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January 18, 2007

Mr. W. L. Crawford, General Chairman
Sheet Metal Workers Int. Association

Mr. R. A. Edmonds, General Chairman
National Conference of Firemen and Oilers

Mr. R. G. Fink, General Chairman
Int. Assn. of Machinists and Aerospace Workers

Mr. D. L. Hamilton, International Representative
Int. Brotherhood of Boilermakers, ISB, Blacksmiths, F&H

Mr. J. M. Perry, General Chairman
Int. Assn. of Machinists and Aerospace Workers

Gentlemen:

This is in reference to our discussions relative to new hire training of applicants for CSXT Shop craft positions. Currently, applicants for shop craft positions must, as a condition for employment, successfully complete a training program conducted by Quality Training Service (QTS), Inc. in Philadelphia, PA. During this time, they are not covered by the applicable Collective Bargaining Agreement, they receive \$320 per week while attending the training and arrangements are made for accommodations, travel, meals, etc. Upon completion of the training, they are hired by CSXT and upon reporting to their work location, they establish seniority and are compensated under the Collective Bargaining Agreement.

After evaluation of the training provided by QTS, we made the determination that there was room for improvement and have planned accordingly as outlined below. In addition, we have experienced some problems with new hires experiencing problems relative to their union shop obligation under the applicable agreements. In some cases, non-compliance resulted in substantial dues arrears, citation for non-compliance and even termination. After discussion with some of the General Chairman, we have outlined a proposal below which should improve that situation.

As many of you may be aware, last year we opened the CSX Railroad Education & Development Institute in Atlanta. Better known as REDI, this state of the art facility provides a place to receive professional training and it is staffed with instructors who have worked in the various crafts. After signing a Letter of Understanding on May 23, 2006 with the Brotherhood of Railway Carmen, we discontinued the use of QTS for training of successful applicants for Carmen positions and invested the capital to perform the training at the REDI. As a result, we have been able to improve the quality

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of training and the timeliness in meeting the hiring needs for Mechanical Car Operations.

Our contract training and staffing group has recently approached CSX Locomotive Operations with a proposal to evaluate the feasibility of discontinuing the use of QTS and investing the capital to conduct the new hire training for the remaining shop crafts at the REDI. The training would consist of the traditional QTS training, an introduction to our company and its vision and values, and a basic overview and familiarization of basic locomotive concepts. If successful in getting this training, we will consider the feasibility of enhancing the current facility with locomotive's and static displays that would allow for additional hands on training. If approved, we will begin improvement of the facility and transition the training program from QTS to the REDI in the first part of this year.

Therefore, we are proposing the following:

1. The requirement to successfully complete the training program as a condition of assignment under the applicable Collective Bargaining Agreement will remain unchanged. Initially, the core training program will encompass three weeks for all new hires. After design is completed, we will implement additional craft specific training of one to two week.
2. All applicants will continue to have arrangements made for travel, accommodations, and meal allowance. In addition, they will be compensated \$350 per week instead of the current \$320. We will review the compensation on January 1st of each year to determine the appropriate general increase which should be applied to the new hire compensation based on general wage increases and cost of living increases which have been applied to employees working under the respective collective bargaining agreements.
3. The probationary period and the Student Mechanic/Apprenticeship Program under the applicable Collective Bargaining Agreement will not begin until they report and are compensated at their work location (seniority point). Their seniority will be established at that time with a seniority date retroactive to the first date of training and the seniority will be established under the current rules of the respective collective bargaining agreement.
4. The applicable provisions of the current Union Shop Agreement, Dues Deduction Agreement and applicable Paying Off Rule provisions are modified to the extent that future new hires are obligated, as a condition of employment, to:
 - a. Authorize and maintain payroll deduction equal to the aggregate of the amounts to be paid by such employee to the union for initiation fees, issues and assessments (not including fines and penalties) uniformly required as a condition of acquiring or retaining membership in the union with an effective date when they report and are compensated at their work location.
 - b. Authorize and maintain payroll direct deposit into a bank or credit union account of their choice.

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- c. The foregoing will be subject to applicable federal, state or local laws and regulations.
5. It is understood that the provisions outlined in Items 1 through 3 apply only to external new hire applicants. The provisions do not apply to existing employees who transfer from another craft or who have started work at their respective work location. Training and compensation of employees after they report to their work location will be handled in accordance with the existing practices under the applicable labor agreements, including the student mechanic/apprenticeship provisions.
6. It is agreed that should the Carrier in negotiations with other shop craft unions, negotiate a new hire training agreement which provides greater benefits, the parties signatory to this agreement will have the option within fifteen (15) calendar days from receipt of the other parties signed agreement, to select the same level of benefits under the same conditions negotiated with the other union(s).

If the foregoing correctly reflects our understanding, please sign and return a copy of this letter.

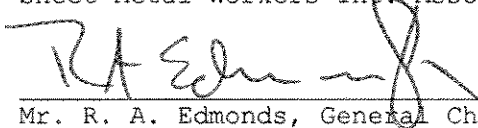
Sincerely,



I concur:



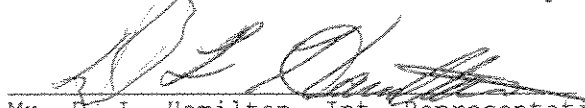
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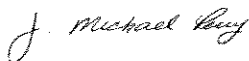
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