

CHANGING CIRCUMSTANCES

Big Four Carriers

- NCCC reduces proposal to BMWED/SMART-M by \$54.4 Million between September 2016 and February 2017.
- August 2016 Total Carloads were down 6% year-over-year; February 2017 Total Carloads are up 5% year-over-year.
- August 2016 Coal Carloads were down 15% year-over-year; February 2017 Coal Carloads are up 20% year-over-year.
- Operating Ratios have fallen from 67.5 to 65.0 between 1ST half 2016 and 2nd half of 2016.
- Between September 2016 and January 2017 the pace of change in the CPI has more than doubled.
- Between September 2016 and February 2017 stock prices have risen 31%.
- Consensus forecasts for EPS have been revised upward between September 2016 and February 2017.

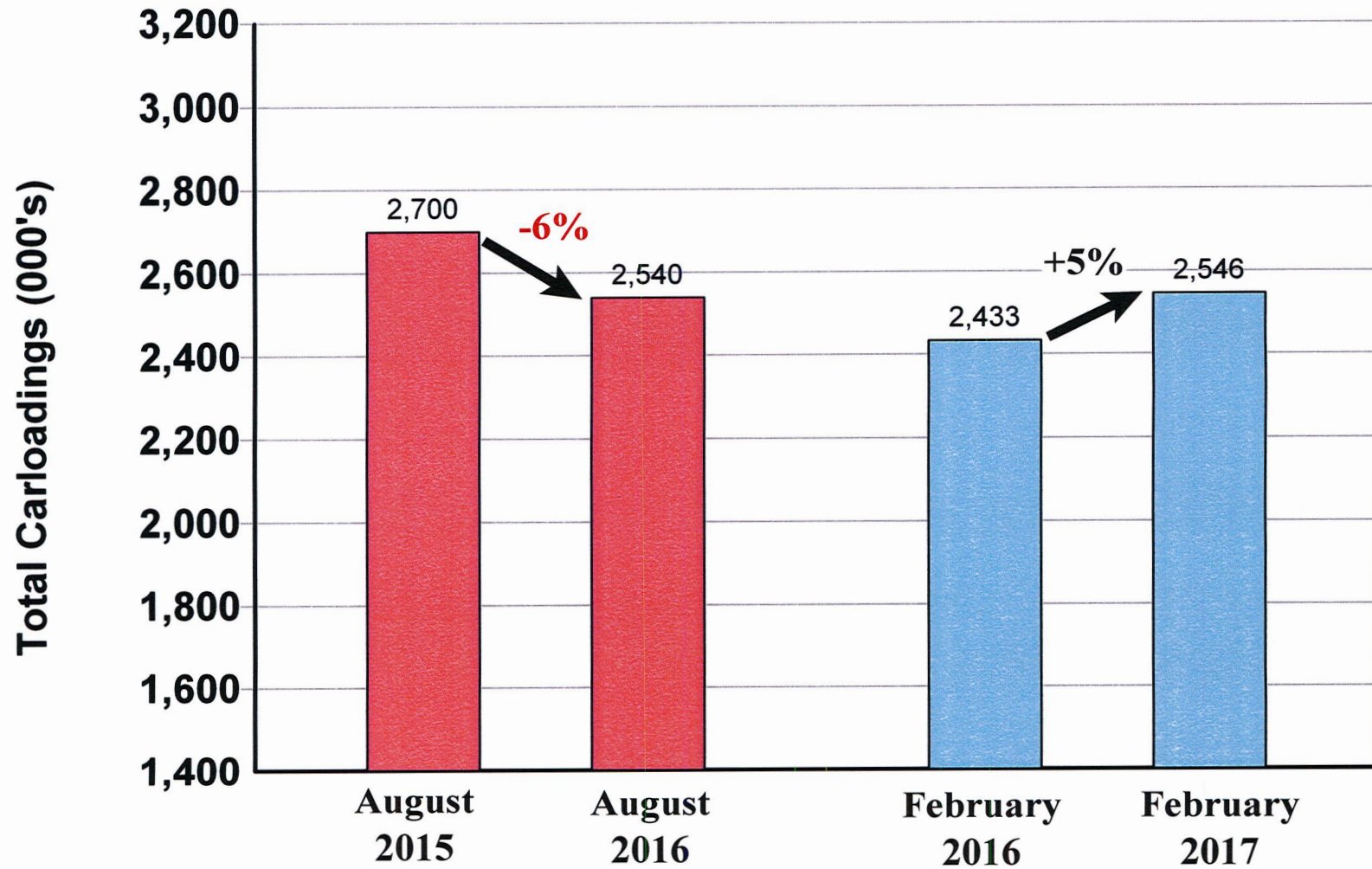
HANDOUT
March 14,2017 Mediation Session
LBI on behalf of BMWED/SMART-M

