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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549  
**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended June 30, 2007**

- 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**

(State or other jurisdiction of  
incorporation or organization)

**13-2626465**

(I.R.S. Employer  
Identification No.)

**1400 DOUGLAS STREET, OMAHA, NEBRASKA**

(Address of principal executive offices)

**68179**

(Zip Code)

**(402) 544-5000**

(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  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

As of July 23, 2007, there were 266,215,245 shares of the Registrant's Common Stock outstanding.

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for the Three Months Ended June 30,*

	2007	2006
Operating revenue	\$ 4,046	\$ 3,923
Operating expenses:		
Salaries, wages, and employee benefits	1,163	1,140
Fuel and utilities	766	794
Equipment and other rents	370	371
Depreciation	327	308
Materials and supplies	186	178
Casualty costs	98	110
Purchased services and other costs	349	305
Total operating expenses	3,259	3,206
Operating income	787	717
Other income	36	29
Interest expense	(120)	(120)
Income before income taxes	703	626
Income taxes	(257)	(236)
Net income	\$ 446	\$ 390
<b>Share and Per Share (note 7):</b>		
Earnings per share – basic	\$ 1.66	\$ 1.45
Earnings per share – diluted	\$ 1.65	\$ 1.44
Weighted average number of shares – basic	268.2	269.3
Weighted average number of shares – diluted	270.7	272.1
Dividends declared per share	\$ 0.35	\$ 0.30

*The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.*

[Table of Contents](#)**Condensed Consolidated Statements of Income (Unaudited)***Union Pacific Corporation and Subsidiary Companies**Millions of Dollars, Except Per Share Amounts,  
for the Six Months Ended June 30,*

	2007	2006
Operating revenue	<b>\$7,895</b>	\$7,633
Operating expenses:		
Salaries, wages, and employee benefits	<b>2,343</b>	2,269
Fuel and utilities	<b>1,449</b>	1,486
Equipment and other rents	<b>723</b>	738
Depreciation	<b>652</b>	611
Materials and supplies	<b>362</b>	342
Casualty costs	<b>167</b>	220
Purchased services and other costs	<b>693</b>	645
Total operating expenses	<b>6,389</b>	6,311
Operating income	<b>1,506</b>	1,322
Other income	<b>51</b>	39
Interest expense	<b>(233)</b>	(240)
Income before income taxes	<b>1,324</b>	1,121
Income taxes	<b>(492)</b>	(420)
Net income	<b>\$ 832</b>	\$ 701
<b>Share and Per Share (note 7):</b>		
Earnings per share – basic	<b>\$ 3.09</b>	\$ 2.61
Earnings per share – diluted	<b>\$ 3.06</b>	\$ 2.58
Weighted average number of shares – basic	<b>269.4</b>	268.8
Weighted average number of shares – diluted	<b>271.8</b>	271.6
Dividends declared per share	<b>\$ 0.70</b>	\$ 0.60

*The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.*

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**Condensed Consolidated Statements of Financial Position (Unaudited)**

*Union Pacific Corporation and Subsidiary Companies*

<i>Millions of Dollars, Except Share and Per Share Amounts</i>	<i>June 30, 2007</i>	<i>December 31, 2006</i>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 522	\$ 827
Accounts receivable, net	720	679
Materials and supplies	445	395
Current deferred income taxes	320	319
Other current assets	265	191
<b>Total current assets</b>	<b>2,272</b>	<b>2,411</b>
Investments:		
Investments in and advances to affiliated companies	894	865
Other investments	12	12
<b>Total investments</b>	<b>906</b>	<b>877</b>
Properties:		
Road	36,559	35,634
Equipment	7,683	7,637
Other	176	177
Total cost	44,418	43,448
Accumulated depreciation	(11,059)	(10,575)
<b>Net properties</b>	<b>33,359</b>	<b>32,873</b>
Other assets	765	354
<b>Total assets</b>	<b>\$ 37,302</b>	<b>\$ 36,515</b>
<b>Liabilities and Common Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 741	\$ 684
Accrued wages and vacation	415	412
Accrued casualty costs	401	409
Income and other taxes	249	279
Dividends and interest	252	238
Debt due within one year	138	780
Equipment rents payable	114	108
Other current liabilities	825	629
<b>Total current liabilities</b>	<b>3,135</b>	<b>3,539</b>
Debt due after one year	7,098	6,000
Deferred income taxes	9,794	9,696
Accrued casualty costs	839	868
Retiree benefits obligation	497	504
Other long-term liabilities	494	596
Commitments and contingencies (note 8)		
<b>Total liabilities</b>	<b>21,857</b>	<b>21,203</b>
Common shareholders' equity:		
Common shares, \$2.50 par value, 500,000,000 authorized; 276,168,422 and 275,962,411 issued, 266,403,099 and 270,172,290 outstanding, respectively	690	690
Paid-in-surplus	3,955	3,943
Retained earnings	11,851	11,215
Treasury stock	(914)	(394)
Accumulated other comprehensive loss	(137)	(142)
<b>Total common shareholders' equity</b>	<b>15,445</b>	<b>15,312</b>
<b>Total liabilities and common shareholders' equity</b>	<b>\$ 37,302</b>	<b>\$ 36,515</b>

*The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.*

[Table of Contents](#)**Condensed Consolidated Statements of Cash Flows (Unaudited)***Union Pacific Corporation and Subsidiary Companies**Millions of Dollars,**for the Six Months Ended June 30,*

	2007	2006
<b>Operating Activities</b>		
Net income	\$ 832	\$ 701
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	652	611
Deferred income taxes	99	81
Stock-based compensation expense	22	20
Net gain from asset sales	(17)	(15)
Other operating activities	(177)	(63)
Changes in current assets and liabilities, net	73	(102)
Cash provided by operating activities	1,484	1,233
<b>Investing Activities</b>		
Capital investments	(1,101)	(1,131)
Proceeds from asset sales	41	45
Acquisition of equipment pending financing	(438)	(271)
Proceeds from completed equipment financings	36	-
Other investing activities	(45)	(27)
Cash used in investing activities	(1,507)	(1,384)
<b>Financing Activities</b>		
Common share repurchases (note 10)	(604)	-
Dividends paid	(178)	(160)
Debt repaid	(84)	(342)
Debt issued	494	-
Net proceeds from equity compensation plans	52	122
Excess tax benefits from equity compensation plans	36	20
Other financing activities	2	-
Cash used in financing activities	(282)	(360)
Net change in cash and cash equivalents	(305)	(511)
Cash and cash equivalents at beginning of year	827	773
Cash and cash equivalents at end of period	\$ 522	\$ 262
<b>Changes in Current Assets and Liabilities</b>		
Accounts receivable, net	\$ (41)	\$ (1)
Materials and supplies	(50)	(102)
Other current assets	(74)	6
Accounts, wages, and vacation payable	60	(109)
Other current liabilities	178	104
Total	\$ 73	\$ (102)
<b>Supplemental Cash Flow Information</b>		
Non-cash activity:		
Capital investments accrued but not yet paid	\$ 70	\$ 81
Capital lease financings	41	-
Cash dividends declared but not yet paid	91	79
Common shares repurchased but not yet paid	23	-
Cash paid during the period for:		
Interest	\$ (229)	\$ (254)
Income taxes, net	(395)	(214)

*The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.*

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**Condensed Consolidated Statement of Changes in Common Shareholders' Equity (Unaudited)**

*Union Pacific Corporation and Subsidiary Companies*

<i>Millions of Dollars Thousands of Shares</i>	<i>Common Shares</i>	<i>Treasury Shares</i>	<i>Common Shares</i>	<i>Paid- in-Surplus</i>	<i>Retained Earnings</i>	<i>Treasury Stock</i>	<i>Accumulated Other Comprehensive Income/(Loss) (note 12)</i>	<i>Total</i>
Balance at December 31, 2006	275,962	(5,790)	\$690	\$3,943	\$11,215	\$(394)	\$(142)	\$ 15,312
Cumulative effect of adoption of FIN 48 (note 11)	-	-	-	-	(7)	-	-	(7)
Balance at January 1, 2007	275,962	(5,790)	\$690	\$3,943	\$11,208	\$(394)	\$(142)	\$ 15,305
Comprehensive income:								
Net income			-	-	832	-	-	832
Other comp. income			-	-	-	-	5	5
Total comp. income (note 12)			-	-	832	-	5	837
Conversion, stock option exercises, forfeitures, and other	206	1,719	-	12	-	107	-	119
Share repurchases (note 10)	-	(5,694)	-	-	-	(627)	-	(627)
Dividends declared (\$0.70 per share)	-	-	-	-	(189)	-	-	(189)
Balance at June 30, 2007	276,168	(9,765)	\$690	\$3,955	\$11,851	\$(914)	\$(137)	\$ 15,445

*The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.*

## UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For purposes of this report, unless the context otherwise requires, all references herein to the “Corporation”, “UPC”, “we”, “us”, and “our” mean Union Pacific Corporation and its subsidiaries, including Union Pacific Railroad Company, which will be separately referred to herein as “UPRR” or the “Railroad”.

**1. Responsibilities for Financial Statements** – Our 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 their fair presentation in conformity with accounting principles generally accepted in the United States of America. Our Consolidated Statement of Financial Position at December 31, 2006, is derived from audited financial statements. This Quarterly Report on Form 10-Q should be read in conjunction with our Consolidated Financial Statements and notes thereto contained in our 2006 Annual Report on Form 10-K. The results of operations for the three and six months ended June 30, 2007, are not necessarily indicative of the results for the entire year ending December 31, 2007.

**2. Stock-Based Compensation** – We have several stock-based compensation plans under which employees and non-employee directors receive stock options, nonvested retention shares, and nonvested stock units. We refer to the nonvested shares and stock units collectively as “retention awards”. We issue treasury shares to cover option exercises and stock unit vestings, while new shares are issued when retention shares vest. We measure and recognize compensation expense following Financial Accounting Standards Board (FASB) Statement No. 123(R), *Share-Based Payment*. Expense is measured on the grant date and is expensed ratably over the service period of the awards (generally the vesting period). Information regarding stock-based compensation appears in the table below:

<i>Millions of Dollars</i>	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>2007</i>	<i>June 30, 2006</i>	<i>2007</i>	<i>June 30, 2006</i>
Stock-based compensation, before tax:				
Stock options	\$ 5	\$4	\$ 10	\$ 8
Retention awards	6	5	12	12
Total stock-based compensation, before tax	\$ 11	\$9	\$ 22	\$ 20
Total stock-based compensation, after tax	\$ 7	\$5	\$ 14	\$ 12

**Stock Options** – We estimate the fair value of our stock option awards using the Black-Scholes option pricing model. Groups of employees and non-employee directors that have similar historical and expected exercise behavior are considered separately for valuation purposes. The table below shows the year-to-date weighted-average assumptions used for valuation purposes:

<i>Weighted-Average Assumptions</i>	<i>2007</i>	<i>2006</i>
Risk-free interest rate	4.9%	4.5%
Dividend yield	1.4%	1.4%
Expected life (years)	4.7	6.0
Volatility	20.9%	25.3%
Weighted-average grant-date fair value of options granted	\$ 22.34	\$ 24.97

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant; the dividend yield is calculated as the ratio of dividends paid per share of common stock to the stock price on the date of grant; the expected life is based on historical and expected exercise behavior; and volatility is based on the historical volatility of our stock price over the expected life of the option.



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A summary of stock option activity during the six months ended June 30, 2007 is presented below:

	Shares (thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value (millions)
Outstanding at December 31, 2006	10,044	\$ 64.22	6.0 yrs.	\$ 279
Granted	1,098	96.98	N/A	N/A
Exercised	(1,896)	57.95	N/A	N/A
Forfeited or expired	(15)	79.55	N/A	N/A
Outstanding at June 30, 2007	9,231	\$ 69.38	6.2 yrs.	\$ 423
Vested or expected to vest at June 30, 2007	9,169	\$ 69.22	6.2 yrs.	\$ 421
Options exercisable at June 30, 2007	7,140	\$ 62.82	5.4 yrs.	\$ 374

Stock options are granted at the closing price on the date of grant, have ten-year contractual terms, and vest no later than three years from the date of grant. None of the stock options outstanding at June 30, 2007 are subject to performance or market-based vesting conditions.

At June 30, 2007, there was \$37 million of unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted-average period of 1.8 years. Additional information regarding stock option exercises appears in the table below:

<i>Millions of Dollars</i>	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Aggregate grant-date fair value of stock options vested	\$ -	\$ -	\$ 10	\$ 26
Intrinsic value of stock options exercised	60	24	97	87
Cash received from stock option exercises	42	35	78	131
Tax benefit realized from stock option exercises	22	8	38	32

**Retention Awards** – The fair value of retention awards is based on the closing price of the stock at the grant date. Dividend equivalents are paid to participants during the vesting periods.

Changes in our retention awards during the six months ended June 30, 2007 were as follows:

	Shares (thousands)	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2006	778	\$ 71.72
Granted	306	97.00
Vested	(250)	61.85
Forfeited	(11)	78.60
Nonvested at June 30, 2007	823	\$ 84.02

Retention awards are granted at no cost to the employee or non-employee director and vest over periods lasting up to four years. At June 30, 2007, there was \$46 million of total unrecognized compensation expense related to nonvested retention awards, which is expected to be recognized over a weighted-average period of 2.5 years.

**Performance Retention Awards** – In January 2007, our Board of Directors approved performance stock unit grants. Other than raising the performance targets, the basic terms of these performance stock units are identical to those granted in January 2006, including annual return on invested capital (ROIC) as the performance measure. Stock units awarded to selected employees under these grants are subject to continued employment for 37 months and the attainment of certain levels of ROIC. We will expense the fair value of the units that are probable of being earned based on our forecasted ROIC over the 3-year performance period. We measure the fair value of these performance stock units based upon the closing price of the underlying common stock as of the date of grant, reduced by the present value of estimated future dividends. Dividend equivalents are paid to participants only after the units are earned.

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The assumptions used to calculate the present value of estimated future dividends are as follows:

	<i>2007</i>
Dividend per share per quarter	\$ 0.35
Risk-free interest rate at date of grant	4.9%

Changes in our performance retention awards during the six months ended June 30, 2007 were as follows:

	<i>Shares (thousands)</i>	<i>Weighted-Average Grant-Date Fair Value</i>
Nonvested at December 31, 2006	122	\$ 86.05
Granted	173	93.72
Vested	-	-
Forfeited	-	-
Nonvested at June 30, 2007	295	\$ 90.54

At June 30, 2007, there was \$19 million of total unrecognized compensation expense related to nonvested performance retention awards, which is expected to be recognized over a weighted-average period of 2.1 years. A portion of this expense is subject to achievement of the ROIC levels established for the performance stock unit grants.

**3. Operations and Segmentation** – The Railroad, along with its subsidiaries and rail affiliates, is our one reportable operating segment. Although revenue is analyzed by commodity group, we analyze the net financial results of the Railroad as one segment due to the integrated nature of our rail network.

#### **4. Financial Instruments**

**Strategy and Risk** – We may use derivative financial instruments in limited instances for other than trading purposes to assist in managing our overall exposure to fluctuations in interest rates and fuel prices. We are not a party to leveraged derivatives and, by policy, do not use derivative financial instruments for speculative purposes. Derivative financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the item being hedged, both at inception and throughout the hedged period. We formally document the nature and relationships between the hedging instruments and hedged items, as well as our risk-management objectives, strategies for undertaking the various hedge transactions, and method of assessing hedge effectiveness. Changes in the fair market value of derivative financial instruments that do not qualify for hedge accounting are charged to earnings. We may use swaps, collars, futures, and/or forward contracts to mitigate the risk of adverse movements in interest rates and fuel prices; however, the use of these derivative financial instruments may limit future benefits from favorable price movements.

