

UNION PACIFIC RAILROAD COMPANY

1416 Dodge Street
Omaha, Nebraska 68179



September 10, 2002

File: 220-00

Mr. John McArthur
General Chairman BRS
PO Box 5100
Fallon, NV 89407

Dear Sir:

This is in reference to our discussion in conference concerning the Company's need to substantially reduce the backlog of crossing installations. As was indicated in our discussion we currently have crossing installations which have been approved and funded by government entities for over a year, yet we have been unable to perform the work due to our inability to employ sufficient number of signalmen to replace attrition and meet the demands of our current projects being planned as well as the demand for the additional crossings that have been authorized by various states.

We have approximately 300 employees you represent assigned to crossing installations, however, this does not permit us to make any significant improvement in reducing the work volume. While we have authorized the hiring of an additional 80 signalmen since May 2002, it is essential we expedite the installation of crossings with third-parties to supplement the Carrier's forces. We would use a maximum of 80 employees of third-parties to reduce the crossing installation backlog. This would allow us to reduce our backlog of approved and funded crossing so that we obtain our objective of having crossing installations completed within 6 months after they have been authorized by the various governmental agencies.

While you have indicated your serious concerns with contracting, in the interest of installing these approved crossing warning systems in a timely manner it was agreed that the company would be able to use third-parties solely for crossing installations with the following understandings.

1. The third-parties would be used in the states of Texas, California, Louisiana and the portions of Illinois within Zone 4, and while the third parties are employed on crossing installations, construction and maintenance forces will not be furloughed in any seniority district on the Carrier's system. It is not the intent of the Carrier to reduce the number of employees assigned to crossing installation as of this date however, the parties recognize that this number may change from time to time due to normal fluctuations such as retirement, bidding, discipline, resignation or emergencies. It is recognized that the Carrier can continue to rearrange forces as necessary, which may result in abolishments and establishment of positions. Additionally, for a period of 12 months following the completion of the last crossing installation, there will be no reduction in force that would result in furloughing of any employees in seniority zones 3 and 4.

Provisions covering employees being furloughed will not apply in cases where the employee's furlough is due to Carrier suspending its operation in whole or in part due to emergency conditions such as flood, snowstorm, hurricane, tornado, fire or labor dispute.

2. The use of a third-party as provided herein will be terminated no later than December 31, 2004, unless otherwise agreed to by the parties signatory hereto. The parties will meet 90 days prior to the expiration of the agreement to determine if the agreement should be extended. If the backlog of crossings drops below 200, contract employees will be withdrawn from the property, and the 12-month period referred to in paragraph 1 will commence. The Carrier will provide a list of pending crossings once a month for the duration of this agreement.
3. The UP signalmen will be responsible for connecting the crossing signal to the Union Pacific track, checking out the installation and placing the crossing in service. A crossing will be considered complete when it is placed in service, after which the contract employees will perform no additional work on such crossing. All work on live circuits will be performed by UPRR/BRS represented employees.
4. The Carrier will give first consideration to third parties that utilize employees represented by Brotherhood of Railroad Signalmen, providing they are cost competitive, offer quality services and can timely do the installations.
5. Wiring of all Union Pacific signal houses during the period the third parties are installing crossing installations, will be performed at Sedalia Signal Shop except for operational demands that cannot be met due to Carrier suspending its operation in whole or in part due to emergency conditions such as flood, snowstorm, hurricane, tornado, fire or labor dispute. If operational demands cannot be met the Carrier will contact General Chairman for his assistance prior to contracting any signal house work during this period.

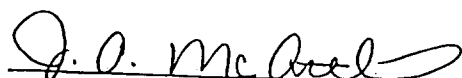
The provisions of this agreement have been designed to address a particular situation and shall not establish any practice or future precedent. Therefore, the provisions hereof are without prejudice to the position of either party.

If the foregoing is in accordance with our discussions and meets with your approval, please so indicate by signing in the space provided below.

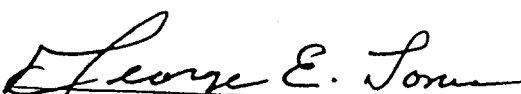
Sincerely,



AGREED:


General Chairman, BRS

APPROVED:


Vice President, BRS