fees, and assessments (but not fines and penalties) payable to the BLET upon written and unrevoked authorization of an employee in the form agreed upon by the parties. Deductions for federal, state, and municipal taxes, any amounts due PNR by the employee, and deductions required by law or court order have precedence over union deductions.

Section 21.3 An employee may revoke a payroll deduction authorizing form by executing the form agreed upon by the parties. It is, however, understood that revoking the form will not relieve the employee of the other requirements of this Article.

Section 21.4 The BLET shall reproduce and furnish both authorization and revocation forms to employees. The BLET is responsible for obtaining the authorization forms from the employees and for delivering such forms to PNR. The employee shall furnish revocation forms directly to PNR. PNR will then send a copy of the revocation form to the BLET.

Section 21.5 PNR will make deductions monthly from the second pay period in each calendar month and PNR will remit to the BLET the total amount of such deduction on or before the twentieth (20<sup>th</sup>) day of the following month. In the event earnings of an employee are insufficient to permit the full amount of deduction, PNR will not make a deduction for such period and the BLET is responsible for the collection of the same.

Section 21.6 PNR shall discharge any employee who does not comply with the requirements of this Article within ten (10) days of being notified of such non-compliance. The BLET shall indemnify and hold harmless PNR against any and all claims, demands, suits or other forms of liability that arise out of or by reason of any action taken or not taken by PNR pursuant to its obligation under this process. The specific process is identified in the Union Shop Enforcement



Document, which is attached to this Agreement as Appendix "B".

## **ARTICLE 22** **EQUIPMENT**

PNR will provide required personal protection equipment (PPE) such as non prescription safety glasses, safety vests, gloves, earplugs and fire retardant clothing (where required) and PNR shall provide employees with an annual safety boot allowance in accordance with the company's safety shoe policy. Employees must purchase safety boots from a PNR authorized dealer and the boots must meet PNR's safety standards.

## **ARTICLE 23** **PHYSICAL EXAMINATION**

Section 23.1 Physical examinations will not be more frequent than once a year, unless required by law or unless, in the opinion of PNR, an examination is necessary to determine if the employee is physically able to perform service, and to determine what, if any, reasonable accommodations may be required.

Section 23.2 If PNR's physician disqualifies an employee upon examination and the employee feels such that disqualification is unwarranted, the following procedure will apply:

23.2.1 The employee, at his expense, will select a physician to represent him. PNR, at its expense, will select a physician to represent it. If the two (2) physicians selected concur, their conclusion reached by them is final.

23.2.2 If the two (2) physicians selected disagree as to the physical condition of such employee, they will select a third (3<sup>rd</sup>) physician, at the joint and equal expense of PNR and the employee, who shall be a practitioner of recognized standing in the medical profession and a specialist in the disease, condition or injury from which the employee is alleged to be suffering. The third (3<sup>rd</sup>) physician will examine the employee and render a report within a reasonable time not exceeding fifteen (15) calendar days after such examination (unless waiting for test results or laboratory reports) setting forth the employee's physical condition and the physician's opinion as to the employee's fitness to continue service in his regular employment, including the need for any reasonable accommodations. The opinion of any two (2) such physicians is final.

23.2.3 If PNR holds an employee from service for an examination or alleged impaired physical condition and, upon examination, the physicians find the employee physically fit to resume duty, and the PNR will reinstate him and pay him for lost time.

23.2.4 If an employee has been medically disqualified pursuant to this Article it is understood that this Article does not limit the employee's opportunity to challenge the medical department's finding if, in the future, the employee's condition has improved to the point that his or her doctor believes he or she can return to work.

**ARTICLE 24**  
**STRIKES AND LOCKOUTS**

The BLET agrees that, during the life of this Agreement, it will not sanction, encourage or condone the participation by its members in any unauthorized strike, slowdown, stoppage (total or partial) of work covered by this Agreement, or interfere, directly or indirectly, by picketing or otherwise with the operation of PNR. PNR agrees that it will not engage in a lock-out of employees during the lifetime of this Agreement.

