



June 21, 2006

c: 310-50
251-16

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

Mr. R. D. Brown
General Chairman AR&ASA
204 Live Oak Lane
Burleson, TX 76028

Gentlemen:

This has reference to Supplemental Sickness Benefit Agreement and Memorandum Agreement signed this date providing coverage for employees you represent on the Union Pacific Railroad Company.

We discussed that the commitment made in letters of June 16, 2003 and August 22, 2003 was to investigate whether benefits could be improved without affecting the premium rate of \$36.00 per month. Based upon our discussions of the changes made today, to the Supplemental Sickness Benefit Plan, it was understood that if the Carrier's cost of the Plan increased, then such increase would be offset from future wage and/or benefit increases that may result from Section 6 notices that have been served by the parties for the current round of negotiations.

The Agreements covering Supplemental Sickness Benefits to be placed into effect on August 1, 2006, will supercede any previous agreements on Supplemental Sickness Benefits, and such previous Agreements will terminate effective July 31, 2006, except for those employees receiving benefits on that date, who will continue under the coverage of UnumProvident R-890 policy consistent with the previous Supplemental Sickness Benefit Plan until the employee returns to service. Such employees will also continue under the coverage of UnumProvident R-890 for any Successive Periods of Disability, as defined in such Plan.

If the above sets forth our understanding please so indicate in the space provided below.

Agreed:

Sincerely,

General Chairman, AR&ASA

President & General Chairman, AR&ASA

D. J. Smith
Asst. Vice President

UNION PACIFIC RAILROAD
1400 Douglas St., Stop 0710, Omaha, NE 68179-0710

UNION PACIFIC FRUIT EXPRESS COMPANY

1400 DODGE STREET, STOP 0710
OMAHA, NEBRASKA 68179

June 21, 2006

310-50
c: 291-1
251-16

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

Dear Sir:

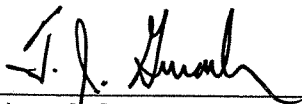
This has reference to our discussion concerning Supplemental Sickness Benefit Agreement and Memorandum Agreement signed this date covering employees on Union Pacific Railroad Company represented by American Railway and Airway Supervisors Association (ARASA). As discussed, these agreements are also applicable to employees represented by ARASA on the Union Pacific Fruit Express Company, however where the words Railroad or Union Pacific Railroad are used herein, they shall be construed to apply as Company or Union Pacific Fruit Express Company, as applicable.

The Agreements covering Supplemental Sickness Benefits to be placed into effect on August 1, 2006, will supercede any previous agreements on Supplemental Sickness Benefits, and such previous Agreements will terminate effective July 31, 2006, except for those employees receiving benefits on that date, who will continue under the coverage of UnumProvident R-890 policy consistent with the previous Supplemental Sickness Benefit Plan until the employee returns to service. Such employees will also continue under the coverage of UnumProvident R-890 for any Successive Periods of Disability, as defined in such Plan.

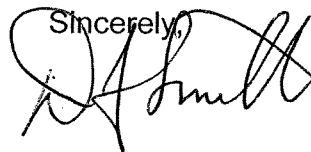
Due to the economics involved in connection with the preparation of the booklet explaining the benefits, the booklet and forms for Union Pacific Railroad employees will be utilized also for Union Pacific Fruit Express Company employees. It is understood that by utilizing this booklet, employees you represent on the Union Pacific Fruit Express Company are not considered as Union Pacific Railroad employees, rather the use of this booklet is due to the fact that it would not be economically feasible to have separate booklets prepared for Union Pacific Fruit Express Company employees due to the limited number of Foremen on the Union Pacific Fruit Express Company.

If you are agreeable to the above understanding, will you please so indicate your agreement in the space provided below returning the original to me for further handling.

Agreed:



President & General Chairman, AR&ASA

Sincerely,


SUPPLEMENTAL SICKNESS BENEFIT AGREEMENT

THIS AGREEMENT, made this 21st day of June, 2006, by and between the Union Pacific Railroad Company (hereinafter referred to as the Railroad) and its employees represented by the American Railway & Airway Supervisors Association:

IT IS AGREED:

