COVER

FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

(Mark One)

[ X ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1996

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________________ to ____________________

Commission file number 1-6075

UNION PACIFIC CORPORATION
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| UTAH | 13-2626465 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

Martin Tower, Eighth and Eaton Avenues, Bethlehem, Pennsylvania
(Address of principal executive offices)

18018
(Zip Code)

(610) 861-3200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO
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As of July 31, 1996, there were 205,901,613 shares of the Registrant's Common Stock outstanding.

UNION PACIFIC CORPORATION

INDEX

PART I. FINANCIAL INFORMATION


| | Page Number |
|---|---|
| Item 1: Condensed Consolidated Financial Statements: | |
| CONDENSED STATEMENT OF CONSOLIDATED INCOME - For the Three Months and Six Months Ended June 30, 1996 and 1995................................................ | 1 |
| CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION - At June 30, 1996 and December 31, 1995................ | 2 - 3 |
| CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS - For the Six Months Ended June 30, 1996 and 1995........... | 4 |
| CONDENSED STATEMENT OF CONSOLIDATED RETAINED EARNINGS - For the Six Months Ended June 30, 1996 and 1995....... | 4 |
| NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.... | 5 - 9 |
| Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations................... | 10 - 16 |


PART II. OTHER INFORMATION


| | |
|---|---|
| Item 1: Legal Proceedings.................................... | 17 - 18 |
| Item 6: Exhibits and Reports on Form 8-K..................... | 19 - 20 |
| Signature..................................................... | 21 |

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

CONDENSED STATEMENT OF CONSOLIDATED INCOME

For the Three Months and Six Months Ended June 30, 1996 and 1995

(Amounts in Millions, Except Ratio and Per Share Amounts)
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 |
| Operating Revenues (Note 3) | $ 2,012 | $ 1,874 | $ 3,980 | $ 3,538 |
| Operating Expenses: | | | | |
| Salaries, wages and employee benefits | 744 | 730 | 1,517 | 1,386 |
| Equipment and other rents | 213 | 178 | 441 | 341 |
| Depreciation and amortization | 174 | 159 | 346 | 297 |
| Fuel and utilities (Note 5) | 181 | 144 | 344 | 270 |
| Materials and supplies | 111 | 96 | 227 | 185 |
| Other costs | 201 | 230 | 451 | 443 |
| Total | 1,624 | 1,537 | 3,326 | 2,922 |
| Operating Income | 388 | 337 | 654 | 616 |
| Other Income - Net | 32 | 22 | 50 | 70 |
| Interest Expense (Notes 2, 3, 4 and 5) | (114) | (111) | (231) | (201) |
| Corporate Expenses | (22) | (24) | (51) | (54) |
| Income Before Income Taxes | 284 | 224 | 422 | 431 |
| Income Taxes | (98) | (74) | (129) | (151) |
| Income from Continuing Operations | 186 | 150 | 293 | 280 |
| Income from Discontinued Operations (Note 4) | 58 | 74 | 107 | 135 |
| Net Income | $ 244 | $ 224 | $ 400 | $ 415 |
| Earnings Per Share: | | | | |
| Income from Continuing Operations | $ 0.90 | $ 0.73 | $ 1.42 | $ 1.36 |
| Income from Discontinued Operations | 0.28 | 0.36 | 0.52 | 0.66 |
| Net Income | $ 1.18 | $ 1.09 | $ 1.94 | $ 2.02 |
| Weighted Average Number of Shares | 206.4 | 205.6 | 206.4 | 205.6 |
| Cash Dividends Per Share | $ 0.43 | $ 0.43 | $ 0.86 | $ 0.86 |
| Ratio of Earnings to Fixed Charges (Note 6) | | | 2.4 | 2.9 |

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(Millions of Dollars)
(Unaudited)

| ASSETS | June 30, 1996 | December 31, 1995 |
|---|---|---|
| **Current Assets:** | | |
| Cash and temporary investments | $ 73 | $ 230 |
| Accounts receivable | 417 | 349 |
| Inventories | 220 | 238 |
| Notes receivable (Note 4) | 653 | 653 |
| Other current assets | 230 | 209 |
| Total Current Assets | 1,593 | 1,679 |
| **Investments:** | | |
| Investments in and advances to affiliated companies (Note 2) | 1,267 | 1,260 |
| Other investments | 154 | 187 |
| Total Investments | 1,421 | 1,447 |
| **Properties:** | | |
| Railroad: | | |
| Road and other | 13,245 | 12,888 |
| Equipment | 5,100 | 5,004 |
| Total Railroad | 18,345 | 17,892 |
| Trucking | 746 | 744 |
| Other | 114 | 112 |
| Total Properties | 19,205 | 18,748 |
| Accumulated depreciation | (4,866) | (4,643) |
| Properties - Net | 14,339 | 14,105 |
| Net Assets of Discontinued Operations (Note 4) | 1,419 | 1,312 |
| Excess Acquisition Costs - Net | 712 | 730 |
| Other Assets | 265 | 173 |
| Total Assets | $ 19,749 | $ 19,446 |

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(Amounts in Millions, Except Share and Per Share Amounts)
(Unaudited)

| LIABILITIES AND STOCKHOLDERS' EQUITY | June 30, 1996 | December 31, 1995 |
|---|---|---|
| **Current Liabilities:** | | |
| Accounts payable | $ 126 | $ 145 |
| Accrued wages and vacation | 324 | 284 |
| Income and other taxes | 181 | 178 |
| Accrued casualty costs | 188 | 192 |
| Dividends and interest | 202 | 203 |
| Debt due within one year | 232 | 132 |
| Other current liabilities | 761 | 765 |
| Total Current Liabilities | 2,014 | 1,899 |
| Debt Due After One Year | 5,923 | 6,232 |
| Deferred Income Taxes | 3,712 | 3,498 |
| Retiree Benefits Obligation | 622 | 588 |
| Other Long-Term Liabilities (Note 7) | 646 | 649 |
| Minority Interest in Consolidated Subsidiary (Note 4) | 236 | 216 |
| **Stockholders' Equity:** | | |
| Common stock, $2.50 par value, authorized 500,000,000 shares, 232,910,306 shares issued in 1996, 232,317,010 shares issued in 1995 | 582 | 581 |
| Paid-in surplus | 2,139 | 2,111 |
| Retained earnings | 5,550 | 5,327 |
| Treasury stock, at cost, 27,017,072 shares in 1996, 26,737,806 shares in 1995 | (1,675) | (1,655) |
| Total Stockholders' Equity | 6,596 | 6,364 |
| Total Liabilities and Stockholders' Equity | $ 19,749 | $ 19,446 |

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS

For the Six Months Ended June 30, 1996 and 1995
(Millions of Dollars)
(Unaudited)

| | 1996 | 1995 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 400 | $ 415 |
| Non-cash charges to income: | | |
| Depreciation and amortization | 346 | 297 |
| Deferred income taxes | (23) | 8 |
| Other - net | 69 | (75) |
| Income from discontinued operations (Note 4) | (107) | (135) |
| Changes in current assets and liabilities | 44 | 161 |
| Cash from continuing operations | 729 | 671 |
| Cash flows from investing activities: | | |
| Capital investments | (498) | (377) |
| Investments and acquisitions (Note 3) | -- | (1,170) |
| Cash provided by discontinued operations (Note 4) | 20 | 287 |
| Other - net | 15 | 110 |
| Cash used in investing activities | (463) | (1,150) |
| Cash flows from equity and financing activities: | | |
| Dividends paid | (177) | (176) |
| Debt repaid | (1,217) | (1,363) |
| Financings | 1,008 | 1,986 |
| Other - net | (37) | (32) |
| Cash (used in) provided by equity and financing activities | (423) | 415 |
| Net decrease in cash and temporary investments | $ (157) | $ (64) |

CONDENSED STATEMENT OF CONSOLIDATED RETAINED EARNINGS
For the Six Months Ended June 30, 1996 and 1995
(Amounts in Millions, Except Per Share Amounts)
(Unaudited)

| | 1996 | 1995 |
|---|---|---|
| Balance at Beginning of Year | $ 5,327 | $ 4,734 |
| Net Income | 400 | 415 |
| Total | 5,727 | 5,149 |
| Dividends Declared ($0.86 per share in 1996 and 1995) | (177) | (177) |
| Balance at End of Period | $ 5,550 | $ 4,972 |

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UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Responsibilities for Financial Statements - The condensed consolidated financial statements are unaudited and reflect all adjustments (consisting only of normal and recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. The Condensed Statement of Consolidated Financial Position at December 31, 1995 is derived from audited financial statements. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Union Pacific Corporation (the Corporation or UPC) Annual Report to Stockholders incorporated by reference in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995. The results of operations for the six months and three months ended June 30, 1996 are not necessarily indicative of the results for the entire year ending December 31, 1996.

2. Acquisition of Southern Pacific Rail Corporation (Southern Pacific) - In August 1995, the Corporation and Southern Pacific entered into a definitive merger agreement (the Agreement) providing for the acquisition of Southern Pacific by UPC. Under the terms of the Agreement, UPC completed a first-step cash tender offer in September 1995, pursuant to which approximately 39 million, or 25%, of the outstanding common shares of Southern Pacific were acquired at a price of $25 per share. The cash tender offer was funded with $976 million in borrowings under the Corporation's then existing credit facilities. Following the effective date of final approval by the Surface Transportation Board (STB) of the U.S. Department of Transportation--the successor to the Interstate Commerce Commission--UPC will complete the acquisition by exchanging the remaining Southern Pacific common shares, at the holder's election and subject to proration, for $25 in cash or 0.4065 shares of the Corporation's common stock. The total cost of the acquisition will be approximately $4.1 billion (comprised of $1.6 billion in cash funded through existing credit facilities and $2.5 billion in UPC common stock) plus the assumption of all Southern Pacific debt.