EMPLOYMENT GROWTH		0.0%		COST OF AGREEMENT ---- NCCC PROPOSAL				
H&W INFLATION		6.00%		BMWED/SMART-M Coalition – 2 Cooperating Labor Organizations				
ATTRITION:		2		(Thousands of dollars)				
Actual Profile = 1				September 14, 2016				
Static Profile = 2								
				Contract Year — Effective January 1				In Millions \$
				2016	2017	2018	2019	
Payroll -- Wage Increase Base >>>>				1,958,290	1,997,456	2,037,405	2,078,153	
Payroll -- Status Quo >>>>>>>>>>				1,958,290	1,958,290	1,958,290	1,958,290	
ITEM	INCREMENTAL CHANGE			ANNUAL COST				
General Increase — 1/1/16				0	0	0	0	
General Increase — 7/1/16	1	2.00%		23,646	47,293	47,293	47,293	
General Increase — 1/1/17					0	0	0	
General Increase — 7/1/17	1	2.00%			19,975	39,949	39,949	
General Increase — 1/1/18						0	0	
General Increase — 7/1/18	1	2.00%				24,602	49,203	
General Increase — 1/1/19							0	
General Increase — 7/1/19	1	2.00%					25,094	
							364.3	
H&W Contribution – 7/1/17	1	\$0.00			0	(1,456)	(5,201)	
H&W Contribution – 7/1/18		-\$9.08						
H&W Contribution – 7/1/19		-\$23.36						
H&W Design – 2/1/17	1	-\$99.08			(29,120)	(32,720)	(34,683)	
		-\$105.03						
		-\$111.33						
Work Rules					TBD			
Status Quo. Total Labor Cost >>>>>>>>				2,914,151	2,947,122	2,982,071	3,019,117	
Proposed Total labor Cost >>>>>>>>>>				2,937,797	2,985,269	3,059,738	3,140,772	
Incremental Cost Increase >>>>>>>>>>				23,646	38,148	77,668	121,655	
Cumulative Cost Increase >>>>>>>>>>				23,646	61,794	139,462	261,117	
Annual Rate of Increase In Labor Cost >>>>>>							0.99%	

