

Memorandum of Agreement

Between

Union Pacific Railroad Company

and the

International Association of Sheet Metal, Airline & Rail
Transport Workers – Transportation Division (SMART-TD)
(Houston Hub)

STREAMLINING UP HOUSTON HUB PROTECTED EMPLOYEES' PRODUCTIVITY FUND DISBURSEMENT

Union Pacific Railroad Company ("UP") and the International Association of Sheet Metal, Airline, Rail and Transportation Workers – Transportation Division ("SMART-TD") desire to streamline the process for disbursing annual payments from Employee's Productivity Fund to eligible Houston Hub train/yard service employees. Accordingly, the parties signatory hereto agree to the following:

- I. A. Article 19 of the *"Agreement between the Missouri Pacific railroad Company The Alton & Southern Railway Company and the United Transportation Union – (C) & (T), covering Crew Consist,"* dated March 17, 1980 ("1980 Crew Consist Agreement"), and subsequent related amendments, interpretations, understandings, etc. pertaining to contributions/payments to, administration of, or disbursements from the Employee's Productivity Fund is, effective with the implementation of this Agreement, of no future force or effect on or for those Houston Hub Protected Employees' Productivity Fund identified or commonly referred to as the Houston Hub Fund (Fund #88). In addition, the corresponding requirement of said Article 19 to establish and maintain a productivity account for or on behalf of crew consist protected employees, as defined in Article 2 of the 1980 Crew Consist Agreement, and Article IV (2) of the December 1, 1988 Modified Crew Consist Agreement working or assigned in the involved territories referenced immediately above shall likewise not apply.

- B. The payment of productivity fund amounts to eligible crew consist protected employees, as defined in Article 19 of the 1980 Crew Consist Agreement shall hereafter be governed by the terms set forth in this Memorandum of Agreement.
- II. A. Crew consist protected employees, as defined in Article 2 of the 1980 crew consist Agreement and Article IV (2) of the December 1, 1988 Modified Crew Consist Agreement, eligible to participate in (i.e., receive disbursements from) an Employee's Productivity Fund (i.e., the Houston Hub (Fund #88), shall, in lieu of the annual productivity fund disbursement from the fund, be paid an annual payment by UP equal to one-third (1/3) of his/her earnings earned on train/yard service positions governed by applicable UP/SMART-TD collective bargaining agreements during the 12-month period beginning on October 1 of the preceding year and ending on September 30 of the current year. This payment shall be subject to the following:
1. This annual payment shall not exceed one-third (1/3) of the eligible protected employee's earnings as a trainman/switchman within his/her Crew Consist Protected Hub for the 12-month period beginning on October 1 of the preceding year and ending on September 30 of the current year.
 2. The calculation of an eligible employee's earnings used for determining his or her annual payment will exclude the following items:
 - a. The previous year's Employees' Productivity Fund disbursement (payment);
 - b. Any payment made pursuant to this Memorandum of Agreement in a prior year;
 - c. \$3.75 productivity fund allowance
 - d. Any payment not subject to Federal income taxes; or,
 - e. Any income, earnings or payment(s) received in connection with work or services rendered while on jobs or assignments not covered or governed by a UP/SMART-TD trainman/yardman collective bargaining agreement.

NOTE 1: It is expressly intended earnings made by employees while working in another craft, including, but not limited to, as an engineer,

hostler, fireman-in-training ("FIT"), yardmaster, etc., or on any other position that is not covered by a UP/SMART-TD (United Transportation Union ("UTU")) trainman/yardman collective bargaining agreement are excluded in the determination of the employees' respective 12-month (October 1 – September 30) earnings.

NOTE 2:

It is not the intent of this Agreement to extend eligibility for participation in a productivity fund distribution to a SMART-TD officer who did not, or was not eligible to, participate in or receive a productivity fund distribution prior to the date this Agreement is placed into effect.

EXAMPLE:

Employee A is a crew consist protected employee pursuant to the 1980 Crew Consist Agreement. During the 12-month period between October 1, 2014 and September 1, 2015, Employee A earned \$55,000.00 (excluding non-taxable items, Productivity Fund Allowance, and last year's Employee's Productivity Fund payment) for work performed as a trainman/yardman and \$16,000.00 for work performed as an engineer. Employee A's 2015 1/3 annual payment will be \$18,333.32 (1/3 x \$55,000.00).

3. The calculation of an eligible employee's earnings used in determining his or her annual payment will include any lost time (wages), back pay, etc. he or she received during the applicable 12-month period. It is expressly intended the full amount of the employee's lost time (wages) or back pay is to be included in this calculation. In other words, it is not intended the amount of back pay or lost time to include in the employee's applicable 12-month period earnings would be reduced by any outside earnings that were used to reduce his or her actual lost time (wages) or back pay payment.
4. An employee who qualifies as a crew consist protected employee pursuant to the 1980 and 1988 Crew Consist Agreements and who holds an elected position as an officer of SMART-TD will have his or her earnings as an officer of SMART-TD included in the

calculation of such employees' 12-month (October 1 – September 30) earnings. Such employees/officers must submit to UP verifiable proof of earnings received from SMART-TD in the form of payroll vouchers or recaps in a timely manner in order to have such earnings included in the applicable calculations.