1. New Supplemental Sickness Benefit Plan. Effective August 1, 2006, the Supplemental Sickness Benefit Plan established by the Supplemental Sickness Benefit Agreement of July 3, 1987, is replaced by the Supplemental Sickness Benefit Plan Covering Railroad Shop Craft and Signal Employees (the "Plan"). The benefits provided, the qualifying conditions, and the administration of the Plan are as set forth in the paragraphs which follow and in the booklet attached as Exhibit 1 hereto.
2. Eligibility for Benefits: Eligible Employees, Covered Employees, Qualified Employees.
 - (a) Eligible Employees. Subject to the provisions of Paragraph 3, benefits under the Plan will be provided to employees of the Railroad represented by the American Railway & Airway Supervisors Association ("Eligible Employees") if, as the result of an accidental bodily injury which occurred, or a sickness which commenced, while the Eligible Employee was covered by the Plan (a "Covered Employee"), the Eligible Employee is disabled to the extent that he is unable to perform the duties of any job available to him in his craft, or, if there is no job available to him in his craft, to the extent that

he is unable to perform the duties of the last job on which he worked prior to commencement of the disability. However, benefits under the Plan will not commence unless and until the employee is a Qualified Employee as that term is defined in Paragraph 2(c) of the Railroad Unemployment Insurance Act.

- (b) Covered Employees. A Qualified Employee will be covered by the Plan (and will be a "Covered Employee") during each month which follows a month in which he rendered compensated service for the Railroad under the coverage of a schedule agreement held by the American Railway & Airway Supervisors Association or took vacation with pay for which he had qualified under a schedule agreement held by the American Railway & Airway Supervisors Association. A Qualified Employee previously covered who ceased to be covered because of disability (as defined in Paragraph 2(a)), furlough, leave of absence or discharge, and who returns to work for the Railroad within twelve calendar months after his coverage had terminated, shall again become covered on the day on which he again renders compensated service under the coverage of a schedule agreement held by the American Railway & Airway Supervisors Association and his coverage shall continue for the remainder of that calendar month. A Qualified Employee who has ceased to render compensated service may continue to be covered if the Railroad is obligated to provide him continued benefits under compensation maintenance provisions of an agreement, a statute, or an order

of a regulatory authority and makes contributions to the Plan in the same manner as if the employee had rendered compensated service.

- (c) **Qualified Employees.** A Qualified Employee is one who –
- (i) has completed 30 days of continuous employment relationship with the Railroad, in a capacity in which he has been represented by the American Railway & Airway Supervisors Association and covered by its schedule agreement, and
 - (ii) has completed the requirements to be a "Qualified Employee" as that term is used in Section 3 of the Railroad Unemployment Insurance Act (effective with base year 2005), reading as follows:

"An employee shall be a 'qualified Employee' if the Board finds that his compensation with respect to the base year will have been not less than \$2,875, and, if such employee has had no compensation prior to such year, that he will have had compensation with respect to each of not less than five months in such year."

As used above, the term "base year" means the completed calendar year immediately preceding the beginning of a benefit year. The term "benefit year" means for purposes of the above definition the twelve-month period beginning July 1 of any year and ending June 30 of the next year.

In arriving at the \$2,875 for benefit year 2006 (July 1, 2006 – June 30, 2007) only the first \$1,150 of compensation in any month is counted. If the Act

should be amended so as to change the definition of "Qualified Employee" or the associated elements mentioned above during the life of this Agreement, this Paragraph 2(c) will be regarded as amended in conformity with the Act.

An employee will become a Qualified Employee the first day of the calendar month after he fulfills the foregoing conditions.

3. **Exclusions and Limitations.** No benefits will be provided under the Plan –

- (a) for the first four consecutive days of any disability;
- (b) for a longer period, with respect to any disability, than twelve months.

Continuing or successive periods of disability will be considered as the same disability unless separated by return to work on a full-time basis for a period of 90 calendar days or more, or unless due to entirely unrelated causes and separated by return to work on at least one day. If benefits are denied in accordance with Subparagraph (k) below because the employee received vacation pay during his disability, the twelve months period specified above shall be extended by the period during which benefits were denied for that reason;

- (c) for any disability for which the employee is not treated by a duly qualified physician or surgeon, as certified by the physician or surgeon pursuant to Paragraph 9;
- (d) for any day on which the employee performs work for remuneration;
- (e) for any disability commencing after the employee had commenced work on a regular or permanent basis for the Railroad on a position other than a

position coming under a schedule agreement held by the American Railway & Airway Supervisors Association.

- (f) for any intentionally self-inflicted disability;
- (g) for disability to which the contributing cause was the commission or attempted commission by the employee of an assault, battery or felony;
- (h) for disability due to war or act of war, whether war is declared or not, insurrection or rebellion, or due to participating in a riot or civil commotion;
- (i) subject to the provisions of Paragraph 5(a), for any period during which an employee eligible to receive sickness benefits under the Railroad Unemployment Insurance Act is denied such benefits for any reason including failure by the employee to make application for benefits;
- (j) for any disability commencing after the employee's employment relationship has terminated.
- (k) for any disability for any period for which the employee receives vacation pay.

