

MEMORANDUM OF AGREEMENT

6040003

5050

Between The

UNION PACIFIC RAILROAD COMPANY
(Southern Pacific (Western Lines)
& Denver and Rio Grande Western Railroad Company)

And

THE AMERICAN RAILWAY AND AIRWAY SUPERVISORS ASSOCIATION

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - First General Wage Increase

On July 1, 2005, all hourly, and monthly rates of pay in effect on the preceding day for employees covered by this Agreement shall be increased in the amount of two-and-one-half (2-1/2) percent applied so as to give effect to this increase in pay irrespective of the method of payment. The increase provided for in this Section 1 shall be applied as follows:

(a) Hourly Rates -

Add 2-1/2 percent to the existing hourly rates of pay.

(b) Monthly Rates -

Add 2-1/2 percent to the existing monthly rates of pay.

(c) Disposition of Fractions -

Rates of pay resulting from application of paragraphs (a) to (b), above, which end in fractions of a cent shall be rounded to the nearest whole cent, fractions less than one-half cent shall be dropped, and fractions of one-half cent or more shall be increased to the nearest full cent.

(d) Application of Wage Increases -

The increase in wages provided for in this Section 1 shall be applied in accordance with the Collective Bargaining Agreement. Special allowances not included in fixed hourly or monthly rates of pay for all services rendered, and arbitraries representing duplicate time payments, will not be increased.

Overtime hours will be computed in accordance with Collective Bargaining Agreement for all overtime hours paid for.

(e) **COLA Payments**

Any cost-of-living allowance amounts rolled in to basic rates of pay on or after July 1, 2005 pursuant to Article II, Part B of Agreement dated June 16, 2003 shall be excluded before application of the general wage increases provided for in this Section 1 and eliminated from basic rates of pay after application of such increases.

Section 2 - Second General Wage Increase

Effective July 1, 2006, all hourly, and monthly rates of pay in effect on June 30, 2006 for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 2 shall be applied in the same manner as provided for in Section 1 hereof.

Section 3 - Third General Wage Increase

Effective July 1, 2007, all hourly, and monthly rates of pay in effect on June 30, 2007 for employees covered by this Agreement shall be increased in the amount of three (3) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 3 shall be applied in the same manner as provided for in Section 1 hereof.

Section 4 - Fourth General Wage Increase

Effective July 1, 2008, all hourly, and monthly rates of pay in effect on June 30, 2008 for employees covered by this Agreement shall be increased in the amount of four (4) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 4 shall be applied in the same manner as provided for in Section 1 hereof.

Section 5 - Fifth General Wage Increase

Effective July 1, 2009, all hourly, and monthly rates of pay in effect on June 30, 2009 for employees covered by this Agreement shall be increased in the amount of four-and-one-half (4-1/2) percent applied so as to give effect to this increase irrespective of the method of payment. The increase provided for in this Section 5 shall be applied in the same manner as provided for in Section 1 hereof.

ARTICLE II – OPTIONAL ALTERNATIVE COMPENSATION PROGRAM

Section 1

The Company or organization may propose alternative compensation arrangements for consideration by the other party. Such arrangements may include, for example, stock options, stock grants (including restricted stock), bonus programs based on Company performance, and 401(k) plans. The proposed arrangement(s) may be implemented only by mutual agreement of the Company and the appropriate representatives.

Section 2

The parties understand that neither the Company nor the organization may be compelled to offer any alternative compensation arrangement, and, conversely, neither the Company nor the organization may be compelled to agree to any proposal made under this Article.

ARTICLE III - COST-OF-LIVING PAYMENTS

Cost-of-Living Payments Under Agreement Dated August 22, 2003

Article II, Part A, of Agreement effective August 22, 2003 shall be eliminated effective on the date of this Agreement. All cost-of-living allowance payments made under that August 22, 2003 Agreement to employees for periods on and after July 1, 2005 shall be recovered from any retroactive wage increase payments made under Article I of this Agreement.

ARTICLE IV - HEALTH AND WELFARE

Part A - Plan Changes

Section 1 - Continuation of Plans

The Railroad Employees National Health and Welfare Plan ("the Plan"), the Railroad Employees National Dental Plan ("the Dental Plan"), and the Railroad Employees National Vision Plan ("the Vision Plan"), modified as provided in this Article with respect to employees represented by the organization and their eligible dependents, will be continued subject to the provisions of the Railway Labor Act.