**Market and Credit Risk** – We address market risk related to derivative financial instruments by selecting instruments with value fluctuations that highly correlate with the underlying hedged item. Credit risk related to derivative financial instruments, which is minimal, is managed by requiring high credit standards for counterparties and periodic settlements. At June 30, 2007 and December 31, 2006, we were not required to provide collateral, nor had we received collateral, relating to our hedging activities.

**Determination of Fair Value** – We determine the fair values of our derivative financial instrument positions based upon current fair values as quoted by recognized dealers or the present value of expected future cash flows.

**Interest Rate Fair Value Hedges** – We manage our overall exposure to fluctuations in interest rates by adjusting the proportion of fixed and floating rate debt instruments within our debt portfolio over a given period. We generally manage the mix of fixed and floating rate debt through the issuance of targeted amounts of each as debt matures or as we require incremental borrowings. We employ derivatives, primarily swaps, as one of the tools to obtain the targeted mix. In addition, we also obtain flexibility in managing interest costs and the interest rate mix within our debt portfolio by evaluating the issuance of and managing outstanding callable fixed-rate debt securities.

Swaps allow us to convert debt from fixed rates to variable rates and thereby hedge the risk of changes in the debt's fair value attributable to the changes in interest rates. We account for swaps as fair value hedges using the short-cut

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method pursuant to FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*; therefore, we do not record any ineffectiveness within our Condensed Consolidated Financial Statements.

The following is a summary of our interest rate derivatives qualifying as fair value hedges:

<i>Millions of Dollars, Except Percentages</i>	<i>June 30, 2007</i>	<i>December 31, 2006</i>
Amount of debt hedged	\$ 500	\$ 500
Percentage of total debt portfolio	7%	7%
Gross fair value liability position	\$ (16)	\$ (16)

**Interest Rate Cash Flow Hedges** – We report changes in the fair value of cash flow hedges in accumulated other comprehensive loss until the hedged item affects earnings. At June 30, 2007 and December 31, 2006, we had a reduction of \$4 million and \$5 million, respectively, recorded as an accumulated other comprehensive loss that is being amortized on a straight-line basis through September 30, 2014. As of June 30, 2007 and December 31, 2006, we had no interest rate cash flow hedges outstanding.

**Fuel Swaps** – We have two fuel basis swaps that expire in July 2008. These commodity basis swaps require us to make payments to, or receive payments from, the counterparty based on the difference between certain price indices. Changes in the fair value of these swaps are reflected in fuel expense.

**Earnings Impact** – Our use of derivative financial instruments had the following impact on pre-tax income:

<i>Millions of Dollars</i>	<i>Three Months Ended June 30,</i>		<i>Six Months Ended June 30,</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Increase in interest expense from interest rate hedging	\$ 2	\$ 2	\$ 4	\$ 3
Increase/(decrease) in fuel expense from fuel derivatives	(2)	-	3	-
Decrease in pre-tax income	\$ -	\$ 2	\$ 7	\$ 3

**Sale of Receivables** – The Railroad transfers most of its accounts receivable to Union Pacific Receivables, Inc. (UPRI), a bankruptcy-remote subsidiary, as part of a sale of receivables facility. UPRI sells to investors, without recourse on a 364-day revolving basis, an undivided interest in such accounts receivable. The total capacity to sell undivided interests to investors under the facility was \$600 million at both June 30, 2007 and December 31, 2006. The value of the outstanding undivided interest held by investors under the facility was \$600 million at both June 30, 2007 and December 31, 2006, respectively. The value of the outstanding undivided interest held by investors is not included in our Condensed Consolidated Financial Statements. The value of the undivided interest held by investors was supported by \$1,188 million and \$1,158 million of accounts receivable held by UPRI at June 30, 2007 and December 31, 2006, respectively. At June 30, 2007 and December 31, 2006, the value of the interest retained by UPRI was \$588 million and \$558 million, respectively. This retained interest is included in accounts receivable in our Condensed Consolidated Financial Statements. The interest sold to investors is sold at carrying value, which approximates fair value, and there is no gain or loss recognized from the transaction.

The value of the outstanding undivided interest held by investors could fluctuate based upon the availability of eligible receivables and is directly affected by changing business volumes and credit risks, including default and dilution. If default or dilution percentages were to increase one percentage point, the amount of eligible receivables would decrease by \$6 million. Should our credit rating fall below investment grade, the value of the outstanding undivided interest held by investors would be reduced, and, in certain cases, the investors would have the right to discontinue the facility.

The Railroad services the sold receivables; however, the Railroad does not recognize any servicing asset or liability as the servicing fees adequately compensate the Railroad for its responsibilities. The Railroad collected approximately \$3.9 billion during both the three months ended June 30, 2007 and 2006, and \$7.7 billion and \$7.6 billion during the six months ended June 30, 2007 and 2006, respectively. UPRI used certain of these proceeds to purchase new receivables under the facility.

The costs of the sale of receivables program are included in other income and were \$8 million and \$9 million for the three months ended June 30, 2007 and 2006, respectively, and \$17 million and \$16 million for the six months ended

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June 30, 2007 and 2006, respectively. The costs include interest, program fees paid to banks, commercial paper issuing costs, and fees for unused commitment availability.

The investors have no recourse to the Railroad's other assets except for customary warranty and indemnity claims. Creditors of the Railroad have no recourse to the assets of UPRI. In August 2006, the sale of receivables program was renewed for an additional 364-day period without any significant changes in terms.

### 5. Debt

**Credit Facilities** – On June 30, 2007, we had \$1.9 billion of credit available under our new revolving credit facility (the “facility”), which we entered into on April 20, 2007. The facility was designated for general corporate purposes and supports the issuance of commercial paper. The facility was not drawn on as of June 30, 2007. Commitment fees and interest rates payable under the facility are similar to fees and rates available to comparably rated investment-grade borrowers. The facility allows for borrowings at floating rates based on London Interbank Offered Rates, plus a spread, depending upon our senior unsecured debt ratings. The facility requires the maintenance of a debt-to-net worth coverage ratio. At June 30, 2007, we were in compliance with this covenant. The facility does not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require the posting of collateral. The facility, which expires in April 2012, replaced two \$1 billion 5-year facilities with terms ending in March 2009 and March 2010, respectively. The facility includes terms that are comparable with those of the prior facilities, although the minimum net worth requirement of \$7.5 billion was removed, and the facility includes a change-of-control provision.

In addition to our revolving credit facility, we had a \$75 million uncommitted line of credit available. The line of credit expires in April 2008, and was not used as of June 30, 2007. We must have equivalent credit available under our five-year facility to draw on this \$75 million line.

At June 30, 2007, approximately \$948 million of short-term borrowings that we intend to refinance were reclassified as long-term debt. This reclassification reflected our ability and intent to refinance these short-term borrowings and current maturities of long-term debt on a long-term basis. At December 31, 2006, we did not reclassify any short-term debt as long-term debt as we did not intend to refinance at that time.

**Dividend Restriction** – We have a restriction related to the payment of cash dividends to our shareholders due to a debt-to-net worth covenant requirement under our current revolving credit facility. This facility, entered into on April 20, 2007, no longer has a minimum net worth covenant that was included in our previous facilities, which was more restrictive with respect to the amount of retained earnings available for dividends at December 31, 2006. The amount of retained earnings available for dividends was \$11.6 billion and \$7.8 billion at June 30, 2007 and December 31, 2006, respectively.

**Shelf Registration Statement and Significant New Borrowings** – Our Board of Directors authorized the issuance of up to \$3 billion of debt securities pursuant to a new shelf registration statement, which became effective on March 6, 2007, replacing the \$500 million of authority remaining under our shelf registration filed in December 2003. Under the current shelf registration, we may issue, from time to time, any combination of debt securities, preferred stock, common stock, or warrants for debt securities or preferred stock in one or more offerings.

On April 18, 2007, we issued a total of \$500 million of unsecured fixed-rate debt under our current shelf registration statement. We issued \$250 million of notes at 5.65%, which are due May 1, 2017, and \$250 million of debentures at 6.15%, which are due May 1, 2037. The net proceeds from this offering are for general corporate purposes, including the repurchase of common stock pursuant to our share repurchase program. These debt securities include change-of-control provisions. We have no immediate plans to issue equity securities; however, we will continue to explore opportunities to replace existing debt or access capital through issuances of debt securities under our shelf registration, and, therefore, we may issue additional debt securities at any time.

### 6. Retirement Plans

#### **Pension and Other Postretirement Benefits**

*Pension Plans* – We provide defined benefit retirement income to eligible non-union employees through qualified and non-qualified (supplemental) pension plans. Qualified and non-qualified pension benefits are based on years of service and the highest compensation during the latest years of employment, with specific reductions made for early retirements.

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*Other Postretirement Benefits (OPEB)* – We provide defined contribution medical and life insurance benefits for eligible retirees. These benefits are funded as medical claims and life insurance premiums are paid.

**Expense**

Both pension and OPEB expense are determined based upon the annual service cost of benefits (the actuarial cost of benefits earned during a period) and the interest cost on those liabilities, less the expected return on plan assets. The expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes changes in fair value over a five-year period. This practice is intended to reduce year-to-year volatility in pension expense, but it can have the effect of delaying the recognition of differences between actual returns on assets and expected returns based on long-term rate of return assumptions. Differences in actual experience in relation to assumptions are not recognized in net income immediately, but are deferred and, if necessary, amortized as pension or OPEB expense.

The components of our net periodic pension costs were as follows:

<i>Millions of Dollars</i>	<i>Pension</i>			
	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>2007</i>	<i>June 30, 2006</i>	<i>2007</i>	<i>June 30, 2006</i>
Service cost	\$ 10	\$ 8	\$ 19	\$ 16
Interest cost	31	29	62	58
Expected return on plan assets	(36)	(34)	(72)	(68)
Amortization of:				
Prior service cost	1	2	3	4
Actuarial loss	4	4	8	9
Net periodic benefit cost	\$ 10	\$ 9	\$ 20	\$ 19

The components of our net periodic OPEB costs were as follows:

<i>Millions of Dollars</i>	<i>OPEB</i>			
	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>2007</i>	<i>June 30, 2006</i>	<i>2007</i>	<i>June 30, 2006</i>
Service cost	\$ 1	\$ 2	\$ 2	\$ 3
Interest cost	6	7	11	14
Amortization of:				
Prior service credit	(8)	(7)	(16)	(14)
Actuarial loss	2	4	5	8
Net periodic benefit cost	\$ 1	\$ 6	\$ 2	\$ 11

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7. **Earnings Per Share** – The following table provides a reconciliation between basic and diluted earnings per share:

<i>Millions, Except Per Share Amounts</i>	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Net income	\$ 446	\$ 390	\$ 832	\$ 701
Weighted-average number of shares outstanding:				
Basic	268.2	269.3	269.4	268.8
Dilutive effect of stock options	2.2	2.2	2.1	2.2
Dilutive effect of retention shares and units	0.3	0.6	0.3	0.6
Diluted	270.7	272.1	271.8	271.6
Earnings per share – basic	\$ 1.66	\$ 1.45	\$ 3.09	\$ 2.61
Earnings per share – diluted	\$ 1.65	\$ 1.44	\$ 3.06	\$ 2.58
Common stock options excluded as their inclusion would be antidilutive	0.6	1.4	0.9	1.4

## 8. Commitments and Contingencies

**Asserted and Unasserted Claims** – Various claims and lawsuits are pending against us and certain of our subsidiaries. It is not possible at this time for us to determine fully the effect of all unasserted claims on our consolidated results of operations, financial condition, or liquidity; however, to the extent possible, where unasserted claims are considered probable and where such claims can be reasonably estimated, we have recorded a liability. We do not expect that any known lawsuits, claims, environmental costs, commitments, contingent liabilities, or guarantees will have a material adverse effect on our consolidated results of operations, financial condition, or liquidity after taking into account liabilities previously recorded for these matters.

**Personal Injury** – The cost of personal injuries to employees and others related to our activities is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use third-party actuaries to assist us in measuring the expense and liability, including unasserted claims, on a semi-annual basis. Compensation for work-related accidents is governed by the Federal Employers' Liability Act (FELA). Under FELA, damages are assessed based on a finding of fault through litigation or out-of-court settlements.

Two components primarily drove the personal injury expense reduction in the table below. An actuarial study completed in 2007 lowered personal injury expense by \$30 million, reflecting improvements in our safety experience and lower ultimate settlement costs; and the comparative impact of adverse developments with respect to a small group of claims that increased personal injury expense by \$19 million in the first six months of 2006. Our personal injury liability activity was as follows:

<i>Millions of Dollars</i>	<i>Six Months Ended</i>	
	<i>2007</i>	<i>2006</i>
Beginning balance	\$ 631	\$ 619
Accruals	91	135
Payments	(86)	(109)
Ending balance at June 30	\$ 636	\$ 645
Current portion, ending balance at June 30	\$ 233	\$ 272

Because of the uncertainty surrounding the ultimate outcome of personal injury claims, it is reasonably possible that future costs to settle these claims may range from approximately \$636 million to \$695 million. We believe that the \$636 million liability recorded at June 30, 2007, is the best estimate of the present value of the future settlement costs of personal injury claims.

**Asbestos** – We are a defendant in a number of lawsuits in which current and former employees allege exposure to asbestos. Additionally, we have received claims for asbestos exposure that have not been litigated. The claims and lawsuits (collectively referred to as “claims”) allege occupational illness resulting from exposure to asbestos-

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containing products. In most cases, the claimants do not have credible medical evidence of physical impairment resulting from the alleged exposures. Additionally, most claims filed against us do not specify an amount of alleged damages. We use a third party with extensive experience in estimating resolution cost for asbestos-related claims to assist us in assessing the number and value of these unasserted claims.

Our asbestos-related liability activity was as follows:

<i>Millions of Dollars</i>	<i>Six Months Ended</i>	
	<i>2007</i>	<i>June 30, 2006</i>
Beginning balance	\$ 302	\$ 311
Accruals	-	-
Payments	(6)	(5)
Ending balance at June 30	\$ 296	\$ 306
Current portion, ending balance at June 30	\$ 13	\$ 16

We have insurance coverage for a portion of the costs incurred to resolve asbestos-related claims, and, we have recognized an asset for estimated insurance recoveries at June 30, 2007 and December 31, 2006.

We believe that our liability estimates for asbestos-related claims and the estimated insurance recoveries reflect reasonable and probable estimates. The amounts recorded for asbestos-related liabilities and related insurance recoveries were based on currently known facts. However, future events, such as the number of new claims to be filed each year, average settlement costs, and insurance coverage issues, could cause the actual costs and insurance recoveries to be higher or lower than the projected amounts. Estimates may also vary due to changes in the litigation environment, federal and state law governing compensation of asbestos claimants, and the level of payments made to claimants by other defendants.

**Environmental Costs** – We are subject to federal, state, and local environmental laws and regulations. We have identified approximately 338 sites at which we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 38 sites that are the subject of actions taken by the U.S. government, 21 of which are currently on the Superfund National Priorities List. Certain federal legislation imposes joint and several liability for the remediation of identified sites; consequently, our ultimate environmental liability may include costs relating to activities of other parties, in addition to costs relating to our own activities at each site.

When an environmental issue has been identified with respect to property owned, leased, or otherwise used in the conduct of our business, we and our consultants perform environmental assessments on the property. We expense the cost of the assessments as incurred. We accrue the cost of remediation where our obligation is probable and such costs can be reasonably estimated. We do not discount our environmental liabilities when the timing of the anticipated cash payments is not fixed or readily determinable. At June 30, 2007, approximately 15% of our environmental liability was discounted at 4.75%, while approximately 14% of our environmental liability was discounted at 5.34% at December 31, 2006.