   On July 3, 1996, the STB held a voting conference at which it announced its unanimous approval of the acquisition of Southern Pacific by UPC with certain conditions. UPC expects to receive a final written decision by the STB regarding the acquisition of Southern Pacific by August 12, 1996 and expects to consummate the Southern Pacific acquisition in September 1996. The conditions announced at the STB's July 3, 1996 voting conference are not expected to materially reduce the economic benefits projected from the Southern Pacific acquisition. Should the final written decision of the STB contain conditions or other terms materially different from those voted upon by the STB at the July 3, 1996 voting conference and as a result the Corporation elects under the terms of the Southern Pacific merger agreement not to complete the acquisition, a subsequent disposition of the shares of Southern Pacific common stock owned by the Corporation could result in a significant loss. However, the Corporation believes that the STB's final written decision approving the Southern Pacific acquisition will not contain conditions or terms that are materially different from those voted upon by the STB on July 3, 1996.

The business combination with Southern Pacific will be accounted for as a purchase. Until the consummation of the acquisition, the Corporation will account for its 25% investment in Southern Pacific using the equity method. Although the purchase price allocation will not be finalized until after the STB renders its final written decision, initial estimates indicate that the fair value of tangible assets acquired will exceed the purchase price.

3. Acquisition of Chicago and North Western Transportation Company (CNW) - In April 1995, UPC completed the acquisition of the remaining 71.6% of CNW's outstanding common stock not previously owned by the Corporation for approximately $1.2 billion, funded by the issuance of additional debt. Prior to the acquisition, CNW was the nation's eighth largest railroad. The acquisition of CNW has been accounted for as a purchase, and CNW's financial results were consolidated with the Corporation effective May 1, 1995.

4. Union Pacific Resources Group Inc. (Resources) - In July 1995, the Corporation's Board of Directors approved a formal plan to divest UPC's natural resources business through an initial public offering (IPO) by Resources followed by a pro-rata distribution of the Resources' shares owned by the Corporation to its stockholders. The distribution is subject to UPC's receipt of a favorable Internal Revenue Service ruling as to the tax-free nature of the distribution and is expected to occur in the fourth quarter of 1996 after the completion of the acquisition of Southern Pacific.

   The IPO of 42.5 million Resources' shares at $21 per share was completed in October 1995 and generated net proceeds of $844 million. At that time, Resources distributed to UPC a dividend of $1,621 million ($912 million in cash, $650 million in 8.5% notes due within 90 days of the stock distribution and a $59 million intercompany balance owed by the Corporation). UPC used the cash proceeds to repay outstanding commercial paper.

   Resources' results have been reported as a discontinued operation in the Corporation's condensed consolidated financial statements for all periods presented. The Corporation's share of Resources' net income was $58 million and $74 million for the three months ended June 30, 1996 and 1995, respectively, and $107 million and $135 million for the six months ended June 30, 1996 and 1995, respectively. As a result of the IPO, the Corporation's 1996 results for all periods presented reflect 83% of Resources' net income while 1995 results reflect 100% of Resources' net income for all periods presented. These amounts are net of income taxes of $30 million and $17 million for the three months ended June 30, 1996 and 1995, respectively, and $52 million and $37 million for the six months ended June 30, 1996 and 1995, respectively.

   The following summarized financial information is derived from Resources' condensed consolidated financial statements to be contained in Resources' second quarter 1996 Quarterly Report on Form 10-Q, which will be filed with the Securities and Exchange Commission no later than August 14, 1996, and is presented to provide additional information on Resources' financial results to the Corporation's stockholders:

| | June 30, 1996 | December 31, 1995 |
|---|---|---|
| | (Millions of Dollars) | |
| Current assets | $ 354 | $ 420 |
| Non-current assets | 2,949 | 2,889 |
| Current liabilities | 926 | 1,067 |
| Non-current liabilities | 958 | 930 |
| Stockholders' equity | 1,419 | 1,312 |

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 1996 | June 30, 1995 | June 30, 1996 | June 30, 1995 |
| | (Millions of Dollars) | | (Millions of Dollars) | |
| Operating revenues | $428 | $341 | $818 | $666 |
| Operating income | 120 | 88 | 218 | 175 |
| Net income | 70 | 74 | 130 | 135 |

Financial Instruments: Resources uses swaps, futures, options and forward contracts to protect against unfavorable hydrocarbon price movements. Credit risk related to these activities is managed by requiring that counterparties meet minimum credit standards. At June 30, 1996, the largest credit risk associated with any of Resources' counterparties was approximately $5 million.

At June 30, 1996, Resources had entered into near-term futures contracts and price swaps for August through December 1996 with respect to average natural gas sales volumes of 389 MMcfd at $2.22/Mcf and for January through March 1997 with respect to average natural gas sales volumes of 40 MMcfd at $1.36/Mcf (Rockies price). At June 30, 1996, these contracts had a total deferred unrealized loss of $11 million. In addition, Resources had entered into near-term futures contracts to hedge 9 MBbld of crude oil production for August through December 1996 at an average price of $18.61/Bbl, which had a total deferred unrealized loss of $1 million. Furthermore, Resources has purchased commodity options that effectively set a minimum average crude oil price (floor) of $18.04/Bbl for July through December 1996 volumes of 26 MBbld and a natural gas price floor of $2.04/Mcf for August through December volumes of 178 MMcfd. At June 30, 1996, the deferred unrealized loss on such commodity options was $3 million. Resources has also entered into swaps and futures related to long-term fixed price commitments for 21.7 Bcf of natural gas which had a total deferred unrealized loss of $7 million at June 30, 1996. Resources' total deferred unrealized loss as of June 30, 1996 for all financial instruments was $22 million.

5. Financial Instruments - The Corporation uses derivative financial instruments in limited instances for other than trading purposes to manage risk as it relates to fuel prices and interest rates. Where the Corporation has fixed interest rates or fuel prices through the use of swaps, futures or forward contracts, the Corporation has mitigated the downside risk of adverse price and rate movements; however, it has also limited future gains from favorable movements.

The Corporation addresses market risk related to these instruments by selecting instruments whose value fluctuations highly correlate with the underlying item being hedged. Credit risk related to derivative financial instruments, which is minimal, is managed by requiring minimum credit standards for counterparties and periodic settlements. The largest credit risk associated with any of the Corporation's counterparties was $20 million at June 30, 1996. The Corporation has not been required to provide, nor has it received, any significant amount of collateral relating to its hedging activity.

The fair market value of the Corporation's derivative financial instrument positions at June 30, 1996 was determined based on current fair market values as quoted by recognized dealers or developed based on the present value of expected future cash flows discounted at the applicable zero coupon U.S. treasury rate and swap spread.

Interest Rates - The Corporation controls its overall risk to fluctuations in interest rates by managing the proportion of fixed and floating rate debt instruments within its debt portfolio over a given period. Derivatives are used in limited circumstances as one of the tools to obtain the targeted mix. The mix of fixed and floating rate debt is largely managed through the issuance of targeted amounts of such debt as debt maturities occur or as incremental borrowings are required. The Corporation also obtains additional flexibility in managing interest costs and the interest rate mix within its debt portfolio by issuing callable fixed rate debt securities.

At June 30, 1996, the Corporation had outstanding interest rate swaps on $305 million of notional principal amount of debt (5% of the total debt portfolio) with a gross fair market value asset position of $21 million and a gross fair market value liability position of $8 million. These contracts mature over the next one to nine years. Interest rate hedging activity increased second quarter 1996 interest expense by $2 million and year-to-date 1996 interest expense by $4 million.

Fuel - During 1996, fuel costs approximated 10% of the Corporation's total operating expenses. As a result of the significance of the fuel costs and the historical volatility of fuel prices, the Corporation's transportation subsidiaries periodically use swaps, futures and forward contracts to mitigate the impact of fuel price volatility. The intent of this program is to protect the Corporation's operating margins and overall profitability from adverse fuel price changes. However, the use of these contracts also limits the benefit of favorable fuel price changes.

At June 30, 1996, Union Pacific Railroad Company and its affiliate Missouri Pacific Railroad Company (collectively the Railroad) had hedged 33% of its remaining 1996 fuel consumption at $0.46 per gallon based on a Gulf Coast market, while Overnite Transportation Company had not hedged any of its 1996 fuel requirements. At June 30, 1996, the Railroad had outstanding swap agreements covering its fuel purchases of $63 million with a gross and net fair market value asset position of $12 million. Fuel hedging lowered second quarter 1996 fuel costs by $5 million and lowered fuel costs for the six months ended June 30, 1996 by $10 million.

6. Ratio of Earnings to Fixed Charges - The ratio of earnings to fixed charges has been computed on a total enterprise basis. Earnings represent income from continuing operations less equity in undistributed earnings of unconsolidated affiliates, plus income taxes and fixed charges. Fixed charges represent interest, amortization of debt discount and expense, and the estimated interest portion of rental charges.

7. Commitments and Contingencies - There are various lawsuits pending against the Corporation and certain of its subsidiaries.  The Corporation is also subject to Federal, state and local environmental laws and regulations and is currently participating in the investigation and remediation of numerous sites.  Where the remediation costs can be reasonably determined, and where such remediation is probable, the Corporation has recorded a liability. In addition, the Corporation has entered into commitments and provided guarantees for specific financial and contractual obligations of its subsidiaries and affiliates.  The Corporation does not expect that the lawsuits, environmental costs, commitments or guarantees will have a material adverse effect on its consolidated financial condition or its results of operations.

   Management does not anticipate that the ultimate resolution of the matters described in Part I, Item 3. Legal Proceedings of the Corporation's 1995 Annual Report on Form 10-K and in Part II, Item 1. Legal Proceedings in this Report will have a material adverse effect on the Corporation's consolidated financial condition or operating results.