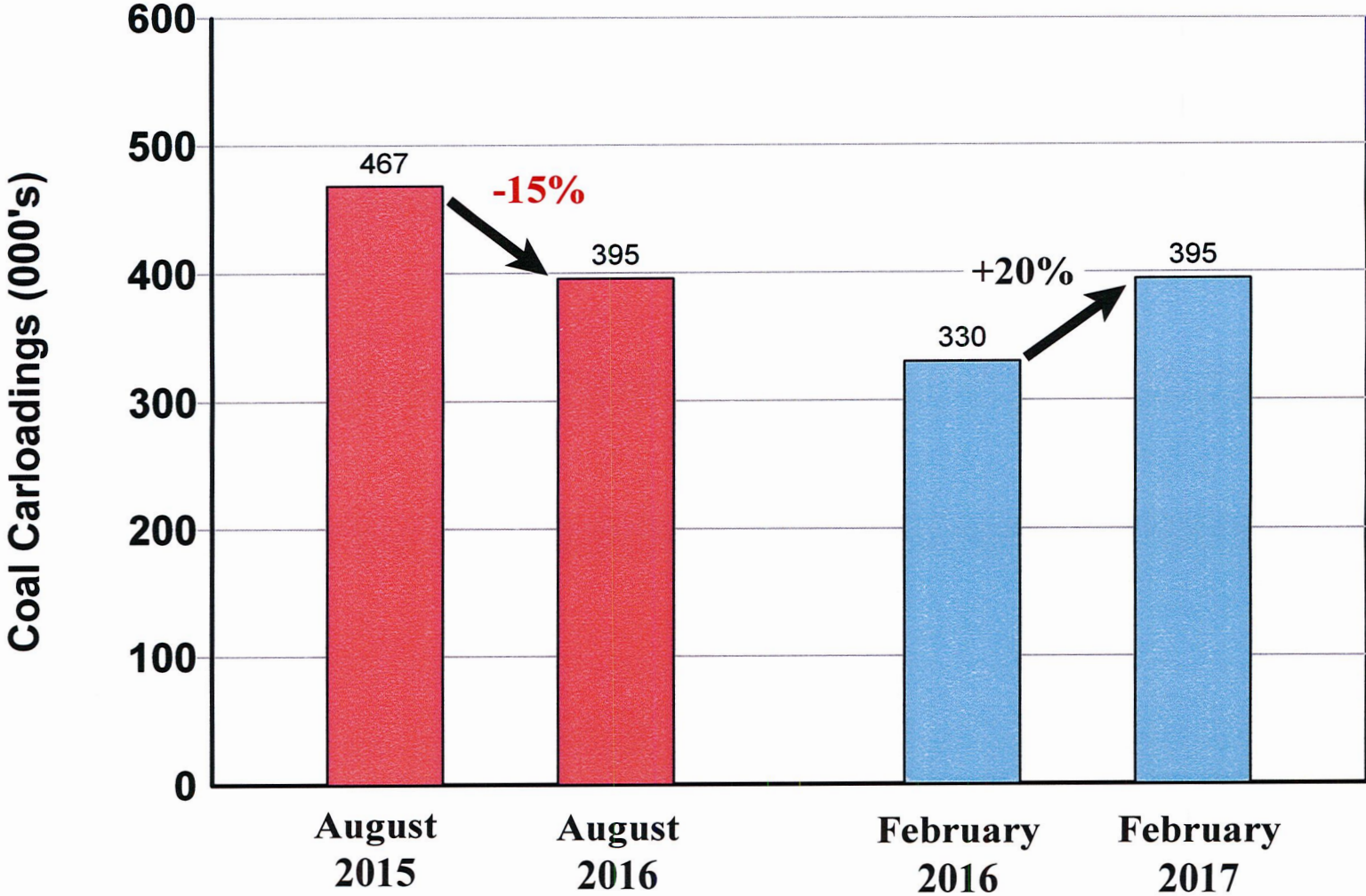
Source: ROTH/The Labor Bureau Inc.
 Note: Assumes total pay is variable with GWIs.

TOTAL CARLOADINGS

(NSC, CSX, UP and BNSF)



