

D.A. (David) Connell
Vice President - Engineering
ph. (402) 544-3237

W.E. (Bill) Van Trump
Sr. AVP Engineering - Signal/Comm./TCO
ph. (402) 544-4147



Mark Wheeland
AVP Engineering - Track Programs
ph. (402) 544-6153

J.J. (John) Hovanec
AVP Engineering Design/Construction
ph. (402) 544-2289

T.A. (Todd) Wimmer
AVP Engineering Structures/Maintenance
ph. (402) 544-3101

May 20, 2011

To: All Engineering Employees
From: David Connell, Vice President Engineering
RE: Travel Allowance Policy

Please reference the policy entitled "Verification of Rest Day Travel Allowances by Employees" on the back side of this letter. Based on feedback we have received since issuing this policy on February 16, we have revised this policy, effective June 1, to reflect the following changes:

- Increased the mileage threshold from 250 miles to 300 miles one-way for obtaining travel receipts. Employees who travel less than 300 miles each way are not required to keep receipts but are still required to complete the "Travel Allowance Form" to be reimbursed.
- Changed the requirement from obtaining one receipt each way to obtaining one receipt per round trip.
- Reduced the retention period for keeping receipts from 3 years to 6 months after the travel allowance form is submitted. Even though UP has shortened its retention period, IRS regulations may require the employee to keep these receipts for a longer period of time.
- Changed the language for BRS employees claiming mileage actually incurred via the most "direct" route to the most "reasonable" route to mirror the agreement language.
- Established the use of MapQuest® as the basis for claiming and approving mileage between the work location and home.

While I'm certain that none of you like keeping receipts or filling out forms, I hope that you understand why we must implement these controls. UP is obligated to put measures in place to prevent fraud and/or misappropriation of funds. Because we partner on certain projects with local, state or federal government agencies, UP may be audited and required to provide documentation for all of its expenditures, including payment of employees' travel allowances, regardless of the fact that such payments are provided for under the Collective Bargaining Agreement. Additionally, and unfortunately, we continue to find employees who have claimed and were paid travel allowances for trips home that they did not make. I realize that the overwhelming majority of our employees are honest and claim only what they are entitled to; however, it's obvious that a few are willing to put their jobs on the line to put a little extra cash in their pockets. Even though this is a small percentage of our folks, I worry that even good employees may be tempted to take this same course if sufficient safeguards aren't put in place to prevent it.

I want you to know that we considered other alternatives, such as verification of odometer readings, but we felt that our current approach was the least onerous since the vast majority of those traveling more than 300 miles each way would stop at least once anyway to get fuel. Keep in mind, however, that Corporate Audit may audit mileage claims paid using any available information. UP also reserves the right to change this policy if it is not effective in preventing fraud.

All of us have a responsibility to ensure that the money the shareholders give us is spent wisely and in a manner that is above reproach. Thanks for your cooperation in this matter.

A handwritten signature in cursive, appearing to read "David Connell".



Policy Memorandum

To: Engineering Department Employees
From: David A. Connell, Vice President Engineering
Policy: G-01-2011 Title: Verification of Rest Day Travel Allowances by Employees
Effective: March 1, 2011 Revised: June 1, 2011

All employees eligible to receive a negotiated travel allowance at the end of their work period (rest days) are governed by this policy. This policy applies to both drivers and passengers of a vehicle claiming an allowance per the applicable agreement.

