

Agreement

between

St. Lawrence & Atlantic Railroad (Quebec) Inc.

and

United Transportation Union

and

Brotherhood of Locomotive Engineers

This Agreement, as set forth below, made this 2nd day of October, 1998, by and between the St. Lawrence & Atlantic Railroad (Quebec) Inc. (the ACompany@) and its employees represented by United Transportation Union and Brotherhood of Locomotive Engineers (the AUnions@) is effective as of the first day of operations by the Company (such planned date being November 13, 1998).

Article 1 GENERAL PRINCIPLES

1.1 The Unions, employees and management of the Company undertake to

cooperate in order to establish a railway service geared towards customer satisfaction as well as the safety of its personnel and of the public. The Unions and employees acknowledge that this agreement is different from collective agreements normally found in the railway business and understand and accept the flexibility required by shortline operations.

1.2 The Company is committed to improving performance and will place emphasis on problem identification, prevention and resolution by using communication and problem solving techniques designed to educate and increase the skills of all employees of the Company.

1.3 The employees and the Company wish to create a work environment such that the employees will be able to acquire new skills and ensure the upkeep of those already acquired in the railway industry.

1.4 The employees agree to contribute to the maintaining and development of their knowledge as well as to its sharing with others.

1.5 It is recognized by this Agreement to be the duty of the Company, of the Unions and of the employees to cooperate fully, individually and collectively, for the benefit and advancement of all of the stakeholders in this Agreement, as well as the customers and other stakeholders in the business of the Company.

1.6 In the event that legislation or regulations or decisions of any competent authority cause or result in the invalidation of any term or provision of this Agreement, such term or provision shall be void and of no effect and shall be severed from the Agreement; provided however, that all other terms and provisions of the Agreement shall remain in full force and effect.

1.7 The term AUnion@ shall be understood to mean the duly elected officers of the Union concerned. The terms Arepresentative of the employee@ or Aemployee=s representative@ shall be understood to mean the duly appointed representative of the Union concerned.

1.8 The term ACompany@ shall be understood to mean the St. Lawrence & Atlantic Railroad (Quebec) Inc.. The term Arepresentative of the Company@ shall be understood to mean the officer of the Company who has been designated by the Company to handle a particular matter.

1.9 In this Agreement, words importing the singular shall include the plural, and vice versa, where the context requires. The use of such words as Ahe@, Ahis@ and Ahim@ as they appear in the Agreement are not intended to restrict the application of the Agreement or a particular rule to a particular sex, but are used solely for the purpose of grammatical convenience and clarity. Accordingly, words importing the masculine gender shall include the feminine where the context requires.

1.10 This Agreement constitutes a collective agreement between the Company and the Union and shall be uniformly applied to all employees collectively, unless otherwise specifically provided for herein.

1.11 The present agreement applies to employees working on trains operated by the Company. Nothing in this agreement precludes the Company from granting running rights to other operators.

ARTICLE 2. UNION RECOGNITION

2.1 The Company recognizes the United Transportation Union ("UTU") and Brotherhood of Locomotive Engineers ("BLE") as the particular bargaining agents for those employees in the particular classification designated:

Engineers: BLE

Conductors: UTU

ARTICLE 3. MANAGEMENT RIGHTS

3.1 The management of the business, the operations of the railway and the right to put in effect any and all measures and changes necessary to promote and effect an efficient business operation is vested in the Company subject to the provisions of this Agreement.

ARTICLE 4. DEDUCTION OF DUES

4.1 The Company shall, on the payroll for the pay period which contains the 10th day of each month, deduct from the wages of each bargaining unit employee within the scope of this Agreement an amount equal to the uniform monthly dues of the appropriate Union or such other authorized amounts as directed by the Union, subject to the exceptions contained in this Article. The Company shall remit the total amounts deducted to each Union once a month accompanied by a report showing the amounts deducted. The Company shall not be responsible, financially or otherwise, for any failure to make deductions or for making inaccurate or improper deductions or remittance. The dues will be paid to the relevant Union based on the employee's assignment on the first day of the month.

4.2 The Company shall provide each new employee and each rehired employee a form letter outlining to the employee his responsibility regarding payment of union dues and initiation fees.

4.3 Employees filling positions of a confidential, supervisory or management nature and who are therefore not subject to any of the provisions of this Agreement shall be excepted from the deduction of dues, except that the employee may request that said deductions be continued in order to maintain seniority. Such employee are responsible to ensure that union dues are deducted under the present clause.

4.4 The Company may pay dues to the applicable Union by way of electronic funds transfer (AEFT@) to a financial institution(s) designated by the Union. The Company's liability for any and all amounts transferred shall terminate at such time as the EFT is confirmed by the Union's financial institution. It is at the Company's discretion as to the method of payment i.e. EFT or check.