Our environmental liability activity was as follows:

<i>Millions of Dollars</i>	<i>Six Months Ended</i>	
	<i>2007</i>	<i>June 30, 2006</i>
Beginning balance	\$ 210	\$ 213
Accruals	11	15
Payments	(24)	(20)
Ending balance at June 30	\$ 197	\$ 208
Current portion, ending balance at June 30	\$ 53	\$ 49

The environmental liability includes costs for remediation and restoration of sites, as well as for ongoing monitoring costs, but excludes any anticipated recoveries from third parties. Cost estimates are based on information available for each site, financial viability of other potentially responsible parties, and existing technology, laws, and regulations. We believe that we have adequately accrued for our ultimate share of costs at sites subject to joint and

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several liability. However, the ultimate liability for remediation is difficult to determine because of the number of potentially responsible parties involved, site-specific cost sharing arrangements with other potentially responsible parties, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and the speculative nature of remediation costs. Estimates may also vary due to changes in federal, state, and local laws governing environmental remediation. We do not expect current obligations to have a material adverse effect on our results of operations or financial condition.

**Guarantees** – At June 30, 2007, we were contingently liable for \$466 million in guarantees. We have recorded a liability of \$5 million for the fair value of these obligations as of June 30, 2007. We entered into these contingent guarantees in the normal course of business, and they include guaranteed obligations related to our headquarters building, equipment financings, and affiliated operations. The final guarantee expires in 2022. We are not aware of any existing event of default that would require us to satisfy these guarantees. We do not expect that these guarantees will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

**Indemnities** – Our maximum potential exposure under indemnification arrangements, including certain tax indemnifications, can range from a specified dollar amount to an unlimited amount, depending on the nature of the transactions and the agreements. Due to uncertainty as to whether claims will be made or how they will be resolved, we cannot reasonably determine the probability of an adverse claim or reasonably estimate any adverse liability or the total maximum exposure under these indemnification arrangements. We do not have any reason to believe that we will be required to make any material payments under these indemnity provisions.

**9. Other Income** – Our other income included the following:

<i>Millions of Dollars</i>	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>2007</i>	<i>June 30, 2006</i>	<i>2007</i>	<i>June 30, 2006</i>
Rental income	\$ 18	\$ 28	\$ 35	\$ 41
Net gain on non-operating asset dispositions	12	9	17	15
Interest income	12	3	21	8
Sale of receivables fees	(8)	(9)	(17)	(16)
Non-operating environmental costs and other	2	(2)	(5)	(9)
Total	\$ 36	\$ 29	\$ 51	\$ 39

**10. Share Repurchase Program** – On January 30, 2007, our Board of Directors authorized the repurchase of up to 20 million shares of Union Pacific Corporation common stock through the end of 2009. The timing and volume of any purchases will be guided by management’s assessment of market conditions and other pertinent facts.

As of June 30, 2007, we repurchased approximately 5.7 million shares under this program at an aggregate purchase price of \$627 million. These shares were recorded in Treasury Stock at cost, which includes any applicable commissions and fees.

**11. Income Taxes** – In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). We adopted FIN 48 on January 1, 2007. Under FIN 48, tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed in our tax returns that do not meet these recognition and measurement standards.

Upon the adoption of FIN 48, we had total liabilities for unrecognized tax benefits of \$173 million. Of this amount, \$7 million was recorded as a decrease to beginning retained earnings for the cumulative effect of adopting FIN 48. The remaining \$166 million had been previously accrued under either FASB Statement No. 5, *Accounting for Contingencies*, or FASB Statement No. 109, *Accounting for Income Taxes*. The entire \$173 million was classified as non-current in the Condensed Consolidated Statement of Financial Position.

Included in the \$173 million balance at adoption, were \$126 million of unrecognized tax benefits that, if recognized, would reduce our effective tax rate. This \$126 million includes \$47 million for interest and penalties, which are recognized as part of income tax expense. The remaining unrecognized tax benefits relate to tax positions for which ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Recognition of these tax benefits, other than any applicable interest and penalties, would not affect our effective tax rate.



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Primarily because of re-measurement of tax positions for which only the timing of deductibility is uncertain, the total liability for unrecognized tax benefits decreased to \$149 million at June 30, 2007. Included in this balance are \$125 million of unrecognized tax benefits that, if recognized, would reduce our effective tax rate. This \$125 million includes \$45 million for interest and penalties. Of the \$149 million, \$121 million is classified as current in the Condensed Consolidated Statement of Financial Position.

All federal income tax years prior to 1995 are closed. Federal income tax liabilities for tax years 1986 through 1994 have been resolved. Interest calculations for these years are in process and may take several years to resolve with the Internal Revenue Service (IRS). The IRS has completed its examinations and issued notices of deficiency for tax years 1995 through 2004, and we are in different stages of the IRS appeals process for these years. As previously reported, among their proposed adjustments is the disallowance of tax deductions claimed in connection with certain donations of property. In the fourth quarter of 2005, the IRS National Office issued a Technical Advice Memorandum that left unresolved whether the deductions were proper, pending further factual development. We continue to dispute the donation issue, as well as many of the other proposed adjustments, and will contest the associated tax deficiencies through the IRS appeals process, and, if necessary, litigation.

Several state taxing jurisdictions are currently examining our state income tax returns for tax years 1999 through 2004. Additionally, upon resolution of the federal income tax return examinations described above, we will report any changes to the state and local taxing authorities in compliance with state and local requirements.

We anticipate that we may resolve some or all of the issues related to tax years 1995 through 1998 at IRS Appeals within the next 12 months. If so, then based on our FIN 48 analysis at June 30, 2007, we anticipate payments of \$121 million, which will reduce our unrecognized tax benefits by the same amount. However, settlement is uncertain, and if we do not resolve all issues, we may also make a payment in order to begin litigation of any unresolved issues.

We believe it is reasonably possible the State of Illinois will enact new tax legislation in the third quarter that would change how we determine the amount of our income subject to Illinois tax. If enacted, this legislation could increase our deferred tax expense by up to \$28 million in the third quarter. In addition, our previously recorded liability for unrecognized tax benefits includes \$25 million for a tax position related to determining future Illinois taxable income. If enacted, the legislation would also result in this \$25 million being reclassified as a deferred tax liability rather than as a liability for uncertain tax benefits.

## 12. Comprehensive Income/(Loss)

Comprehensive income/(loss) was as follows:

<i>Millions of Dollars</i>	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>2007</i>	<i>June 30, 2006</i>	<i>2007</i>	<i>June 30, 2006</i>
Net income	\$ 446	\$ 390	\$ 832	\$ 701
Other Comprehensive Income:				
Defined benefit plans	-	-	1	2
Foreign currency translation	3	(6)	3	(5)
Derivatives	1	-	1	-
Total other comprehensive income/(loss) [a]	\$ 4	\$ (6)	\$ 5	\$ (3)
Total comprehensive income	\$ 450	\$ 384	\$ 837	\$ 698

[a] Net of deferred taxes of \$2 million during both the three and six months ended June 30, 2007, and \$(4) million and \$(3) million during the three and six months ended June 30, 2006, respectively.

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The components of accumulated other comprehensive loss were as follows:

<i>Millions of Dollars</i>	<i>June 30, 2007</i>	<i>December 31, 2006</i>
Defined benefit plans	\$ (119)	\$ (120)
Foreign currency translation	(14)	(17)
Derivatives	(4)	(5)
Total	\$ (137)	\$ (142)

**13. Accounting Pronouncements** – In September 2006, the FASB issued Statement No. 157, *Fair Value Measurement* (FAS 157). While this statement does not require new fair value measurements, it provides guidance on applying fair value and expands required disclosures. FAS 157 is effective for us beginning in the first quarter of 2008. We are currently assessing the impact FAS 157 may have on our Condensed Consolidated Financial Statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159). This statement, which is expected to expand fair value measurement, permits entities to choose to measure many financial instruments and certain other items at fair value. FAS 159 is effective for us beginning in the first quarter of 2008. We are currently assessing the impact FAS 159 may have on our Condensed Consolidated Financial Statements.

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

**UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES**

**RESULTS OF OPERATIONS**

**Three and Six Months Ended June 30, 2007 Compared to  
Three and Six Months Ended June 30, 2006**

For purposes of this report, unless the context otherwise requires, all references herein to "UPC", "Corporation", "we", "us", and "our" shall mean Union Pacific Corporation and its subsidiaries, including Union Pacific Railroad Company, which we separately refer to as "UPRR" or the "Railroad".

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and applicable notes to the Condensed Consolidated Financial Statements, Item 1, and other information included in this report. Our 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 their fair presentation in conformity with accounting principles generally accepted in the United States of America (GAAP).

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable business segment. Although revenue is analyzed by commodity, we analyze the net financial results of the Railroad as one segment due to the integrated nature of the rail network.

**Available Information**

Our Internet website is [www.up.com](http://www.up.com). We make available free of charge on our website (under the "Investors" caption link) our Annual Reports on Form 10-K; our Quarterly Reports on Form 10-Q; our current reports on Form 8-K; our proxy statements; Forms 3, 4, and 5, filed on behalf of directors and executive officers; and amendments to such reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). We also make available on our website previously filed SEC reports and exhibits via a link to EDGAR on the SEC's Internet site at [www.sec.gov](http://www.sec.gov). Additionally, our corporate governance materials, including By-Laws, Board Committee charters, governance guidelines and policies, and codes of conduct and ethics for directors, officers, and employees are available on our website. From time to time, the corporate governance materials on our website may be updated as necessary to comply with rules issued by the SEC and the New York Stock Exchange or as desirable to promote the effective and efficient governance of our company. Any security holder wishing to receive, without charge, a copy of any of our SEC filings or corporate governance materials should send a written request to: Secretary, Union Pacific Corporation, 1400 Douglas Street, Omaha, NE 68179.

References to our website address in this report, including references in Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 2, are provided as a convenience and do not constitute, and should not be deemed, an incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this report.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements. The preparation of these financial statements requires estimation and judgment that affect the reported amounts of revenue, expenses, assets, and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. If these estimates differ materially from actual results, the impact on the Condensed Consolidated Financial Statements may be material. Our critical accounting policies are available in Item 7 of our 2006 Annual Report on Form 10-K. There have been no significant changes with respect to these policies during the first six months of 2007, except for the treatment of tax contingency accruals.

Effective January 1, 2007, we began to measure and record tax contingency accruals in accordance with Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). Under FIN 48, we will recognize tax benefits only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed in our tax returns that do not meet these recognition and measurement standards. For additional information on the adoption of FIN 48, see note 11 in Part I, Item 1 of this Quarterly Report.

**RESULTS OF OPERATIONS****Quarterly Summary**

We reported earnings of \$1.65 per diluted share on net income of \$446 million in the second quarter of 2007 compared to earnings of \$1.44 per diluted share on net income of \$390 million for the second quarter of 2006. Year-to-date 2007 net income was \$832 million versus \$701 million for the same period in 2006. Yield increases, network management initiatives, improved operational efficiency, lower volume-related costs, and lower casualty costs more than offset a decline in volume and cost increases due to inflation, resulting in a 10% and 14% improvement in operating income for the second quarter and year-to-date periods, respectively. In May 2007, heavy rain storms, high winds, and flash flooding damaged our rail network across Kansas, Nebraska, and Missouri. Bridge outages and track washouts reduced shipments. Carloads fell 5% and 3% for the month of May and the second quarter, respectively, compared to 2006 levels. We estimate that the financial impact of the May 2007 storms was approximately \$0.10 per diluted share. Year-to-date results also include the adverse impact of severe winter weather on our coal network, extended automotive plant shutdowns, and continued softening in some market sectors.

Operationally, we experienced continued improvement in our network fluidity versus the second quarter of 2006 despite disruptions caused by the severe May weather. As reported to the Association of American Railroads, terminal dwell time and average train speed improved 11% and 2%, respectively, during the second quarter of 2007 compared to the same period of 2006. Focused efforts on terminal processing initiatives and improved asset utilization, combined with reduced volume levels, drove the improvement.

**Operating Revenue**

<i>Millions of Dollars</i>	<i>Three Months Ended</i>			<i>Six Months Ended</i>		
		<i>June 30,</i>	<i>%</i>		<i>June 30,</i>	<i>%</i>
	<i>2007</i>	<i>2006</i>	<i>Change</i>	<i>2007</i>	<i>2006</i>	<i>Change</i>
Commodity revenue	\$ 3,865	\$ 3,742	3%	\$ 7,517	\$ 7,285	3%
Other revenue	181	181	-	378	348	9
<b>Total</b>	<b>\$ 4,046</b>	<b>\$ 3,923</b>	<b>3%</b>	<b>\$ 7,895</b>	<b>\$ 7,633</b>	<b>3%</b>

Operating revenue includes commodity revenue and other revenue. Other revenue primarily consists of revenue earned by our subsidiaries, revenue from our commuter rail operations, and accessorial revenue, which we earn when customers retain equipment owned or controlled by us or when we perform additional services such as switching or storage. We recognize revenue on a percentage-of-completion basis as freight moves from origin to destination. We allocate revenue between reporting periods based on the relative transit time in each reporting period and recognize expenses as we incur them. We recognize other revenue as service is performed or contractual obligations are met. We provide incentives to our customers for meeting or exceeding specified cumulative volumes or shipping to and from specific locations, which we record as a reduction to revenue based on the actual or projected future shipments.

Revenue from four of our six commodity groups increased during the second quarter of 2007, while revenue from automotive shipments remained flat and revenue generated from industrial products shipments declined versus 2006. Commodity revenue grew 3% in the second quarter of 2007 versus the second quarter of 2006 driven by core price increases and index-based contract escalators (formulas in our shipping contracts that correlate price adjustments to certain economic indices), which contributed to a 7% increase in average revenue per car (ARC). Volume decreased 3% during the quarter driven by declines in all commodities except chemical shipments. We experienced the greatest volume declines in the industrial products, agricultural, and energy commodity groups driven in part by the severe May 2007 storms and continued softening in some market sectors. Our fuel surcharge programs (excluding index-based contract escalators that contain some provision for fuel) generated \$357 million in commodity revenue in the second quarter of 2007. Fuel surcharge revenue is not comparable to prior periods due to implementation of new mileage-based fuel surcharge programs as discussed below.

Year-to-date, revenue from four of our six commodity groups increased, while revenue from the industrial products and automotive groups declined. Commodity revenue grew 3% in the first half of 2007 versus 2006 driven by core price increases and index-based contract escalators, which contributed to a 6% increase in ARC. Volume decreased 3% year-to-date driven in part by first quarter 2007 harsh winter weather and extended automotive plant shutdowns, continued softening in some market sectors, and the impact of severe rain storms and flash flooding across our central and southern corridors in May 2007. Our fuel surcharge programs (excluding index-based contract escalators

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that contain some provision for fuel) generated \$696 million in commodity revenue in the first half of 2007. Fuel surcharge revenue is not comparable to prior periods due to implementation of new mileage-based fuel surcharge programs.

As previously disclosed in our 2006 Annual Report on Form 10-K, the Surface Transportation Board (STB) of the United States Department of Transportation issued a decision limiting the manner in which U.S. railroads can calculate fuel surcharges on traffic regulated by the STB. Effective April 26, 2007, we implemented new fuel surcharge programs covering regulated, tariff-based traffic, which represents approximately 15% of our current revenue base. The new programs use mileage as the basis to calculate fuel surcharges versus percent of revenue and correlate to movement of the On-Highway Diesel Price index, published by the Energy Information Administration. The new programs affect fuel surcharges assessed for agricultural, chemical, and industrial products shipments, and, to a lesser extent, coal shipments. In addition, we reset the effective base fuel price at which the new fuel surcharge programs take effect, resulting in a higher entry point of \$2.30 per gallon versus \$1.35 per gallon.