8. Accounting Pronouncements - In June 1996, the Financial Accounting Standards Board issued Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," which provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings and which revises the accounting rules for liabilities extinguished by an in-substance defeasance. This statement is effective for transfers of financial assets and extinguishments of liabilities occurring after December 31, 1996 and is not expected to have a material impact on UPC's operating results or financial condition.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

RESULTS OF OPERATIONS

Quarter ended June 30, 1996 Compared to June 30, 1995

CORPORATE REORGANIZATION
Chicago and North Western Transportation Company (CNW) - In April 1995, Union Pacific Corporation (the Corporation or UPC) acquired the remaining 71.6% of CNW's outstanding common stock not previously owned by UPC for $1.2 billion. The acquisition of CNW was accounted for as a purchase and CNW's financial results were consolidated with UPC beginning in May 1995 (see Note 3 to the Condensed Consolidated Financial Statements).

Natural Resources Divestiture - In July 1995, UPC's Board of Directors approved a formal plan to exit its natural resources business. The plan includes an initial public offering (IPO) of Union Pacific Resources Group Inc.'s (Resources) common stock (which occurred in October 1995) followed by the distribution of UPC's remaining interest in Resources to the Corporation's stockholders on a tax-free, pro-rata basis. The distribution of Resources' common stock is subject to UPC's receipt of a favorable ruling from the Internal Revenue Service (IRS) as to the tax-free nature of the distribution. The distribution of Resources also cannot occur until after the completion of the acquisition of Southern Pacific Rail Corporation (Southern Pacific)(see Note 4 to the Condensed Consolidated Financial Statements).

Southern Pacific Acquisition - On July 3, 1996, the Surface Transportation Board (STB) of the U.S. Department of Transportation--the successor to the Interstate Commerce Commission--held a voting conference on the proposed acquisition of Southern Pacific by UPC. At the voting conference, the STB unanimously approved the acquisition of Southern Pacific by UPC with certain conditions. UPC expects to receive a final written decision by the STB regarding the acquisition of Southern Pacific by August 12, 1996. The Southern Pacific acquisition is expected to be consummated in September 1996 (see Note 2 to the Condensed Consolidated Financial Statements).

The conditions announced at the STB's July 3, 1996 voting conference are not expected to materially reduce the economic benefits projected from the Southern Pacific acquisition. Should the final written decision of the STB contain conditions or other terms materially different from those voted upon by the STB at the July 3, 1996 voting conference and as a result the Corporation elects under the terms of the Southern Pacific merger agreement not to complete the acquisition of Southern Pacific, a subsequent disposition of the shares of Southern Pacific common stock owned by the Corporation could result in a significant loss. However, the Corporation believes that the STB's final written decision approving the Southern Pacific acquisition will not contain conditions or terms that are materially different from those voted upon by the STB on July 3, 1996. Although the final written decision of the STB is expected by August 12, 1996, there is no assurance that STB approval will be obtained by such date. In addition, any appeals from the STB's final decision might not be resolved for a substantial period of time after the issuance of the final written decision by the STB.

FINANCIAL RESULTS

CONSOLIDATED - The Corporation reported record net income of $244 million or $1.18 per share for the second quarter of 1996, compared to 1995 net income of $224 million or $1.09 per share. Results for 1996 included CNW and, as a result of the Resources' IPO, reflected approximately 83% of Resources' net income in discontinued operations. Results for 1995 included CNW from May 1, 1995 and reflected the Corporation's 100% ownership of Resources in discontinued operations.

RESULTS OF CONTINUING OPERATIONS - The Corporation reported income from continuing operations of $186 million ($0.90 per share) in the second quarter of 1996, a 24% improvement from 1995's results of $150 million ($0.73 per share). Earnings for 1996 benefitted from improved operations at Union Pacific Railroad Company (including CNW) and its affiliate, Missouri Pacific Railroad Company (collectively, the Railroad), partially offset by slightly lower earnings at Overnite Transportation Company (Overnite).

Operating revenues grew 7% to $2.01 billion from $1.87 billion in 1995, reflecting increased volumes at the Railroad and Overnite and higher average commodity revenue per car at the Railroad, offset by the absence of real estate sales at the Corporation.

Operating expenses rose $87 million (6%) to $1.62 billion. Higher volumes at the Railroad and Overnite, the addition of CNW and inflation contributed to higher equipment and other rents ($35 million), materials and supplies ($15 million), salaries, wages and employee benefits ($14 million), and other taxes ($7 million). Fuel and utility costs increased $37 million, reflecting increased fuel prices and transportation volumes. Depreciation charges rose $15 million--the result of the addition of CNW properties and UPC's continued reinvestment in its equipment and rail infrastructure. Offsetting these expense increases were an $18 million decline in real estate expenses--reflecting the absence of real estate sales activity by the Corporation--and reduced car repair accruals ($21 million), the result of increased demand from other railroads for foreign line car repairs.

Operating income increased $51 million (15%) to $388 million for the quarter. Interest expense increased $3 million, principally from higher debt levels associated with strategic acquisitions offset by the favorable impact of the Resources' IPO dividend and debt refinancing activities. Other income rose $10 million, primarily reflecting interest income on the IPO dividend notes receivable from Resources.

Railroad - The Railroad earned $235 million for the quarter, a 7% increase from $219 million in 1995, reflecting increased volumes and prices. Results in 1996 also included a $15 million increase in after-tax interest costs, primarily related to the Southern Pacific first-step cash tender offer.

Operating revenues improved $147 million (9%) to $1.72 billion, as an 8% (over 105,000 carloads) increase in traffic--the result of both CNW volumes and base business growth--combined with a 2% increase in average commodity revenue per car, reflecting longer average length of haul, favorable traffic mix shifts and pricing improvements.

Energy: Energy commodity revenue rose 23% to $386 million for the second quarter of 1996 reflecting an 11% increase in carloadings and a 10% increase in average revenue per car. Volume increases resulted from weather-related demand from utilities to replenish stockpiles of Powder River Basin coal. Pricing improvements reflected a longer average length of haul, the result of the CNW integration. The Railroad averaged 24 trains with increased tonnage per day out of the Southern Powder River in 1996 compared to 22 trains per day in 1995, despite an aggressive maintenance strategy which compressed a full season of North Platte corridor repairs into five days. Energy volumes for the balance of the year are expected to benefit from this compressed maintenance cycle.

Intermodal: Intermodal commodity revenue rose 4% to $224 million as an 8% increase in average revenue per car--the result of aggressive pricing and a favorable customer mix--was slightly offset by a 3% reduction in volumes--reflecting reduced volumes from certain key customers due to a weakness in imports.

Industrial Products: Industrial products commodity revenue increased 9% to $285 million. Revenue improvements reflected a 15% increase in carloadings--driven primarily by growth in construction materials (stone, metallic minerals, lumber, cement and steel)--offset by a 5% product-mix-related reduction in average revenue per car.

Agricultural Products: Agricultural products commodity revenue grew 4% to $273 million, the result of a 9% increase in CNW-related carloadings offset by a 5% reduction in average revenue per car--reflecting increased competition for diminished grain supplies.

Chemicals: Chemicals commodity revenue increased 3% to $302 million, reflecting a 3% increase in carloadings. Carloadings growth resulted from a 13% increase in plastics volumes offset in part by reduced export fertilizer shipments and a soft demand for liquid and dry chemicals. Average revenue per car was unchanged for the quarter.

Automotive: Automotive commodity revenue rose 18% to $197 million primarily the result of a 22% increase in carloadings, consisting of a 36% increase in auto parts and a 16% increase in finished vehicles. Carloading growth reflected CNW volumes, a 4% increase in auto industry unit sales, and strong northbound Mexican business for both finished autos and auto parts. Average revenue per car decreased 3% reflecting the increased mix of parts versus finished vehicles carloadings.

Operating expenses advanced $89 million (7%) to $1.32 billion. Increased volumes, the integration of CNW and inflation contributed to higher equipment and other rents ($26 million), salaries, wages and employee benefits ($14 million), materials and supplies ($14 million) and other taxes ($6 million). Fuel and utility costs rose $35 million, reflecting a 16% increase in fuel prices and an 11% volume-related increase in fuel consumption slightly offset by improved locomotive efficiency. Depreciation expense rose $15 million, reflecting continued capital investment and the addition of CNW. Offsetting these increases was reduced car repair accruals ($21 million), the result of increased demand from other railroads for foreign line car repairs.

Operating income advanced $58 million (17%) to $407 million in 1996, while the operating ratio improved 1.5 points to 76.4 in 1996 from 77.9 in 1995. Interest expense increased $24 million, principally from higher debt levels associated with the CNW and Southern Pacific acquisitions offset by the favorable impact of debt refinancing activities.

Trucking - During the second quarter, Overnite continued to implement its strategic initiatives, aimed at better matching Overnite's operations to the current trucking industry business environment. Actions taken included workforce reductions, service center consolidations and repricing initiatives targeting Overnite's lowest margin customers. Nonetheless, trucking industry overcapacity and aggressive pricing from regional less-than-truckload (LTL) and truckload carriers continued to impact Overnite's operating results. As a result, Overnite reported a net loss of $12 million in 1996 compared to a net loss of $10 million in 1995. Results for both periods included goodwill amortization of $5 million.

Overnite's operating revenues advanced $15 million (6%) to $257 million as a 4% increase in volumes combined with a 1% increase in average prices. Increased volumes consisted of a 6% increase in LTL tonnage slightly offset by a 12% decrease in truckload volumes, reflecting Overnite's re-emphasis of its core LTL business.