Section 2 – Plan Benefit Changes

(a) The Plan's Managed Medical Care Program ("MMCP") will be offered to all employees in any geographic area where the MMCP is not currently offered and United Healthcare, Aetna, or Highmark BlueCross Blue Shield has a medical care network ("white space"). For purposes of this subsection, such "network" shall mean a "point-of-service" network in the case of United Healthcare and Aetna, and a preferred provider network in the case of Highmark BlueCross BlueShield. Employees who live in a white space may choose between coverage under MMCP or the Comprehensive Health Care Benefit, subject to subsection (b) below.

(b) The parties may, by mutual agreement and subject to such evaluation and conditions as they may deem appropriate, designate specific geographic areas within the white space as mandatory MMCP locations. Employees who live in mandatory MMCP locations shall not have a choice between CHCB and MMCP coverage, but shall be enrolled in the MMCP.

(c) United Healthcare and Aetna, respectively, shall apply "nationwide market reciprocity" to employees and their dependents who are enrolled in MMCP. The term "nationwide market reciprocity" is intended to mean, by way of example, that a person enrolled in MMCP with UHC in market A is permitted to get in-network MMCP benefits from a UHC point-of-service network provider in market B.

(d) The current Hearing Benefit provided under the Plan shall be made available to employees covered by this Agreement (and their Eligible Dependents).

(e) In addition to the Plan's existing coverage for cochlear implants, such implants for diagnosis or treatment of hearing loss will be a Covered Health Service under the CHCB and MMCP.

(f) This Section shall become effective with respect to employees covered by this Agreement as soon as practicable.

Section 3 – Vision Care

The benefits provided under the Vision Care Plan shall be changed from the Select to the Standard arrangement as soon as practicable.

Section 4 - Design Changes To Contain Costs

(a) The Plan's MMCP shall be revised as follows:

(1) The Office Visit Co-Payment for In-Network Services shall be increased to \$20.00 for each office visit to a provider in general practice or who specializes in pediatrics, obstetrics-gynecology, family practice or internal medicine, and \$35.00 for each office visit to any other provider;

(2) The Urgent Care Center Co-Payment for In-Network Services shall be increased to \$25.00 for each visit;

(3) The Emergency Room Co-Payment for In-Network Services shall be increased to at least \$50.00 for each visit, but if the care received meets the applicable Plan definition of an Emergency, the Plan will reimburse the employee for the full amount paid for such care, except for \$25.00 if the visit does not result in hospital admission. For purposes of this Paragraph, the phrase "at least" shall be interpreted and applied consistent with practice under the Plan preceding the date of this Agreement.

(4) The Annual Deductible for Out-of-Network Services shall be increased to \$300.00 per individual and \$900.00 per family;

(5) The Annual Out-of-Pocket Maximum for Out-of-Network Services shall be increased to \$2,000 per individual and \$4,000 per family.

(b) The Plan's Comprehensive Health Care Benefit shall be revised as follows:

(1) The Annual Deductible shall be increased to \$200.00 per individual and \$400.00 per family;

(2) The Annual Out-of-Pocket Maximum shall be increased to \$2,000 per individual and \$4,000 per family.

(c) The Plan's Prescription Drug Card Program co-payments to In-Network Pharmacies per prescription are revised as follows:

(1) Generic Drug – increase to \$10.00;

(2) Brand Name (Non-Generic) Drug On Program Administrator's Formulary – increase to \$20.00;

(3) Brand Name (Non-Generic) Drug Not On Program Administrator's Formulary – increase to \$30.00;

(4) Brand Name (Non-Generic) Drug on Program Administrator's Formulary that is not ordered by the patient's physician by writing "Dispense as Written" on the prescription and there is an equivalent Generic Drug- increase to \$20.00 plus the difference between the Generic Drug and the Brand Name (Non-Generic) Drug;

(5) Brand Name (Non-Generic) Drug Not On Program Administrator's Formulary that is not ordered by the patient's physician by writing "Dispense as Written" on the prescription and there is an equivalent Generic Drug- increase to \$30.00 plus the difference between the Generic Drug and the Brand Name (Non-Generic) Drug.