**ARTICLE 25**  
**POSTING - BULLETIN BOARDS**

Section 25.1 PNR will provide a copy of this Agreement to each covered employee.

Section 25.2 PNR will provide bulletin boards at locations where the crews report that the BLET may use for posting, restricted to notices of BLET business. Neither BLET nor the employees shall post other types of notices without permission of PNR.

**ARTICLE 26**  
**SEPARABILITY AND SAVINGS CLAUSE; PRECEDENCE**

Section 26.1 If any article or section of this Agreement is held invalid by operation of law or by any tribunal of competent jurisdiction or if compliance with or enforcement of any article or section should be restrained by such tribunal pending a final determination as to its validity, the remainder of this Agreement or the application of such article or section shall not be affected thereby. In such event, the parties shall, upon the request of the BLET, enter into collective bargaining negotiations for the purpose of arriving at a mutually satisfactory replacement for such article or section during the period of invalidity or restraint.

Section 26.2 This Agreement shall in all respects supersede and take precedence over all other agreements and any proposals in pending notices by and between PNR and the BLET.

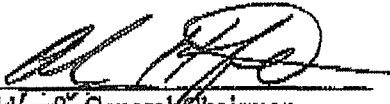
**ARTICLE 27**  
**MORATORIUM**

The parties signatory to this Agreement agree that no notice to change this Agreement pursuant to Section 6 of the Railway Labor Act, as amended, will be served by either party more than six (6) months before the termination date of the Agreement.

This Agreement will become effective on April 16, 2012 and shall remain in effect through October 31, 2015 and thereafter as prescribed by the Railway Labor Act, as amended.

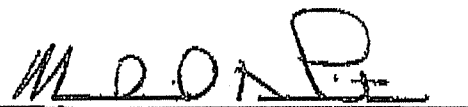
Signed this 16 day of APRIL, 2012.

**FOR THE  
BROTHERHOOD OF LOCOMOTIVE  
ENGINEERS & TRAINMEN**

  
\_\_\_\_\_  
Alan Holdcraft, General Chairman

**FOR THE PANHANDLE NORTHERN  
RAILROAD, LLC**

  
\_\_\_\_\_  
Sam Cotton, Division General Manager

  
\_\_\_\_\_  
Michael Priester, Vice President

APPENDIX  
"A"

Position	Years of Service	11/01/2010	11/01/2011	11/01/2012	11/01/2013	11/01/2014
Engineer	0-5	\$18.95	\$19.33	\$19.72	\$20.11	\$20.51
	6-9	\$19.21	\$19.59	\$19.98	\$20.38	\$20.79
	10+	\$19.46	\$19.85	\$20.25	\$20.66	\$21.07
Conductor	0-5	\$18.39	\$18.76	\$19.14	\$19.52	\$19.91
	6-9	\$18.65	\$19.02	\$19.40	\$19.79	\$20.19
	10+	\$18.90	\$19.28	\$19.67	\$20.06	\$20.46
Brakeman	0-5	\$16.72	\$17.05	\$17.39	\$17.74	\$18.09
	6-9	\$16.97	\$17.31	\$17.66	\$18.01	\$18.37
	10+	\$17.23	\$17.57	\$17.92	\$18.28	\$18.65
Trainee	N/A	\$13.93	\$14.41	\$14.49	\$14.78	\$15.08

\* The pay rates for Years of Service for the Years of Service 6 - 9 and 10+ include additional compensation for years of service with PNR (the "Longevity Pay"). For purposes of measuring the employee's entitlement to Longevity Pay, the Years of Service shall be measured from the date he began service in the operating crafts. Any Longevity Pay increase will take effect on the pay period following the employee's anniversary date.

Once an employee moves to the top rate for a classification, PNR will pay him that rate without regard to the type work he does.

Ten (10) hours will constitute a basic day. PNR shall pay overtime at the rate of one and one-half ( $1\frac{1}{2}$ ) times the regular hourly rate of the employee for all time worked over ten (10) hours.

