

MEMORANDUM OF AGREEMENT

Between

UNION PACIFIC RAILROAD COMPANY

And the

UNITED TRANSPORTATION UNION

**ESTABLISHMENT OF INTERDIVISIONAL SERVICE
BETWEEN FORT WORTH AND HALSTED, TEXAS**

On November 19, 2004, Union Pacific Railroad Company ("Carrier" or "UP") served notice of its intention to establish new Interdivisional Service between Fort Worth and Halsted, Texas, under the conditions set forth in Article IX of the October 31, 1985 UTU National Agreement, as amended.

Parties signatory hereto have, pursuant to the above-cited Article, agreed to the terms governing this new interdivisional service. Specifically, **IT IS AGREED:**

I. Interdivisional Service

Section 1: Operations

- A.** Carrier may establish Interdivisional Service to operate between Fort Worth and Halsted, Texas.
- B.** Fort Worth, Texas will be the home terminal and Halsted, Texas the away-from-home terminal for employees working in this Interdivisional Service.
- C.** Route miles are as follows:

Between Fort Worth and Halsted via Hearne - 281 miles.
Between Halsted and Fort Worth via Valley Junction - 259 miles.

Note 1: The mileage specified above that is to be paid for this Interdivisional Service is subject to final verification by the parties.

Note 2: Crews in this Interdivisional Service may operate over any and all routes or combination of routes as part of their assignment. Crews

required to operate over alternate routes between Fort Worth and Halsted, Texas will be paid the actual miles operated center-of-yard Fort Worth (Centennial Yard) to center-of-yard Halsted or center-of-yard Halsted to center-of-yard Fort Worth (Centennial Yard) as may be the case. Questions regarding mileage over alternate routes may be handled with the Director - Labor Relations.

Note 3: It is understood crews may also operate through Hearne and Valley Junction over a longer and more circuitous route. In such a case, the actual miles operated will be paid as stipulated in Note 2 above.

- D. Nothing herein shall preclude the Carrier from utilizing pre-existing pools and protecting extra boards as outlined in the Dallas - Fort Worth Hub and San Antonio Hub Implementing Agreements. It is understood the use of pre-existing pools to handle traffic between Fort Worth and Halsted or Halsted and Fort Worth shall be consistent with respective Hub Implementing Agreements.

Section 2: Meals En Route

Meals en route for employees working in this service will be governed by Article IX, Section 2, Paragraph (e) of the October 31, 1985 UTU National Agreement.

Note: The meal en route provision set forth in this Section 2, as well as other pay elements contained in Article V of the August 20, 2002 UTU National Agreement, will be included in the trip rate established for this service consistent with trip rates implemented for other pools.

Section 3: Away-From-Home Terminal Meals

Away-from-home terminal meal allowances for employees working in this service will be governed by Article IX, Section 2, Paragraph (d) of the October 31, 1985 UTU National Agreement, as amended.

Section 4: Transportation

The provisions of Article IX, Section 2, Paragraph (c) of the October 31, 1985 UTU National Agreement will apply for employees working in this

service. Side Letters 1 and 2 of the Dallas - Fort Worth Hub Implementing Agreements are applicable to this Interdivisional Service.

Section 5: Suitable Lodging

The Carrier will, in accordance with applicable existing Agreement requirements, provide suitable lodging at the away-from-home terminal for employees working in this service.

Section 6: Hours-of-Service Relief

- A. Except as otherwise specified in this agreement, the protecting extra board at Fort Worth, if available, shall handle turnaround and hours of service relief for trains in this Interdivisional Service that are North of Hearne, Texas and destined to Fort Worth prior to using crews from the Fort Worth - Halsted or Fort Worth - Taylor/Hearne/Smithville pools on a turnaround basis.
- B. Except as otherwise specified in this agreement, the protecting extra board at Smithville, if available, shall handle turnaround and hours of service relief for trains in this Interdivisional Service and are South of Hearne, Texas and destined to Halsted prior to using Fort Worth - Halsted pool crews laying over at Halsted on a turnaround basis or pool crews from Smithville. Smithville crews used in turnaround and hours of service relief for trains in this Interdivisional Service destined to Halsted will tie-up at Smithville upon completion of their trip.
- C. Nothing herein shall prevent the use of other crews to perform work currently permitted by prevailing agreements, including, but not limited to yard crews performing hours-of-service relief within road/yard service zones, pool crews performing through freight combined service/deadheads between terminals, TSE/road switchers handling trains within their zones, enhanced customer service TSE assignments, and/or using an engineer and/or trainman from a following train to work a preceding train.