The following tables summarize the year-over-year changes in commodity revenue, revenue carloads, and average revenue per car by commodity type:

<i>Commodity Revenue</i> <i>Millions of Dollars</i>	<i>Three Months Ended</i>			<i>Six Months Ended</i>		
	<i>June 30,</i>		<i>%</i>	<i>June 30,</i>		<i>%</i>
	<i>2007</i>	<i>2006</i>		<i>2007</i>	<i>2006</i>	
Agricultural	\$ 604	\$ 565	7%	\$ 1,211	\$ 1,128	7%
Automotive	389	390	-	744	751	(1)
Chemicals	578	537	8	1,122	1,038	8
Energy	761	733	4	1,491	1,432	4
Industrial Products	815	822	(1)	1,562	1,596	(2)
Intermodal	718	695	3	1,387	1,340	4
<b>Total</b>	<b>\$ 3,865</b>	<b>\$ 3,742</b>	<b>3%</b>	<b>\$ 7,517</b>	<b>\$ 7,285</b>	<b>3%</b>

<i>Revenue Carloads</i> <i>Thousands</i>	<i>Three Months Ended</i>			<i>Six Months Ended</i>		
	<i>June 30,</i>		<i>%</i>	<i>June 30,</i>		<i>%</i>
	<i>2007</i>	<i>2006</i>		<i>2007</i>	<i>2006</i>	
Agricultural	\$ 212	\$ 225	(6)%	\$ 431	\$ 459	(6)%
Automotive	221	225	(2)	422	435	(3)
Chemicals	239	234	2	463	452	2
Energy	551	575	(4)	1,102	1,125	(2)
Industrial Products	349	386	(10)	667	751	(11)
Intermodal	861	865	-	1,682	1,681	-
<b>Total</b>	<b>\$ 2,433</b>	<b>\$ 2,510</b>	<b>(3)%</b>	<b>\$ 4,767</b>	<b>\$ 4,903</b>	<b>(3)%</b>

<i>Average Revenue</i> <i>Per Car</i>	<i>Three Months Ended</i>			<i>Six Months Ended</i>		
	<i>June 30,</i>		<i>%</i>	<i>June 30,</i>		<i>%</i>
	<i>2007</i>	<i>2006</i>		<i>2007</i>	<i>2006</i>	
Agricultural	\$ 2,855	\$ 2,510	14%	\$ 2,812	\$ 2,456	14%
Automotive	1,767	1,735	2	1,764	1,729	2
Chemicals	2,410	2,285	5	2,422	2,294	6
Energy	1,382	1,273	9	1,353	1,272	6
Industrial Products	2,334	2,133	9	2,342	2,126	10
Intermodal	834	804	4	824	797	3
<b>Average</b>	<b>\$ 1,589</b>	<b>\$ 1,490</b>	<b>7%</b>	<b>\$ 1,577</b>	<b>\$ 1,486</b>	<b>6%</b>

*Agricultural Products* – Price increases primarily drove higher agricultural commodity revenue in the second quarter and year-to-date periods of 2007 versus 2006, despite lower volume levels, which partially offset these gains. Fewer shipments of corn and feed grains primarily drove the second quarter and year-to-date volume decreases. Favorable barge rates and Mississippi river navigation conditions led to fewer rail shipments of feed grains for export from the Gulf Coast for both periods. In addition, lower corn and feed grain exports to Mexico due to price competition and a solid Mexican crop combined to reduce volumes in the second quarter. Year-to-date volumes also declined as soft

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production in growing regions serviced by us and an overall weak export market drove lower wheat shipments. Conversely, continuing growth and demand in the ethanol industry increased shipments of this fuel additive, as well as shipments of wet corn milling and co-products of ethanol production (primarily livestock feed). Price increases also were the primary driver of second quarter and year-to-date ARC improvement. Lower fuel surcharges due to lower volume levels and implementation of the new mileage-based fuel surcharge program, which has a higher fuel price entry point, both partially offset improved ARC during the quarter.

*Automotive* – A decline in vehicle production levels due to plant shutdowns, changes in vehicle distribution patterns, and lower fuel surcharges contributed to the decrease in automotive commodity revenue in the second quarter of 2007, partially offset by price increases. In addition, fewer shipments of finished vehicles from Mexico in the first quarter of 2007, and stronger than usual shipments of finished vehicles in the first quarter of 2006 due to high levels of finished vehicles in manufacturers' inventories at the end of 2005 contributed to the year-to-date decline. Automotive parts shipments grew in the second quarter and year-to-date periods of 2007 due to increased volumes from domestic manufacturers and new business acquired in mid-2006, partially offset by the loss of shipments from a domestic truck manufacturer. Price increases generated the ARC improvement in both periods, partially offset by lower fuel surcharges and the negative impact of increased automotive parts shipments and lower finished vehicle shipments, which have higher ARC.

*Chemicals* – Volume growth, price increases and index-based contract escalators increased revenue in the second quarter and year-to-date periods of 2007 versus the same periods in 2006. Lower production at Canadian locations boosted liquid and dry chemicals shipments in the second quarter at Gulf Coast locations serviced by us. Strong export demand for potash shipments through the Pacific Northwest and a robust corn planting season to support the ethanol industry drove higher demand for fertilizer shipments in both the second quarter and year-to-date periods. Soda ash shipments also increased as export demand grew in the Gulf area, Pacific Northwest, and Mexico. Price increases were the primary driver of ARC improvement during both periods compared to 2006. While fuel surcharges were higher in the year-to-date period versus 2006, second quarter fuel recoveries were lower year-over-year due to implementation of the new mileage-based fuel surcharge program, which has a higher fuel price entry point.

*Energy* – Price increases and index-based contract escalators primarily drove the increases in revenue and ARC in the second quarter and six-month periods of 2007 versus 2006. Volume decreased in both periods compared to 2006 as severe storms in the first quarter and heavy rains in May flooded coal pits in the Southern Powder River Basin of Wyoming (SPRB), forced closure of several rail lines, and impacted network operations across the Midwest. Shipments from the SPRB were down 5% and 3% in the second quarter and year-to-date periods of 2007 compared to the same periods of 2006. Conversely, shipments from the Colorado and Utah mines were up 3% and 4% in the second quarter and six-month periods of 2007, as mine shutdowns throughout the first half of 2006 limited volume.

*Industrial Products* – Lower volumes reduced revenue in the second quarter and six-month periods of 2007 versus 2006. Price improvements partially offset this decline. Delays in rail expansion projects in Texas and adverse weather conditions hindering construction and quarry activity, combined with other customer production problems, drove the decline in stone shipments for the second quarter and six-month periods of 2007. Adverse weather conditions impacting quarry activity also contributed to the year-to-date decline in cement shipments. The continued softening of the housing market, surplus production, and general market uncertainty resulted in lower lumber, paper, and newsprint shipments in both periods. Price increases mainly drove the ARC improvement in both periods, partially offset by lower fuel surcharge recovery due to lower volume levels and implementation of the new mileage-based fuel surcharge program, which has a higher fuel price entry point.

*Intermodal* – Price increases and index-based contract escalators drove the revenue improvement in the second quarter. Carloadings in the second quarter were flat versus 2006 as increased domestic traffic was offset by lower international and premium shipments. New service offerings in the second quarter of 2007 contributed to growth in domestic shipments while international shipments declined year over year due to softer imports and the impact of peak season pre-shipment during the second quarter of 2006. Year-to-date, price increases and index-based contract escalators generated higher revenue and ARC. Volume levels were flat in the first half of the year compared to 2006 as increased import volumes from Asia in the first quarter were offset by decreased premium traffic throughout the six-month period of 2007.

*Mexico Business* – Each commodity group discussed above includes revenue from shipments to and from Mexico. Revenue from Mexico business increased 6% to \$360 million in the second quarter of 2007 and 9% to \$709 million for the first half of 2007 versus the same periods in 2006. Price increases drove the revenue growth in both the quarterly and year-to-date periods while volume growth also contributed to year-to-date improvement.

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**Operating Expenses**

<i>Millions of Dollars</i>	<i>Three Months Ended</i>			<i>Six Months Ended</i>		
	<i>June 30,</i>		<i>%</i>	<i>June 30,</i>		<i>%</i>
	<i>2007</i>	<i>2006</i>	<i>Change</i>	<i>2007</i>	<i>2006</i>	<i>Change</i>
Salaries, wages, and employee benefits	\$ 1,163	\$ 1,140	2%	\$ 2,343	\$ 2,269	3%
Fuel and utilities	766	794	(4)	1,449	1,486	(2)
Equipment and other rents	370	371	-	723	738	(2)
Depreciation	327	308	6	652	611	7
Materials and supplies	186	178	4	362	342	6
Casualty costs	98	110	(11)	167	220	(24)
Purchased services and other costs	349	305	14	693	645	7
<b>Total</b>	<b>\$ 3,259</b>	<b>\$ 3,206</b>	<b>2%</b>	<b>\$ 6,389</b>	<b>\$ 6,311</b>	<b>1%</b>

Operating expenses increased \$53 million and \$78 million in the second quarter and six-month periods of 2007 versus the comparable periods in 2006, respectively. Higher wage, benefit and materials inflation, combined with higher depreciation expense drove the increases. Lower personal injury expense, cost savings realized from operational improvements, and lower volume-related costs partially offset these increases.

*Salaries, Wages, and Employee Benefits* – General wage and benefit inflation increased expenses \$32 million and \$67 million in the second quarter and year-to-date periods of 2007, reflecting higher salaries and wages and the impact of higher healthcare costs and other benefit costs. Conversely, a 1% decrease in our workforce, lower training expenses for train and engine personnel due to reduced hiring, and lower volume-related costs drove a \$13 million reduction in second quarter expenses versus 2006. Year-to-date, workforce levels and training costs were \$11 million higher compared to 2006. Lower volume-related costs and operational improvements, boosted by network management initiatives and investment in capacity, generated additional expense reductions for the year-to-date period of 2007.

*Fuel and Utilities* – Fuel and utilities include locomotive fuel, utilities other than telephone, and gasoline and other fuels. A 4% decrease in gross ton-miles resulted in \$31 million lower fuel expense, which was partially offset by higher diesel fuel prices. Our average fuel price was \$2.17 per gallon (including taxes and transportation costs) in the second quarter of 2007 compared to \$2.15 per gallon in the same period of 2006, which increased expenses by \$7 million. Gasoline, utilities, and propane and other fuel expenses increased \$4 million in the second quarter of 2007 due to inflation and higher prices. Year-to-date, higher diesel prices of \$2.04 compared to \$2.01 in 2006 contributed \$20 million of increased expense. A 4% decrease in gross-ton-miles and slight improvement in our fuel consumption rate reduced expenses by \$51 million and \$5 million, respectively, compared to 2006.

*Equipment and Other Rents* – Equipment and other rents primarily includes rental expense the Railroad pays for freight cars owned by other railroads or private companies; freight car, intermodal, and locomotive leases; other specialty equipment leases; and office and other rentals. Lower shipments of industrial products, agricultural goods, and finished vehicles combined with improved car-cycle times driven by network management initiatives drove a \$12 million and \$30 million reduction in our short-term freight car rental expense in the second quarter and year to-date periods of 2007, respectively, compared to 2006. The cycle time improvement for the second quarter was offset by weather-related delays affecting our network. Conversely, higher locomotive lease expense of \$9 million and \$17 million in the second quarter and year-to-date periods of 2007, respectively, partially offset the lower freight car rental expense.

*Depreciation* – The majority of depreciation relates to track structure, including rail, ties, and other track material. A higher depreciable asset base, reflecting higher capital spending in recent years, increased depreciation expense in the second quarter and first six months of 2007.

*Materials and Supplies* – Materials used to maintain the Railroad’s lines, structures, and equipment are the principal components of materials and supplies expense. This expense item also includes small tools, office supplies, other materials, and the costs of freight services to ship Railroad supplies and materials. Increased use of higher cost components to repair and maintain our fleet of locomotives (including a growing number of units not covered by warranties) contributed \$12 million and \$25 million of the increase during the second quarter and year-to-date periods, respectively.

*Casualty Costs* – Personal injury costs, freight and property damage, insurance, and environmental expense are the primary components of casualty costs. Casualty costs were lower in the second quarter of 2007 compared to the second quarter of 2006 primarily driven by the comparative impact of adverse developments with respect to a small

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group of claims, which increased personal injury expense by \$5 million in the second quarter of 2006. For the six-month period of 2007, two components of personal injury expense drove casualty costs lower: a semi-annual actuarial study completed in the first quarter of 2007, which lowered personal injury expense by \$30 million, reflecting improvements in our safety experience and lower ultimate settlement costs; and the comparative impact of adverse developments with respect to a small group of claims, which increased personal injury expense by \$19 million in the first six months of 2006.

*Purchased Services and Other Costs* – Purchased services and other costs include the costs of services purchased from outside contractors, state and local taxes, net costs of operating facilities jointly used by UPRR and other railroads, transportation and lodging for train crew employees, trucking and contracting costs for intermodal containers, leased automobile maintenance expenses, telephone and cellular expense, employee travel expense, and computer and other general expenses. For the second quarter and year-to-date periods, costs increased due to higher contract and consulting fees (excluding equipment maintenance) of \$5 million and \$6 million, respectively; increased crew transportation and lodging of \$6 million and \$10 million, respectively; higher locomotive and car contract maintenance and repair costs of \$4 million and \$10 million, respectively; and increased state and local tax expense of \$2 million and \$4 million, respectively. These increases were offset by lower volume-related drayage expenses of \$3 million and \$8 million in the second quarter and year-to-date periods of 2007, respectively, and reduced year-to-date expenses of \$8 million associated with jointly-owned operating facilities. In addition, the second quarter and year-over-year comparisons were affected by a \$9 million gain from the 2006 sale of two Company-owned airplanes and increased reimbursable repair work on privately- and foreign-owned freight cars, which reduced second quarter 2006 expenses by \$14 million.

### Non-Operating Items

Millions of Dollars	Three Months Ended			Six Months Ended		
	2007	June 30, 2006	% Change	2007	June 30, 2006	% Change
Other income	\$ 36	\$ 29	24%	\$ 51	\$ 39	31%
Interest expense	(120)	(120)	-	(233)	(240)	(3)
Income taxes	(257)	(236)	9	(492)	(420)	17

*Other Income* – Other income increased in the second quarter of 2007 compared to 2006 due to higher interest rates on higher cash balances that generated cash investment returns of \$7 million. Lower 2007 environmental expense of \$7 million associated with our non-operating properties and higher 2007 lease and track rental income of \$4 million were offset by the comparative impact of the recognition of \$14 million of rental income in 2006 resulting from the settlement of a rent dispute covering the period 1994 to 2003.

*Interest Expense* – Interest expense was flat in the second quarter of 2007 compared to the same period in 2006 driven by weighted average debt levels of \$7.1 billion and effective interest rates of 6.7% in both periods. Year-to-date, lower interest expense resulted from a lower weighted average debt level of \$7.0 billion in 2007 compared to \$7.2 in 2006. The effective interest rate was 6.7% in both periods.

*Income Taxes* – Income taxes were \$21 million and \$72 million higher in the second quarter and year-to-date periods of 2007 primarily due to higher pre-tax income, partially offset by additional tax benefits recognized in the second quarter under FIN 48 (See note 11 to the Condensed Financial Statements). Our effective tax rate was 36.6% and 37.2% in the second quarter and year-to-date periods of 2007, respectively, compared to 37.7% and 37.5% in the corresponding periods of 2006, respectively.