- BMWED, IAM & IBBB: Mileage actually incurred driving between the work location and their home via the most direct highway route.
 - BRS: Mileage actually incurred driving between the work location and their home (via the most reasonable route) or other location, whichever is less.
1. An employee claiming a weekend (rest day) travel allowance, under an applicable agreement rule, will be required to complete a Travel Allowance Form (Form 32258) in order to be reimbursed. This is a two-part form that can be obtained through the employee's supervisor or timekeeper. Once completed, the top (white) copy of the form must be given to the foreman or timekeeper and the bottom (yellow) copy must be retained by the employee for his/her records. Employees and supervisors should use MapQuest® (www.mapquest.com) as the basis for claiming and approving travel expenses.
 2. When the trip is more than 300 miles one-way, the employee will also be required to obtain receipts or other proof which will verify the trip was made driving (or by other means as allowed by the applicable agreement). Acceptable proof of the trip includes only electronically-printed receipts that show the date, time and location of the purchases made en route (at least 50 miles from the work location and home location). At least one receipt is required per round trip. Examples include receipts for fuel, meals, snacks, sundries or lodging. Passengers will be expected to show proof that is not duplicate of that produced by the driver or other passengers. The employee should attach the receipt(s) to the yellow copy of the completed Travel Allowance Form and retain them for 6 months after the travel allowance form is submitted. For auditing purposes, these receipts must be produced within a reasonable period of time (at a maximum the next scheduled work period) upon request by their Supervisor, Manager or other designated Company Representative. Keep in mind that IRS regulations may require the employee to retain receipts for a longer period of time. If an employee is unable to produce verification of the trip when so requested, any travel allowance payment made will be recouped. In the event an employee is unable to produce verification of more than one trip for which travel allowance was requested, such employee may be subject to discipline - up to and including dismissal.
 3. Except as otherwise provided, employees requesting a rest day travel allowance who maintain a post office box on file as their mailing address will also be expected to have a street address on file. They must also produce documentation, such as, but not limited to, utility bills or rental agreements, within a reasonable period of time (at a maximum the next scheduled work period) upon request by their Supervisor, Manager or other designated Company Representative. Failure to produce such documentation of residence may subject the employee to discipline - up to and including dismissal.

May 20, 2011

210-36

Mr. H. J. Granier
General Chairman BMWED
302 E Broadway Suite B
Mayfield, KY 42066

Mr. D. R. Albers
General Chairman, BMWED
315 West Main Street, Suite 20
Hendersonville, TN 37075

Mr. L. D. Riley
General Chairman, BMWED
3626 Hotze Rd.
Salem, IL. 62881

Mr. L. L. Foster
General Chairman, BMWED
1845 11000 Road
Oswego, Ks 67356

Mr. W. E. Morrow
General Chairman BMWED
P.O. Box 850
Lyman, WY 82937

Dear Gentlemen:

This letter is in reference to the Engineering Department's "Verification of Rest Day Travel Allowances by Employees" Policy.

Effective June 1, 2011, the Carrier is revising the Policy to require one receipt for a round trip, rather than one receipt for each one way trip. The Engineering Department is informing its employees of the June 1, 2011 Policy by mail and a copy of the letter and the revised Policy are enclosed for your records.

To recap, since the initial policy was issued by the Engineering Department and based on feedback from the Organizations whose members work in the Engineering Department, the following changes have been made to the Policy:

- The mileage threshold has been increased from 250 miles to 300 miles one-way for obtaining travel receipts. Employees who travel less than 300 miles each way are not required to keep receipts but are still required to complete the "Travel Allowance Form" in order to be reimbursed.
- An employee will only be required to obtain one receipt per round trip rather than the original requirement of one each way.
- After consideration, the retention period for keeping receipts for Carrier audits has been reduced from 3 years to 6 months after the travel allowance form is submitted. However, we are advising employees, IRS regulations may require the employee to keep these receipts for a longer period of time.
- For BRS employees claiming mileage the language of the policy now only requires the employee to claim for the most "reasonable" route to mirror the agreement language.
- Employees, Managers and Supervisors of the Engineering Department are being advised to use MapQuest® as the basis for claiming or approving mileage between the work location and home, or other location allowable under the BRS agreement.

Thank you for your attention in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew". The signature is fluid and cursive, with a long horizontal stroke at the end.

Enclosure

CC: David Connell, Engineering
Bill Roe, Engineering
Don Griffin, BMWED
Roger Sanchez, BMWED
David Tanner, BMWED
Dominic Ring, Labor Relations
Brant Hanquist, Labor Relations
Justin Wayne, Labor Relations
Michael McNulty, Labor Relations
Katherine Novak, Labor Relations