Section 7 - Familiarization

To insure proper familiarization upon implementation of this Interdivisional Service, employees assigned to the ID run established by this Agreement will be provided with a sufficient number of familiarization trips over territory where they are not currently qualified. Issues concerning individual qualifications shall be handled with local operating officers. Employees will not be required to lose time or "ride the road" on their own

time in order to qualify for these new operations. Pay will be made in the same manner as if the employee had performed service. If a dispute arises concerning this process, it will be addressed directly with the appropriate Labor Relations officer and General Chairman.

Section 8 - Conditions

Without prejudice to the position of either party, Article III, Section B and related questions and answers contained in the DFW Hub Implementing Agreement shall apply to this Interdivisional Service. However, it is understood the terms and conditions hereby extended to this Interdivisional Service are intended to address and/or apply to the interdivisional service run between Fort Worth and Halsted, Texas. Such terms and conditions will not be referred to in connection with any other case, agreement (local or national) and/or dispute resolution.

II. Seniority Assignments

Section 1: Allocation

Work opportunities in this Interdivisional Service shall be allocated to employees of the DFW and San Antonio Hubs as follows:

<u>Turn#</u>	<u>Hub Allocation</u>	<u>Turn#</u>	<u>Hub Allocation</u>
1	DFW	11	DFW
2	San Antonio	12	DFW
3	DFW	13	San Antonio
4	DFW	14	DFW
5	DFW	15	DFW
6	San Antonio	16	DFW
7	DFW	17	San Antonio
8	DFW	18	DFW
9	San Antonio	19	DFW
10	DFW	20	San Antonio

Section 2: Assignments

- A. All applications, bids, and seniority moves that are made to assignments in this Interdivisional Service shall be considered a voluntary exercise of seniority. Respective employees from the DFW and San Antonio Hubs who apply for or make seniority moves to this Interdivisional Service shall be assigned in seniority order among their peers according to the work allocation table set forth in Section 1 above.

- B. Employees from the DFW Hub may apply or make seniority moves to the San Antonio Hub positions should employees from the San Antonio Hub not apply for or make seniority moves to their respective positions. When a DFW Hub employee is assigned to a San Antonio position consistent with this Section B, a San Antonio Hub employee may not displace to or on that position until the DFW Hub employee assigned thereto has made at least one (1) round trip.
- C. Should CMS not receive any applications for an advertisement or assignment in this Interdivisional Service, an employee from the DFW Hub shall be assigned to that position consistent with controlling agreement provisions.
- D. Except as otherwise provided in this agreement, the appropriate extra board at Fort Worth shall protect extra vacancies that occur in this Interdivisional Service.

III. Protective Conditions

Employees adversely affected as a result of implementation of this Agreement will be entitled to the protective benefits set forth in Article IX, Section 7 of the October 31, 1985 UTU National Agreement.

IV. Implementation

The Carrier shall give the General Chairman fifteen (15) days written notice of its intent to implement this Agreement.

V. General

Section 1:

- A. This agreement does not prejudice the position of either party and will not be referred to in connection with any other case, agreement (local or national) and/or dispute resolution.
- B. In the event provisions of this Agreement conflict with any other agreements, understandings or practices, the provisions set forth herein shall prevail and apply. Agreements, understandings or practices that were not modified by, or in conflict with, the provisions of this Agreement remain in full force and effect.
- C. The terms and conditions of this Agreement are intended to address and/or apply to the interdivisional service run between Fort

Worth and Halsted, Texas. Accordingly, such terms and conditions shall not be applied, or interpreted to apply, to other locations, runs, etc.

Section 2:

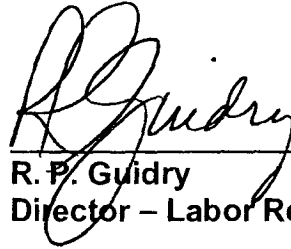
This Agreement was signed March 21, 2005 in Spring, Texas and shall be implemented as outlined in Article IV of this agreement.

FOR THE UTU



T. L. Johnson
General Chairman, UTU

**FOR THE UNION PACIFIC
RAILROAD:**



R. P. Guidry
Director - Labor Relations

UNION PACIFIC RAILROAD COMPANY



March 21, 2005
Side Letter 1

Mr. T. L. Johnson
General Chairman
United Transportation Union
4411 Old Bullard Road, Suite 600
Tyler, Texas 75703

Dear Sir:

This will confirm our discussions regarding Article II, Sections 1 and 2 of the Agreement dated March 21, 2005 establishing Interdivisional Service between Fort Worth and Halsted, Texas.