4. Benefits.

- (a) Subject to the provisions of Subparagraph 4(b), for periods of disability commencing on or after the effective date set forth in Paragraph 1, the basic benefit under the Plan for employees eligible to receive sickness benefits under the Railroad Unemployment Insurance Act will be the amount shown in Columns 2-3 of Schedule A below, and the basic benefit under the Plan for employees who have exhausted their sickness benefits under the Railroad

Unemployment Insurance Act will be the amount shown in Columns 4-5 of Schedule A below. The basic benefit rate will not change during any period of disability unless during such period the employee exhausts his sickness benefits under the Railroad Unemployment Insurance Act, in which event his basic benefit rate under the Plan will be increased, or unless during such period a new benefit year under the Act starts and the employee whose sickness benefits under the Act had been exhausted is again eligible for such benefits, in which event his monthly benefit rate under the Plan will be reduced.

A. Basic Benefit Schedule

For Periods of Disability Starting on or After August 1, 2006)

<u>Classification</u>	<u>For Covered Employees Who Have Not Received Maximum Sickness Benefits Under the Railroad Unemployment Insurance Act (RUIA)</u>		<u>For Covered Employees Who Have Received Maximum Sickness Benefits Under the Railroad Unemployment Insurance Act (RUIA)</u>	
	(1)	(2)	(3)	(5)
	<u>Per Month</u>	<u>Per Day*</u>	<u>Per Month</u>	<u>Per Day*</u>
4669 Class 1	\$2,266.00	\$75.53	\$3,484.00	\$116.13
3908 Class 2	\$1,651.00	\$55.03	\$2,869.00	\$95.63

*The rate "per day" is 1/30 of the monthly benefit rate. It applies to disabilities lasting less than a month, and for any residual days of disability lasting more than an exact number of months.

(b) An Eligible Employee will be classified in accordance with his/her rate of pay as shown below. The rate of pay:

- (i) includes any differentials regularly paid on the position plus any applicable cost of living allowances; and
- (ii) is the rate of pay in effect as of December 31, 2004, for the position the employee last worked for pay prior to becoming disabled. For hourly rated positions, the monthly rate is determined by multiplying hourly rate of pay times 174.

<u>Classification</u>	<u>Rate of Pay as of December 31, 2004</u>
Class 1	\$4,825.00 or more per month
Class 2	Less than \$4,825.00 per month

- (c) If the Railroad Unemployment Insurance Act should be so amended as to increase daily benefit rates thereunder for days of sickness effective as of a date subsequent to the effective date of this Agreement, and the sum of 21.75 times the average daily benefit for the employee's Class under the Act as so amended, plus the amount shown in Column 2 of Schedule A above should exceed the amount in Column 2 of Schedule B below, the amount shown in Columns 2 and 4 of Schedule A shall be reduced to the extent that the sum of the amounts will not exceed the amount shown in Column 2 of Schedule B.

B. Maximum Monthly Amount Schedule

<u>Classification</u>	<u>Maximum Monthly</u>
<u>Amounts</u>	
(1)	(2)
Class 1	\$3,738.00
Class 2	\$3,074.00

- (d) A Covered Employee during his initial RUIA registration period after all certification requirements are met will receive: (i) basic benefits for the 5th through the 14th day of disability at the applicable rate shown above, plus

(ii) an amount equal to the total RUIA benefit that would have been payable for days of sickness except for RUIA's "waiting period" requirement. Benefit payments after that will be made monthly. A "month" is the period from a date in one month to the same date in the next month. The Plan or its designee may also determine, in its discretion, that the Plan will pay benefits more frequently than monthly (weekly or bi-weekly), based on the per day benefit. If the Plan pays benefits more frequently, the total benefits paid for any period of disability will be no different than the total benefits that would have been paid monthly.