(d) The Plan's Mail Order Prescription Drug Program co-payments per prescription are revised as follows:

(1) Generic Drug – increase to \$20.00;

(2) Brand Name (Non-Generic) Drug On Program Administrator's Formulary – increase to \$30.00;

(3) Brand Name (Non-Generic) Drug Not on Program Administrator's Formulary – increase to \$60.00.

(e) For purposes of the Plan, the term "children" as used in connection with determining "Eligible Dependents" under the Plan, shall be defined as follows:

"Children include:

- o natural children,
- o stepchildren,
- o adopted children (including children placed with you for adoption), and
- o your grandchildren, provided they have their legal residence with you and are dependent for care and support mainly upon you and wholly, in the aggregate, upon themselves, you, your spouse, scholarships and the like, and governmental disability benefits and the like."

(f) The definition of the term "children", as used in connection with determinations of "Eligible Dependents" under the terms of the Dental Plan and the Vision Plan, respectively, shall be revised as provided in subsection (e) above.

(g) Blue Cross Blue Shield programs that are currently available under the Plan will be made available for selection by employees covered by this Agreement who choose coverage under the MMCP in all areas where the MMCP is made available under the Plan and throughout the United States for selection by such employees who choose coverage under the CHCB.

(h) Plan Participants and their beneficiaries who live in an area where, as of the date of this Agreement, they may choose between MMCP and CHCB coverage shall no longer have a choice, but shall be enrolled in the MMCP. This subsection is not intended to have any application to employees covered by this Agreement who reside in any geographic area where MMCP is not offered as of the date of such Agreement. Mandatory enrollment in MMCP for such employees shall be governed exclusively by Part A, Section 2(b) of this Article.

(i) The design changes contained in this Section shall become effective as soon as practicable and, with the exception of subsection (h) above, in no event later than October 1, 2007.

Part B - Employee Sharing of Cost of H&W Plans

Section 1 – Monthly Employee Cost-Sharing Contributions

(a) Effective January 1, 2007, each employee covered by this Agreement shall contribute to the Plan, for each month that his employer is required to make a contribution to the Plan on his behalf for foreign-to-occupation health benefits coverage for himself and/or his dependents, a monthly cost-sharing contribution in an amount equal to 15% of the Company's Monthly Payment Rate for 2007.

(b) The employee monthly cost-sharing contribution amount shall be adjusted, effective January 1, 2008, so as to equal 15% of the Company's Monthly Payment Rate for 2008 and, effective January 1, 2009, so as to equal 15% of the Company's Monthly Payment Rate for 2009.

(c) Effective January 1, 2010, the employee monthly cost-sharing contribution amount shall be adjusted to be the lesser of:

- (1) 15% of the Company's Monthly Payment Rate for 2010, or
- (2) \$200.00 or the January 1, 2009 employee monthly cost-sharing contribution amount, whichever is greater.

(d) For purposes of subsections (a) through (c) above, the "Company's Monthly Payment Rate" for any year shall mean the sum of what the Company's monthly payments to —

(1) the Plan for foreign-to-occupation employee and dependent health benefits, employee life insurance benefits and employee accidental death and dismemberment insurance benefits,

(2) the Dental Plan for employee and dependent dental benefits, and

(3) the Vision Plan for employee and dependent vision benefits,

would have been during that year, per non-hospital association road employee, in the absence of any employee contributions to such Plans.

(e) The Company's Monthly Payment Rate for 2007 has been determined to be \$1,108.34 and the Employee Monthly Cost-Sharing Contribution Amount for 2007 has been determined to be \$166.25.

Section 2 - Pre-Tax Contributions

Employee cost-sharing contributions made pursuant to this Part shall be made on a pre-tax basis pursuant to the existing Section 125 cafeteria plan to the extent applicable.

Section 3 - Retroactive Contributions

Retroactive employee cost-sharing contributions payable for the period on and after January 1, 2007 shall be offset against any retroactive wage payments provided to the affected employee under Article I, Sections 1, 2 and 3 of this Agreement, provided, however, there shall be no such offset for any month for which the affected employee was not obligated to make a cost-sharing contribution.

Section 4 – Prospective Contributions

For months subsequent to the retroactive period covered by Section 3, employee cost-sharing contributions will be made for the employee by the Company. The employer shall deduct the amount of such employee contributions from the employee's wages and retain the amounts so deducted as reimbursement for the employee contributions that the Company had made for the employee.