**OTHER OPERATING/PERFORMANCE AND FINANCIAL STATISTICS**

We report key Railroad performance measures weekly to the Association of American Railroads (AAR), including carloads, average daily inventory of rail cars on our system, average train speed, and average terminal dwell time. We provide this data on our website at [www.up.com/investors/reports/index.shtml](http://www.up.com/investors/reports/index.shtml).

**Operating/Performance Statistics**

Railroad performance measures reported to the AAR, as well as other performance measures, are included in the table below:

	Three Months Ended			Six Months Ended		
	2007	2006	Change	2007	2006	Change
Average train speed (miles per hour)	21.6	21.2	2 %	21.7	21.3	2 %
Average terminal dwell time (hours)	24.7	27.6	(11)%	25.0	28.3	(12)%
Gross ton-miles (billions)	260.7	272.1	(4)%	515.6	535.1	(4)%
Revenue ton-miles (billions)	139.2	143.4	(3)%	274.3	282.7	(3)%
Average full-time equivalent employees	50,755	51,085	(1)%	50,764	50,673	- %
Customer satisfaction index	80	69	11 pt	80	69	11 pt

*Average Train Speed* – Average train speed is calculated by dividing train miles by hours operated on our main lines between terminals. Lower volume levels, ongoing network management initiatives and capacity expansion contributed to a 2% improvement in average train speed during the second quarter and six-month periods of 2007, despite severe winter weather conditions in the first quarter and May storms affecting critical sections of our network.

*Average Terminal Dwell Time* – Average terminal dwell time is the average time that a rail car spends at our terminals. Lower average terminal dwell time is favorable. Average terminal dwell improved 11% and 12% in the second quarter and year-to-date periods of 2007, respectively, as a result of ongoing management initiatives and directed efforts to more timely deliver rail cars to our interchange partners and customers. Lower volume levels also drove improvement in our terminal dwell time.

*Gross and Revenue Ton-Miles* – Gross ton-miles are calculated by multiplying the weight of loaded or empty freight cars by the number of miles hauled. Revenue ton-miles are calculated by multiplying the weight of freight by the number of tariff miles. Gross ton-miles declined 4% for the second quarter and year-to-date periods while revenue ton-miles and carloads declined 3% in both periods versus 2006. Our higher density shipments of industrial products, agricultural, and energy commodities declined in both periods of 2007, impacting gross ton-miles.

*Average Full-Time Equivalent Employees* – Lower employee levels in the second quarter of 2007 versus 2006 resulted from fewer train and engine personnel due to lower volume levels, partially offset by more employees maintaining our larger locomotive and freight car fleet. Year-to-date, employee levels were flat as personnel reductions in numerous areas offset year-over-year increases experienced in the first quarter.

*Customer Satisfaction Index* – The customer satisfaction survey asks customers to rate how satisfied they are with our service over the last 12 months on a variety of attributes. A higher score indicates higher customer satisfaction. The improvement over the second quarter and year-to-date periods of 2007 generally reflects customer recognition of our improving service.

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### Debt to Capital/Adjusted Debt to Capital

<i>Millions of Dollars, Except Percentages</i>	<i>June 30, 2007</i>	<i>December 31, 2006</i>
Debt (a)	\$ 7,236	\$ 6,780
Equity	15,445	15,312
Capital (b)	\$ 22,681	\$ 22,092
Debt to capital (a/b)	31.9%	30.7%

#### *Millions of Dollars, Except Percentages*

Debt	\$ 7,236	\$ 6,780
Net present value of operating leases	3,275	3,513
Investors' undivided interest in sale of receivables	600	600
Adjusted debt (a)	\$ 11,111	\$ 10,893
Equity	15,445	15,312
Adjusted capital (b)	\$ 26,556	\$ 26,205
Adjusted debt to capital (a/b)	41.8%	41.6%

Adjusted debt to capital is a non-GAAP financial measure under SEC Regulation G and Item 10 of SEC Regulation S-K. We believe this measure is important to management and investors in evaluating the total amount of leverage in our capital structure including off-balance sheet lease obligations, which we generally incur in connection with financing the acquisition of locomotives and freight cars and certain facilities. We monitor the ratio of adjusted debt to capital as we manage our capital structure to balance cost effective and efficient access to the capital markets with the Corporation's overall cost of capital. Adjusted debt to capital should be considered in addition to, rather than as a substitute for, debt to capital. The table above provides support for the adjusted debt to capital calculation. Our June 30, 2007 debt to capital ratios increased as a result of a \$456 million increase in debt from December 31, 2006 and purchases of our common stock under our share repurchase program, partially offset by an increase in retained earnings due to higher earnings in the first half of 2007.

On April 18, 2007, we issued a total of \$500 million of fixed rate debt under our current shelf registration statement. We issued \$250 million of notes at 5.65%, which are due May 1, 2017, and \$250 million of debentures at 6.15%, which are due May 1, 2037. The net proceeds from this offering are for general corporate purposes, including the repurchase of common stock pursuant to our share repurchase program. These debt securities also include change-of-control provisions.

### LIQUIDITY AND CAPITAL RESOURCES

#### Financial Condition

<i>Cash Flows</i>	<i>Six Months Ended</i>	
<i>Millions of Dollars</i>	<i>June 30, 2007</i>	<i>June 30, 2006</i>
Cash provided by operating activities	\$ 1,484	\$ 1,233
Cash used in investing activities	(1,507)	(1,384)
Cash used in financing activities	(282)	(360)
Net change in cash and cash equivalents	\$ (305)	\$ (511)

*Cash Provided by Operating Activities* – Higher income in the first half of 2007 and changes in working capital combined to increase cash provided by operating activities. A \$50 million voluntary pension contribution during the first quarter of 2006 also contributed to the year-over-year increase. These increases were partially offset by higher management incentive payments during the first quarter of 2007.

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*Cash Used in Investing Activities* – We acquired more locomotives pending completion of long-term financing arrangements in the first half of 2007 compared to the same period of 2006. The increase was partially offset by lower capital investments.

The table below details our cash capital investments.

<i>Millions of Dollars</i>	<i>Six Months Ended</i>	
	<i>June 30,</i>	
	<i>2007</i>	<i>2006</i>
Track	\$ 798	\$ 794
Capacity and commercial facilities	189	246
Locomotives and freight cars	55	56
Other	59	35
<b>Total</b>	<b>\$ 1,101</b>	<b>\$ 1,131</b>

*Cash Used in Financing Activities* – Cash used in financing activities decreased in the first half of 2007 versus 2006 due to lower debt repayments of \$258 million and new debt financing of \$494 million, partially offset by the use of \$604 million to repurchase common shares and lower net proceeds from equity compensation plans (\$52 million in 2007 compared to \$122 million in 2006).

*Free Cash Flow* – Free cash flow is a non-GAAP financial measure under SEC Regulation G. We believe free cash flow is important to management and investors in evaluating our financial performance and measures our ability to generate cash without incurring additional external financings. Free cash flow should be considered in addition to, rather than as a substitute for, cash provided by operating activities. The table below reconciles cash provided by operating activities (GAAP measure) to free cash flow (non-GAAP measure). First half 2007 free cash flow increased compared to the first half of 2006 due primarily to higher cash provided by operating activities. We typically report negative free cash flow in the first half of the year.

<i>Millions of Dollars</i>	<i>Six Months Ended</i>	
	<i>June 30,</i>	
	<i>2007</i>	<i>2006</i>
Cash provided by operating activities	\$ 1,484	\$ 1,233
Cash used in investing activities	(1,507)	(1,384)
Dividends paid	(178)	(160)
<b>Free cash flow</b>	<b>\$ (201)</b>	<b>\$ (311)</b>

### **Financing Activities**

*Credit Facilities* – On June 30, 2007, we had \$1.9 billion of credit available under our new revolving credit facility (the “facility”), which we entered into on April 20, 2007. The facility was designated for general corporate purposes and supports the issuance of commercial paper. The facility was not drawn on as of June 30, 2007. Commitment fees and interest rates payable under the facility are similar to fees and rates available to comparably rated investment-grade borrowers. The facility allows for borrowings at floating rates based on London Interbank Offered Rates, plus a spread, depending upon our senior unsecured debt ratings. The facility requires the maintenance of a debt-to-net worth coverage ratio. At June 30, 2007, we were in compliance with this covenant. The facility does not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require the posting of collateral. The facility, which expires in April 2012, replaced two \$1 billion 5-year facilities with terms ending in March 2009 and March 2010, respectively. The facility includes terms that are comparable with those of the prior facilities, although the minimum net worth requirement of \$7.5 billion was removed, and the facility includes a change-of-control provision.

In addition to our revolving credit facility, we had a \$75 million uncommitted line of credit available. The line of credit expires in April 2008, and was not used as of June 30, 2007. We must have equivalent credit available under our five-year facility to draw on this \$75 million line.

At June 30, 2007, approximately \$948 million of short-term borrowings that we intend to refinance were reclassified as long-term debt. This reclassification reflected our ability and intent to refinance these short-term borrowings and

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current maturities of long-term debt on a long-term basis. At December 31, 2006, we did not reclassify any short-term debt as long-term debt as we did not intend to refinance at that time.

*Dividend Restriction* – We have a restriction related to the payment of cash dividends to our shareholders due to a debt-to-net worth covenant requirement under our current revolving credit facility. This facility, entered into on April 20, 2007, no longer has a minimum net worth covenant that was included in our previous facilities, which was more restrictive with respect to the amount of retained earnings available for dividends at December 31, 2006. The amount of retained earnings available for dividends was \$11.6 billion and \$7.8 billion at June 30, 2007 and December 31, 2006, respectively.

*Share Repurchase Program* – On January 30, 2007, our Board of Directors authorized the repurchase of up to 20 million shares of Union Pacific Corporation common stock through the end of 2009. The timing and volume of any purchases will be guided by management’s assessment of market conditions and other pertinent facts.

As of June 30, 2007, we repurchased approximately 5.7 million shares under this program at an aggregate purchase price of \$627 million. These shares were recorded in Treasury Stock at cost, which includes any applicable commissions and fees.

*Shelf Registration Statement and Significant New Borrowings* – Our Board of Directors authorized the issuance of up to \$3 billion of debt securities pursuant to a new shelf registration statement, which became effective on March 6, 2007, replacing the \$500 million of authority remaining under our shelf registration filed in December 2003. Under the current shelf registration, we may issue, from time to time, any combination of debt securities, preferred stock, common stock, or warrants for debt securities or preferred stock in one or more offerings.

On April 18, 2007, we issued a total of \$500 million of unsecured fixed-rate debt under our current shelf registration statement. We issued \$250 million of notes at 5.65%, which are due May 1, 2017, and \$250 million of debentures at 6.15%, which are due May 1, 2037. The net proceeds from this offering are for general corporate purposes, including the repurchase of common stock pursuant to our share repurchase program. These debt securities include change-of-control provisions. We have no immediate plans to issue equity securities; however, we will continue to explore opportunities to replace existing debt or access capital through issuances of debt securities under our shelf registration, and, therefore, we may issue additional debt securities at any time.

*Ratio of Earnings to Fixed Charges* – For the three and six months ended June 30, 2007, our ratio of earnings to fixed charges was 4.9 and 4.7, respectively, compared to 4.4 and 4.1 for the three and six months ended June 30, 2006, respectively. The ratio of earnings to fixed charges was computed on a consolidated basis. Earnings represent net income, less equity earnings net of distributions, plus fixed charges and income taxes. Fixed charges represent interest charges, amortization of debt discount, and an estimated amount representing the interest portion of rental charges.

### **Off-Balance Sheet Arrangements, Contractual Obligations, and Commercial Commitments**

As described in the notes to the Condensed Consolidated Financial Statements and as referenced in the tables below, we have contractual obligations and commercial commitments that may affect our financial condition. However, based on our assessment of the underlying provisions and circumstances of our contractual obligations and commercial commitments, including material sources of off-balance sheet and structured finance arrangements, there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur that would have a material adverse effect on our consolidated results of operations, financial condition, or liquidity. In addition, the commercial obligations, financings, and commitments made by us are customary transactions that are similar to those of other comparable corporations, particularly within the transportation industry.

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The following tables identify material obligations and commitments as of June 30, 2007:

Contractual Obligations Millions of Dollars	Payments Due by June 30,							After 2012	Other
	Total	2008	2009	2010	2011	2012	2012		
Debt [a]	\$ 9,846	\$ 1,341	\$ 839	\$ 777	\$ 722	\$ 891	\$ 5,276	\$ -	
Operating leases	5,126	581	531	485	420	373	2,736	-	
Capital lease obligations [b]	1,871	186	175	155	153	125	1,077	-	
Purchase obligations [c]	4,293	901	776	527	240	205	1,644	-	
Other post retirement benefits [d]	298	27	28	29	31	31	152	-	
Income tax contingencies [e]	149	121	-	-	-	-	-	28	
<b>Total contractual obligations</b>	<b>\$ 21,583</b>	<b>\$ 3,157</b>	<b>\$ 2,349</b>	<b>\$ 1,973</b>	<b>\$ 1,566</b>	<b>\$ 1,625</b>	<b>\$ 10,885</b>	<b>\$ 28</b>	

[a] Excludes capital lease obligations of \$1,217 million, unamortized discount of \$(104) million, and market value adjustments of \$(14) million for debt with qualifying hedges that are recorded as liabilities on the Condensed Consolidated Statements of Financial Position. Includes an interest component of \$3,709 million.

[b] Represents total obligations, including interest component of \$654 million.

[c] Purchase obligations include locomotive maintenance contracts; purchase commitments for locomotives, ties, ballast, and track; and agreements to purchase other goods and services.

[d] Includes estimated other postretirement, medical, and life insurance payments and payments made under the unfunded pension plan for the next ten years. No amounts are included for funded pension as no contributions are currently required.

[e] Future cash flows for income tax contingencies reflect the recorded liability in accordance with FIN 48 as of June 30, 2007. Where the Company can reasonably estimate the years in which these liabilities may be settled, this is shown in the table. For amounts where the Company can not reasonably estimate the year of settlement, they are reflected in the Other column.

Other Commercial Commitments Millions of Dollars	Amount of Commitment Expiration by June 30,							After 2012
	Total	2008	2009	2010	2011	2012	2012	
Credit facilities [a]	\$ 1,900	\$ -	\$ -	\$ -	\$ -	\$ 1,900	\$ -	
Sale of receivables [b]	600	600	-	-	-	-	-	
Guarantees [c]	466	5	28	45	62	35	291	
Standby letters of credit [d]	38	38	-	-	-	-	-	
<b>Total commercial commitments</b>	<b>\$ 3,004</b>	<b>\$ 643</b>	<b>\$ 28</b>	<b>\$ 45</b>	<b>\$ 62</b>	<b>\$ 1,935</b>	<b>\$ 291</b>	

[a] None of the credit facilities were used as of June 30, 2007.

[b] \$600 million of the sale of receivables program was utilized at June 30, 2007.

[c] Includes guaranteed obligations related to our headquarters building, equipment financings, and affiliated operations.

[d] None of the letters of credit were drawn upon as of June 30, 2007.

**Sale of Receivables** – The Railroad transfers most of its accounts receivable to Union Pacific Receivables, Inc. (UPRI), a bankruptcy-remote subsidiary, as part of a sale of receivables facility. UPRI sells to investors, without recourse on a 364-day revolving basis, an undivided interest in such accounts receivable to investors. The total capacity to sell undivided interests to investors under the facility was \$600 million at both June 30, 2007 and December 31, 2006. The value of the outstanding undivided interest held by investors under the facility was \$600 million at both June 30, 2007 and December 31, 2006, respectively. The value of the outstanding undivided interest held by investors is not included in our Condensed Consolidated Financial Statements. The value of the undivided interest held by investors was supported by \$1,188 million and \$1,158 million of accounts receivable held by UPRI at June 30, 2007 and December 31, 2006, respectively. At June 30, 2007 and December 31, 2006, the value of the interest retained by UPRI was \$588 million and \$558 million, respectively. This retained interest is included in accounts receivable in our Condensed Consolidated Financial Statements. The interest sold to investors is sold at carrying value, which approximates fair value, and there is no gain or loss recognized from the transaction.