5. Offsets.

- (a) **Benefits Provided Under Laws.** In any case in which an employee who is not eligible for sickness benefits under the Railroad Unemployment Insurance Act receives annuity payments under the Railroad Retirement Act, or insurance benefits under Title II of the Social Security Act, or unemployment, maternity or sickness benefits under an unemployment, maternity or sickness compensation law, or any other social insurance payments under any law, the basic benefit which would otherwise be payable to him under the Plan will be reduced to the extent that the sum of such payments or benefits in a month plus the monthly benefit payable under the Plan will not exceed the amount shown in Column 2 of Schedule B in Paragraph 4(b). In keeping with Paragraph 3(i), in any case in which an eligible employee who is eligible for sickness benefits under the Railroad Unemployment Insurance Act does not receive such benefits because of the

operation of Section 4(a-1) (ii) of such Act, the benefit which would otherwise be payable to him under the Plan will be reduced to the extent that the sum of the monthly payments or benefits referred to in such Section 4(a-1)(ii) plus the monthly benefit payable under the Plan will not exceed the amount shown in Column 2 of Schedule B in Paragraph 4(b). In any case of retroactive award of annuity payments or pensions under the Railroad Retirement Act or insurance benefits under Title II of the Social Security Act, or unemployment, maternity or sickness benefits under an unemployment, maternity or sickness compensation law, or other social insurance payments under any law, the Plan may recover from the employee the excess of benefits paid under it over the benefits which would have been payable under this paragraph if the retroactively awarded payments, pensions or benefits had been in effect from their retroactive effective date.

- (b) Benefits Provided Under Other Private Plans. In any case in which an employee is eligible also for benefits under any other group plan, fund or other arrangement, by whatever name called, including but not limited to any group policy of accident and health insurance providing benefits for loss of time from employment because of disability, his benefit under the Plan shall be reduced to the extent that the sum of the benefit for which he is so eligible in a month, plus 21.75 times the daily sickness benefit payable to him under the Railroad Unemployment Insurance Act, plus the monthly benefit payable to him under the Plan, will not exceed the amount shown in Column 2 of Schedule B in Paragraph 4(b).

(c) Off-Track Vehicle Accident Benefits. The benefit payable under the Plan for an employee who has been injured in an off-track vehicle accident covered under the National Agreement (as amended) covering Off-Track Vehicle Accidents or similar agreements, will be reduced by the amount of any payment for time lost which such employee may receive in connection with the same disability.

6. Liability Cases. In case of a disability for which the employee may have a right of recovery against either the Railroad or a third party or both, benefits will be paid under the Plan pending final resolution of the matter so that the employee will not be exclusively dependent upon his sickness benefits under the Railroad Unemployment Insurance Act. However, the parties hereto do not intend that benefits under the Plan will duplicate, in whole or in part, any amount recovered for loss of wages from either the Railroad or a third party, and they intend that benefits paid under the Plan will satisfy any right of recovery for loss of wages against the Railroad to the extent of the benefits so paid. Accordingly, benefits paid under the Plan will be offset against any right of recovery for loss of wages the employee may have against the Railroad; the Plan will be subrogated to any right of recovery for loss of wages the employee may have against any party other than the Railroad; as a condition to paying any benefits under the Plan, the Plan may require the employee to assign to it any such recovery or right thereto from any party other than the Railroad to the extent that benefits are payable under the Plan; and on any recovery for loss of wages from any party other than the Railroad, the employee will reimburse the Plan from such recovery for any benefits paid under the Plan. For

purposes of this Paragraph, a recovery which does not specify the matters covered thereby shall be deemed to include a recovery for loss of wages to the extent of any actual wage loss due to the disability involved.

7. **Funding Benefits.**

- (a) A contribution to the Plan by the Railroad will be made for each calendar month beginning with the month of July 2006, while this Agreement and the Plan are in effect, in relation to all employees covered by this Agreement held by the American Railway & Airway Supervisors Association who render any compensated service in the calendar month involved. Each payment will be payable by the 15th of the following calendar month.
- (b) If the Basic Benefit Schedule should be reduced in accordance with Paragraph 4(b) as the result of an increase in Railroad Unemployment Insurance Act sickness benefits, there will be an appropriate adjustment in contribution rates with the new contribution rates to be developed in the light of experience under the Plan and actuarial estimates of future experience, making appropriate allowance for cost of Plan administration.

8. **Railroad Retirement Board.** The Railroad and the American Railway & Airway Supervisors Association will jointly request the Railroad Retirement Board to establish such administrative procedures as may be feasible to facilitate the administration of this Agreement.