Operating expenses increased $17 million to $274 million. Salaries, wages and employee benefit costs increased $4 million due to wage and benefit inflation slightly offset by workforce reductions. Overnite's efforts to balance traffic lanes on longer-haul business through the use of intermodal rail service and contract line-haul carriers resulted in a $9 million increase in rent and purchased transportation expenses. Fuel costs rose $2 million, primarily reflecting a 21% increase in fuel prices, while materials and supplies costs also rose $2 million--largely due to volume growth. Overnite's operating loss grew $2 million to $17 million in 1996, while Overnite's operating ratio (including goodwill amortization) increased to 106.6 for the quarter from 106.2 in 1995.

Corporate Services and Other Operations - Expenses related to Corporate Services and Other Operations (comprising corporate expenses, third-party interest charges, intercompany interest allocations, other income and income taxes related to the Corporation's holding company operations and the results of other operating units) decreased $22 million to $37 million. This decrease largely reflects lower Corporate interest costs, the result of the utilization of the Resources' IPO dividend to reduce debt levels. Other operating units recorded an operating loss of $2 million in 1996 compared to operating income of $3 million in 1995.

RESULTS OF DISCONTINUED OPERATIONS

Natural Resources - Resources' second quarter 1996 earnings declined $4 million to $70 million, as higher average realized hydrocarbon prices and sales volumes were more than offset by increased operating expenses and interest and administrative costs associated with Resources' IPO. As a result of Resources' October 1995 IPO, UPC recognized approximately 83% of Resources' 1996 net income in discontinued operations. The Corporation's 1995 results reflected UPC's 100% ownership of Resources in discontinued operations.

Operating revenues increased $87 million (25%) to $428 million, primarily as a result of higher revenues from producing properties and plants, pipelines and marketing operations. Producing property revenues increased $53 million (24%), reflecting production volume growth in natural gas and natural gas liquids (NGL) and increased hydrocarbon prices for all products. Natural gas production increased 8%--primarily the result of Austin Chalk drilling success and property acquisitions--while NGL volumes increased 40%, reflecting the processing of by-passed Austin Chalk and Rockies gas and ethane recovery in the Rockies and Canada. Depleted hydrocarbon storage supplies due to inclement winter weather and increased demand for natural gas by utilities, resulting from severe summer temperatures, caused natural gas, NGL and crude oil prices to rise 16%, 13% and 22%, respectively. Plants, pipelines and marketing revenues advanced $39 million, largely due to increases in plant volumes, the start-up and expansion of pipelines in West Texas and the Austin Chalk, and higher average product price realizations.

Operating expenses increased $55 million in 1996 to $308 million. Exploration costs increased $10 million, largely the result of increased dry hole costs--reflecting increased exploratory drilling activity in the current high price environment. Plants, pipeline and marketing expenses increased $20 million to $66 million, reflecting the expansion and start-up of West Texas and Austin Chalk pipelines and higher gas plant hydrocarbon purchase costs. Depreciation and depletion costs rose $14 million, primarily as a result of increased production in the Austin Chalk. Production expenses increased $6 million reflecting higher production volumes, while general and administrative costs increased $4 million, principally resulting from costs associated with operating Resources as a stand-alone company. Operating income improved to $120 million in 1996 from $88 million a year ago. Interest expense increased $11 million to $13 million, the result of debt incurred by Resources in connection with its IPO dividend to UPC.

Six Months Ended June 30, 1996 Compared to June 30, 1995

CONSOLIDATED RESULTS - The Corporation reported net income for the first half of 1996 of $400 million ($1.94 per share) compared to $415 million ($2.02 per share) for the same period of 1995. Results for 1996 included CNW and, as a result of the Resources' IPO, reflected approximately 83% of Resources' net income in discontinued operations. Results for 1995 included CNW from May 1, 1995 and reflected the Corporation's 100% ownership of Resources.

RESULTS OF CONTINUING OPERATIONS - Income from continuing operations advanced $13 million for the period to $293 million ($1.42 per share), as the positive impact of the Railroad's CNW integration more than offset higher debt service costs associated with the CNW and Southern Pacific acquisitions. Operating revenues increased $442 million (12%) to $3.98 billion for the period principally the result of the Railroad's operating revenue improvement of $444 million (15%)(reflecting the addition of CNW, increased base carloadings and a higher average revenue per car).

Consolidated operating expenses rose $404 million (14%) to $3.33 billion. CNW results, rail volume growth and inflation caused increases in salaries, wages and employee benefits ($131 million), equipment and other rents ($100 million), materials and supplies ($42 million), other taxes ($18 million), casualty accruals ($14 million) and contracted transportation ($11 million). Increased fuel prices and transportation volumes resulted in a $74 million increase in fuel and utilities costs. Depreciation charges rose $49 million--reflecting the addition of CNW properties and UPC's continued reinvestment in its equipment and rail infrastructure. Offsetting these increases were a decline in real estate expenses of $19 million reflecting the absence of real estate sales by the Corporation and reduced car repair accruals ($26 million), the result of increased demand by other railroads for foreign line car repairs.

Consolidated operating income advanced $38 million (6%) to $654 million for the first half of 1996, principally reflecting a $69 million improvement at the Railroad offset by a $22 million decline in operating results at Overnite.
Other

income declined $20 million, primarily the result of reduced real estate sales activity. Interest expense increased $30 million, principally from higher debt levels associated with the CNW and Southern Pacific acquisitions offset by the favorable impact of the Resources' IPO dividend and debt refinancing activities. The Corporation's effective tax rate for the period decreased to 30.6% from 35.0% a year ago, reflecting a favorable first quarter 1996 IRS tax settlement ($20 million) at the Railroad.

RESULTS OF DISCONTINUED OPERATIONS - Resources reported net income for the first half of 1996 of $130 million compared to $135 million for the same period of 1995. As a result of Resources' October 1995 IPO, UPC recognized approximately 83% of Resources' 1996 net income in discontinued operations. The Corporation's 1995 results reflected UPC's 100% ownership of Resources in discontinued operations. Operating revenues increased $152 million (23%) reflecting a 6% increase in sales volumes and a 14% increase in average sales prices. Operating expenses increased $109 million (22%), the result of higher volumes and increased general and administrative expenses related to operating Resources as a stand-alone company. Interest expense increased $23 million to $26 million, the result of debt incurred by Resources in connection with its IPO dividend to UPC.

## CHANGES IN CONSOLIDATED FINANCIAL CONDITION

During the first six months of 1996, cash from continuing operations was $729 million compared to $671 million for the same period in 1995. This $58 million increase primarily reflects lower CNW merger-related payments, improved inventory management at the Railroad, increased income from continuing operations and a higher proportion of non-cash expenses included in net income offset by a volume related increase in accounts receivable.

Cash used in investing activities was $463 million in 1996 compared to $1.15 billion in 1995. This change in cash reflects the absence of the second quarter 1995 CNW acquisition, reduced proceeds from real estate sales, the absence of $225 million in USPCI, Inc. sale proceeds collected in January 1995 and increased capital expenditures--largely from fleet expansion and renewal at the Railroad.

Outstanding debt levels decreased $209 million from December 31, 1995 to June 30, 1996 as cash provided by UPC's continuing and discontinued operations and the depletion of year-end 1995 cash balances were utilized to fund capital investments and dividends. The quarterly common stock dividend remained at $0.43 per share in the second quarter of 1996. The ratio of debt to capital employed improved to 48.3% at June 30, 1996 from 50.0% at December 31, 1995, reflecting debt reduction and increased stockholders' equity, the result of 1996 earnings.

The STB's voting conference unanimous approval of the Corporation's acquisition of Southern Pacific prompted Moody's Investors Service (Moody's) and Standard and Poor's (S&P) to downgrade UPC's long-term debt ratings and to reduce long-term debt ratings on the Corporation's primary subsidiaries. Moody's lowered UPC's senior unsecured debt rating from A3 to Baa2 while S&P lowered UPC's senior unsecured debt rating from A- to BBB. The Corporation's commercial paper debt rating remained unchanged. Moody's and S&P's debt rating reductions are not expected to impact UPC's annual interest expense significantly.

# OTHER DEVELOPMENTS

## OTHER MATTERS

### Labor Matters

Railroad: Approximately 90% of the Railroad's 35,000 employees are represented by one of twelve national rail unions. The major freight railroads and the United Transportation Union (representing 25% of the Railroad's unionized workforce) and the Brotherhood of Locomotive Engineers (representing 15% of the Railroad's unionized workforce) have reached a five-year settlement, which includes a combination of general wage increases and lump-sum payments from 3% to 3.5% annually, as well as increased work rule flexibility. In July 1996, the leadership of the remaining major rail unions (including the Transportation Communications Union, the Brotherhood of Maintenance of Way Employees and three shop-craft unions) reached tentative labor agreements with the major freight railroads. Ratification votes on these agreements are expected in the third quarter of 1996. These events greatly reduce the possibility of rail strikes during this round of negotiations. The terms of the ratified and tentative agreements are not expected to have a material adverse affect on the Corporation's results of operations.

Overnite: Overnite continues to resist the efforts of the International Brotherhood of Teamsters (Teamsters) efforts to unionize Overnite service centers. Since year-end 1995, six Overnite service centers have held union elections--two of which voted for union representation--while the employees of three service centers that previously voted for union representation filed petitions with the National Labor Relations Board to decertify the Teamsters as their union bargaining representative. Despite the Teamsters' efforts, less than 9% of Overnite's workforce has voted for union representation. Overnite has begun negotiations with the Teamsters at several of the unionized service centers and is unable at this time to estimate the impact these negotiations will have on its future operating results.