ARTICLE 5 PROBATION

5.1 A new employee shall have a probationary period without seniority status for 90 tours of duty or 180 cumulative days during which he is available to work after commencing work in the bargaining unit, whichever ever comes first, after which his seniority shall date back to his date of original hire. During an employee's probationary period, his service may be terminated at the discretion of the Company.

5.2 Notwithstanding the above, CN employees who are hired by the Company to work as of the first day of operations (expected to be November 13, 1998) will be subject to a probationary period of thirty (30) days providing CN agrees to a flow-back agreement.

ARTICLE 6 SENIORITY

6.1 Seniority shall mean an employee's length of continuous service with the Company. An employee shall maintain and accumulate seniority while he is in the employ of the Company after he has completed his probationary period. Unless otherwise expressed, seniority shall be applied on a classification basis. All seniority starts at day one (1) with the Company.

6.2 Seniority for employees (new hires) who enter service on the same date and in the same classification will be determined by lottery. For the purposes of rosters, the Company acknowledges CN seniority order for CN employees hired by the Company at the beginning of the operations, said employees shall be placed on rosters ahead of any new hiree.

6.3 Once established, an employee's seniority shall be forfeited and his employment shall be terminated under the following conditions:

I) if he voluntarily quits;

II) if he is discharged and is not subsequently reinstated; or

III) if he fails to report for duty after a lay-off in accordance with the provisions of this Agreement.

6.4 An employee who resigns from the service of the Company of his own accord shall forfeit his seniority rights and those rights shall not be reinstated. If he shall be re-employed by the Company, his seniority rights shall date from the date and time he first performs service for the Company after reemployment.

6.5 Employees shall, unless otherwise provided in this Agreement or by subsequent mutual agreement between the Company and the Unions, hold and accumulate seniority in the particular classification in which they were hired.

6.6 Employees shall not be permitted to waive their seniority standing and promotional responsibilities except as provided herein.

6.7 For each seniority roster applicable hereunder, the Company's railroad system from St. Rosalie, Quebec, to Island Pond, Vermont, shall constitute a single seniority district over which employees shall exercise their seniority to positions, subject to the provisions provided herein.

6.8 Seniority rosters will be prepared by the Company. A copy will be promptly forwarded to the Union concerned each year and will be posted at the home terminals of the employees concerned as of January 30 of each calendar year. An employee will have ninety (90) days from the date on which the roster is posted to appeal, in writing, his roster date or status. A note will be placed in each roster stating the time limit of appeal.

6.9 The seniority rosters will be established as follows:

a) For Engineers

i) former CN employees hired as Engineers at the beginning of operations will be placed at the top of the list, in the same seniority order they had at CN; then

ii) former CN employees hired as Conductors at the beginning of operations who are qualified engineers will be placed thereafter, in the same seniority order they had on CN engineer's seniority list; then

iii) former CN employees hired as Conductors at the beginning of operations who are not qualified engineers will be placed thereafter, in the same seniority order they had on CN conductor's seniority list, upon qualification; then

iv) all other employees,

i. Notwithstanding the above, if an employee covered by Article 6.9a (iii) passes the opportunity to qualify as an Engineer, he will rank after any junior employee that has accepted such opportunity and did qualify;

b) For Conductors

(i) former CN employees hired as Conductors at the beginning of operations will be placed at the top of the list, in the same seniority order they had on CN conductor's seniority list; then

(ii) former CN employees hired as Engineers at the beginning of operations will be placed thereafter, in the same seniority order they had on CN engineer seniority list; then

(iii) all other employees

ARTICLE 7 LAYOFFS AND RECALLS

7.1 The Company shall give employees as close to forty eight (48) hours as possible notice of lay-off. Layoffs and recalls will be based on seniority in the classification concerned.

7.2 The Company shall recall employees by registered mail to the last known address of the employee. It shall be the responsibility of the employee to keep the Company advised in writing of his address. The employee shall advise the Company within five (5) days of such notice of recall of his intention to return to work and shall present himself for work within fifteen (15) days of giving notice of intention to return. Employees failing to give such notice or to present himself at work within the appropriate time limits will forfeit all seniority rights and their services will be dispensed with.

ARTICLE 8 CREW REQUIREMENTS

8.1 All assignments on the St. Lawrence & Atlantic Railroad Company - Quebec Inc. will be operated with one (1) Engineer and one (1) Conductor. It is recognized the provisions hereof are minimum requirements, and are not intended to preclude the Company from using additional personnel as it may be deemed necessary.