The value of the outstanding undivided interest held by investors could fluctuate based upon the availability of eligible receivables and is directly affected by changing business volumes and credit risks, including default and dilution. If default or dilution percentages were to increase one percentage point, the amount of eligible receivables would decrease by \$6 million. Should our credit rating fall below investment grade, the value of the outstanding undivided interest held by investors would be reduced, and, in certain cases, the investors would have the right to discontinue the facility.

The Railroad services the sold receivables; however, the Railroad does not recognize any servicing asset or liability as the servicing fees adequately compensate the Railroad for its responsibilities. The Railroad collected approximately

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\$3.9 billion during both the three months ended June 30, 2007 and 2006, and \$7.7 billion and \$7.6 billion during the six months ended June 30, 2007 and 2006, respectively. UPRI used certain of these proceeds to purchase new receivables under the facility.

The costs of the sale of receivables program are included in other income and were \$8 million and \$9 million for the three months ended June 30, 2007 and 2006, respectively, and \$17 million and \$16 million for the six months ended June 30, 2007 and 2006, respectively. The costs include interest, program fees paid to banks, commercial paper issuing costs, and fees for unused commitment availability.

The investors have no recourse to the Railroad's other assets except for customary warranty and indemnity claims. Creditors of the Railroad have no recourse to the assets of UPRI. In August 2006, the sale of receivables program was renewed for an additional 364-day period without any significant changes in terms.

### **OTHER MATTERS**

*Asserted and Unasserted Claims* – Various claims and lawsuits are pending against us and certain of our subsidiaries. It is not possible at this time for us to determine fully the effect of all unasserted claims on our consolidated results of operations, financial condition, or liquidity; however, to the extent possible, where unasserted claims are considered probable and where such claims can be reasonably estimated, we have recorded a liability. We do not expect that any known lawsuits, claims, environmental costs, commitments, contingent liabilities, or guarantees will have a material adverse effect on our consolidated results of operations, financial condition, or liquidity after taking into account liabilities previously recorded for these matters.

*Indemnities* – Our maximum potential exposure under indemnification arrangements, including certain tax indemnifications, can range from a specified dollar amount to an unlimited amount, depending on the nature of the transactions and the agreements. Due to uncertainty as to whether claims will be made or how they will be resolved, we cannot reasonably determine the probability of an adverse claim or reasonably estimate any adverse liability or the total maximum exposure under these indemnification arrangements. We do not have any reason to believe that we will be required to make any material payments under these indemnity provisions.

*Accounting Pronouncements* – In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157, *Fair Value Measurement* (FAS 157). While this statement does not require new fair value measurements, it provides guidance on applying fair value and expands required disclosures. FAS 157 is effective for us beginning in the first quarter of 2008. We are currently assessing the impact FAS 157 may have on our Condensed Consolidated Financial Statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159). This statement, which is expected to expand fair value measurement, permits entities to choose to measure many financial instruments and certain other items at fair value. FAS 159 is effective for us beginning in the first quarter of 2008. We are currently assessing the impact FAS 159 may have on our Condensed Consolidated Financial Statements.

*Labor Negotiations* – In January 2005, we began the current round of negotiations with the unions. In June 2007, the Brotherhood of Locomotive Engineers and Trainmen (BLET), the Brotherhood of Maintenance of Way Employees (BMWE), the Brotherhood of Railway Signalmen (BRS), the National Conference of Firemen and Oilers (IBFO), the International Brotherhood of Boilermakers and Blacksmiths (IBBB), and the Sheet Metal Workers (SMW) ratified a five-year agreement that provides for wage increases and increased employee health and welfare cost sharing. The annual wage increases are as follows: July 2005 2.5%; July 2006 3.0%; July 2007 3.0%; July 2008 4.0%; July 2009 4.5%. A second bargaining group consisting of four unions reached a tentative agreement with the same provisions in July. Ratification results will be known in September. We remain in negotiations with one additional union. Existing agreements continue to remain in effect until new agreements are reached or the Railway Labor Act's procedures (which include mediation, cooling-off periods, and the possibility of Presidential intervention) are exhausted. Contract negotiations with the various unions generally take place over an extended period of time, and we rarely experience work stoppages during negotiations. The current agreements provide for periodic cost of living increases until new agreements are reached.

### **CAUTIONARY INFORMATION**

Certain statements in this report, and statements in other reports or information filed or to be filed with the SEC (as well as information included in oral statements or other written statements made or to be made by us), are, or will be, forward-looking statements as defined by the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements include, without limitation, statements and information set forth under the

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caption “2007 Outlook” in Item 7 of our 2006 Annual Report on Form 10-K, and any other statements or information in this report (including information incorporated herein by reference) regarding: expectations as to operational or service improvements; expectations regarding the effectiveness of steps taken or to be taken to improve operations, service, infrastructure improvements, transportation plan modifications, and management of customer traffic on the system to meet demand; expectations as to cost savings, revenue growth, and earnings; the time by which goals, targets, or objectives will be achieved; projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, future economic performance, and general economic conditions; proposed new products and services; estimates of costs relating to environmental remediation and restoration; expectations that claims, litigation, environmental costs, commitments, contingent liabilities, labor negotiations or agreements, or other matters will not have a material adverse effect on our consolidated results of operations, financial condition, or liquidity and any other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times that, or by which, such performance or results will be achieved. Forward-looking information is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

Forward-looking statements and information reflect the good faith consideration by management of currently available information, and may be based on underlying assumptions believed to be reasonable under the circumstances. However, such information and assumptions (and, therefore, such forward-looking statements and information) are or may be subject to variables or unknown or unforeseeable events or circumstances over which management has little or no influence or control. The Risk Factors in Item 1A of our Annual Report on Form 10-K, filed on February 23, 2007, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements, and this report, including this Item 2, should be read in conjunction with these Risk Factors. To the extent circumstances require or we deem it otherwise necessary, we will update or amend these risk factors in a Form 10-Q or Form 8-K. Information regarding new risk factors or material changes to our risk factors, if any, is set forth in Item 1A of Part II of this report.

Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect thereto or with respect to other forward-looking statements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There were no material changes to the Quantitative and Qualitative Disclosures About Market Risk previously disclosed in our 2006 Annual Report on Form 10-K.

### **Item 4. Controls and Procedures**

As of the end of the period covered by this report, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation’s management, including the Corporation’s Chief Executive Officer (CEO) and Executive Vice President – Finance and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Corporation’s disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based upon that evaluation, the CEO and the CFO concluded that, as of the end of the period covered by this report, the Corporation’s disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Additionally, the CEO and CFO determined that there have been no changes to the Corporation’s internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Corporation’s internal control over financial reporting.



## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

From time to time, the Corporation is involved in legal proceedings, claims, and litigation that occur in connection with the Corporation's business. Management routinely assesses the Corporation's liabilities and contingencies in connection with these matters based upon the latest information available. Consistent with SEC rules and requirements, the Corporation describes below material pending legal proceedings (other than ordinary routine litigation incidental to the business of the Corporation), material proceedings known to be contemplated by governmental authorities, other proceedings arising under federal, state, or local environmental laws and regulations (including governmental proceedings involving potential fines, penalties, or other monetary sanctions in excess of \$100,000), and such other pending matters that the Corporation may determine to be appropriate.

#### **Environmental Matters**

As we reported in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, the San Joaquin County District Attorney filed an action against the Railroad on February 3, 2003, in the San Joaquin County Superior Court alleging claims under the California Business and Professions Code section 17200 (unfair business practices), Fish and Game Code section 5650 and 5650.1, California Health and Safety Code section 25189(d), and Public Nuisance, California Civil Code section 3480. The claims arose from a February 16, 2000, derailment in Stockton, California, in which a locomotive struck an object on the tracks, puncturing a fuel tank. The District Attorney alleged that diesel fuel from this spill entered waters of the State of California. The complaint also asserted claims under the above referenced statutes for any other diesel spill that may have occurred in the State of California between 2000 and 2003, in which diesel may have passed into waters of the State of California. The District Attorney filed an amended complaint on April 10, 2003, which narrowed the claims to the incident of February 16, 2000. On April 30, 2007, the court exercised its discretion and dismissed this pending action brought by the District Attorney of San Joaquin County against the Railroad.

We received notices from EPA and state environmental agencies alleging that we are or may be liable under federal or state environmental laws for remediation costs at various sites throughout the United States, including sites on the Superfund National Priorities List or state superfund lists. We cannot predict the ultimate impact of these proceedings and suits because of the number of potentially responsible parties involved, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and the speculative nature of remediation costs.

#### **Other Matters**

As we reported in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, we were notified that a *qui tam*, or private citizen, complaint was filed in the United States District Court for the Central District of California against, among other parties, the City of Long Beach, City of Long Beach Harbor Department, Port of Long Beach (the Port), Union Pacific Corporation, Union Pacific Railroad Company, and Union Pacific Resources Company, also known as Union Pacific Resources Group Inc. (Resources), a former subsidiary of UPC. A private citizen filed the action because the federal government and the State of California elected not to pursue the claims. The complaint alleges that the defendants violated the Federal Civil False Claims Act and the California False Claims Act by conspiring to use public funds to (1) shift environmental cleanup liability to the Port when Resources sold its Terminal Island oil field property to the Port in 1994 and (2) effect the acquisition by the Port of the Terminal Island property in which the Port (or the State of California) allegedly already held certain incidents of title. The complaint sought damages of \$2.4 billion, unspecified costs for remediating groundwater contamination, and triple damages and civil penalties of \$10,000 per day. On March 7, 2007, the Court disqualified the private citizen and dismissed the complaint without prejudice. The private citizen-complainant filed a notice indicating his intent to appeal the decision of the Court on May 24, 2007.

Twenty small rail shippers (many of whom are represented by the same law firms) filed virtually identical antitrust lawsuits in various federal district courts against us and four other Class I railroads in the U.S. The original plaintiff filed the first of these claims in the U.S. District Court in New Jersey on May 14, 2007, and the additional plaintiffs filed claims in district courts in Florida, Illinois, Alabama, Pennsylvania, and the District of Columbia. These suits allege that the railroads engaged in price-fixing by establishing common fuel surcharges for certain rail traffic. The plaintiffs request certification of their complaints as a class-action on behalf of all shippers who paid fuel surcharges on the specified types of rail shipments. The Judicial Panel on Multidistrict Litigation will determine which district court will receive these cases for consolidated handling. Additionally, the Attorney General of a state outside of the Railroad's service area recently issued a grand jury subpoena to us requesting documents pertaining to our fuel surcharge program. We deny the allegations that our fuel surcharge program violates the antitrust laws. We believe



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that these lawsuits are without merit, and we will vigorously defend our actions. Therefore, we currently believe that these matters will not have a material adverse effect on any of our results of operations, financial condition, and liquidity.

### Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in our 2006 Annual Report on Form 10-K.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

**Purchases of Equity Securities** – The following table presents common stock repurchases during each month for the second quarter of 2007:

<i>Period</i>	<i>Total Number of Shares Purchased [a]</i>	<i>Average Price Paid per Share</i>	<i>Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program</i>	<i>Maximum Number of Shares That May Yet Be Purchased Under the Plan or Program [b]</i>
Apr. 1 through Apr. 30	323,218	\$ 109.90	235,500	17,720,500
May 1 through May 31	1,239,645	117.61	1,169,300	16,551,200
Jun. 1 through Jun. 30	2,271,659	116.70	2,244,900	14,306,300
Total	3,834,522	\$ 116.42	3,649,700	N/A

[a] Total number of shares purchased includes approximately 184,822 shares delivered or attested to UPC to pay stock option exercise prices or to satisfy tax withholding obligations for stock option exercises or vesting of retention shares.

[b] On January 30, 2007, our Board of Directors authorized us to repurchase up to 20 million shares of our common stock through December 31, 2009. We may make these repurchases on the open market or through other transactions. Our management has sole discretion with respect to determining the timing and amount of these transactions.

**Dividend Restriction** – We have a restriction related to the payment of cash dividends to our shareholders due to a debt-to-net worth covenant requirement under our current revolving credit facility. This facility, entered into on April 20, 2007, no longer has a minimum net worth covenant that was included in our previous facilities, which was more restrictive with respect to the amount of retained earnings available for dividends at December 31, 2006. The amount of retained earnings available for dividends was \$11.6 billion and \$7.8 billion at June 30, 2007 and December 31, 2006, respectively.

### Item 3. Defaults Upon Senior Securities

None.

**Item 4. Submission of Matters to a Vote of Security Holders**

(a) The Annual Meeting of shareholders of the Corporation was held on May 3, 2007.

(b) At the Annual Meeting, the Corporation's shareholders voted for the election of Andrew H. Card, Jr. (238,176,079 shares in favor; 7,006,019 shares withheld), Erroll B. Davis, Jr. (238,425,816 shares in favor; 6,756,282 shares withheld), Thomas J. Donohue (221,767,980 shares in favor; 23,414,118 shares withheld), Archie W. Dunham (238,371,509 shares in favor; 6,810,589 shares withheld), Judith Richards Hope (238,444,973 shares in favor; 6,737,125 shares withheld), Charles C. Krulak (238,492,008 shares in favor; 6,690,090 shares withheld), Michael W. McConnell (238,344,589 shares in favor; 6,837,509 shares withheld), Thomas F. McLarty, III (238,433,883 shares in favor; 6,748,215 shares withheld), Steven R. Rogel (233,426,117 shares in favor; 11,755,981 shares withheld), and James R. Young (238,661,659 shares in favor; 6,520,439 shares withheld), as directors of the Corporation. In addition, the Corporation's shareholders voted in favor of the Audit Committee's appointment of Deloitte & Touche LLP as the Corporation's independent registered public accounting firm for 2007 (240,441,315 shares in favor; 3,100,563 shares against, and 1,640,220 shares withheld), and to defeat a shareholder proposal regarding reporting of political contributions (60,031,517 shares in favor; 117,329,856 shares against, 26,186,147 shares withheld, and 41,634,578 shares not voted by brokers). Finally, the Corporation's shareholders voted in favor of a shareholder proposal regarding majority voting for the election of directors (101,204,472 shares in favor; 99,953,428 shares against, 2,389,620 shares withheld, and 41,634,578 shares not voted by brokers).

**Item 5. Other Information**

None.

