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July 27, 2012

Mr. O.E. Weathers, General Chairman
United Transportation Union
3560 Cardinal Point Drive – Suite 103
Jacksonville, FL 32257

RE: UTU File: L-20 (Loyall / Erwin Coordination Agreement)

Dear Sir:

Reference your letter (UTU File L-20 RE: Appeal of Loyall/Erwin Coordination Agreement) dated May 29, 2012 (attached). Your appeal restates your earlier position that the divisional service, which has been implemented between Loyall and Kingsport and Kingsport and Erwin, is without agreement support and a violation of the Loyall/Erwin Coordination agreement.

Please be advised that the Coordination Agreement of April 18, 1985 has not been violated. That Agreement established a Freight Pool to operate straight away between Loyall, KY and Erwin, TN. You were advised by letter dated February 1, 2012 that crews will no longer operate from Erwin to Loyall or Loyall to Erwin. Instead, crews will begin operating in divisional service between Loyall, KY and Kingsport, TN and between Kingsport, TN and Erwin, TN. There is no language in the Coordination Agreement of April 18, 1985 or the CSRA, which restricts the Company's management right from operating in this manner.

The "Twomey" Award dated October 15, 2010, selected the CSRA as the agreement most beneficial to the employees involved as to rates of pay, rules and working conditions, including crew consist agreements. In accordance with that award, effective October 25, 2010, the CSRA became the controlling agreement on the territory. In pertinent part, the October 15, 2010 "Twomey" Award supporting the Company's position on the matter states:

"QUESTIONS AT ISSUE..."

Question #2:

Pursuant to the "Revised Standards of Preemption of Collective Bargaining Agreements for Transactions Initiated Pursuant to Section 11323 of the Interstate Commerce Act, Consolidation or Coordination, paragraph 2., otherwise referred to as the Cram down Agreement, requires the Union to select a single Collective Bargaining Agreement within the parameters set forth in that Agreement.

There is no dispute that the Union has failed to select a single bargaining agreement, therefore the Board is required, as referred to in the above referenced agreement, to select the agreement most

beneficial to the employees involved as to the rates of pay, rules and working conditions, including crew consist agreements...

Answer to Question #2:

"With respect to Question No. 2, after careful consideration and review of the submissions and presentations made by the parties, the Arbitrator determines that the Consolidated Southern Region Agreement is the agreement most beneficial to the employees affected by CSXT's coordination notice and will, effective October 25, 2010, become the controlling agreement on the territory encompassed by the Section 4 Notice."

The other "Twomey" Award dated November 10, 2010 concluded that the CSRA replaced and superseded any other New York Dock Implementing Agreements applicable to the coordinated territory. As such, effective October 25, 2010 the referenced coordinated territory commenced being governed by the Consolidated Southern Region Agreement (CSRA). The following excerpt from the November 10, 2010 "Twomey" Award supporting the Company's position on the matter is as follows:

"II. Applicable Agreement

In the event there is a conflict between the terms imposed by this award and any other NYD implementing agreements, the terms imposed by this award will prevail."

Article 51 of the CSRA states, in pertinent part:

"ARTICLE 51 WORK WEEK (*Emphasis added*)

Section 1 Assignment(s)/ Unassigned Service

B. 1. Regular Assignments or Pool service, unless otherwise provided for in this agreement, will be established consistent with customer service requirements and at the Company's discretion may consist of the following variations:

- a. Five (5) days with one (1) or two (2) scheduled off days; or,*
- b. Six (6) days with two (2) scheduled days off; or,*
- c. Combination of six (6) days with two (2) scheduled days off and four (4) days with two (2) scheduled days off; or,*
- d. Six (6) days with two (2) scheduled days off - Work Rest Short Pools (150 miles or less), as provided for in Section 2 of this Article; or,*
- e. Assigned Pools with a six (6) hour call Window; or,*
- f. Unassigned Pools; or,*
- g. Other variations, as mutually agreed, to meet customer service requirements."*

Operating divisional service from one location to another in pool service is clearly permissible under the provisions of Article 51 of the CSRA. The Organization's claim that operating this service violates the Loyal/Erwin Coordination agreement clearly demonstrates that there is a conflict between the former Loyal/Erwin Coordination agreement and the CSRA. In accordance with the terms imposed by the

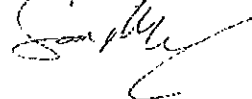
November 10, 2010 "Twomey" Award, the CSRA prevails as the controlling agreement. In view of the aforementioned facts, this service is operating as provided by the controlling collective bargaining agreement, the CSRA, which was properly authorized and implemented as a result of a New York Dock Transaction. No violation occurred.