ARTICLE 9 CALLING

9.1 The employee must have a telephone or pager on which he can be reached. The number(s) must be given to the Company.

9.2 Employees will be called in proper turn as near as to two (2) hours prior to departure time as conditions will permit.

9.3 Employees shall report as requested on their regular assignment unless notified to the contrary by an authorized Company representative.

9.4 In the event an employee reports to work on his regular shift without having been previously notified not to report as scheduled, he shall be given four (4) hours work within his classification or paid the equivalent.

9.5 An employee booking off should give as much notice as possible, but no less than four (4) hours. The four (4) hour minimum shall not apply in cases of sudden illness. When reporting back for work, the employee should report as early as possible, but must report at least eight (8) hours prior to the regular reporting time of his assignment.

9.6 Except as provided hereabove, it is the employee's responsibility to report to work at the start of his assignment, or he will be subject to discipline. An employee must report within fifteen (15) minutes after his starting time, otherwise another employee will be called to fill the assignment. No work or pay guarantees will be provided to the late employee after a replacement has been called. Should all members of a crew not be present at the starting time, work will begin with the available personnel and the position will be filled on a seniority basis. The tardy employee shall have no right to any claim time as result thereof.

9.7 Employees are required to provide their own transportation to get to work, unless covered by the deadheading provisions hereafter.

ARTICLE 10 DEADHEADING

10.1 Conductors and Engineers called to perform deadhead service shall be paid independently for such deadhead service trip at their straight time rate of pay. Deadheading is defined as: transporting to or from job assignments which start or end in a location other than the employee's regular reporting location.

The following deadhead time will be allowed:

between St. Rosalie and Richmond (62 Km): 1.5 hour

between St. Rosalie and Island Pond (177 Km): 3 hours

between Richmond and Island Pond (114 Km): 2 hours

10.2 The foregoing applies to the reverse move as well.

ARTICLE 11 SPAREBOARD

11.1 Separate Engineers' and Conductors' spareboards shall be maintained with a sufficient number of employees to cover normal vacancies.

11.2 Spareboards will be maintained at Richmond and will carry such numbers of employees as in the judgment of management business may warrant, with one (1) employee assigned to each board. Spareboard positions will be guaranteed forty (40) hours at the applicable Conductor or Engineer rate of pay. In addition to Richmond, other spareboard locations may be established at the Company's discretion.

11.3 The Company will designate a home terminal for each spareboard employee for the purpose of applying the provisions of this Agreement.

11.4 In the event that the Engineers' spareboard is exhausted, the first out available qualified spareboard Conductor will be called; and vice versa.

11.5 If a spareboard employee is called to fill a vacancy, he will hold that position until the regularly assigned employee returns or until the job is assigned through the bidding procedures. Spareboard employees, if qualified to operate the assignment, will operate on a first in, first out basis for any and all vacancies, except as otherwise provided in this agreement.

11.6 No employee shall refuse a call to service. An employee may find a need to refuse a call for just cause, however, this need does not relieve an employee of the responsibility of protecting his job. An employee called for duty and not available will forfeit one (1) day's pay at the applicable rate of pay for the assignment called. An employee called for a position on trains 393/394 and 146/147 through freight service (or equivalent) will have two (2) days at the applicable rate of pay deducted

from his weekly guarantee; however, should he work on the day following his not being available, he would only forfeit one (1) basic day of guarantee payment. Employees are expected to be on call 7 days per week, 24 hours per day.

11.7 An employee standing first out on the spareboard and who misses a call will be placed on the bottom of the spareboard and will have his guarantee reduced in accordance with the provisions hereabove.

11.8 Calling in sick and/or booking off in advance of being force assigned to a vacancy will disqualify the employee from his guarantee for the duration of the assignment and may subject the employee to disciplinary action.

11.9 A spareboard employee must notify the Company, when called, if he is ineligible because of insufficient rest, as required by law. The foregoing does not obviate the responsibility of the Company from keeping track of employees' hours on duty and from refraining from calling an employee with insufficient rest.

11.10 Spareboard employees will be called in proper turn as near to two (2) hours prior departure time of the assignment as conditions will permit.

11.11 When reductions are made at any spareboard location, they shall be made in the reverse order of seniority. An employee reduced from the spareboard at such location must, within forty-eight (48) hours, exercise his seniority rights or place himself on any other spareboard where there are spare employees with less seniority, providing he is qualified. When a vacancy occurs in the spareboard from which he was reduced, this employee will be recalled by seniority order: the employee must accept the call or he will forfeit his recall rights.

11.12 Subject to clause 11.11, when the force is increased or a vacancy in spare work occurs at any spareboard location, the senior employee applying for the increase or vacancy will have the right to spare work at that location if he applies within forty-eight (48) hours following the vacancy.