ARTICLE V – SUPPLEMENTAL SICKNESS

The Supplemental Sickness Benefit Plan, amended effective August 1, 2006, shall be further amended as provided in this Article.

Section 1 - Adjustment of Plan Benefits

Effective December 31, 2009, the benefits provided under the Plan shall be adjusted so as to restore the same ratio of benefits to rates of pay as existed on the effective date of this Agreement.

Section 2 – Notice of Disability

Existing agreements and practices regarding the time within which notices of disability must be filed under the SSB Plan, and the consequences of failure to file within that time period, shall be modified as set forth below.

Notification

A SSB Plan participant shall give the vendor administering claims under the Plan notice of disability, solely with respect to disabilities beginning on or after the date of this Agreement, within sixty (60) days after the start of the disability, unless failure to do so is due to a serious physical or mental injury or illness suffered by the participant, in which case the notice of disability must be given to the vendor as soon as amelioration of such serious physical or mental illness or injury reasonably permits. All claims with regard to which a notice of disability is not given in compliance with this time limitation shall be denied whether or not the SSB Plan has been prejudiced by such noncompliance or the claim is otherwise valid and payable.

Appeals

All final (second-level) appeals from claim denials under the SSB Plan that are pending on the date of this Agreement or are thereafter filed, where disposition of the claim required medical judgment that involved the participant's eligibility for SSB Plan benefits, his or her physical condition, the cause of his or her disability, or the date his or her disability started, will be considered and determined by a Disputes Committee consisting of one or more individuals selected by MCMC, LLC, an independent review entity, or such successor as may be mutually selected by the parties. In the event of a disagreement between the parties regarding selection of a successor, such dispute shall be resolved in the same manner as provided for in the existing arrangements governing disposition of deadlocks on matters brought before the Joint Plan Committee of the National H&W Plan.

ARTICLE VI - GENERAL PROVISIONS

Effect of this Agreement

(a) The purpose of this Agreement is to settle the disputes growing out of the notice served upon the organization by the Company on April 13, 2005, and the notice served by the organization signatory hereto upon the Company on November 29, 2004.

(b) This Agreement shall remain in effect through December 31, 2009 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act, as amended.

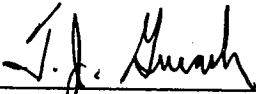
(c) No party to this Agreement shall serve or progress, prior to November 1, 2009 (not to become effective before January 1, 2010), any notice or proposal.

(d) This Article will not bar management and committees from agreeing upon any subject of mutual interest.

SIGNED THIS 24th DAY OF September, 2007.

**FOR:
THE AMERICAN RAILWAY AND
AIRWAY SUPERVISORS ASSOCIATION**

**UNION PACIFIC RAILROAD
COMPANY**

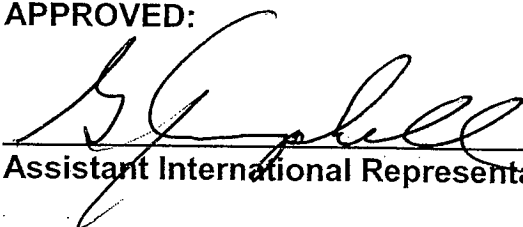


President & General Chairman, ARASA



Assistant Vice President
Labor Relations

APPROVED:



Assistant International Representative, ARASA



D. J. Smith
Asst. Vice President

September 24, 2007

Side Letter #1
6040003

Mr. Tom Gurash
Pres & General Chairman AR&ASA
2730 Columbus Place
Santa Clara, CA 95051

Dear Mr. Gurash:

This confirms our understanding with respect to the general wage increases provided for in Article I, Sections 1, 2 and 3 of the Agreement of this date.

The Company will make all reasonable efforts to pay the retroactive portion of such general wage increases as soon as possible and no later than sixty (60) days after October 1, 2007.

If the Company finds it impossible to make such payments by that date, such Company shall notify you in writing explaining why such payments have not been made and indicating when the payments will be made.

Sincerely,

A handwritten signature in black ink, appearing to read "D. J. Smith".



