

MEMORANDUM

OF

AGREEMENT

Between the

CALIFORNIA NORTHERN RAILROAD COMPANY

and

its Operating Employees represented by the

UNITED TRANSPORTATION UNION

The Working Agreement shall be modified to incorporate the following:

ARTICLE 1 – Agreement Modifications

1. Flex Days

(a) Flex Days will be in lieu of sick days as outlined in the RailAmerica, Inc. Employee Handbook dated January 2005. Full-time employees will be provided a maximum of six (6) flex days at the beginning of each calendar year. A newly hired employee must be working as a full-time employee prior to the start of the calendar year in order to qualify for six (6) flex days in the succeeding year. A newly hired employee who is hired prior to September 1st of the calendar year will be allowed three (3) flex days in the calendar year.

(b) Flex Days may be used by an employee to take personal days off for various reasons, provided the employee gives the company a minimum forty-eight (48) hours advance notice to the designated company officer. Employees shall receive a basic day's pay at the pro rata rate of their assignment for each Flex Day taken. Employees will be required to take an accumulated Flex Day, if any for each day an employee lays off sick.

(c) Flex Days may be accumulated from one calendar year to the next to a maximum of twelve (12) days on December 31st of any calendar year.

(d) Employees may request a buy back for any number of accumulated days. The request for a buy back must be submitted in writing by employees no later than November 15th, with payment to be made on the last payday before the Christmas holiday. An employee may also request to buy back Flex Days when the maximum number of days has been accumulated in accordance with paragraph (c) above. Such buy back shall only occur once per year. The company will buy back Flex Days at 100% of the employee's basic daily rate for the employee's assignment.

(e) Flex Days may be granted or denied consistent with the needs of service, at the discretion of the company. Employees are encouraged to schedule Flex Days with the company sufficiently in advance with the understanding not all employees can be granted the same day off, unless the company shuts down its operation on what would otherwise be a work day or a holiday.

2. Training

A conductor who is required to train a new-hire nonqualified employee to work as a conductor will be allowed a separate payment of \$10.00 per tour of duty, which is in addition to the normal pay for the assignment. This training allowance is separate from the basic rate of pay and is not subject to future wage increases. At the completion of a tour of duty the conductor performing training shall submit a Company provided form which will document the progress of the employee being trained. Only one employee assigned to a crew will be entitled to training pay. Management of the Company is vested with the authority to assess employee qualifications and will designate the crew a new-hire employee will train with. Once a new-hire employee has become qualified as a conductor no additional payment for training will be made.

3. Vacations

ARTICLE 18 of the Working Agreement shall be revised as follows:

D. Employees shall accrue vacation on a current basis as set forth in the RailAmerica Employee Handbook dated January 2005. Five days accrued will be treated as one calendar week of vacation and will be compensated at 1/52 of the compensation earned by an employee for the preceding calendar year, with not less than forty hours pay at the normal assignment rate. Employees will be allowed to take up to two (2) weeks of their accrued vacation in single-day increments. Employees shall be compensated for vacation taken in single day increments at their individual vacation rate.

4. Meal Period

ARTICLE 12 of the Working Agreement shall be revised as follows:

Operating crews will be allowed a reasonable meal period which should not exceed thirty (30) minutes per day of reportable service. This will be considered compensable time for payroll purposes.

ARTICLE 2 – COMPENSATION

1. Work Boots

The Company will provide employees with a voucher up to two times per calendar year for the purchase of a pair of work boots as needed. A voucher for the purchase of work boots will not exceed \$140.00. Such voucher will be made either to the employee or the shoe store for the purchase of the boots.

2. Away From Home Meals, Lodging and Expenses

ARTICLE 11 of the Working Agreement shall be modified as follows:

The allowance provided for in Paragraph A is changed to \$27.00.

The allowance provided for in Paragraph C is changed to \$45.00.

3. Rates of Pay

The rates of pay as set forth under **Article 19** of this Agreement shall be as follows:

Category	January 1, 2007	January 1, 2008	January 1, 2009	January 1, 2010
Engineer	\$19.68	\$20.27	\$20.88	\$21.51
Conductor	\$19.68	\$20.27	\$20.88	\$21.51

4. Guarantee

The minimum per week allowance specified in Article 19 – Rates of Pay, Paragraph B, shall be adjusted under this Agreement as follows:

	January 1, 2007	January 1, 2008	January 1, 2009	January 1, 2010
Engineer	\$900.41	\$927.42	\$955.24	\$983.90
Conductor	\$900.41	\$927.42	\$955.24	\$983.90

The last sentence of Article 19 – Rates of Pay, Paragraph B, shall be revised as follows:

All compensation received by the employee (excluding the \$25.00 payment for remote control, and the \$10.00 payment for training pay) shall be included in the weekly minimum.

MORATORIUM AGREEMENT

This Agreement will become effective on January 1, 2007

The parties signatory to this Agreement further agree that no notice to change this Agreement, pursuant to Section 6 of the Railway Labor Act, as amended, will be served by either party before October 1, 2010 not to be effective before January 1, 2011.

The foregoing will not prevent the parties from agreeing on items of mutual interest.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of this _____ day of _____.

FOR THE EMPLOYEES

FOR THE EMPLOYER

M. B. Futhey, Jr., VP-UTU

Robert D. Jones,
Vice President Operations

John Previsich, General Chairman

Don Seil, General Manager

Aaron Cesena, Local Chairman

12/07/06

Side Letter No. 1

Mr. John Previsich
General Chairman
United Transportation Union
7960 B Soquel Dr. #381
Aptos, CA 95003

Dear Mr. Previsich:

This is to set forth our agreement that Employees' holidays, sick leave, vacation, 401k, bereavement leave and jury duty will be as outlined in the RailAmerica, Inc. Employee Handbook dated January 2005, except as specifically modified in the collective bargaining agreement between the parties.

Yours truly,

12/07/06

Side Letter No. 2

Mr. John Previsich
General Chairman
United Transportation Union
7960 B Soquel Dr. #381
Aptos, CA 95003

Dear Mr. Previsich:

This refers to our contract discussions regarding the changes the parties have agreed to in the Collective Bargaining Agreement. It is agreed that subsequent to the ratification of the Agreement the parties will endeavor to rewrite the Agreement Schedule and consolidate all effective memorandums of understanding into a single Agreement Schedule.

Yours truly,

12/07/06

Side Letter No. 3

Mr. John Previsich
General Chairman
United Transportation Union
7960 B Soquel Dr. #381
Aptos, CA 95003

Dear Mr. Previsich:

This refers our contract discussions regarding compensation under the Agreement. The parties hereby agree that all employees who occupy a position on the seniority roster as an active employee as of the effective date of the agreement will be eligible to receive a one-time bonus payment of \$500.00. This payment will be made on the first applicable payroll period following ratification of the Agreement.

Yours truly,