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### Item 6. Exhibits

Exhibit No.	Description of Exhibits Filed with this Statement
12(a)	Ratio of Earnings to Fixed Charges for the Three Months Ended June 30, 2007 and 2006.
12(b)	Ratio of Earnings to Fixed Charges for the Six Months Ended June 30, 2007 and 2006.
31(a)	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – James R. Young.
31(b)	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 – Robert M. Knight, Jr.
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – James R. Young and Robert M. Knight, Jr.
99	U.S. \$1,900,000 5-Year Revolving Credit Agreement, dated as of April 20, 2007.
	<hr/> <u>Description of Exhibits Incorporated by Reference</u> <hr/>
3(a)	Revised Articles of Incorporation of UPC, as amended through April 25, 1996, are incorporated herein by reference to Exhibit 3 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996.
3(b)	By-Laws of UPC, as amended, effective October 1, 2006, are incorporated herein by reference to Exhibit 3(a) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006.
4(a)	Form of Debt Security (Note) is incorporated herein by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K, dated April 18, 2007.
4(b)	Form of Debt Security (Debenture) is incorporated herein by reference to Exhibit 4.2 to the Corporation's Current Report on Form 8-K, dated April 18, 2007.
10(a)	The 1993 Stock Option and Retention Stock Plan of UPC, as amended November 16, 2006, are incorporated herein by reference to Exhibit 10 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

**SIGNATURES**

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: July 26, 2007

UNION PACIFIC CORPORATION (Registrant)

By /s/ Robert M. Knight, Jr.  
Robert M. Knight, Jr.,  
Executive Vice President – Finance and  
Chief Financial Officer  
(Principal Financial Officer)

By /s/ Richard J. Putz  
Richard J. Putz  
Vice President and Controller  
(Principal Accounting Officer)

**Ratio of Earnings to Fixed Charges**

Union Pacific Corporation and Subsidiary Companies

(Unaudited)

<i>Millions of Dollars, Except for Ratios</i>	<i>Three Months Ended</i>	
	<i>2007</i>	<i>June 30, 2006</i>
<b>Fixed charges:</b>		
Interest expense, including amortization of debt discount	\$ 120	\$ 120
Portion of rentals representing an interest factor	58	59
<b>Total fixed charges</b>	<b>\$ 178</b>	<b>\$ 179</b>
<b>Earnings available for fixed charges:</b>		
Net income	\$ 446	\$ 390
Equity earnings net of distribution	(16)	(15)
Income taxes	257	236
Fixed charges	178	179
<b>Earnings available for fixed charges</b>	<b>\$ 865</b>	<b>\$ 790</b>
<b>Ratio of earnings to fixed charges</b>	<b>4.9</b>	<b>4.4</b>

**Ratio of Earnings to Fixed Charges**

Union Pacific Corporation and Subsidiary Companies

(Unaudited)

<i>Millions of Dollars, Except for Ratios</i>	<i>Six Months Ended</i>	
	<i>2007</i>	<i>June 30, 2006</i>
<b>Fixed charges:</b>		
Interest expense, including amortization of debt discount	\$ 233	\$ 240
Portion of rentals representing an interest factor	120	118
<b>Total fixed charges</b>	<b>\$ 353</b>	<b>\$ 358</b>
<b>Earnings available for fixed charges:</b>		
Net income	\$ 832	\$ 701
Equity earnings net of distribution	(31)	(29)
Income taxes	492	420
Fixed charges	353	358
<b>Earnings available for fixed charges</b>	<b>\$ 1,646</b>	<b>\$ 1,450</b>
<b>Ratio of earnings to fixed charges</b>	<b>4.7</b>	<b>4.1</b>

## CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, James R. Young, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Union Pacific Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2007

/s/ James R. Young

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James R. Young  
Chairman, President and  
Chief Executive Officer

## CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Robert M. Knight, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Union Pacific Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2007

/s/ Robert M. Knight, Jr.

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Robert M. Knight, Jr.  
Executive Vice President – Finance and  
Chief Financial Officer



**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying quarterly report of Union Pacific Corporation (the Corporation) on Form 10-Q for the period ending June 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, James R. Young, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/ James R. Young  
James R. Young  
Chairman, President and  
Chief Executive Officer  
Union Pacific Corporation

July 26, 2007

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying quarterly report of Union Pacific Corporation (the Corporation) on Form 10-Q for the period ending June 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Robert M. Knight, Jr., Executive Vice President – Finance and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/ Robert M. Knight, Jr.  
Robert M. Knight, Jr.  
Executive Vice President – Finance and  
Chief Financial Officer  
Union Pacific Corporation

July 26, 2007

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

U.S. \$1,900,000,000

5-YEAR REVOLVING CREDIT AGREEMENT

Dated as of April 20, 2007

Among

UNION PACIFIC CORPORATION,  
as Borrower

THE BANKS PARTY HERETO,  
as Banks

J.P. MORGAN SECURITIES INC.,  
BANC OF AMERICA SECURITIES LLC,  
as Joint Lead Arrangers  
and Joint Bookrunners

BANK OF AMERICA, N.A.,  
CITIBANK, N.A.,  
as Co-Syndication Agents

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., NEW YORK BRANCH,  
BARCLAYS BANK PLC,  
BNP PARIBAS,  
CREDIT SUISSE,  
as Co-Documentation Agents

and

JPMORGAN CHASE BANK, N.A.  
as Administrative Agent

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**REVOLVING CREDIT AGREEMENT**, dated as of April 20, 2007, among UNION PACIFIC CORPORATION, a Utah corporation (the “Borrower”), the banks listed on the signature pages hereof and any other banks which from time to time become parties hereto pursuant to Section 2.17 or 8.07 of this Agreement (all such banks being referred to herein collectively as the “Banks”), and JPMORGAN CHASE BANK, N.A., as agent for the purposes hereinafter provided (in such capacity, together with its successors in such capacity, the “Administrative Agent”) for the Banks hereunder.

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Additional Margin Percentage” means, at any time, the ratio (expressed as a percentage) equal to (i) the aggregate principal amount of Contract Advances, Auction Advances and Special Rate Loans of all Banks outstanding at such time to (ii) the aggregate amount of the Commitments then or most recently in effect.

“Additional Margin Rate” means, on any date, the rate set forth below opposite the reference to the Additional Margin Percentage in effect on such date:

<u>Additional Margin Percentage</u>	<u>Additional Margin Rate</u>
Less than 50%	0.00%
Greater than or equal to 50%	0.05%

“Adjusted CD Rate” means, for each Adjusted CD Rate Advance comprising part of the same Contract Borrowing, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the sum of (a) a rate per annum equal to the product of (i) the Fixed CD Rate in effect for the Interest Period then applicable to such Advance and (ii) 1.00 plus the Domestic Reserve Percentage, plus (b) the Assessment Rate. For purposes hereof, the term “Fixed CD Rate” shall mean the arithmetic average (rounded upwards, if necessary, to the next 1/100 of 1%) of the prevailing rates per annum bid at or about 10:00 a.m. (New York City time) to each Reference Bank on the first Business Day of the Interest Period then applicable to such Contract Borrowing by three New York City negotiable certificate of deposit dealers of recognized standing for the purchase at face value of negotiable certificates of deposit of such Reference Bank in a principal amount approximately equal to such Reference Bank’s portion of such Contract Borrowing and with a maturity comparable to such Interest Period.

“Adjusted CD Rate Advance” means a Contract Advance that bears interest based on the Adjusted CD Rate.

“Administrative Agent” has the meaning specified in the preamble of this Agreement.

“Administrative Questionnaire” means an administrative questionnaire in a form supplied by the Administrative Agent, copies of which completed by the Banks shall be made available to the Borrower by the Administrative Agent promptly after receipt thereof by the Administrative Agent.

“Advance” means any Contract Advance or Auction Advance.

“Agreement” means this Agreement, as amended, modified and supplemented from time to time, including, without limitation, any such supplement in respect of Auction Advances under Section 2.03(a)(v).

“Alternate Base Rate” means, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof: “Prime Rate” shall mean the rate of interest per annum publicly announced from time to time by JPMCB as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as effective. “Base CD Rate” shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) 1.00 plus the Domestic Reserve Percentage and (b) the Assessment Rate. “Three-Month Secondary CD Rate” shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board of Governors of the Federal Reserve System through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of such Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m. (New York City time) on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Administrative Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or the Federal Funds Effective Rate or both for any reason, including the inability of the Administrative Agent to obtain sufficient quotations in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, of the first sentence of this definition, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate, respectively.

“Alternate Base Rate Advance” means a Contract Advance which bears interest computed at the Alternate Base Rate.

“Applicable Fee Percentage” means, on any date, the percentage set forth below opposite the Category with respect to which the Applicable Margin is determined on such date:

<u>Category</u>	<u>Applicable Fee Percentage</u>
Category 1	0.06%
Category 2	0.07%
Category 3	0.08%
Category 4	0.09%
Category 5	0.125%
Category 6	0.150%

“Applicable Lending Office” means, with respect to each Bank, such Bank’s Domestic Lending Office in the case of an Alternate Base Rate Advance, such Bank’s CD Lending Office in the case of an Adjusted CD Rate Advance, such Bank’s Eurodollar Lending Office in the case of a Eurodollar Rate Contract Advance and, in the case of an Auction Advance, the office or affiliate of such Bank

notified by such Bank to the Borrower and the Administrative Agent as such Bank's Applicable Lending Office with respect to such Auction Advance.

"Applicable Margin" means, with respect to Adjusted CD Rate Advances and Eurodollar Rate Contract Advances on any date, the applicable percentage set forth below for such Type of Advance under the caption "Applicable Margin" based upon the ratings applicable on such date to the Borrower's senior, unsecured, non-credit-enhanced long term indebtedness for borrowed money ("Index Debt"):

<u>Ratings</u>	<u>Applicable Margin</u>	
	<u>Adjusted CD Rate Advances</u>	<u>Eurodollar Rate Contract Advances</u>
<u>Category 1</u> Equal to or higher than A by S&P; or Equal to or higher than A2 by Moody's	0.315%	0.19%
<u>Category 2</u> Equal to A- by S&P; or Equal to A3 by Moody's	0.355%	0.23%
<u>Category 3</u> Equal to BBB+ by S&P; or Equal to Baa1 by Moody's	0.445%	0.27%
<u>Category 4</u> Equal to BBB by S&P; or Equal to Baa2 by Moody's	0.485%	0.36%
<u>Category 5</u> Equal to BBB- by S&P; or Equal to Baa3 by Moody's	0.60%	0.475%
<u>Category 6</u> Equal to or lower than BB+ by S&P; and Equal to or lower than Ba1 by Moody's	0.725%	0.60%

For purposes of the foregoing, (i) if neither Moody's nor S&P shall have in effect a rating for Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then both

such rating agencies will be deemed to have established ratings for Index Debt in Category 6; (ii) if only one of Moody's or S&P shall have in effect a rating for Index Debt, the Borrower and the Banks will negotiate in good faith to agree upon another rating agency to be substituted by an amendment to this Agreement for the rating agency which shall not have a rating in effect, and in the absence of such amendment the Applicable Margin will be determined by reference to the available rating; (iii) if any rating established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of either Moody's or S&P) such change shall be effective as of the date on which such change is first announced by the rating agency making such change; and (iv) if the ratings of the Index Debt established by Moody's and S&P should fall within different Categories, the Applicable Margin (and, accordingly, the Applicable Fee Percentage) shall be determined by reference to the numerically lower Category (where Category 1 is the lowest such Category and Category 6 is the highest). Each change in the Applicable Margin (and, accordingly, the Applicable Fee Percentage) shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of either Moody's or S&P shall change prior to the Termination Date, the Borrower and the Banks shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system. If both Moody's and S&P shall cease to be in the business of rating corporate debt obligations, the Borrower and the Banks shall negotiate in good faith to agree upon a substitute rating agency and to amend the references to specific ratings in this definition to reflect the ratings used by such substitute rating agency.

“Applicable Rate” means:

- (i) with respect to Adjusted CD Rate Advances, the Adjusted CD Rate plus the Applicable Margin;
- (ii) with respect to Alternate Base Rate Advances, the Alternate Base Rate; and
- (iii) with respect to Eurodollar Rate Contract Advances, the Eurodollar Rate plus the Applicable Margin.

“Assessment Rate” means for any date the annual rate (rounded upwards, if necessary, to the next 1/100 of 1%) most recently estimated by the Administrative Agent as the then current net annual assessment rate that will be employed in determining amounts payable by the Bank then serving as Administrative Agent to the Federal Deposit Insurance Corporation (or any successor) for insurance by such Corporation (or such successor) of time deposits made in dollars at such Bank's domestic offices.

“Assignment and Acceptance” means an assignment and acceptance entered into by a Bank and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit B hereto.

“Auction Advance” means an advance by a Bank to the Borrower as part of an Auction Borrowing resulting from the auction bidding procedure described in Section 2.03, and refers to a Fixed Rate Auction Advance or a Eurodollar Rate Auction Advance.

“Auction Borrowing” means a Borrowing consisting of simultaneous Auction Advances of the same Type from each of the Banks whose offer to make an Auction Advance as part of such Borrowing has been accepted by the Borrower under the auction bidding procedure described in Section 2.03.

“Auction Reduction” means, as to any Bank as at any date, an amount equal to such Bank's pro rata (in accordance with the Commitments) share of the aggregate amount of all Auction Advances outstanding on such date (giving effect to the payment of any Auction Advances to be made on such date).

“Banks” has the meaning specified in the preamble of this Agreement.



“Borrower” has the meaning specified in the preamble of this Agreement.

“Borrowing” means a Contract Borrowing or an Auction Borrowing.

“Business Day” means a day of the year on which banks are not required or authorized to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings in dollar deposits are carried on in the London interbank market.

“Category” means Category 1, Category 2, Category 3, Category 4, Category 5 or Category 6.

“Category 1”, “Category 2”, “Category 3”, “Category 4”, “Category 5” and “Category 6” have the meanings specified in the definition of “Applicable Margin” in this Section 1.01.

“CD Lending Office” means, with respect to any Bank, the office or affiliate of such Bank specified as its “CD Lending Office” on its Administrative Questionnaire, or such other office or affiliate of such Bank as such Bank may from time to time specify to the Borrower and the Administrative Agent.

“Change in Control” means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), of Equity Interests representing more than 30% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of the Borrower; or (b) the occupation of a majority of the seats on the board of directors of the Borrower by Persons who are not Continuing Directors. For purposes of this definition, “Continuing Directors” means, as of any date, (i) individuals who on the date one year prior to such date were members of the Borrower’s board of directors and (ii) any new directors whose nomination for election by the Borrower’s shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors on the date one year prior to such date or whose nomination for election was previously so approved, and “Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

“Closing Date” means the date of this Agreement.

“Code” means the Internal Revenue Code of 1986, as the same may be amended from time to time.

“Commitment” has the meaning specified in Section 2.01(a).

“Contract Advance” means an advance by a Bank to the Borrower as part of a Contract Borrowing and refers to an Adjusted CD Rate Advance, an Alternate Base Rate Advance or a Eurodollar Rate Contract Advance.

“Contract Borrowing” means a Borrowing consisting of simultaneous Contract Advances of the same Type made ratably by all of the Banks pursuant to Section 2.01(a).

“Debt” means (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property (excluding obligations under agreements for the purchase of goods in the normal course of business, but including obligations under agreements relating to the issuance of performance letters of credit or acceptance financing), (iv) obligations as lessee under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, (v) obligations

under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) above and (vi) liabilities in respect of unfunded vested benefits under Plans covered by Title IV of ERISA; *provided that* (x) for the purposes of Section 5.02(a), “Debt” means only indebtedness for borrowed money (however evidenced) and (y) for the purposes of Section 6.01(e), “Debt” means only (1) the obligations described in clauses (i), (ii) and (iii) above and (2) the obligations described in clause (v) above (to the extent such obligations relate to Debt described in clause (i) or (ii) above).

“Default” means any condition or event which, after notice or lapse of time, or both, would constitute an Event of Default.

“Domestic Lending Office” means, with respect to any Bank, the office or affiliate of such Bank specified as its “Domestic Lending Office” on its Administrative Questionnaire, or such other office or affiliate of such Bank as such Bank may from time to time specify to the Borrower and the Administrative Agent.

“Domestic Reserve Percentage” means, for any Interest Period, the reserve percentage applicable on the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with deposits exceeding one billion dollars with respect to liabilities consisting of or including (among other liabilities) U.S. dollar nonpersonal time deposits in the United States with a maturity equal to such Interest Period.