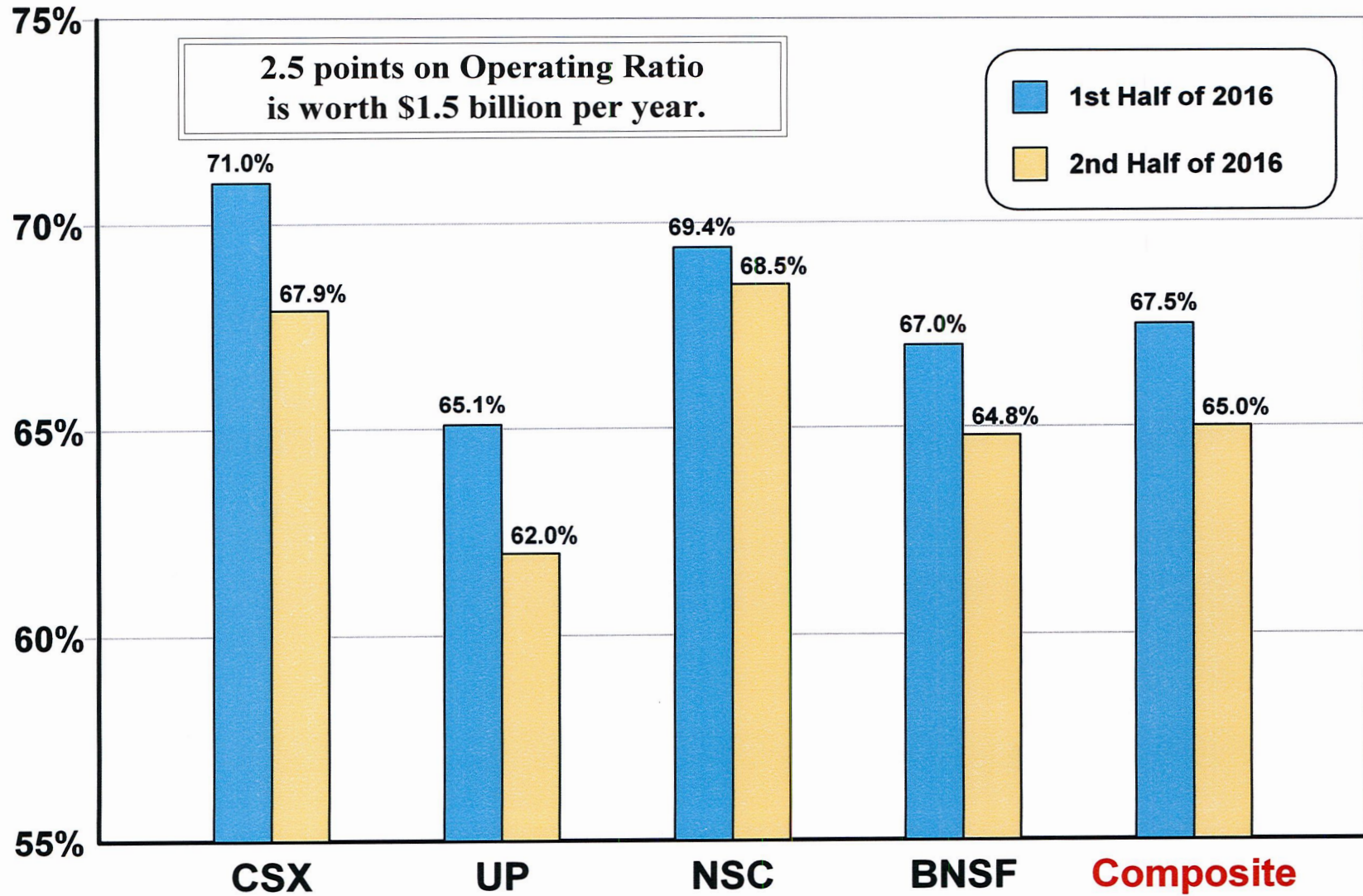
COAL CARLOADINGS (NSC, CSX, UP and BNSF)



