

**Alternative Compensation Agreement**  
**Between**  
**The Burlington Northern and Santa Fe Railway Company ("BNSF")**  
**And**  
**The Brotherhood of Locomotive Engineers ("BLE")**

The following agreement is made pursuant to Article II - Optional Alternative Compensation Program of the December 16, 2003 National Agreement between BNSF, other Carriers represented by the National Carriers' Conference Committee, and the employees of such Carriers represented by the Brotherhood of Locomotive Engineers.

**Article I-Alternative Compensation Program**

**Section 1-Profit Sharing**

(a) A new profit sharing plan shall be established for all BNSF engineers, effective January 1, 2004, according to the following terms.

(b) Under the new plan ("PS" Plan), each BNSF engineer may receive a profit sharing payment no later than April 30 of the year immediately following each "performance" (calendar) year, the first one of which shall be 2004. For 2004, for each engineer, said payment shall have a maximum potential of (be up to) six percent (6%) of the engineer's regular earnings (regular earnings exclude such things as any bonus or lump sum under this Agreement, any retroactive payment not attributable to 2004 earnings, benefit buy-out payment, moving/real estate benefit, previous year's profit sharing payment, etc.) as an engineer on BNSF property in the performance year. If the wage snap-back option provided for in Section 3 of this Article is not exercised, then for performance year 2005 and each subsequent performance year, the maximum potential shall be eight percent (8%), otherwise applied as indicated above for 2004.

(c) Each engineer's profit sharing payment will be determined based on the same company-wide goals, the same apportionment among the goals and the same performance standards in meeting those goals as are used for that performance year in the Incentive Compensation Plan for exempt employees ("ICP"). For example, at present, there are goals for operating income (40% of total); free cash flow (20% of total); on-time performance (15% of total); safety (personal injury rate and lost time) (15% of total) and contribution per revenue ton-

mile (10% of total). The payout on each goal depends on the attainment of specific, pre-announced targets for the goals and the approval of the ICP Committee. Presently, a 150% payout level for the ICP is equal to a 100% payout under the engineers' plan. Therefore, as an example, for performance year 2004, if the company has an ICP payout level at the 150% point, each engineer would get 6% as a profit sharing payment; if the company has an ICP payout level at the target (the ICP 100% point), each engineer would get 4%; and if the company has an ICP payout level at the 50% point, each engineer would get 2% as a profit sharing payment. For each performance year, the actual payout level will be as determined by the ICP Committee, and the same ICP goals and method applied for exempt employees in the Operating Department will be used for BNSF engineers, in accord with the financial result intended in the previous example.

(d) For performance year 2004 only, regardless of what the formula and computation as described just above produce, an engineer would receive no less than 33% of the maximum profit sharing potential, or, in other words, 2% of the engineer's regular earnings as a BNSF engineer, as a profit sharing payment for that performance year. There is no minimum payment guarantee for any subsequent performance year.

(e) If the design of the BNSF ICP itself (not the type or level of specific goals set from year to year) is ever changed in a way materially separating the interests of engineers under the engineers' plan from the interests of BNSF operating employees covered by the ICP, then the parties shall meet promptly to revise the PS Plan in a way which does not so separate the interests of engineers covered by it. If the parties cannot so agree, they shall submit the matter to expedited, parties-pay, final and binding arbitration before a single neutral. In such event, the arbitrator shall have jurisdiction exclusively to reformulate the PS Plan in a way which has no material adverse effect on either covered engineers or BNSF and which effectuates the intent represented here in view of the changed conditions.

## **Section 2 – Handling of General Wage Increases**

Effective January 1, 2004, standard basic daily rates of pay for employees represented by BLE in effect on December 31, 2003 shall be reduced by one (1) percent. The two and one half (2-1/2) percent general wage increase otherwise scheduled for July 1, 2004 and the national "Disability Insurance Plan", and the \$40.00 per month employer contribution to such plan, otherwise provided for

under the National Agreement, are eliminated in their entirety and shall not become effective at BNSF.