D. J. Smith
Asst. Vice President

September 24, 2007

Side Letter #2
6040003

Mr. Tom Gurash
Pres & General Chairman AR&ASA
2730 Columbus Place
Santa Clara, CA 95051

Dear Mr. Gurash:

This refers to the increase in wages provided for in Sections 1, 2 and 3 of Article I of the Agreement of this date.

It is understood that the retroactive portion of those wage increases shall be applied only to employees who have an employment relationship with the Company on the date of this Agreement or who retired or died subsequent to June 30, 2005.

Please acknowledge your agreement by signing your name in the space provided below.

Sincerely,

AGREED:

President & General Chairman, ARASA

APPROVED:

Assistant International Rep, ARASA



D. J. Smith
Asst. Vice President

September 24, 2007

Side Letter #3
6040003

Mr. Tom Gurash
Pres & General Chairman AR&ASA
2730 Columbus Place
Santa Clara, CA 95051

Dear Mr. Gurash:

This confirms our understanding regarding the Agreement of this date.

In any month in which an active employee receives his or her FO healthcare benefits from a Hospital Association and not from the National Health & Welfare Plan and makes a Plan contribution pursuant to Article IV, Part B, the Company shall pay the Hospital Association each month an amount equal to the Reduction Factor, provided that the Hospital Association that receives such payment has agreed to decrease the employee's dues by the same amount.

For purposes of this Side Letter, the term "Reduction Factor" means with respect to any given month, the smallest of:

- (i) the monthly dues amount in effect on January 1, 2003 that was established by the Hospital Association for payment by an active employee,
- (ii) the "cost-sharing contribution amount" for the month referred to in Article IV, Part B, Section 1, or
- (iii) the monthly dues amount established by the Hospital Association for payment by an active employee in that month.

Please acknowledge your agreement by signing your name in the space provided below.

Sincerely,

AGREED:

President & General Chairman, ARASA

APPROVED:

Assistant International Rep, ARASA



D. J. Smith
Asst. Vice President

September 24, 2007

Side Letter #4
6040003

Mr. Tom Gurash
Pres & General Chairman AR&ASA
2730 Columbus Place
Santa Clara, CA 95051

Dear Mr. Gurash:

This confirms our understanding regarding Article IV, Part B of the Agreement of this date.

If the initial deduction from an employee's wages for his monthly cost-sharing contribution pursuant to Article IV, Part B, Section 4 is scheduled to be made at the same time as the payroll deduction for the employee's union dues, the union dues deduction may be made on a subsequent date mutually agreeable to the parties.

Please acknowledge your agreement by signing your name in the space provided below.

Sincerely,

AGREED:

President & General Chairman, ARASA

APPROVED:

Assistant International Rep, ARASA



D. J. Smith
Asst. Vice President

September 24, 2007

Side Letter #4A
6040003

Mr. Tom Gurash
Pres & General Chairman AR&ASA
2730 Columbus Place
Santa Clara, CA 95051

Dear Mr. Gurash:

This confirms our understanding regarding Article IV, Part B of the Agreement of this date.

As was discussed, there is to be a study to consider and evaluate all issues related to the feasibility of arrangements whereby an employee's monthly cost-sharing contribution would be paid through two equal payroll deductions from the employee's wages. If the study determines that such arrangements are feasible, it shall mutually develop all terms and conditions reasonably necessary for implementation. The study is to be completed by no later than December 31, 2007.

The study's recommendations shall be implemented within a reasonable period and subject to such modifications as may be mutually agreed to facilitate implementation.

Please acknowledge your agreement by signing your name in the space provided below.

Sincerely,

AGREED:

President & General Chairman, ARASA

APPROVED:

Assistant International Rep, ARASA



D. J. Smith
Asst. Vice President

September 24, 2007

Side Letter #5
6040003

Mr. Tom Gurash
Pres & General Chairman AR&ASA
2730 Columbus Place
Santa Clara, CA 95051

Dear Mr. Gurash:

This confirms our understanding regarding the Agreement of this date.

The parties concur that the hypothetical example set forth in Attachment A to this letter describes the methodology concerning the (i) computation of gross retroactive pay and retroactive H&W cost-sharing that shall be utilized in determining the net retroactive amount payable to a covered employee under the terms of this Agreement, and (ii) determination of the hourly rate of pay produced by application of the general wage increases provided for in Article I of this Agreement.

Please acknowledge your agreement by signing your name in the space provided below.