Accounting Pronouncements - In June 1996, the Financial Accounting Standards Board issued Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," which provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings and which revises the accounting rules for liabilities extinguished by an in-substance defeasance. This statement is effective for transfers of financial assets and extinguishments of liabilities occurring after December 31, 1996 and is not expected to have a material impact on UPC's operating results or financial condition.

Commitments and Contingencies - There are various lawsuits pending against the Corporation and certain of its subsidiaries. The Corporation is also subject to Federal, state and local environmental laws and regulations and is currently participating in the investigation and remediation of numerous sites. Where the remediation costs can be reasonably determined, and where such remediation is probable, the Corporation has recorded a liability. In addition, the Corporation has entered into commitments and provided guarantees for specific financial and contractual obligations of its subsidiaries and affiliates. The Corporation does not expect that the lawsuits, environmental costs, commitments or guarantees will have a material adverse effect on its consolidated financial condition, results of operations or liquidity.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

Southern Pacific Acquisition: On November 30, 1995, Union Pacific Corporation ("UP"), Southern Pacific Rail Corporation ("SP") and various of their affiliates filed an application (the "STB Application") seeking approval of the Interstate Commerce Commission (which was succeeded by the Surface Transportation Board (the "STB")) for the acquisition of control over SP and its affiliates by UP and its affiliates, the proposed merger of SP with an affiliate of UP (the "Merger"), and related transactions. After the filing of the STB Application, the STB received evidentiary submissions and briefs in connection with the proposed Merger. The STB heard oral arguments on the proposed Merger on July 1, 1996 and held a voting conference on the proposed Merger on July 3, 1996. At the voting conference, the STB decided to approve the Merger subject to a number of conditions, principally (a) the settlement agreement (as described below) between UP/SP and Burlington Northern Railroad Company and the Atchison, Topeka and Santa Fe Railroad Company (collectively, "BNSF") under which BNSF will receive trackage rights over more than 4,100 miles of UP/SP track and will purchase over 335 miles of UP/SP lines, augmented in a number of ways to expand BNSF's ability to gain access to traffic (e.g., through transloading facilities (facilities where goods are transferred between truck and railcars) and build-ins of rail lines to exclusively-served customers, through serving new shipper facilities on the lines over which it will have trackage rights, and opening to BNSF of 50% of all traffic now committed under contracts to UP or SP by shippers served by UP and SP and no other railroad), (b) the settlement agreement between UP/SP and the Chemical Manufacturers Association which provides certain additional protections to shippers, (c) the settlement agreement between UP/SP and Utah Railway Company ("Utah Railway") under which Utah Railway will receive access to certain coal mines and loading facilities in Utah and trackage rights over SP from Utah Railway's line in Utah to Grand Junction, Colorado, (d) the grant of trackage rights to the Texas Mexican Railway ("Tex Mex") over UP/SP lines between Corpus Christi/Robstown, Texas, and Beaumont, Texas, via Houston, Texas, restricted to traffic moving on Tex Mex's Laredo-Corpus Christi/Robstown line, including terminal-area trackage rights in Houston, (e) environmental mitigation conditions, including a condition restricting increases in train volumes through Reno, Nevada, and Wichita, Kansas, for 18 months following the Merger while a consultant conducts a study of possible measures to reduce the potential adverse impact of increased rail traffic through those communities and the STB decides upon such measures, (f) standard labor protective conditions, and (g) a 5-year oversight process, pursuant to which the STB will review whether the conditions imposed on the Merger have effectively addressed competitive issues. A final written STB decision regarding the proposed Merger is expected by August 12, 1996.

The obligations of UP and certain of its affiliates to consummate the Merger are conditioned upon, among other things, the issuance by the STB of a decision (which decision shall not have been stayed or enjoined) that (A) constitutes a final order approving, exempting or otherwise authorizing consummation of the Merger and all other transactions contemplated by the related merger agreement (as such agreement has been amended, the "Merger Agreement") and other ancillary agreements (or subsequently presented to the STB by agreement of UP and SP) as may require such authorization and (B) does not (1) change or disapprove of the merger consideration or other material provisions of the Merger Agreement or (2) impose on UP, SP or any of their respective subsidiaries any other terms or conditions (including, without limitation, labor protective provisions but excluding conditions heretofore imposed in New York Dock Railway-Control-Brooklyn Eastern District, 360 I.C.C. 60 (1979)) that materially and adversely affect the long-term benefits expected to be received by UP from the transactions contemplated by the Merger Agreement. If, as expected, the final written decision of the STB does not contain terms materially different from those voted upon by the STB on July 3, 1996, UP has indicated that it expects to proceed with the transaction in accordance with and subject to the terms and conditions of the Merger Agreement.

Although the final written decision of the STB is expected by August 12, 1996, there is no assurance that STB approval will be obtained by such date. In addition, any appeals from the STB final order might not be resolved for a substantial period of time after the entry of such order by the STB.

On September 25, 1995, UP and certain of its subsidiaries, SP and certain of its subsidiaries, and BNSF entered into an agreement (the "BNSF Agreement") pursuant to which, among other things, UP and SP, on the one hand, and BNSF, on the other hand, agreed to grant each other various trackage rights and UP and SP agreed to sell certain lines to BNSF following the Merger, and BNSF agreed not to oppose UP's application to control SP in UP's case before the STB, not to seek any conditions in such case, not to support any requests for conditions filed by other parties and not to assist other parties in pursuing their requests. Among other things, these rights will allow BNSF to serve shippers who would otherwise lose a choice of two railroads as a result of the Merger. The trackage rights and line sales pursuant to the BNSF Agreement will be effective only upon UP's acquisition of control of SP. UP and SP agreed to ask the STB to impose the BNSF Agreement as a condition to approval of UP's application for control of SP. During the pendency of UP's case before the STB, UP and SP agreed not to enter into agreements with other parties, without BNSF's written consent, which would grant rights to other parties granted to BNSF or inconsistent with those granted to BNSF which would substantially impair the overall economic value of the rights granted to BNSF under the BNSF Agreement. The BNSF Agreement was amended on June 27, 1996 to confer certain additional rights on BNSF.

Pursuant to the BNSF Agreement, UP and SP will share more than 4,100 miles of track with BNSF under trackage rights and will sell more than 335 miles of track to BNSF. The sale of track will total approximately $150 million. As part of the BNSF Agreement, UP will also obtain certain trackage and access rights from BNSF. Trackage rights are a contractual arrangement between railroads which generally allow one railroad to operate its trains with its own crew over the tracks of another railroad for a fee.

On July 12, 1996, the City of Reno, Nevada filed a complaint against the STB in the U.S. District Court for the District of Nevada, seeking a writ of mandamus directing the STB to prepare, with regard to alleged impacts of the Merger on Reno and the surrounding area, an environmental impact statement pursuant to the National Environmental Policy Act and a conformity determination pursuant to the Clean Air Act. The STB would also be required to order UP/SP to maintain the status quo with respect to rail operations in the Reno area pending environmental review. UP believes the suit is without merit because, among other things, the District Court lacks jurisdiction, mandamus is inappropriate under the circumstances, and neither an environmental impact statement nor a conformity determination is required. UP and SP intervened as parties and will seek the suit's dismissal. UP anticipates that the STB will also seek dismissal of the suit.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

2 - Amended and Restated Agreement and Plan of Merger, dated as of July 12, 1996, among the Union Pacific Corporation ("UPC"), Union Pacific Railroad Company ("UPRR",) Southern Pacific Rail Corporation ("SP"), UP Holding Company, Inc. ("UP Holding") and Union Pacific Merger Co. ("UP Merger"), is incorporated herein by reference to Annex B to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to Union Pacific's Registration Statement on Form S-4 (No. 33-64707).

3 - Union Pacific's By-Laws, as Amended Effective as of July 25, 1996.

10(a) Amended and Restated Anschutz Shareholders Agreement, dated as of July 12, 1996, among UPC, UPRR, The Anschutz Corporation ("TAC"), Anschutz Foundation (the "Foundation"), and Mr. Philip F. Anschutz ("Mr. Anschutz"), is incorporated herein by referenced to Annex D to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to Union Pacific's Registration Statement on Form S-4 (No. 33-64707).

10(b) Amended and Restated MSLEF Shareholder Agreement, dated as of July 12, 1996, between UPC and The Morgan Stanley Leveraged Equity Fund II, L.P., is incorporated herein by reference to Annex E to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to Union Pacific's Registration Statement on Form S-4 (No. 33-64707).

10(c) Amended and Restated Parent Shareholders Agreement, dated as of July 12, 1996, among UPC, UP Merger and SP, is incorporated herein by reference to Annex F to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to Union Pacific's Registration Statement on Form S-4 (No. 33-64707).

10(d) Amended and Restated Anschutz/Spinco Shareholders Agreement, dated as of July 12, 1996, among Union Pacific Resources Group Inc. ("Resources"), TAC, the Foundation and Mr. Anschutz, is incorporated herein by reference to Annex G to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to Union Pacific's Registration Statement on Form S-4 (No. 33-64707).

10(e) Amended and Restated Registration Rights Agreement, dated as of July 12, 1996, among UPC, TAC and the Foundation, is incorporated herein by reference to Annex H to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to Union Pacific's Registration Statement on Form S-4 (No. 33-64707).

10(f) Amended and Restated Registration Rights Agreement, dated as of July 12, 1996, among Resources, TAC and the Foundation, is incorporated herein by reference to Annex I to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to Union Pacific's Registration Statement on Form S-4 (No. 33-64707).

10(g) Amended and Restated Registration Rights Agreement, dated as of July 12, 1996, among UPC, UP Holding, UP Merger and SP, is incorporated herein by reference to Annex J to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to Union Pacific's Registration Statement on Form S-4 (No. 33-64707).

11 - Computation of earnings per share.

12 - Computation of ratio of earnings to fixed charges.

27 - Financial data schedule.

