

MEMORANDUM of AGREEMENT

between

UNION PACIFIC RAILROAD COMPANY

and

**BROTHERHOOD OF LOCOMOTIVE ENGINEERS & TRAINMEN
(UP Western Lines)**

and

**UNITED TRANSPORTATION UNION
(UP Western Lines)**

TRAIN & ENGINE SERVICE EBB & FLOW

Union Pacific Railroad Company ("UP"), the Brotherhood of Locomotive Engineers and Trainmen ("BLET") and the United Transportation Union ("UTU") recognize that existing Agreement rules, including applicable National Agreement provisions governing the exercise of seniority and the movement by employees between engine service and train/yard service can create situations that require an unnecessary or inordinate number of employees to change jobs or work locations.

With the foregoing in mind, the parties signatory hereto seek to mitigate the impact on employees' jobs and/or work locations arising from the ebb and flow between engine service and train/yard service and to provide a more orderly flow between said services. Therefore, the parties agree the following terms and conditions shall apply:

I. SENIORITY

- A.** The seniority of employees holding seniority in crafts represented by UTU and/or BLET is unaffected by the terms and conditions set forth herein.

- B.** This Agreement does not, in and of itself, grant or extend any seniority rights or privileges at any location where an employee does not presently possess seniority in a craft pursuant to existing Agreement provisions. Similarly, this Agreement does not limit or extinguish any seniority rights or obligations, except for what may be specifically set forth in this Agreement, held by covered employees prior to the effective date of this Agreement.

- C. This Agreement is intended to provide a mechanism for the ebb and flow between train/yard service and engine service and to possibly increase the opportunities for an employee to remain at or near his or her home work location to the greatest extent possible. In concert therewith, the parties recognize the foregoing intention is not achievable in all cases or respects and must stand consistent with existing collective bargaining agreement, including National Agreement, provisions.
- D. The use of the terms "seniority zone" or "zone" in conjunction with or reference to the responsibilities, obligations, rights or privileges of an engineer specifically refers to the seniority zones established in the controlling BLET or UTU UP/SP New York Dock Merger Implementing Agreement(s).

NOTE: Hereinafter, the use of the terms "seniority zone" or "zone" shall include the Los Angeles Hub "seniority district."

II. EBB AND FLOW TERRITORIES

- A. Ebb and flow territories ("EFT") will be established in the BLET Los Angeles, Southwest and Roseville Hubs and the UTU Los Angeles, Roseville, Dalhart, Arizona and El Paso Hubs.
- B. Each EFT will include all assignments that go on duty at that location for which the location serves as the source of supply and shall include all assignments and territories protected by any extra board(s) located/established within the confines of that EFT.
- C. EFTs will be established at or for the locations/territories specified below:
 - 1. Roseville Hub – Zone 1
 - a. Roseville, California (includes all extra boards at Roseville)
 - b. "Bay Area" (includes San Francisco, Ozol, Oakland, San Jose, Warm Springs, and Milpitas)
 - c. Watsonville, California
 - d. Stockton, California
 - e. Oroville, California
 - 2. Roseville Hub – Zone 2
 - a. Bakersfield, California
 - b. Fresno, California

- c. San Luis Obispo, California
 - d. Mojave, California
- 3. Roseville Hub – Zone 3
 - a. Klamath Falls, Oregon
 - b. Dunsmuir, California
- 4. Roseville Hub – Zone 4
 - a. Portola, California
 - b. Sparks, Nevada
 - c. Winnemucca, Nevada.
- 5. Los Angeles Hub
 - a. Los Angeles, California (includes Los Angeles to, and including, Long Beach, Gemco, Dolores, and Pomona)
 - b. Colton, California (includes Colton to, but not including, Yuma, and Colton to, but not including, Pomona)
 - c. El Centro, California
 - d. Yermo, California
- 6. Arizona Hub/Southwest Hub – Zone 1
 - a. Phoenix, Arizona
 - b. Tucson, Arizona
 - c. Yuma, Arizona
 - d. El Centro, California
- 7. El Paso Hub/Southwest Hub – Zone 2
 - a. El Paso, Texas (includes all extra boards at El Paso)
- 8. Dalhart Hub/Southwest Hub – Zone 3
 - a. Dalhart, Texas

b. Pratt, Kansas

NOTE: The establishment of an EFT at/for Pratt, Kansas, pursuant to this Agreement does not modify in any manner applicable UTU or BLET New York Dock Merger Implementing Agreement provisions governing the assignment of pool freight positions or the attrition of train and/or engine service employees at Pratt, Kansas.

