

Wayne E. Naro
General Director Labor Relations

UNION PACIFIC RAILROAD COMPANY



1416 DODGE STREET, RM 332
OMAHA, NEBRASKA 68179-0323

May 5, 2004

L/R File: 220-62

Mr. J. O. McArthur
General Chairman, BRS
P O Box 5100
Fallon NV. 89407

Dear Sir:

This is to confirm our conference of this date in which we discussed the Letter of Understanding dated November 6, 2003, which allowed employees to transfer from the signal craft to other crafts and retain their seniority in the signal craft while qualifying in the other craft.

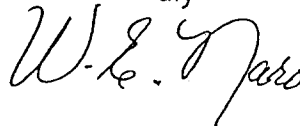
This agreement provides that an employee returning to the signal craft within the probationary period would be permitted to "displace pursuant to Rule 52." Rule 52 provides that an employee may exercise seniority to a vacancy. This language has been interpreted to mean a displacement to either a permanent or temporary vacancy. It was agreed that our intent was to allow employees returning under the agreement of November 6, 2003, to displace only to permanent vacancies. It further was agreed that employees, who may return in the future, will be restricted to exercising seniority only to permanent vacancies.

If the foregoing correctly sets forth our understanding please sign in the space provided below.

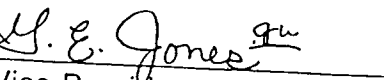
AGREED:


General Chairman, BRS

Yours truly



APPROVED:


Vice President, BRS