(b) Reports on Form 8-K

None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 9, 1996

UNION PACIFIC CORPORATION
(Registrant)

/s/ L. White Matthews, III
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L. White Matthews, III,
Executive Vice President-Finance
(principal financial officer,
director and duly authorized officer)

UNION PACIFIC CORPORATION

EXHIBIT INDEX

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| | |
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| 27 | Financial data schedule |

COVER

Exhibit 3

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# BY-LAWS

# OF

# UNION PACIFIC CORPORATION

As Amended Effective as of July 25, 1996

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# BY-LAWS

# OF

# UNION PACIFIC CORPORATION

(AS AMENDED EFFECTIVE AS OF JULY 25, 1996)

## ARTICLE I

## STOCKHOLDERS MEETINGS

SECTION 1. Annual meetings of the stockholders of this Company shall be held in Salt Lake City, Utah. Special meetings of the stockholders of this Company may be held at such place or places as shall be ordered by the Board of Directors or Executive Committee, but, unless otherwise ordered, such meetings shall be held in Salt Lake City, Utah.

SECTION 2. Annual meetings of the stockholders, for the purpose of electing directors and transacting any other business, shall be held at such time as shall be ordered by the Board of Directors or Executive Committee, but, unless otherwise ordered, shall be held at 8:30 a.m. on the third Friday of April in each year.

SECTION 3. A special meeting of the stockholders may be called by the Board of Directors, the Executive Committee, or by any other person who, at such time, is authorized by the Utah Revised Business Corporation Act (the "Act") to call a special meeting of stockholders. A request by a stockholder for a special meeting must be accompanied by a statement of purposes which includes at least the information set out in clauses (i) through (vi) of Section 10(e) of Article I of these By-Laws. The objects of a special meeting shall be stated in the order therefor, and the business transacted shall be confined to such objects.

SECTION 4. Notice of all meetings of the stockholders shall be given, either personally or by mail, not less than ten nor more than sixty days prior thereto. The notice of all special meetings shall state the objects thereof. The failure to give notice of an annual meeting, or any irregularity in the notice, shall not affect the validity of such annual meeting or of any proceedings thereat. Any stockholder may consent in writing to the holding of a special meeting without notice. A stockholder's attendance at a meeting: (i) waives objection to lack of notice or defective notice of the meeting, unless the stockholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting because of lack of notice or defective notice; and (ii) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the stockholder objects to considering the matter when it is presented.

SECTION 5. The Board of Directors or the Executive Committee may fix in advance a day and hour not more than seventy days preceding any annual or special meeting of stockholders or action of stockholders as the time for the determination of stockholders entitled to vote at such meeting or to take such action. Stockholders of record at the time so fixed by the Board of Directors or the

Executive Committee and only such stockholders shall be entitled to vote at such meeting. Each share of stock shall entitle such record holder thereof to one vote, in person or by proxy in writing.

SECTION 6. The Chairman of the Board, and in his absence the Chief Executive Officer, and in their absence the President, and in their absence one of the Vice Presidents, shall call meetings of the stockholders to order and act as chairman of such meetings. In the absence of all these officers, the Board of Directors may appoint a chairman of the meeting to act in such event; but if the Board shall not make such appointment, then, in the absence of all of these officers, any stockholder or proxy of any stockholder may call the meeting to order, and a chairman shall be elected.

SECTION 7. The Secretary of the Company shall act as secretary at all meetings of the stockholders; but the Board of Directors or Executive Committee may designate an Assistant Secretary for that purpose before the meeting, and if no such designation shall have been made, then the presiding officer at the meeting may appoint any person to act as secretary of the meeting.

SECTION 8. At each meeting of the stockholders the polls shall be opened and closed and the ballots and proxies shall be received and taken charge of by two inspectors. Such inspectors shall be appointed before the meeting by the Board of Directors or by the Executive Committee, and if no such appointment shall have been made, then by the presiding officer at the meeting; and if for any reason any of the inspectors previously appointed shall fail to attend, or refuse or be unable to serve, then inspectors, in place of any so failing to attend or refusing or unable to serve, shall be appointed by the presiding officer at the meeting. Such inspectors need not be stockholders.

SECTION 9. Stockholders may take action on a matter at a meeting only if a quorum exists with respect to that matter. Unless the articles of incorporation or the Act provide otherwise, a majority of the votes entitled to be cast on the matter, represented in person or by proxy, constitutes a quorum for action on that matter. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting. If a quorum exists, action on a matter, other than the election of directors, by stockholders is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless the articles of incorporation or the Act require a greater number of affirmative votes. Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present.

SECTION 10. (a) At any annual meeting of stockholders, only such business shall be conducted as shall have been brought before the meeting (i) by or at the direction of the Board of Directors or the Executive Committee or (ii) by any stockholder who complies with the procedures set forth in this Section 10.

(b) No business may be transacted at any annual meeting of stockholders, other than business that is either (i) specified in the notice of meeting (or any supplement thereto) given pursuant to Section 4 of Article I of these By-Laws, (ii) otherwise properly brought before such meeting of stockholders by or at the direction of the Board of Directors or (iii) otherwise properly brought before such meeting by any stockholder (A) who is a stockholder of record on the date of the giving of the notice by the stockholder provided for in this Section 10 and on the record date for the determination of stockholders entitled to vote at such annual meeting of stockholders and (B) who complies with the notice procedures set forth in this Section 10.

(c) No business may be transacted at any special meeting of stockholders, other than business that is specified in the notice of meeting (or any supplement thereto) given pursuant to Section 4 of Article I of these By-Laws.

(d) In addition to any other applicable requirements, for business to be properly brought before a meeting of stockholders by a stockholder pursuant to clause (b) of this Section 10 such stockholder must have given timely notice thereof in proper written form to the Secretary of the Company. To be timely, a stockholder's notice to the Secretary of the Company pursuant to clause (b) of this Section 10 must be delivered to or mailed and received at the principal executive offices of the Company not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting of stockholders is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting of stockholders was mailed or public disclosure of the date of the meeting of stockholders was made, whichever first occurs.

(e) To be in proper written form, a stockholder's notice to the Secretary of the Company pursuant to clause (b) of this Section 10 must set forth as to each matter such stockholder proposes to bring before the annual meeting of stockholders (i) a brief description of the business desired to be brought before the meeting of stockholders and the reasons for conducting such business at such meeting of stockholders, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, (v) any other information which would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for the proposal pursuant to Section 14 of the Securities Exchange Act of 1934 (the "Exchange Act"), and the rules and regulations promulgated thereunder if such stockholder were engaged in such a solicitation (other than a solicitation described in Rules 14a-2(a) or 14a-2(b) promulgated under the Exchange Act), and (vi) a representation that such stockholder intends to appear in person or by proxy at the meeting of stockholders to bring such business before the meeting.

(f) No business shall be conducted at the annual meeting of stockholders except business brought before the meeting of stockholders in accordance with the procedures set forth in this Section 10, provided, however, that, once business has been properly brought before the meeting of stockholders in accordance with such procedures, nothing in this Section 10 shall be deemed to preclude discussion by any stockholder of any such business.

(g) If the chairman of a meeting of stockholders determines that business was not properly brought before a meeting of stockholders, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

SECTION 11. (a) Subject to the rights of the holders of any series of Preferred Stock then outstanding, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (i) by or at the direction of the Board of Directors or the Executive Committee or (ii) by any stockholder of the Company (A) who is a stockholder of record on the date of the giving of the notice provided for in this Section 11 and on the record date for the determination of stockholders entitled to vote at such meeting and (B) who complies with the notice procedures set forth in this Section 11.

(b) In addition to any other applicable requirements for a nomination to be made by a stockholder pursuant to clause (a) of this Section 11, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Company.

(c) To be timely, a stockholder's notice to the Secretary of the Company pursuant to clause (a) of this Section 11 must be delivered to or mailed and received at the principal executive offices of the Company (i) in the case of an annual meeting of stockholders, not less than sixty (60) days nor more than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of stockholders, provided, however, that in the event that the annual meeting of stockholders is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting of stockholders was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs, and (ii) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting of stockholders was mailed or public disclosure of the date of the special meeting of stockholders was made, whichever first occurs.

(d) To be in proper written form, a stockholder's notice to the Secretary of the Company pursuant to clause (a) of this Section 11 must set forth (i) as to each person whom the stockholder proposes to nominate for election as a director (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice and (D) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (ii) as to the stockholder giving the notice (A) the name and record address of such stockholder, (B) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, (C) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nominations are to be made by such stockholder, (D) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (E) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (other than a solicitation described in Rules 14a-2(a) or 14a-2(b) promulgated under the Exchange Act). Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

(e) No person shall be eligible for election as a director of the Company unless nominated in accordance with the procedures set forth in this Section 11. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

SECTION 12. If and to the extent authorized by the Board in connection with a particular meeting, stockholders may participate in a meeting of stockholders, and such meetings may be conducted through the use of, any means of telecommunication permitted under the Act.

## ARTICLE II

## BOARD OF DIRECTORS

SECTION 1. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Board of Directors, which shall consist of seventeen members. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a vote of the Board and, if the directors remaining in office consist of fewer than a quorum of the Board, a majority of the directors then in office, though less than a quorum, may fill the vacancy. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any director appointed by the Board of Directors to fill a directorship caused by an increase in the number of directors shall serve until the next annual meeting or a special meeting of the stockholders called for the purpose of electing directors.