- D. The EFTs established pursuant to this Article II are to be used solely in conjunction with the application of this Agreement and shall not otherwise modify any other seniority district, seniority zone or other similar seniority arrangement(s).

III. FLOW FROM ENGINE SERVICE

A. When it becomes necessary to reduce the number of engineers on the engineer working list within the territory comprising an EFT, the junior engineer(s) assigned in the EFT in which the reduction is needed or desired shall be reduced. Said engineer(s) shall be entitled to exercise one of the following options:

1. If there are no junior engineers within his or her EFT, displace, in accordance with applicable Agreement rules, a junior employee holding a must-fill fireman or hostler position within the engineer's EFT or place onto a vacant must-fill fireman or hostler position within the engineer's EFT provided said engineer possesses applicable Agreement and seniority rights to work a must-fill fireman/hostler position.
2. If there are no junior engineers and no must-fill fireman or hostler positions within the engineer's EFT, or said engineer does not possess a seniority right to occupy such fireman/hostler position(s), displace in accordance with applicable Agreement rules to a position in train/yard service within that EFT.
3. Displace, in accordance with applicable Agreement rules, a junior engineer within his or her seniority zone.
4. If said engineer is unable to exercise options 1 through 3 above he or she shall be permitted to exercise, in accordance with applicable UTU Agreement provisions, his or her train/yard service seniority.

NOTE: If there are no junior engineers within his or her seniority zone an engineer may exercise the seniority option set forth in Article 3 (Consolidated Seniority), Part B, of the BLET Agreement, as amended.

- B.** When it becomes necessary to reduce the number of firemen/hostlers within the territory comprising the EFT, the junior fireman/hostler assigned in the EFT in which the reduction is needed or desired shall be reduced. Said fireman/hostler shall be entitled to exercise one of the following options:
1. Displace, in accordance with applicable Agreement rules, a junior fireman/hostler within his or her seniority district;
 2. If there are no junior firemen/hostlers or there are no must-fill fireman or hostler positions in the EFT, displace in accordance with applicable Agreement rules to a position in train/yard service within that EFT.
 3. If said fireman/hostler is unable to exercise options 1 or 2 above he or she shall be permitted to exercise, in accordance with applicable UTU Agreement provisions, his or her train/yard service seniority.

NOTE: The use of term fireman/hostler in this Section B does not include System Hostlers. In concert therewith, references in this Section B to reducing fireman/hostlers are not intended to refer to or amend existing Agreement provisions governing System Hostlers or hostling service.

IV. FLOW TO ENGINE SERVICE

- A.** When it becomes necessary to increase the number of engineers within an EFT and there are no engineers assigned to a Reserve Board in the seniority zone the following order and process shall apply for determining and adding the demoted engineer, regardless of whether said employee is working in train/yard service or as a fireman or hostler, to the engineer working list:
1. The senior demoted engineer assigned within the EFT having active engineer seniority in the seniority zone.
 2. If a need for additional engineer(s) cannot be filled in the step above, it will be filled by the junior demoted engineer(s) possessing seniority as an engineer in the seniority zone; lastly the junior engineer whose seniority is associated with (tied to) the seniority zone as a result of said engineer's exercise of seniority rights set forth in Article 3, Part B of the BLET Agreement.
- B.** When it becomes necessary to increase the number of firemen/hostlers within an EFT the following order and process shall apply:
1. The senior demoted fireman/hostler assigned within the EFT.

2. If a need for additional firemen/hostlers cannot be filled in the step above, it will be filled by the junior demoted fireman/hostler(s) possessing seniority as a fireman/hostler in the seniority district.

NOTE: In the event the need for additional firemen/hostlers is not met by Steps 1 and 2, above, this confirms the parties' understanding that existing Agreement provisions governing the filling and training of fireman/hostler positions are not modified by this Section D and shall continue to apply.

- C. When an employee is unable to hold any position at their EFT, either in engine service or train/yard service, the employee must completely exhaust their engine service seniority in the seniority zone prior to placing into train/yard service at a different EFT.

V. ASSIGNMENTS / APPLICATIONS

Applications or bids from an employee will only be accepted for the craft in which the employee is working at the time the vacancy is to be filled.