### **Section 3 - Wage Increase Snap-back Option for 2005**

(a) The Brotherhood of Locomotive Engineers shall have a one time right to cancel all engineers' participation in the PS plan after April 30, 2005, and, effective May 1, 2005, "snap back" BNSF engineers' wage rates to the rates as described in Section 3(b) below. To effect this one time election, BLE must provide written notice to BNSF of its intention to do so and deliver such written notice between April 1, 2005, and April 30, 2005. In the event such one-time snap-back election is properly exercised, each engineer shall be eligible for a four months' (prorated) profit sharing payment based on the ICP payout for performance year 2005 (with a maximum of 8 percent of eligible earnings for the period January 1, 2005 through April 30, 2005), but shall receive no wage increase "backpay" based on the snap-back exercise, corresponding to any period preceeding May 1, 2005. In such event, all engineers' eligibility for profit sharing otherwise provided for in Section 1 above, based on any performance period subsequent to April 30, 2005, will cease entirely.

(b) In the event that the "snap back" option is properly exercised, standard basic daily rates in effect on April 30, 2005 will first be increased by one (1) percent. The resulting standard basic daily rates will then be increased by three (3) percent. Both increases will be computed and applied in the same manner prescribed for a typical GWI in the 2003 National Agreement, except that such computation and application shall be effective May 1, 2005.

### **Section 4**

Nothing in this Agreement alters in any way the terms (coverage, etc.) of any profit sharing agreement in effect prior to this Agreement.

## **Article II-Flexible Spending Account**

### **Section 1.**

Article I, Section 5(b) and Article IV, Section 5 - "Short Term Disability" of the BLE 2003 National Agreement shall not become effective or otherwise apply at

BNSF. Instead, BNSF will establish an IRC Section 125 cafeteria plan for locomotive engineers. This plan will have a flexible spending account that will allow engineers to set aside money on a before-tax basis to pay for eligible expenses incurred by the engineer and his/her eligible dependents.

**Section 2.**

The plan will also provide access to a variety of group insurance plans that will allow engineers to obtain coverage by paying premiums, on a pre-tax basis when possible.

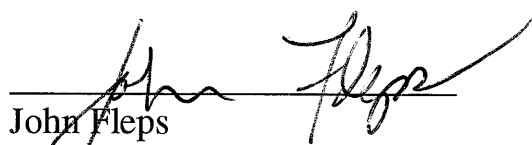
**Section 3.**

This cafeteria plan is being established under applicable sections of the Internal Revenue Code and other applicable laws as they exist in 2003. If the Code, or other applicable laws subsequently change to the company's detriment, so that the company is to bear more than just administrative costs, the plan will be revisited, and the parties will reach a resolution that fairly accomodates their mutual interests, including, if necessary, resort to a mechanism like that under Article 1, Section 1(e).

This Agreement shall be effective on the date signed and shall remain in effect until modified or changed in accordance with the provisions of the Railway Labor Act, as amended.


SIGNED AT FT. WORTH, TX THIS 23rd DAY OF December, 2003.

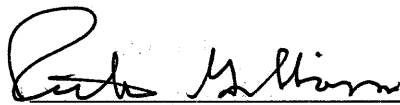
For The Burlington Northern and  
Santa Fe Railway Company:

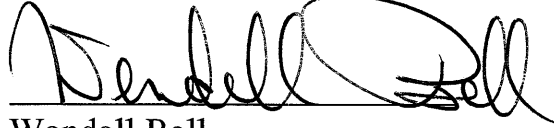
  
\_\_\_\_\_  
John Fleps  
Vice President – Labor Relations


For the Employees  
Represented by the  
Brotherhood of  
Locomotive Engineers:

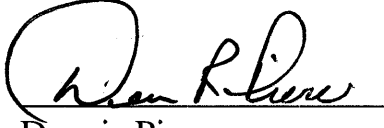
  
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Austin Morrison  
General Chairman