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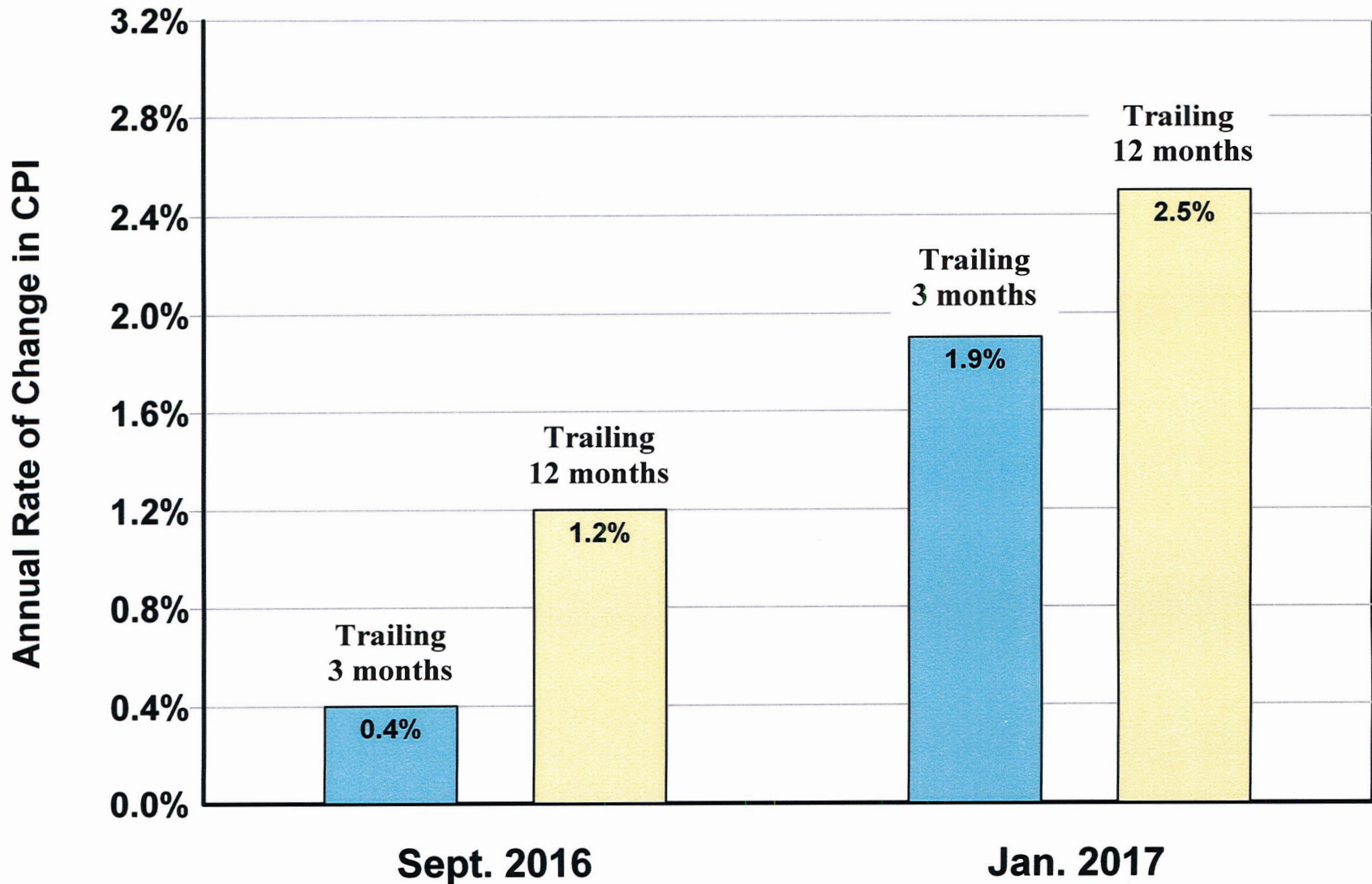
OPERATING RATIO