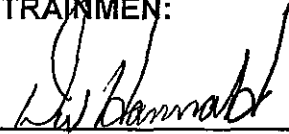
VI. GENERAL AND SAVINGS CLAUSES

- A. The terms and conditions set forth herein create additional complexities associated with the administration of seniority rights and obligations for employees working on the territories covered by this Agreement. Therefore, the parties acknowledge there will be issues or scenarios not contemplated in the discussions associated with the development of this Agreement and thus commit to promptly and jointly address such issues or scenarios in a manner consistent with the initial objectives of this Agreement. Moreover, and in view of the foregoing and the difficulties inherent with the simultaneous administration of this Agreement and existing seniority rules (both UTU and BLET), the parties agree to promptly and jointly address and/or correct any errors that may occur following implementation of this Agreement.
- B. In the event the provisions of this Agreement conflict with existing collective bargaining agreement provisions, the terms and conditions set forth herein shall prevail.
- C. The provisions of this Agreement shall not apply to an employee who is undergoing training as a brakeman/switchman-in-training, conductor/foreman-in-training and/or fireman-in-training.
- D. This Agreement shall become effective by UP's serving of a 10-day advanced written notice to the UP and BLET General Chairmen. Under no circumstances will this Agreement become effective later than 60 calendar days following the date this Agreement is signed.

- E. Concurrent with the signing of this Agreement, UTU, BLET and UP agree to withdraw the dispute identified as Case No. 1 awaiting a decision by Special Board of Adjustment No. 1145. The parties will jointly petition the Chairman/Neutral Member of said Board to dismiss the aforementioned Case.

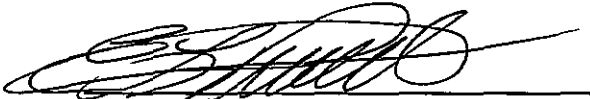
SIGNED THIS 10th DAY OF JANUARY, 2006 in OMAHA, NEBRASKA

FOR THE BROTHERHOOD OF
LOCOMOTIVE ENGINEERS AND
TRAINMEN:



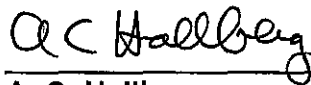
D. W. Hannah
General Chairman

APPROVED:

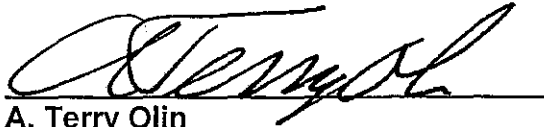


E. L. Pruitt
Vice President

FOR UNION PACIFIC RAILROAD
COMPANY:

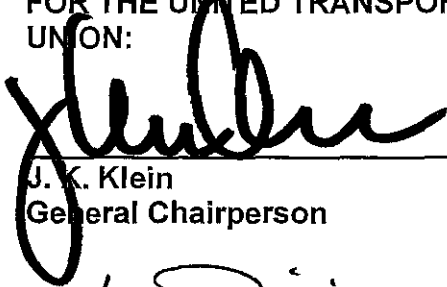


A. C. Hallberg
Director - Labor Relations



A. Terry Olin
General Director - Labor Relations

FOR THE UNITED TRANSPORTATION
UNION:

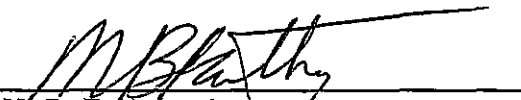


J. K. Klein
General Chairperson



J. Previsich
General Chairperson

APPROVED:



M. B. Futhéy, Jr.
Vice President

SIDE LETTER NO. 1

Mr. D. W. Hannah
General Chairman
Brotherhood of Locomotive Engineers
and Trainmen
404 North 7th Street
Colton, CA 92324-2906

Mr. J. Kevin Klein
General Chairperson
United Transportation Union
501 Mission Street, Suite A
Santa Cruz, CA 95060

Mr. J. Previsich
General Chairperson
United Transportation Union
7960B Soquel Drive, #381
Aptos, CA 95003

Gentlemen:

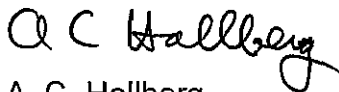
This has reference to our discussions pertaining to the "Memorandum of Agreement between Union Pacific Railroad Company and Brotherhood of Locomotive Engineers & Trainmen (UP Western Lines) and United Transportation Union (UP Western Lines) (Train & Engine Service Ebb & Flow)," dated January 10, 2006. In concert therewith, this letter will confirm certain understandings between the parties regarding the application of the above-referenced Agreement.