SECTION 2. Regular meetings of the Board of Directors shall be held at 8:30 a.m. on such day in such months as the Board shall from time to time designate, and no further notice of such regular meetings shall be required. Special meetings shall be held whenever called by order of the Chairman or the Executive Committee or any five members of the Board. Notice of Special meetings shall be given, at least one day prior thereto, by personal service of written notice upon the directors or by delivering the same at, or transmitting the same by first class mail, facsimile transmission, telephone or other electronic means to, their respective residences or offices. Any director may consent in writing to the holding of a special meeting without notice, and the attendance or participation of any director at a special meeting shall constitute a waiver by him of call and notice thereof and a consent to the holding of said meeting and the transaction of any corporate business thereat, unless the director at the beginning of the meeting, or promptly upon the director's arrival, objects to holding the meeting or transacting business thereat because of lack of notice or defective notice, and does not thereafter vote for or assent to the action taken at the meeting. Meetings of the Board of Directors may be held at such place or places as shall be ordered by the Executive Committee or by a majority of the directors in office, but unless otherwise ordered, all meetings of the Board of Directors shall be held at the principal executive offices of the Company in Bethlehem, Pennsylvania.

SECTION 3. A majority of the number of directors prescribed by Article II, Section 1 shall constitute a quorum at all meetings of the Board. If a quorum be not present at any meeting, a majority of the directors present may adjourn the meeting until a later day or hour.

SECTION 4. Each director, other than active employees of the Company, or of any subsidiary of the Company, shall be paid an annual retainer in an amount equal to $60,000, a portion of which may be required to be deferred as determined by the Board of Directors, and each such director who shall serve as the Chairman or a Co-Chairman of a Committee of the Board shall receive an additional annual retainer of $6,000, each retainer payable quarterly at the end of the quarter, except that directors who attend fewer than 75% of the Board and Committee meetings on which they serve will be paid 75% of the annual retainer, plus a reasonable allowance for transportation and other expenses incurred by such director in going to any meeting of the Board of Directors, or of any Committee of the Board, and returning to such director's place of residence.

## ARTICLE III

## EXECUTIVE COMMITTEE

SECTION 1. There shall be an Executive Committee consisting of such number of directors as shall be elected thereto by the vote of the majority of the directors then in office, whose terms of office shall continue during the pleasure of the Board, and in addition the Chairman of the Board, the Chief Executive Officer, the Chairman of the Executive Committee and the President, ex officio. The Executive Committee shall, when the Board of Directors is not in session, have all the powers of the Board of Directors to manage and direct all the business and affairs of the Company in all cases in which specific directions shall not have been given by the Board of Directors.

SECTION 2. Meetings of the Executive Committee may be called at any time by the Chairman of the Board or a majority of the members of the Committee, to convene at such time and place as may be designated. The rules regarding notice of meetings of the Board set forth in Section 2 of Article II of these By-Laws shall apply to meetings of the Executive Committee.

SECTION 3. A majority of the members of the Committee shall constitute a quorum. If a quorum be not present at any meeting, the member or members of the Committee present may adjourn the meeting until a later day or hour.

ARTICLE IV

OFFICERS AND AGENTS

SECTION 1. There may be elected by the Board of Directors from its members a Chairman of the Board, a Chief Executive Officer, a President, a Chief Operating Officer, one or more Vice Chairmen of the Board, and a Chairman of the Executive Committee, and there may also be elected by the Board of Directors an Executive Vice President-Finance, a Senior Vice President-Human Resources, a Vice President-Taxes, a General Counsel, a Controller, a Secretary, a Treasurer and such other Executive Vice Presidents, Senior Vice Presidents and Vice Presidents as the Board shall determine, and there may also be appointed by the Board of Directors or Executive Committee such Assistant Secretaries, Assistant Treasurers, Assistant Controllers, Associate General Counsels, Assistant General Counsels, General Tax Counsels, Associate General Tax Counsels and other officers and agents as the Board of Directors or Executive Committee shall from time to time determine.

SECTION 2. The Chairman of the Board shall preside, when present, at meetings of the Board of Directors and at meetings of the Executive Committee and shall perform such other duties and possess such powers as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 3. The Chief Executive Officer shall have general supervision of all departments and offices of the Company and of the interest of the Company in all companies controlled by it. He shall preside, in the absence of the Chairman of the Board, at meetings of the Board of Directors and at meetings of the Executive Committee.

SECTION 4. The President shall preside, in the absence of the Chairman of the Board, at meetings of the Board of Directors and the Executive Committee and shall perform such duties and possess such powers as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 5. The Chief Operating Officer shall have day to day operating responsibilities for the affairs of the Company, reporting to the Chief Executive Officer, and shall perform such duties as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 6. The Chairman of the Executive Committee shall preside, in the absence of the Chairman of the Board and the President, at meetings of the Board of Directors and the Executive Committee and shall perform such duties and possess such powers as may be prescribed or conferred by the Board of Directors, the Executive Committee or the Chief Executive Officer.

SECTION 7. The Vice Chairmen of the Board shall perform such duties and possess such powers as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 8. The Executive Vice Presidents and Senior Vice Presidents shall perform such duties as may be prescribed or conferred by the Chief Executive Officer.

SECTION 9. The Executive Vice President-Finance shall have the direction and management of the financial affairs, investments, strategic planning and corporate development of the Company and of the offices in charge of the Controller, the Treasurer and the Vice President-Taxes, and shall perform such other duties as may be prescribed or conferred by the Chief Executive Officer.

SECTION 10. The Senior Vice President-Human Resources shall have the direction and management of the human resources functions of the Company, and shall perform such other duties as may be prescribed or conferred by the Chief Executive Officer.

SECTION 11. The General Counsel shall have the direction and management of all legal business of the Company except as otherwise provided in Sections 12 and 19 of this ARTICLE IV, shall perform such duties respecting legal matters as shall be assigned to him by the Chief Executive Officer, and shall perform such other duties as may be prescribed or conferred by the Chief Executive Officer.

SECTION 12. The Vice President-Taxes shall, under the control of the Executive Vice President-Finance, have charge of all aspects of Federal, foreign, state and local taxes, and shall perform such other duties as may be assigned by the Executive Vice President-Finance.

SECTION 13. The other Vice Presidents elected from time to time shall perform such duties and possess such powers as may be prescribed or conferred by the Board of Directors or the Chief Executive Officer.

SECTION 14. Except as otherwise provided herein or directed by the Board of Directors, the Controller shall have immediate charge of the general books, accounts and statistics of the Company and shall be the custodian of all vouchers, drafts, invoices and other evidences of payment and all bonds, interest coupons and other evidences of indebtedness which shall have been canceled. He is authorized to approve for payment by the Treasurer vouchers, payrolls, drafts or other accounts. He shall be furnished by the Assistant Controllers of the Company periodically or specially as requested by him with the approval of and in form prescribed by the Executive Vice President-Finance, statements of operating revenues and expenses and estimates thereof and of expenditures and estimates on all other accounts; and copies of all statistical data that may be compiled in regular course and also all other information in reference to the financial affairs and operations of the Company and of any subsidiary company that may be required by the Executive Vice President-Finance or the Board of Directors. He shall submit for each regular meeting of the Board of Directors, and, at such other times as may be required by said Board or the Executive Vice President-Finance, statements of operating results, of cash resources and requirements and of appropriations for Capital Expenditures, and shall perform such other duties as the Executive Vice President-Finance may from time to time direct.

The Assistant Controllers shall exercise such of the powers and perform such of the duties of the Controller with respect to accounting and approving or authorizing payments as shall be assigned to them by the Controller.

SECTION 15. The Secretary shall attend all meetings of the stockholders, the Board of Directors and the Executive Committee, and keep a record of all their proceedings. He shall procure and keep in his files copies of the minutes of all meetings of the stockholders, boards of directors and executive committees of all companies a majority of whose capital stock is owned by this Company. He shall be the custodian of the seal of the Company. He shall have power to affix the seal of the Company to instruments, the execution of which is authorized by these By-Laws or by action of the Board of Directors or Executive Committee, and to attest the same. He shall have supervision of the issuance, transfer and registration of the capital stock and debt securities of the Company. He shall perform such other duties as may be assigned to him by the Board of Directors or the Chief Executive Officer.

The Assistant Secretaries shall have power to affix the seal of the Company to instruments, the execution of which is authorized by these By-Laws or by action of the Board of Directors or Executive Committee, and to attest the same, and shall exercise such of the other powers and perform such of the other duties of the Secretary as shall be assigned to them by the Secretary.

SECTION 16. Except as otherwise provided herein or directed by the Board of Directors, the Treasurer shall be the custodian of all moneys, stocks, bonds, notes and other securities of the Company. He is authorized to receive and receipt for stocks, bonds, notes and other securities belonging to the Company or which are received for its account. All stocks, bonds, notes and other securities in the custody of the Treasurer shall be held in the safe deposit vaults of the Company or in one or more depositories selected by the Treasurer or other officer authorized by the Board of Directors, in each case subject to access thereto as shall from time to time be authorized or required by the Board of Directors, the Chief Executive Officer, or the Treasurer. Stocks, bonds, notes and other securities shall be deposited in the safe deposit vaults or depositories, or withdrawn from them, only by persons and pursuant to procedures as shall be determined by the Board of Directors, the Chief Executive Officer or the Treasurer. The Treasurer is authorized and empowered to receive and collect all moneys due to the Company and to receipt therefor. All moneys received by the Treasurer shall be deposited to the credit of the Company in such depositories as shall be designated by the Board of Directors, the Chief Executive Officer, the Treasurer or such other officers as may be authorized by the Board of Directors; and the Treasurer or other officer designated by the Treasurer may endorse for deposit therein all checks, drafts, or vouchers drawn to the order of the Company or payable to it. He is also authorized to draw checks against any funds to the credit of the Company in any of its depositor-ies. All such checks shall be signed by such persons, either by manual or facsimile signature as shall be authorized by the Board of Directors, and countersigned if required by the Board of Directors . The Treasurer is authorized to make disbursements in settlement of vouchers, payrolls, drafts or other accounts, when approved for payment by the Controller, or such other person as shall be authorized by the Board of Directors, the Chief Executive Officer or these By-Laws; for payments which have been otherwise ordered or provided for by the Board of Directors or the Chief Executive Officer; for interest on bonds and dividends on stock when due and payable; for vouchers, pay checks, drafts and other accounts properly certified to by the duly authorized officers of the Company; and for vouchers, pay checks, drafts and other accounts approved by the officers duly authorized to approve for payment of any company which this Company controls through the ownership of stock or otherwise, as may be designated in writing from time to time by the Chief Executive Officer to the Treasurer. He shall cause to be kept in his office true and full accounts of all receipts and disbursements of his office. He shall also perform such other duties as shall be assigned to him by the Executive Vice President-Finance.