PNR employees may participate in the company 401(k) plan if they meet the criteria set forth in that plan.

**APPENDIX**  
**“B”**  
**Union Shop Enforcement Document**

The BLET General Chairman will notify the appropriate officer of the PNR in writing of any employee working under this Agreement (“employee”) whose employment he requests be terminated because of the employee’s failure to comply with union membership requirements. Upon receipt of such notice and request, the PNR will, as promptly as possible but within ten (10) calendar days of such receipt, notify the employee concerned in writing by registered or certified mail, return receipt requested, sent to his last known address, or sent by receipted personal delivery, that he is charged with failure to comply with the union membership requirements. A copy of the notice will be given to the General Chairman. Any employee so notified who disputes the charge that he has failed to comply with union membership requirements will, within ten (10) calendar days from the date of such notice, request the PNR in writing to accord him a hearing. Such a request will be honored by the PNR and a date set for the hearing as soon as possible, but within ten (10) calendar days of the date of the receipt of the request. A copy of the notice of such hearing will be given to the General Chairman. The receipt by the PNR of a request for a hearing will stay action on the request by the General Chairman for termination of the employee’s employment until the hearing is held and the final decision is rendered. If the employee concerned fails to request a hearing as provided for herein, the PNR will proceed to terminate his employment at the end of thirty (30) calendar days from receipt of the request from the General Chairman, unless the PNR and the BLET agree otherwise in writing.

The PNR will determine on the basis of evidence produced at the hearing whether or not the employee has complied with the union membership requirements, and will render a decision accordingly. Such a decision will be rendered within ten (10) calendar days of the hearing date, and the employee and the General Chairman will be promptly notified. A transcript of the hearing will be furnished to the General Chairman. If the decision is that the employee has not complied with union membership requirements, his employment will be terminated within ten (10) calendar days of the date of the decision, unless the PNR and the BLET agree otherwise in writing. If the decision of the PNR is not satisfactory to the employee or to the BLET, it may be appealed in writing directly to the highest officer of the PNR designated to handle appeals. Such appeal must be received within ten (10) calendar days of the date of decision appealed from, and the decision on such an appeal will be rendered within twenty (20) calendar days of the date the appeal is received. The decision by the highest appeals officer of the PNR designated to handle appeals will be final and binding unless, within thirty (30) calendar days thereafter, the PNR is notified in writing that the decision is unsatisfactory, and in such event, the dispute may be submitted to a tribunal having jurisdiction within six months of the date of such decision. A representative of the BLET will have the right to be present at and participate in any hearing which involves the BLET.

The BLET shall indemnify and hold harmless the PNR against any and all claims, demands, suits or other forms of liability that arise out of or by reason of any action taken or not taken by the Carrier pursuant to this Article.

**Side Letter No. 1**

Mr. Alan Holdcraft  
General Chairman  
Brotherhood of Locomotive Engineers and Trainmen  
101 N. Beverly  
Crowley, Texas 76036

Dear Mr. Holdcraft:

This refers to our negotiations over the labor contract effective April 16, 2012. The parties recognize the increase in rates of pay identified on Appendix "A" to the Agreement is retroactive to November 1, 2010 and that employees will be entitled to receive a lump sum payment to cover the period of retroactivity. The parties agree that this payment will be made within sixty (60) calendar days of the date of ratification.

Yours truly,

A handwritten signature in black ink, appearing to read "Sam Cotton", written in a cursive style.

Sam Cotton  
Division General Manager

**Side Letter No. 2**

Mr. Alan Holdcraft  
General Chairman  
Brotherhood of Locomotive Engineers and Trainmen  
101 N. Beverly  
Crowley, Texas 76036

Dear Mr. Holdcraft:

This refers to our negotiations over the labor contract effective April 16, 2012. The parties agree that currently active employees will receive a signing bonus of \$250.00 following ratification of the Agreement. The parties agree that this payment will be made within sixty (60) calendar days of the date of ratification.

Yours truly,



Sam Cotton  
Division General Manager