11.13 For employees transferring from one spareboard location to another, under either of the provisions of article 11.11 or 11.12, deadheading incidental to such transfers will be without expense to the Company.

11.14 Spareboard employees may be called to or to operate through any away-from-home-terminal locations, regardless of the employee on the spareboard at such location(s).

11.15 Spareboard employees called to cover runs or assignments at outlying locations will remain on same until returning to the terminal from which taken. They will take the conditions of the regular employee until returning to their home terminal, where they will revert to their spareboard.

ARTICLE 12 WORK ASSIGNMENT

12.1 An employee may be required to perform any and all related duties, including training, providing he is qualified and that safety is not at risk.

12.2 Basic day: Eight (8) hours or less will constitute a basic day. Time for the employees will commence at the time employees report for duty and will continue until the completion of such tour of duty.

12.3 Reporting locations: Locations for going on or off duty will be dictated by the assignment and according to operational requirements. Any change in an employee's reporting location will be subject to negotiations between the Union concerned and the Company.

12.4 Work week: The Company will establish work weeks in accordance with the present Article, as per operational requirements.

12.5 Local switch assignments will have a fixed starting time. The starting time of an assignment may be changed providing the Company has notified the employee a minimum of two (2) hours prior to his bulletined start time or the actual start time whichever applies. In the event an assignment operates without such an employee as a result of a late notification, his weekly guarantee will not be affected.

12.6 Employees may be required to work twelve (12) hours tours of duty depending on the requirements of the assignment. However, in case of emergencies such as: main line outage or blockage caused by derailment or act of God, employees may be required to work up to the number of hours allowed by law.

12.7 Pool crews between Richmond and Island Pond will normally be scheduled so as to get four (4) days off within a two (2) week period: such days off need not be consecutive.

12.8 Employees must be in the final destination terminal and off duty prior to the expiration of twelve (12) hours. If employees are not in and of duty at the away from home terminal prior to the expiration of twelve (12) hours, such employees will be compensated one (1) hour for the first hour or any part thereof and, thereafter, on a quarter hour basis. Any payment made under the present paragraph will be over and above the weekly guarantee.

12.9 Employees may trade shifts or tours of duty as long as it does not result in any additional cost for the Company. Such trade must be submitted to the Company for approval at least one (1) day in advance.

12.10 Employees who are called to work outside their regular assignment are called by seniority order of the relevant classification in the terminal, providing the assignment called for does not interfere with the employee's regular assignment.

12.11 Local switch assignments will be advertised for no more than six (6) days a week.

ARTICLE 13 GUARANTEES

13.1 Employees governed by this agreement shall be guaranteed a minimum of forty (40) hours a week. All basic day hours are credited towards the weekly forty (40) hours guarantee.

13.2 Employees will be allowed to book personal rest time as follows:

a) if on duty up to eight (8) hours (exclusive of call time): no rest, however the employee may not be called for subsequent assignment until he has had a minimum of four (4) hours off duty;

b) if on duty more than eight (8) hours and less than twelve (12) hours: he may book up to eight (8) hours of personal rest, exclusive of call time.

c) if on duty for twelve (12) hours or more: he may book up to ten (10) hours of personal rest, exclusive of call time.

13.3 Emergency. Notwithstanding any provision or practice to the contrary, positions may be temporarily abolished without advance notice where a suspension of operations is due to one or more of the following emergencies: flood, snow blockage, major main line derailment, washout, hurricane, tornado, earthquake, fire, ice storm or similar circumstances. If an employee works any portion of the day, prior to such emergency force reduction, he will be paid for such portion of the time worked. The Company shall restore forces as soon as possible after cessation of the emergency.

ARTICLE 14 BULLETINING OF ASSIGNMENTS

14.1 There will be two (2) changes of time per year, one in Spring and one in Fall. At a change of time, all district assignments will be bulletined into the home terminal at least seven (7) days prior to the effective date and will be filled by order of seniority of the qualified applicants.

14.2 All new positions or vacancies that the Company knows will remain for more than seven (7) calendar days, will be bulletined for five (5) days and filled with the senior qualified applicant. The application must be in writing. If there is no applicant, the junior available qualified employee on the relevant spareboard will be assigned to the job: such assigned employee may request to be relieved from such assignment if a more junior employee becomes available on the relevant spareboard.

14.3 An employee who was absent during the entire bulletining period, may exercise his seniority on said bulletin within twenty-four (24) hours following his return to active service.

ARTICLE 15 LEARNING THE ROAD

15.1 A locomotive Engineer learning a line with which he is not familiar may be required to undergo initial observation and demonstration tours of duty under the