Consistent therewith, it is agreed that employees from the San Antonio Hub who make seniority moves to work opportunities allocated in Article II, Section 1, will be permitted to opt for an in lieu of lodging allowance under terms and conditions outlined below:

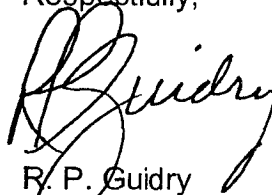
1. The provisions contained in this Side Letter 1 are contingent upon a successful ratification and execution of this Interdivisional Agreement on or before April 1, 2005. The Organization agrees to waive notice requirements contained in Article IV of this Interdivisional Agreement should its ratification process interfere with an April 1, 2005 timeline. The signing of this Interdivisional Agreement by all parties on or before April 1, 2005 is considered a successful execution thereof.
2. If a San Antonio Hub employee is regularly assigned to a position at Fort Worth that is allocated to the San Antonio Hub and, by working such assignment would be contractually entitled to suitable lodging at Halsted, he/she may, in lieu of using the Carrier-provided lodging at Halsted, claim and receive a \$25:00 cash allowance. It is understood said allowance is to be paid only when the San Antonio Hub employee actually works the assignment and would have qualified for lodging.
3. San Antonio Hub employees who opt for the \$25.00 in lieu of lodging allowance must commit to this allowance for minimum of one year,

must not use Carrier-provided lodging at Halsted in the intervening time and must advise the Regional CMS Director and Regional Timekeeping Director in writing or via VMX of their election.

4. It is understood this in lieu of lodging allowance is only extended to San Antonio Hub employees that are assigned to this Interdivisional Service. Accordingly, such terms and conditions will not apply to employees in any other service within the San Antonio Hub and will not apply to any other employees or any other service in any other Hub. This agreement will not prejudice the position of either party, will not be referred to in connection with any other case, agreement (local or national) and/or dispute resolution.
5. This Side Letter 1 will automatically terminate effective 12:01 A.M, April 1, 2010 and the in lieu of lodging allowance specified herein shall cease to be paid.

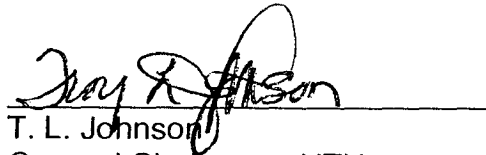
If you agree with the terms and conditions outlined above, please indicate by signing in the space provided.

Respectfully,



R. P. Guidry
Director - Labor Relations

Agreed:



T. L. Johnson
General Chairman - UTU

UNION PACIFIC RAILROAD COMPANY



March 21, 2005

Mr. T. L. Johnson
General Chairman
United Transportation Union
4411 Old Bullard Road, Suite 600
Tyler, Texas 75703

Dear Sir:

This will confirm our discussions with regard to improving cycle times for coal trains and other specific service issues involving the LCRA Coal Facility at Halsted, Texas. In connection therewith, the parties have agreed to the following relaxation of work rules to enhance service to the LCRA Coal Facility.

1. As necessary, the Carrier may operate enhanced customer service TSE assignments that will facilitate and expedite movement of coal trains to, from and within the LCRA Coal Facility at Halsted, Texas.
2. Enhanced customer service TSE assignments operated or established pursuant to this agreement may operate to and/or from sidings and/or track facilities at Caldwell, Taylor and Sealy, Texas during their tour of duty.
3. Enhanced customer service TSE assignments operated or established pursuant to this agreement need not be regularly assigned and may not have fixed starting times. All other work and operating parameters applicable to traditional TSE assignments are applicable to these customer enhanced TSE assignments.
4. Crews from the Smithville extra board will be called for enhanced customer service TSE assignments that are not regularly assigned and will go on and off duty at Smithville, Texas.
5. Should an enhanced customer service TSE assignment operate with enough reasonable regularity and predictability so as to establish a

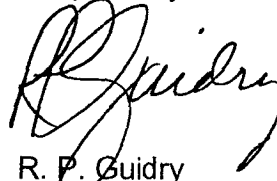
regular assignment five (5) or more days per week, a regular assignment shall be advertised.

6. There are no restrictions on work that may be performed by enhanced customer service TSE assignments, however it is understood the preponderance of service must be affiliated with the movement of coal trains to, from and within the LCRA Coal Facility.

It is understood provisions of this agreement will not prejudice the position of either party, will not be referred to in connection with any other case, agreement (local or national) and/or dispute resolution and may be cancelled by either party upon serving thirty (30) days written notice to the other. Moreover and with the same understanding, should the LCRA Coal Facility at Halsted opt to use another operator for its facility, this agreement will automatically cancel and terminate ten (10) days from the date the other operator commences its operation.


If you agree with the terms and conditions outlined above, please indicate by signing in the space provided.

Respectfully,



R. P. Guidry
Director - Labor Relations

Agreed:



T. L. Johnson
General Chairman - UTU