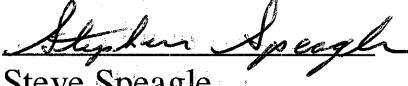
  
Milton Siegele  
Assistant Vice President-Labor Relations

  
Rick Gibbons  
General Chairman

  
Wendell Bell  
General Director-Labor Relations

  
Pat Williams  
General Chairman

  
Dennis Pierce  
General Chairman

  
Steve Speagle  
Vice President

**BNSF**



JOHN J. FLEPS  
*Vice President - Labor Relations*

**The Burlington Northern  
and Santa Fe Railway Company**

P.O. Box 961030  
Fort Worth, TX 76161-0030  
2600 Lou Menk Drive  
Garden Level - OOB  
Fort Worth, TX 76131-2830  
Phone: 817-352-1020  
Fax: 817-352-7319

December 23, 2003

Side Letter 1

Mr. Dennis Pierce  
General Chairman, BLE  
801 Cherry St., Ste 1010 Unit 8  
Fort Worth, TX 76102

Mr. Pat Williams  
General Chairman, BLE  
509 SW Wilshire Blvd., Ste D  
Burleson, TX 76028

Mr. Rick Gibbons  
General Chairman, BLE  
5040 S. Harmony  
Rogersville, MO 65742

Mr. Austin Morrison  
General Chairman, BLE  
7637 Canyon Dr.  
Amarillo, TX 79110

Gentlemen:

This letter confirms several understandings that the parties have reached in connection with the National Agreement dated December 16, 2003 and the Alternative Compensation Memorandum of Agreement dated December 23, 2003.

1. In the application of Article I, Section 1, of the 2003 BLE National Agreement, it is agreed that, if an employee did not qualify for a longevity bonus under the UTU National Agreement of August 20, 2002 and doesn't qualify for this longevity bonus under Section 1(b)(1), the longevity bonus would nevertheless be paid to the employee when he returns to service in a craft covered by this Agreement.
2. In the application of Article I, Section 1, of this Alternative Compensation Agreement, it is agreed that the profit sharing payment under that section would be included in the calculation of vacation pay for vacation taken in the year after the receipt of such payment.
3. In the application of Article III, Part B, Section 2, of the 2003 BLE National Agreement, it is agreed that the cost-of-living adjustments will be applicable to overmile rates of pay.
4. General Wage Increases found in the National Agreement will be applicable to all special allowances that are expressly subject to general wage increases.

Please indicate your acceptance of these understandings by signing this letter.

Sincerely,

Accepted:

  
\_\_\_\_\_  
General Chairman  
\_\_\_\_\_  
General Chairman  
\_\_\_\_\_  
General Chairman  
\_\_\_\_\_  
General Chairman

Accepted:

  
\_\_\_\_\_  
Vice President - BLE

cc: Mr. Steve Speagle  
Vice President - BLE  
1613 Burning Tree Drive  
Decatur, IL 62521

**BNSF**



JOHN J. FLEPS  
*Vice President - Labor Relations*

**The Burlington Northern  
and Santa Fe Railway Company**

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Fort Worth, TX 76161-0030  
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Phone: 817-352-1020  
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December 23, 2003

Side Letter 2

Mr. Dennis Pierce  
General Chairman, BLE  
801 Cherry St., Ste 1010 Unit 8  
Fort Worth, TX 76102

Mr. Pat Williams  
General Chairman, BLE  
509 SW Wilshire Blvd., Ste D  
Burleson, TX 76028

Mr. Rick Gibbons  
General Chairman, BLE  
5040 S. Harmony  
Rogersville, MO 65742

Mr. Austin Morrison  
General Chairman, BLE  
7637 Canyon Dr.  
Amarillo, TX 79110

Dear Sirs:

Prior to February 28, 2005, BNSF will notify its BLE general chairmen in writing of the engineers' profit sharing payout level for performance year 2004.

Yours truly,

A handwritten signature in black ink, appearing to read "John J. Fleps".