

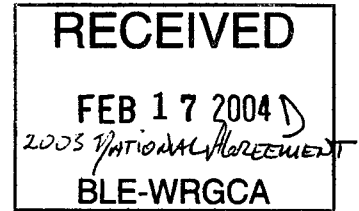
J. J. MARCHANT
VICE PRESIDENT
LABOR RELATIONS

UNION PACIFIC RAILROAD COMPANY

1416 DODGE STREET
OMAHA, NEBRASKA 68179



February 13, 2004



RETROACTIVE PAY - DELAY

Mr. Don M. Hahs
President BLET
1370 Ontario Street
Cleveland, OH 44113-1702

Dear Mr. Hahs:

This has reference to the general wage increases provided in Article I, Sections 3 and 4 of the December 16, 2003 BLE National Agreement and the carriers' commitment to attempt to pay the retroactive portions of these general wage increases within sixty days of the date of the National Agreement.

Union Pacific will be unable to pay the retroactive portion of the general wage increases within the sixty-day timeframe set forth in Side Letter No. 1. Our delay is attributable to the complexities inherent in accurately calculating the amount of the employee health and welfare contribution withholding and, in particular, the amount of that withholding for employees who worked in both train and engine service during the periods covered by the retroactive general wage increases. It is Union Pacific's goal to ensure every engineer is paid properly the first time. Thus, we are taking the extra time to carefully and accurately determine the amounts to be withheld from each engineer's retroactive pay.

Our plans presently contemplate completing this undertaking in time to include the retroactive portions of the general wage increases in the last half February payroll. If there is any slippage from this plan, I will promptly let you know.

Thank you for your understanding in this matter.

Sincerely,

A handwritten signature in black ink, appearing to be "John S.", written over the word "Sincerely,".

cc: Mr. R. D. Meredith
Mr. A. T. Olin
Ms. M. J. Ahart
Mr. A. A. Zabawa
Mr. M. D. Stom
Mr. G. Gore
Mr. C. R. Rightnowar
Mr. T. J. Donnigan
Mr. M. A. Young
Mr. D. W. Hannah
Mr. B. D. MacArthur