

KANSAS CITY SOUTHERN

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FOUNDED 1887

www.kcsouthern.com

July 31, 2012

Mr. Dennis Albers
General Chairman-Allied Federation
Brotherhood of Maintenance of Way Employees
111 Imperial Boulevard, Suite C-300
Hendersonville, TN 37075

Re: KCS/L&A Rule 3-5 Letter of Understanding

Dear Mr. Albers:

This is in reference to Rule 3-5 Force Reduction and Restoration of the schedule agreement effective July 1, 1979 between the Kansas City Southern Railway Company ("KCS") and the union and our discussions held on June 4, 2012 and July 25, 2012 concerning the application of Rule 3-5.

Notwithstanding prior interpretations and applications, the parties agree that employees in the classifications of Foremen, Assistant Foremen, Mechanics, Welders, Machine Operators and helpers shall have the right to exercise their seniority (bid or displacement) in the next lower classification in the seniority district in which employed, that their seniority will permit without loss of seniority in the higher class.

Employees in the classifications of Foremen, Assistant Foremen, Mechanics, Welders and Helpers who voluntarily bid to a lower classification will be held in their current position (job held prior to bidding down) for twenty (20) days while the Carrier bulletins and assigns the vacancy created by their bid down. After the twenty (20) day period, the Carrier will release the employee to report to his/her new assignment.

However, should the position vacated go unfilled, the Carrier retains the right to recall the most junior employee who holds seniority in the classification but currently is not occupying such classification. The employee shall remain in that position until it is re-advertised and filled. Should the employee refuse the recall, then s/he will forfeit his/her seniority in the higher classification.

An employee having exercised his seniority in a lower class either by bidding, displacement or force reduction is not required to bid to the higher class when such higher class position is bulletined.

If you agree with this understanding and modification of Rule 3-5, please sign in the space indicated retaining one copy of this letter and returning the other copy for my files.

Sincerely,

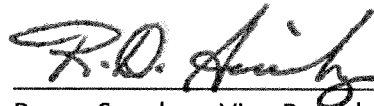


Tammy Hardge Stephenson
Director Labor Relations

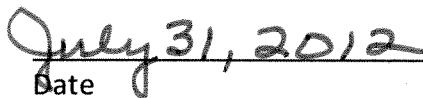
CONCUR:



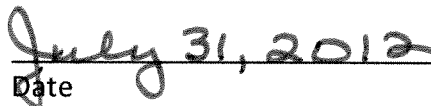
Dennis Albers, General Chairman, BMW



Roger Sanchez, Vice President BMW



Date



Date