Inasmuch as this is divisional service, Article 40 of the CSRA does not apply.

We are more than willing to discuss possible equity arrangements for the pools now operating in this Divisional service, providing it does not result in any additional expense to the Carrier. Without retreating from the above, it should be noted that there was a 50/50 equity split for the former Loyall/Erwin Pool. The home terminal of the former CRR crews was Erwin and the home terminal of former L&N crews was Loyall. This has not changed with the institution of the new divisional service.

In view of the foregoing, the appeals filed on behalf of the eight (8) employees listed on the initial claim as well as the continuing claims lack merit and agreement support and are denied in their entirety.

Yours Very Truly,



Salvatore Macedonio

UNITED

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General Chairman

ED WEATHERS
Assistant Chairman

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GENERAL COMMITTEE OF ADJUSTMENT
CSX Transportation (L.&N. Proper)
CRR • NC&STL

May 29, 2012

UTU File: L-20

Mr. Sam Macedonio
Director, Labor Relations
CSX Transportation, Inc.
6735 South Point Drive S, J-455
Jacksonville, FL 32216

**RE: APPEAL - VIOLATION OF LOYALL/ERWIN
COORDINATION AGREEMENT**

Dear Sir:

Reference to your letter dated May 10, 2012, denying claims submitted by this office by letter dated April 3, 2012, for a continuing claim for a basic day's penalty for various trainmen beginning February 11, 2012 and each day thereafter that the Loyall/Erwin Coordination Agreement of April 18, 1985 and Article 40 of the CSRA are violated.

Please consider this an appeal in accordance with Article 6 of the CSRA to the denial of those claims. As indicated in the claim made by letter of April 3, 2012, the alleged divisional service that you have implemented is without agreement support and is in conflict with the Loyall/Erwin Coordination Agreement of April 18, 1985, which requires that service between Loyall and Erwin in the coordinated territory be operated with coordinated crews on an equity allocation basis between former L&N and CRR crews.

Article XVII of the Coordination Agreement provides that:

This Agreement shall remain in full force and effect until revised or modified in accordance with the Railway Labor Act, as amended.

Mr. Sam Macedonio
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RE: Appeal - Violation of Loyall/Erwin Coordination
Agreement, UTU File L-20

Therefore, any changes to the operation within the coordinated territory which involves the use of crews represented by this office can only be accomplished by negotiation.

You advise that switching limits which were extended from Frisco, TN to Kingsport, TN was for all purposes; however the letter dated March 19, 1987, requesting this extension advised that it was only "to provide efficient and adequate interchange and switching service to the industries encompassed by the proposed extended limits." The Organization agreed to this request on that basis.

The agreement to extend switching limits therefore prohibits the use of the extension as a means to circumvent other agreement rules specifically those provisions of April 18, 1985 Loyall/Erwin Coordination Agreement.

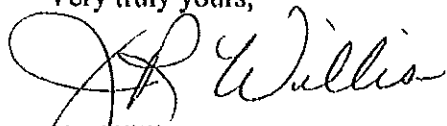
Additionally, there has been no notice served for any new interdivisional service as required by Article 40 of the CSRA.

Be advised that the above referred to claims are valid and should be paid and crews be assigned to service as agreed and required by the April 18, 1985 Coordination Agreement.

The recent change to the Loyall/Erwin service established pursuant to the April 18, 1985 Coordination Agreement is contrary to the provisions of that agreement or any established practice or agreement regarding a similar service.

Claims are valid. Please allow and advise.

Very truly yours,



J.R. Willis
General Chairman, UTU

JRW:emd

Cc: Ed Weathers, Assistant Chairman, UTU
Brian Scudds, Manager-Labor Relations, CSXT