Big Four Railroads and Composite



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ANNUAL RATE OF CHANGE IN U.S. CONSUMER PRICE INDEX



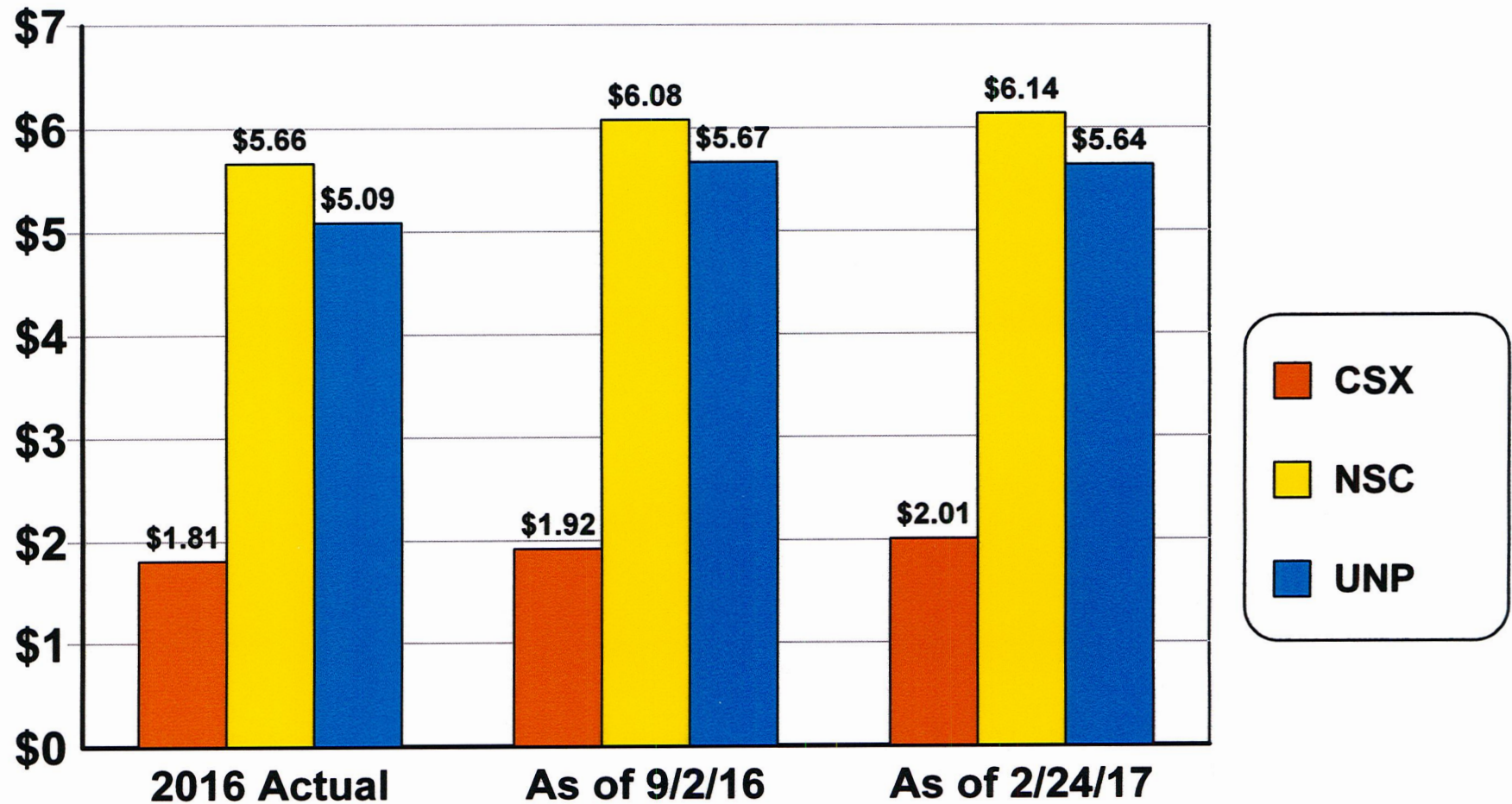
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STOCK PERFORMANCE — 167 Days Between Proposals

	September 14, 2016	February 28, 2017	Change
UNP	\$92.72	\$107.94	16.4%
CSX	\$28.95	\$48.56	67.7%
NSC	\$90.67	\$121.03	33.5%
Composite	\$63.30	\$82.67	30.6%
Market Capitalization (\$Billions)	\$131.2	\$171.4	\$40.2

EARNINGS PER SHARE

2016 Actual and 2017 Annual Forecasts
(Consensus of 30 Analysts)



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