Sincerely,

AGREED:

President & General Chairman, ARASA

APPROVED:

Assistant International Rep, ARASA

AR&ASA Retroactive Pay, H&W Cost-Sharing, Hourly Rate

ASSUMPTIONS:

Effective date of new agreement is October 1, 2007.

Employee's hourly rate as of 6/30/05 is \$25.72.

Assume employee works 174 hours per month (2088/year) all straight time

Following GWI's are applicable:

7/1/05 2.5%

7/1/06 3.0%

7/1/07 3.0%

Employee is obligated to make a cost-sharing contribution for each month during period 1/1/07 through 9/30/07.

1. Gross Retroactive Pay

Employee would be due the following in retroactive pay:

a. For period 7/1/05 through 6/30/06:

$$\$0.64^* \times 2088 \text{ hours} = \$1,336.32$$

$$* \quad 25.72/\text{hr} \times 1.025 = \$26.36$$

b. For period 7/1/06 through 6/30/07:

$$\$1.43^* \times 2088 \text{ hours} = \$2,985.84$$

$$* \quad \$26.36 \times 1.03 = \$27.15$$

c. For period 7/1/07 through 9/30/07:

$$\$2.24^* \times 522 \text{ hours} = \$1,169.28$$

$$* \quad \$27.15 \times 1.03 = \$27.96$$

d. Total gross retroactive pay of \$5,491.44

2. COLA Credit (1/1/05 through 9/30/07)

a. For period 7/1/05 through 12/31/05:

$$\$0.15 \times 174 \times 6 = \$156.60$$

b. For period 1/1/06 through 6/30/06:

$$\$0.46 \times 174 \times 6 = \$480.24$$

c. For period 7/1/06 through 12/31/06:

$$\$0.47 \times 174 \times 6 = 490.68$$

d. For period 1/1/07 through 6/30/07:

$$\$0.62 \times 174 \times 6 = \$647.28$$

e. For period 7/1/07 through 9/30/07:

$$\$0.72 \times 174 \times 3 = \$375.84$$

f. Total COLA credit = \$2,150.64

3. Retroactive H & W Cost-Sharing (1/1/07 through 9/30/07)

Employee would owe the following in retroactive H&W cost-sharing (to recover employee share of yearly Plan cost increases for period in excess of cost-sharing amounts already paid):

a. For period 1/1/07 through 6/30/07:

$$\$30.80^* \times 6 = \$184.80$$

* $\$166.25$ (cost-sharing amount effective 1/1/07) - $\$135.45$ (cost-sharing amount actually paid effective 1/1/07) = $\$30.80$

b. For period 7/1/07 through 9/30/07:

$$\$18.94^* \times 3 = \$56.82$$

* $\$166.25 - \147.31 (cost-sharing amount effective 7/1/07) = $\$18.94$

c. Total Retroactive H&W Cost Sharing: \$241.62

4. Net retroactive payment

| | |
|------------------------|-----------------|
| Gross Retroactive Pay: | \$5,491.44 |
| Subtract COLA Credit: | <u>2,150.64</u> |
| | \$3,340.80 |

| | |
|--|-----------|
| Subtract Retroactive H&W Cost-Sharing | \$ 241.62 |
|--|-----------|

Net Retroactive Pay: \$3,099.18

5. Hourly Rate Effective 10/1/07

$$\$25.72^* \times 1.025 \times 1.03 \times 1.03 = \$27.96$$

* Hourly Rate on 6/30/05



D. J. Smith
Asst. Vice President

September 24, 2007

Side Letter #6
6040003

Mr. Tom Gurash
Pres & General Chairman AR&ASA
2730 Columbus Place
Santa Clara, CA 95051

Dear Mr. Gurash:

This has reference to our discussion concerning employees that have elected to opt out of the Health & Welfare coverage.

This will confirm our discussion that employees who elected the opt out provision would not have any retroactive deductions for employee cost sharing contribution for those months for which the employee had elected to opt out of the Health and Welfare coverage.

Sincerely,

A handwritten signature in black ink, appearing to read "D. J. Smith".



D. J. Smith
Asst. Vice President

September 24, 2007

Side Letter #7
6040003

Mr. Tom Gurash
Pres & General Chairman AR&ASA
2730 Columbus Place
Santa Clara, CA 95051

Dear Mr. Gurash:

This has reference to our discussion concerning Vacation Agreement dated August 22, 2003, which allowed hourly rated employees to take two weeks vacation on a daily basis.