5. This annual payment will be made to eligible employees no earlier than November 1 and by no later than December 15 of the current year and shall be subject to applicable Federal, State and Railroad Retirement taxes and all other legal withholdings.
6. An employee who qualifies as a crew consist protected employee in accordance with the 1980 and 1988 Crew Consist Agreements who retires, resigns, or whose employment relationship with UP is severed shall be paid this annual productivity payment based upon his or her earnings during the period beginning on the preceding October 1 and ending on the day his or her employment relationship with UP is severed within sixty days of said employees' termination of his or her UP employment relationship.

NOTE: The provisions of this Paragraph 6 are specifically intended to only address the handling of the annual productivity payment for employees whose employment relationship with UP is terminated (severed). Accordingly, employees on leaves of absence, disability leave, etc. are not covered by this Paragraph 6.

7. The annual payment to crew consist protected employees made pursuant to this Article II shall not be used in the computation of or offset to any applicable monetary guarantees, labor protection test period averages, etc.
 8. The annual payment to crew consist protected employees made pursuant to this Article II shall not be included in the compensation used for determining vacation pay.
- B.** Only those employees presently designated as crew consist protected employees under the terms of the 1980 and 1988 Crew Consist Agreements will be eligible to receive the annual payment set forth in this Article II.
- III. A.** Not less than fifteen days prior to the effective date of this Agreement, UP and SMART-TD will, pursuant to Article V ("Custodian Termination") of the

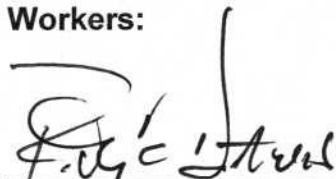
"Productivity Fund Agreement Among Union Pacific Railroad Company And United Transportation Union (C, T& Y)," effective September 3, 2010, jointly advise Wadell & Reed, Inc. of the parties' decision to remove Wadell & Reed as the Custodian for the Employees' Productivity Fund identified in Article II, Paragraph A of this Agreement and of the concomitant termination of the involved custodial account for the Employees' Productivity Fund identified in this Memorandum of Agreement.

- B. Effective October 1, 2014, the custodial account for the Houston Hub Fund (#88) will be permanently closed and discontinued. On said date and subsequent thereto, no further contributions to this fund will be made by UP. All monies remaining in this identified fund, including any "Claim Reserve Fund," will be immediately forwarded by Wadell & Reed to UP. UP and SMART-TD will jointly advise Wadell and Reed of this closure and authorize Wadell and Reed to accomplish promptly the aforementioned transfer of fund.
 - C. Coincident with the transfer to UP of the accumulated monies in this Employees' Productivity Fund identified herein, UP will thereafter incur responsibility for payment of any proper productivity fund disbursement liability that would have previously accrued to and was paid from the appropriate Employees' Productivity Fund or the associated Claim Reserve Fund had in this productivity fund not been discontinued. UP and the SMART-TD will review and jointly agree on the propriety of any employee claim for payment from the former Employees' Productivity Fund monies.
- IV.
- A. The references to, and use of, the term "*crew consist protected employee*" in this Agreement specifically and solely refers to those employees identified or defined in Article 2 of the 1980 and Article IV (2) of the 1988 Modified Crew Consist Agreement as a crew consist protected employee and accordingly eligible to receive the benefits specifically set forth in the 1980 Crew Consist Agreement.
 - B. Nothing in this Agreement is intended, nor shall it be interpreted, to modify in any manner or eliminate an employee's qualification or designation, in accordance with the terms of the 1980 and 1988 Crew Consist Agreements, as a crew consist protected employee or his or her concomitant entitlement to participation in Employees' Productivity fund prior to the implementation of this Agreement and, subsequent to implementation of this Agreement, the annual payment provided pursuant to this Agreement.
 - C. This Agreement shall become effective October 1, 2014, and will automatically terminate when there are no crew consist protected

employees in service with UP on the territory comprising the Houston Hub or any modification of the territory defined geographically as the Houston Hub in the Houston Hub Merger Implementing Agreement.

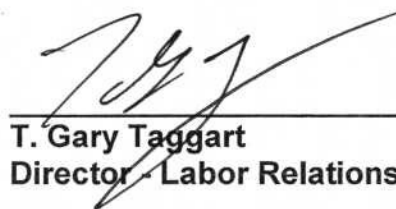
SIGNED THIS 30 DAY OF September 2014 IN SPRING, TEXAS

For the International Association of Sheet
Metal, Airline, Rail and Transportation
Workers:



Roy Davis
General Chairperson

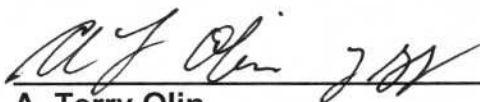
For Union Pacific Railroad Company:



T. Gary Taggart
Director - Labor Relations. Ops



Alan Weed
Gen. Director - Labor Relations. Ops



A. Terry Olin
Asst. Vice President-Labor Relations