The Assistant Treasurers may exercise all powers of the Treasurer herein conferred in respect of the receipt of moneys and securities, endorsement for deposit and signature of checks.

SECTION 17. The Associate General Counsels and Assistant General Counsels shall perform such duties respecting legal matters as shall be assigned to them by the General Counsel.

SECTION 18. The General Tax Counsels shall be responsible for all tax-related legal advice (including federal tax planning and research, litigation and legislation; tax aspects of strategic, operational and financing transact-ions;

and ERISA/Benefits tax matters), and shall perform such other duties as shall be assigned to them by the Vice President-Taxes.

SECTION 19. The Associate General Tax Counsels shall perform such duties as shall be assigned to them by the Vice President-Taxes or the General Tax Counsels.

## ARTICLE V

## SUPERVISION, REMOVAL AND SALARIES OF OFFICERS AND EMPLOYEES

SECTION 1. Any officer or employee elected or appointed by the Board of Directors may be removed as such at any time by the affirmative vote of a majority of the directors then in office, with or without cause. Any other officer or employee of the Company may be removed at any time by vote of the Board of Directors or of the Executive Committee or by the officer supervising such officer or employee, with or without cause.

SECTION 2. All officers, agents and employees of the Company, in the exercise of the powers conferred and the performance of the duties imposed upon them, by these By-Laws or otherwise, shall at all times be subject to the direction, supervision and control of the Board of Directors or the Executive Committee.

SECTION 3. No office or position shall be created and no person shall be employed at a salary of more than $200,000 per annum, and no salary shall be increased to an amount in excess of $200,000 per annum, without the approval of the Board of Directors or Executive Committee.

SECTION 4. The Board of Directors may from time to time vest general authority in the Chairman of the Board, the Chief Executive Officer, the President, or the Head of any department or office of the Company, or any such other officer of the Company as any of the foregoing shall designate, for the sole determination of disposition of any matter which otherwise should be required to be considered by the Board of Directors or the Executive Committee under the provisions of this Article.

ARTICLE VI

CONTRACTS AND EXPENDITURES

SECTION 1. All capital expenditures, leases and property dispositions must be authorized by the Board of Directors or Executive Committee, except that general or specific authority with regard to such matters may be delegated to such officers of the Company as the Board of Directors may from time to time direct.

SECTION 2. Expenditures chargeable to operating expenses may be made by or under the direction of the Head of the department or office of the Company in which they are required, without explicit or further authority from the Board of Directors or Executive Committee, subject to direction, restriction or prohibition by the Chief Executive Officer.

SECTION 3. No contract shall be made without the approval of the Board of Directors or Executive Committee, except as authorized by the Board of Directors or these By-Laws.

SECTION 4. Contracts for work, labor and services and materials and supplies, the expenditures for which will be chargeable to operating expenses, may be made in the name and on behalf of the Company by the Head of the department or office of the Company concerned, or by such officer as he shall designate, without further authority.

SECTION 5. All written contracts and agreements to which the Company may become a party shall be approved as to form by or under the direction of counsel for the Company.

SECTION 6. The Chief Executive Officer, the Chairman of the Board, the President, the Heads of the departments and offices of the Company and the Vice Presidents shall severally have the power to execute on behalf of the Company any deed, bond, indenture, certificate, note, contract or other instrument authorized or approved by, or pursuant to authority granted by, by the Board of Directors or the Executive Committee, and to cause the corporate seal to be thereto affixed and attested by the Secretary or an Assistant Secretary.

SECTION 7. The Board of Directors may from time to time vest general or specific authority in such officers of the Company as the Board of Directors shall designate for the sole determination of disposition of any matter which otherwise would be required to be considered by the Board of Directors or the Executive Committee under the provisions of this Article.

## ARTICLE VII

### ISSUE AND CANCELLATION OF STOCK CERTIFICATES

SECTION 1. The Board of Directors shall provide for the issue, transfer, and registration of the capital stock of the Company in the City and State of New York, and in any other locality which it may designate, and shall appoint the necessary officers, transfer agents, and registrars of transfers for that purpose.

SECTION 2. Until otherwise provided by the Board of Directors, stock certificates shall be signed by the Chief Executive Officer or the President or a Vice President, and also by the Secretary or an Assistant Secretary thereunto authorized by the Board of Directors or by the Executive Committee.

SECTION 3. The registrar of transfers shall in every case be a trust company to be appointed by the Board of Directors, in accordance with the requirements of the New York Stock Exchange, and such registration shall be performed in accordance with the rules and regulations of said Exchange.

# ARTICLE VIII

## FINAL

SECTION 1. The Company shall indemnify to the full extent permitted by law any person made or threatened to be made a party to any action, suit or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person is or was a director, officer or employee of the Company or serves or served at the request of the Company any other enterprise as a director, officer, fiduciary or employee. The indemnification provided in this section shall include the right to receive payment in advance of any final disposition of any expenses incurred by any such person in connection with any such action, suit or proceeding, consistent with the provisions of then applicable law. For purposes of this By-Law, the term "other enterprise" shall include any corporation, partnership, joint venture, trust or employee benefit plan; service "at the request of the Company" shall include service as a director, officer or employee of the Company which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action by a person with respect to an employee benefit plan in good faith which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the corporation. This Section 1 shall not apply to any action, suit or proceeding pending or threatened on the date of adoption hereof provided that the right of the Company to indemnify any person with respect thereto shall not be limited hereby.

SECTION 2. Any indemnification under Section 1 of this Article VIII (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the director, officer or employee is proper in the circumstances because such person has met the applicable standard of conduct required by law. Such determination shall be made by the persons authorized by the Act.

SECTION 3. Notwithstanding Sections 1 and 2 of this Article VIII, except for proceedings to enforce indemnification, the Company shall not be obligated to indemnify any director, officer or employee in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors. The indemnification and advancement of expenses provided by Section 1 of this Article VIII shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under any law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such a person. Any amendment or repeal of Section 1 or Section 2 of this ARTICLE VIII or this Section 3 shall not limit the right of any person to indemnity with respect to actions taken or omitted to be taken by such person prior to such amendment or repeal.

SECTION 4. The Common corporate seal is, and, until otherwise ordered by the Board of Directors, shall be, an impression upon paper or wax, circular in form, with the words "Union Pacific Corporation" on the outer edge thereof, and the words and figures "Corporate Seal", "1969", "Utah" in the center thereof.

SECTION 5. Except as otherwise provided by the Act, these By-Laws may be altered, amended or repealed at a meeting of the stockholders by a majority vote of those present in person or by proxy or at any meeting of the Board of Directors by a majority vote of the directors then in office.

Exhibit 11

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF EARNINGS PER SHARE

(Amounts in Thousands, Except Share and Per Share Amounts)
(Unaudited)

| | Six Months Ended June 30, 1996 | Six Months Ended June 30, 1995 |
|---|---|---|
| Average number of shares outstanding | 205,281 | 204,914 |
| Average shares issuable on exercise of stock options less shares repurchasable from proceeds | 1,147 | 663 |
| Total average number of common and common equivalent shares | 206,428 | 205,577 |
| Income from Continuing Operations | $292,824 | $280,024 |
| Income from Discontinued Operations | 107,094 | 134,805 |
| Net Income | $399,918 | $414,829 |
| Earnings per share: | | |
| Income from Continuing Operations | $ 1.42 | $ 1.36 |
| Income from Discontinued Operations | 0.52 | 0.66 |
| Net Income | $ 1.94 | $ 2.02 |

Exhibit 12

# UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Amounts in Thousands, Except Ratios)
(Unaudited)

| | Six Months Ended June 30, 1996 | Six Months Ended June 30, 1995 |
|---|---|---|
| Earnings: | | |
| Income from continuing operations | $292,824 | $280,024 |
| Undistributed equity earnings | (21,158) | (8,184) |
| Total | 271,666 | 271,840 |
| Income Taxes | 129,629 | 150,989 |
| Fixed Charges: | | |
| Interest expense including amortization of debt discount | 230,845 | 201,120 |
| Portion of rentals representing an interest factor | 54,089 | 25,281 |
| Total | 284,934 | 226,401 |
| Earnings available for fixed charges | $686,229 | $649,230 |
| Fixed Charges -- as above | $284,934 | $226,401 |
| Interest capitalized | -- | -- |
| Total fixed charges | $284,934 | $226,401 |
| Ratio of earnings to fixed charges | 2.4 | 2.9 |

UNION PACIFIC CORPORATION
FINANCIAL DATA SCHEDULE - EXHIBIT 27
($ in millions except per share amounts)

Schedule contains summary financial information extracted from the Statements of Consolidated Income and Consolidated Financial Position and is qualified in its entirety by reference to such financial statements.

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6-MOS
DEC-31-1996
JUN-30-1996
73
0
1,070
0
220
1,593
19,205
4,866
19,749
2,014
5,923
582
0
0
6,014
19,749
0
3,980
0
3,326
51
0
231
422
129
293
107
0
0
400
1.94
0