Coincident with the effective date of this Agreement, employees in train and fireman/hostler service who possess applicable agreement and seniority rights will be permitted to make application for engine service positions. The process and procedure for submitting and handling such applications will be governed by applicable BLET and UTU-E Agreement rules, governing applications for engine service positions/vacancies. Proper applications submitted by employees in train and fireman/hostler service will be accepted before the assignment of a junior engine service employee to the position.

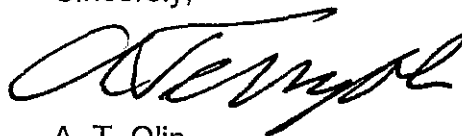
This Side Letter No. 1 modifies Section A, Paragraph 1 and Section B, Paragraph 1 of Article IV, and Article V of the above-referenced Memorandum of Agreement. This Side Letter No. 1 may be cancelled by the serving of a thirty-day advanced written notice by any of the parties signatory hereto upon the other parties. In the event this Side Letter is cancelled, the provisions of Section A, Paragraph 1 and Section B, Paragraph 1 of Article IV and Article V will automatically apply.

If the foregoing properly reflects the parties' understandings regarding this matter, please so indicate by affixing your signature in the space provided below.

Sincerely,

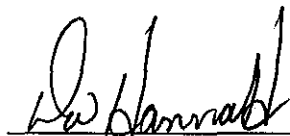


A. C. Hallberg
Director – Labor Relations

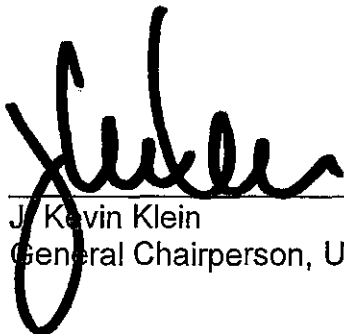


A. T. Olin
General Director – Labor Relations

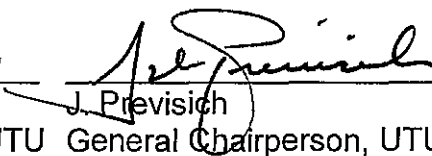
AGREED:



D. W. Hannah
General Chairman, BLET



J. Kevin Klein
General Chairperson, UTU



J. Previsich
General Chairperson, UTU

**EXAMPLE OF THE APPLICATION OF SIDE LETTER NO. 1
TRAIN & ENGINE SERVICE EBB & FLOW AGREEMENT
DATED JANUARY 10, 2006**

- UP desires to recall 5 demoted engineers from train/hostling service for/to Tucson, AZ.
- There are 7 demoted engineers working in train/hostling service in the Arizona Hub/Southwest Hub (Zone 1). The involved engineers and their relative seniority standing, are outlined in the table below:

Demoted Engineer	Seniority Ranking	Current Work Location (EFT) *	Proper Application on File?
A	1	Tucson, AZ	No
B	2	Tucson, AZ	No
C	3	Phoenix, AZ	Yes / Application for engine service at Tucson
D	4	Tucson, AZ	No
E	5	Tucson, AZ	No
F	6	Tucson, AZ	Yes / Application for engine service at Tucson
G	7	Tucson, AZ	Yes / Application for engine service at Tucson

* -- All employees are demoted engineers working in train or hostling service.

Demoted Engineers A, B, C, D and E would be returned to engine service at Tucson. (Pursuant to Side Letter No. 1, Engineer C's application to return to engine service at Tucson would be accepted because he/she had a proper application on file and was senior to the other Demoted Engineers (F and G) in the Tucson EFT.)

In the scenario above, if Demoted Engineer C was working in an EFT other than Tucson and he/she did not have an application on file to return to engine service at Tucson, UP would recall Demoted Engineers A, B, D, E, and F for Tucson. (Demoted Engineer G would not be recalled, notwithstanding his/her application to return to engine service, due to his/her relative ranking on the seniority list. Since UP wanted to return 5 engineers to engine service in the Tucson EFT, the five senior demoted engineers working in the Tucson EFT must be setup in seniority order, regardless if a junior demoted engineer in the Tucson EFT had an engine service application or that the other demoted engineers had not made any such application.

Consistent with the parties' intent in Side Letter No. 1, a junior engineer cannot hold an engineer position in an EFT when there is a senior demoted engineer – i.e., a senior demoted engineer working in train or hosting service in that EFT. It is permissible for a junior engineer to work as such in an EFT while a senior engineer works in train or hostling service in a different EFT – e.g., a more senior engineer can work as a trainman at Tucson simultaneous with a junior engineer working as an engineer in Phoenix.