During our discussion you requested that the monthly rated employees (covered by the Foreman Maintenance Rate agreement of August 22, 2003), that were not eligible to take vacation on a daily basis since such employees may be eligible for eleven personal leave days. Based on our discussion, you were advised that on a trial basis for the year 2008, monthly rated employees covered by Forman Maintenance Rate (FMR) would be allowed to take one week of vacation on a daily basis according to the provisions for taking daily vacations indicated in the Vacation Agreement dated August 22, 2003. During the latter half of 2008, this matter would be reviewed to determine whether we would continue allowing the one-week's daily vacation or allow two weeks vacation to be taken on a daily basis. Also, you were advised that monthly rated Foreman Generals would be allowed to take two weeks vacation on a daily basis pursuant to August 22, 2003 Vacation Agreement, since they are not eligible for eleven personal leave days.

Sincerely,

A handwritten signature in black ink, appearing to read "D. J. Smith".



D. J. Smith
Asst. Vice President

September 24, 2007

Side Letter #8
6040003
C: 251-5 (FMR)

Mr. Tom Gurash
Pres & General Chairman AR&ASA
2730 Columbus Place
Santa Clara, CA 95051

Dear Mr. Gurash:

This has reference to our recent discussions concerning Agreement dated August 22, 2003, regarding Foreman Maintenance Rate (FMR) and your request to allow employees covered by Collective Bargaining Agreement an additional option to elect the hourly rate of pay.

Based on our discussion, you were advised that I have no objections to allowing foremen one additional opportunity to elect the hourly foreman rate of pay providing they have a monthly FMR. Attached is a copy of election form that will be sent to those foremen that currently have a monthly FMR. It is understood that this form will have to be returned to Ms. Andrea Gansen by no later than close of business November 16, 2007, if the foreman elects the hourly rate of pay. Employees exercising this opportunity will be placed under the hourly rate of pay effective January 1, 2008. Also, you were advised that foremen covered by Agreement dated March 3, 1995 for foremen on the former Denver & Rio Grande Western Railroad Company would be allowed to elect the hourly rate of pay providing they are currently under monthly rated pay as covered by Article IV – Wages of the March 3, 1995 Agreement.

The provisions of this letter agreement have been designed to address a particular situation. Therefore, the provisions hereof are without prejudice to the position of either party and shall not be cited as precedent in the future by either party.

If you are agreeable to the above, please so indicate by signing in the space provided below.

Sincerely,

AGREED:

President & General Chairman, ARASA

APPROVED:

Assistant International Rep, ARASA



D. J. Smith
Asst. Vice President

ELECTION TO OBTAIN THE HOURLY FOREMAN RATE
(Foremen with a monthly FMR covered by UP Collective Bargaining Agreement
Effective January 1, 2008)

MUST BE RECEIVED BY CLOSE OF BUSINESS NOVEMBER 16, 2007

Andrea Gansen
General Director Labor Relations
1400 Douglas Street, STOP 0710
Omaha, NE 68179

Pursuant to Agreement dated September 24, 2007, this is my formal written notice to advise that I am electing to cease being compensated the monthly Foreman Maintenance Rate (FMR) and am opting to be compensated the hourly rate of pay (\$27.96) for foremen commencing January 1, 2008.

Employee Name (Print)

Employee Signature

Employee ID or SSN

Street Address

City, State, Zip Code



D. J. Smith
Asst. Vice President

September 24, 2007

Side Letter # 9
6040003

Mr. Tom Gurash
Pres & General Chairman AR&ASA
2730 Columbus Place
Santa Clara, CA 95051

Dear Mr. Gurash:

This has reference to the concerns you have raised regarding your perception of the Company's ability to attract employees on foremen positions.

During our discussion, we reviewed our respective positions as to the Company's ability to attract quality candidates for foremen positions. In view of the concerns you have expressed, we discussed several different approaches to addressing these concerns including whether such concerns are justified. In view of our discussions we agreed the Company and the Organization would explore mutually beneficial methods of attracting qualified foremen candidates.

Sincerely,

A handwritten signature in cursive script, appearing to read "D. J. Smith".