9. **Evidence of Disability.** Benefits under the Plan will be paid to Covered Employees subject to presentation of satisfactory evidence of disability and of the continuation

thereof. The Plan or its designee will furnish appropriate forms on which the Covered Employee may furnish a notice of claim and a claim form. The claim form will call for information necessary to establish his eligibility for benefits and information pertinent to the amount of benefits due him and any applicable exclusions, limitations and offsets, and forms on which the physician or surgeon treating him may furnish evidence of the date of commencement, nature, extent and probable duration of the disability. The Plan or its designee may require submission of (a) the notice of claim within 20 days of the start of disability and (b) the claim form within 90 days after the commencement of a disability, provided that failure to furnish completed notices, forms or statements within the time provided shall not invalidate or reduce any claim if it was not reasonably possible to furnish such completed notices, forms or statements within that time and such completed notices, forms or statements are furnished as soon as reasonably possible. The Plan or its designee may make such investigations as it deems necessary, including examination of the person of the employee when, so often as, and to the extent that such examination is necessary to the investigation of an employee's claim. Except as delays may be caused by investigation of individual claims, benefits under the Plan will be paid not less frequently than once every month.

10. Effect of This Agreement. The employees to whom this Agreement applies shall be those employees who:

(a) were first employed by the Railroad on or after July 3, 1987; and,

- (b) have completed 30 days of continuous employment relationship with the Railroad in a capacity represented by the American Railway & Airway Supervisors Association and covered by its Schedule Agreement.

11. Disputes.

- (a) Covered Employees. A National Supplemental Sickness Benefit Committee, consisting of two railroad members and two organization members signatory to this Agreement, is hereby established. The Committee shall have exclusive jurisdiction over any disputes not settled on the property as to whether an employee is covered within the meaning of Paragraph 2(b). The parties to this Agreement will promptly work out a procedure for the handling of such disputes, including appropriate time limits. Provision will be made for a neutral to act as a member of the Committee in the disposition of any disputes as to which the partisan members are unable to agree.
- (b) Eligible Employees. Any dispute involving an employee's eligibility for benefits within the meaning of Paragraph 2(a), and any other dispute arising under this Agreement or under the Plan requiring determination of the employee's physical condition or the cause, or the date of commencement, of a disability will be referred to a panel of physicians, one chosen by the employee or his representative, one chosen by the Railroad, and one chosen by the entity providing claims processing services to the Plan. If the panel cannot agree, its members will select another physician whose decision will be final.

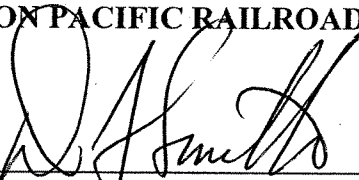
- (c) **Other Disputes.** Any dispute involving application of Paragraph 3 which does not require determination of the employee's physical condition or the cause or the date of commencement of a disability, and any other dispute which may arise involving the application of this Agreement or of the terms of the Plan, will be submitted to the National Supplemental Sickness Benefit Committee established under subparagraph (a) above, with provision, in cases in which an insurance any term of the Plan is involved, for enlargement of such Committee to include such representatives, not in excess of two, that the entity providing claims processing services to the Plan may designate. In such cases, if the enlarged Committee cannot agree, and cannot agree on a procedure for disposition of the dispute, it will be submitted to arbitration.
- (d) All of the decisions reached in accordance with the foregoing procedures in subparagraphs (a), (b) and (c) shall be final and binding.
- (e) All expenses in connection with the resolution of disputes under this Paragraph 10 shall be borne by the party (railroad, labor organization, Plan services provider or employee) incurring them, provided that fees and expenses of neutrals who may serve under the provisions of subparagraphs (a), (b) or (c) will be divided equally among the parties involved, except for neutral referees appointed by the National mediation Board to serve with the Disputes Committee in the disposition of disputes, who shall be compensated and reimbursed for their expenses in accordance with existing law.

12. **Duration.** This Agreement will continue in effect without change until it is modified or terminated pursuant to the provisions of the Railway Labor Act. No notice to

change this Agreement, and no notice dealing with the matters of sick leave, sickness benefits, or any other matter covered by this Agreement, may be served by any party to this Agreement prior to November 1, 2008 (not to become effective prior to January 1, 2009). This Paragraph will not bar changes in this Agreement by mutual agreement of the Railroad and the American Railway & Airway Supervisors Association.

Signed this 21st day of June, 2006.

FOR:
UNION PACIFIC RAILROAD COMPANY

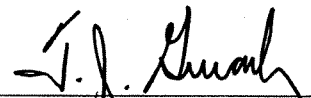


Assistant Vice President

FOR:
AMERICAN RAILWAY & AIRWAY
SUPERVISORS ASSOCIATION



General Chairman



President & Gen Chairman