“Eligible Assignee” means:

(a) any of the following entities approved in writing by the Borrower in its sole discretion and notified to the Administrative Agent, and then only to the extent of a proposed assignment approved in writing by the Borrower in its sole discretion and notified to the Administrative Agent: (i) a commercial bank organized under the laws of the United States, or any state thereof, and having total assets in excess of \$3,000,000,000 and a combined capital and surplus of at least \$150,000,000; (ii) a commercial bank organized under the laws of any other country which is a member of the OECD, or a political subdivision of any such country, and having total assets in excess of \$3,000,000,000 and a combined capital and surplus of at least \$150,000,000, *provided that* such bank is acting through a branch or agency located in the United States, in the country in which it is organized or in another country which is also a member of the OECD; and (iii) the central bank of any country which is a member of the OECD; and

(b) an affiliate of the assigning Bank (for which purposes “affiliate” means a Person controlling, controlled by or under common control with such assigning Bank).

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) which is a member of a group of which the Borrower is a member and which is under common control within the meaning of the regulations under Section 414 of the Code.

“Eurocurrency Liabilities” has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System (or any successor regulation), as in effect from time to time.

“Eurodollar Lending Office” means, with respect to any Bank, the office or affiliate of such Bank specified as its “Eurodollar Lending Office” on its Administrative Questionnaire, or such other

office or affiliate of such Bank as such Bank may from time to time specify to the Borrower and the Administrative Agent.

“Eurodollar Rate” means, for each Eurodollar Rate Advance comprising part of the same Borrowing, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the average of the rates at which deposits in U.S. dollars in immediately available funds approximately equal in principal amount to (i) in the case of a Contract Borrowing, the portion of such Eurodollar Rate Contract Advance of the Bank serving as Administrative Agent and (ii) in the case of an Auction Borrowing, a principal amount that would have been the portion of such Auction Borrowing of the Bank serving as Administrative Agent had such Auction Borrowing been a Contract Borrowing, and for a maturity comparable to (a) in the case of a Contract Borrowing, the Interest Period then applicable to such Contract Advance and (b) in the case of an Auction Borrowing, the maturity of such Auction Advance, are offered to the principal London offices of the Reference Banks (or if any Reference Bank does not at the time maintain a London office, the principal London office of any affiliate of such Reference Bank) in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to (x) the commencement of the Interest Period then applicable to such Contract Advance or (y) the making of such Auction Advance, as the case may be.

“Eurodollar Rate Advance” means any Eurodollar Rate Contract Advance or Eurodollar Rate Auction Advance.

“Eurodollar Rate Auction Advance” means an Auction Advance which bears interest based on the Eurodollar Rate.

“Eurodollar Rate Contract Advance” means a Contract Advance which bears interest based on the Eurodollar Rate.

“Eurodollar Rate Reserve Percentage” of any Bank for any Eurodollar Rate Advance means the reserve percentage applicable to such Bank on (i) in the case of a Contract Advance, the first day of the Interest Period then applicable to such Contract Advance and (ii) in the case of an Auction Advance, the date of such Auction Advance, under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) under Regulation D promulgated by the Board of Governors of the Federal Reserve System, or any successor or supplemental regulations, then applicable to such Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period or the term of such Auction Advance, as the case may be.

“Events of Default” has the meaning specified in Section 6.01.

“Existing Revolving Credit Agreements” means (i) the \$1,000,000,000 5-Year Revolving Credit Agreement dated as of March 24, 2004 among Union Pacific Corporation, the banks named therein, and JPMCB, as Administrative Agent, as amended, modified and supplemented and in effect from time to time and (ii) the \$1,000,000,000 5-Year Revolving Credit Agreement dated as of March 23, 2005 among Union Pacific Corporation, the banks named therein, and JPMCB, as Administrative Agent, as amended, modified and supplemented and in effect from time to time.

“Federal Funds Effective Rate” means, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“Fixed Rate” means an interest rate per annum (expressed in the form of a decimal to no more than four decimal places) specified by a Bank making an Auction Advance under the auction bidding procedure described in Section 2.03.

“Fixed Rate Auction Advance” means an Auction Advance which bears interest based on the Fixed Rate.

“Index Debt” has the meaning specified in the definition of “Applicable Margin”.

“Interest Period” means, for each Contract Advance comprising part of the same Contract Borrowing, the period commencing on the date of such Contract Advance or on the last day of the immediately preceding Interest Period applicable to such Contract Advance, as the case may be, and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be (a) in the case of an Alternate Base Rate Advance, until the next succeeding March 31, June 30, September 30 or December 31, (b) in the case of an Adjusted CD Rate Advance, 30, 60, 90 or 180 days and (c) in the case of a Eurodollar Rate Contract Advance, 1 month or 2, 3 or 6 months (or, if requested by the Borrower and available from all of the Banks, 9 or 12 months), as the Borrower may select (in the case of clause (b) or (c)) by notice to the Administrative Agent pursuant to Section 2.02(a); *provided that*:

(i) Interest Periods commencing on the same date for Contract Advances comprising part of the same Contract Borrowing shall be of the same duration;

(ii) subject to clause (iii) below, whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day in both New York City and London, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day in both such cities, *provided*, in the case of any Interest Period for a Eurodollar Rate Contract Advance, that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day in both such cities; and

(iii) no Interest Period shall end on a date later than the Termination Date.

“Joint Lead Arrangers” means J.P. Morgan Securities Inc. and Banc of America Securities LLC.

“JPMCB” means JPMorgan Chase Bank, N.A., a national banking association, and its successors.

“Majority Banks” means at any time Banks that in the aggregate (a) represent more than 50% of the Commitments and (b) after the expiry or termination of the Commitments, represent more than 50% of the aggregate unpaid principal amount of the Advances and Special Rate Loans.

“Margin Stock” means “margin stock” within the meaning of Regulations U and X.

“Material Plan” means either (i) a Plan under which the present value of the vested benefits exceeds the fair market value of the assets of such Plan allocable to such benefits by more than \$20,000,000 or (ii) a Plan whose assets have a market value in excess of \$100,000,000.

“Moody's” means Moody's Investors Service, Inc. or any successor thereto.

“Multiemployer Plan” means a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding three plan years made or accrued an obligation to make contributions.

“Notice of Auction Borrowing” has the meaning specified in Section 2.03(a).

“Notice of Contract Borrowing” has the meaning specified in Section 2.02(a).

“OECD” means the Organization for Economic Cooperation and Development.

“Participating Bank” has the meaning specified in Section 2.03(a)(v).

“PBGC” means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

“Person” means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

“Plan” means an employee benefit plan (other than a Multiemployer Plan) maintained for employees of the Borrower or any ERISA Affiliate and covered by Title IV of ERISA.

“Railroad” means Union Pacific Railroad Company, a Delaware corporation, and its successors.

“Reference Banks” means JPMCB, Bank of America, N.A. and Citibank, N.A., and such other additional or substitute financial institutions as may be agreed to in writing by the Borrower, the Administrative Agent and the Majority Banks from time to time.

“Register” has the meaning specified in Section 8.07(c).

“Regulation U” and “Regulation X” mean Regulation U and Regulation X, respectively, issued by the Board of Governors of the Federal Reserve System, as from time to time amended.

“Reportable Event” means an event described in Section 4043(c) of ERISA with respect to which the 30-day notice requirement has not been waived by the PBGC.

“S&P” means Standard and Poor’s Ratings Service, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

“Special Rate Loan” means any loan made by a Bank to the Borrower pursuant to Section 2.01(b).

“Special Rate Loan Reduction” means, as to any Bank as at any date, an amount equal to such Bank’s pro rata (in accordance with the Commitments) share of the aggregate amount of all Special Rate Loans outstanding on such date (giving effect to the payment of any Special Rate Loans to be made on such date).

“Subsidiary” of a Person means any corporation or other similar entity of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation or entity (irrespective of whether or not at the time capital stock of any other class or classes of such corporation or entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person, or by one or more other Subsidiaries of such Person.

“Termination Date” means April 20, 2012 (*provided* that if such date is not a Business Day, the Termination Date shall be the immediately preceding Business Day) or the earlier date of termination in whole of the Commitments pursuant to Section 2.06 or 6.01.

“Termination Event” means (i) a “Reportable Event” described in Section 4043 of ERISA and the regulations issued thereunder (other than a “Reportable Event” not subject to the provision for 30-day notice to the PBGC under such regulations), or (ii) the withdrawal of the Borrower or any of its ERISA Affiliates from a Plan during a plan year in which it was a “substantial employer” as defined in Section 4001(a)(2) of ERISA, or (iii) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, or (iv) the institution of proceedings to terminate a Plan by the PBGC, or (v) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

“Type”, when used in respect of any Advance or Borrowing, refers to the Rate by reference to which interest on such Advance or on the Advances comprising such Borrowing is determined. For purposes hereof, “Rate” shall include the Eurodollar Rate, the Adjusted CD Rate, the Alternate Base Rate and the Fixed Rate.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each means “to but excluding”.

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e).

## ARTICLE II

### AMOUNTS AND TERMS OF THE ADVANCES AND SPECIAL RATE LOANS

#### SECTION 2.01. The Contract Advances; Special Rate Loans.

(a) Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make Contract Advances to the Borrower from time to time on any Business Day during the period from the Closing Date until the Termination Date in an aggregate amount not to exceed at any time outstanding the excess, if any, of (i) the amount set forth opposite such Bank’s name on Schedule I to this Agreement or in the Assignment and Acceptance by which such Bank shall have become a party to this Agreement, as such amount may be reduced pursuant to Section 2.06 or increased pursuant to Section 2.17 or reduced or increased pursuant to Section 8.07 (such Bank’s obligation to make such Advances being hereinafter referred to as such Bank’s “Commitment”) over (ii) the aggregate amount of (x) such Bank’s Special Rate Loan Reduction, if any, and (y) such Bank’s Auction Reduction, if any; *provided* that at no time on or before the Termination Date shall the aggregate outstanding principal amount of Contract Advances, Auction Advances and Special Rate Loans exceed the aggregate amount of the Commitments. Each Contract Borrowing shall be in an aggregate amount not less than \$10,000,000 (subject to the terms of this Section 2.01(a)) or an integral multiple of \$1,000,000 in excess thereof and shall consist of Contract Advances of the same Type made on the same day by the Banks ratably according to their respective Commitments.

(b) Upon the request of the Borrower, each Bank may, in its sole discretion, from time to time on any Business Day during the period from the Closing Date until the Termination Date, extend loans to the Borrower in an aggregate amount not less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof, at an interest rate and upon repayment terms to be mutually agreed upon between such Bank and the Borrower (“Special Rate Loans”). The amount of any Special Rate Loan made by a Bank may exceed such Bank’s Commitment; *provided* that (A) at no time on or before the Termination Date shall the aggregate amount of Contract Advances, Auction Advances and Special Rate

Loans outstanding exceed the aggregate amount of the Commitments and (B) no Special Rate Loan shall mature on a date later than the Termination Date. Notwithstanding any other provision of this Agreement, (i) any Special Rate Loan shall be made by a Bank directly to the Borrower; (ii) all payments in respect of any Special Rate Loan shall be made by the Borrower directly to the Bank which made such loan; (iii) Special Rate Loans need not be made on a pro rata basis among the Banks; and (iv) each Special Rate Loan shall be entitled to the benefits of the provisions contained in Articles V and VI and Sections 8.05 and 8.07 hereof unless otherwise agreed by the Borrower and the Bank which made such loan with written notice to the Administrative Agent. On each date when any Bank makes a Special Rate Loan, the Borrower and such Bank shall notify the Administrative Agent thereof (and the Administrative Agent shall promptly notify the other Banks), specifying the principal amount of such Special Rate Loan, the interest rate thereon, the repayment terms and the maturity thereof.

(c) Within the limits and on the conditions set forth in this Section 2.01, the Borrower may from time to time borrow under this Section 2.01, repay pursuant to Sections 2.07(a) and 2.07(b), as appropriate, prepay under Section 2.07(d) and reborrow under this Section 2.01 and borrow under Section 2.03.

SECTION 2.02. Making the Contract Advances.

(a) Each Contract Borrowing shall be made on notice, given (i) in the case of a Borrowing consisting of Alternate Base Rate Advances, not later than 10:30 a.m. (New York City time) on the day of the proposed Borrowing; (ii) in the case of a Borrowing consisting of Adjusted CD Rate Advances, not later than noon (New York City time) on the second Business Day prior to the day of the proposed Borrowing; and (iii) in the case of a Borrowing consisting of Eurodollar Rate Contract Advances, not later than noon (New York City time) on the third Business Day prior to the date of the proposed Borrowing, by the Borrower to the Administrative Agent, which shall give to each Bank prompt notice thereof by telecopy. Each such notice of a Contract Borrowing (a "Notice of Contract Borrowing") shall be in substantially the form of Exhibit A-1 hereto, specifying therein the requested (i) date of such Contract Borrowing, (ii) Type of Contract Advances comprising such Contract Borrowing, (iii) aggregate amount of such Contract Borrowing and (iv) Interest Period. Each Bank shall, before noon (New York City time) on the date of any such Contract Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in Section 8.02, in same-day funds, such Bank's ratable portion of such Contract Borrowing. Upon the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Borrower at the Administrative Agent's aforesaid address.

(b) Each Notice of Contract Borrowing shall be irrevocable and binding on the Borrower. In the case of any Contract Borrowing which the related Notice of Contract Borrowing specifies is to be comprised of Eurodollar Rate Contract Advances or Adjusted CD Rate Advances, the Borrower shall indemnify each Bank against any loss, cost or expense reasonably incurred by such Bank as a result of any failure by the Borrower to complete such Borrowing (whether or not due to a failure to fulfill on or before the date specified in such Notice of Contract Borrowing the applicable conditions set forth in Article III), such losses, costs and expenses to include, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Contract Advance to be made by such Bank as part of such Contract Borrowing when such Contract Advance, as a result of such failure, is not made on such date.

(c) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Contract Borrowing that such Bank will not make available to the Administrative Agent such Bank's ratable portion of such Contract Borrowing, the Administrative Agent may assume that such Bank has made such portion available to the Administrative Agent on the date of such Contract Borrowing in accordance with subsection (a) of this Section 2.02 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such ratable portion available to the Administrative Agent,

such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount, together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Contract Advances comprising such Contract Borrowing and (ii) in the case of such Bank, an interest rate equal at all times to the Federal Funds Effective Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Contract Advance as part of such Contract Borrowing for purposes of this Agreement.

(d) The failure of any Bank to make the Contract Advance to be made by it as part of any Contract Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Contract Advance on the date of such Contract Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Contract Advance to be made by such other Bank on the date of any Contract Borrowing.

### SECTION 2.03. The Auction Advances.

(a) Each Bank severally agrees that the Borrower may make Auction Borrowings under this Section 2.03 from time to time on any Business Day during the period from the Closing Date until the Termination Date, in each case on the terms and conditions hereinafter set forth; *provided* that at no time on or before the Termination Date shall the aggregate amount of Contract Advances, Auction Advances and Special Rate Loans outstanding exceed the aggregate amount of the Commitments. Each Auction Borrowing shall consist of Auction Advances of the same Type made on the same day.

(i) The Borrower may request an Auction Borrowing under this Section 2.03 by delivering to the Administrative Agent (A) in the case of a Borrowing consisting of Fixed Rate Auction Advances, by not later than 10:00 a.m. (New York City time) one day prior to the day of the proposed Auction Borrowing, and (B) in the case of a Borrowing consisting of Eurodollar Rate Auction Advances, by not later than 10:00 a.m. (New York City time) on the fourth Business Day prior to the date of the proposed Auction Borrowing, a notice of an Auction Borrowing (a "Notice of Auction Borrowing"), in substantially the form of Exhibit A-2 hereto specifying the proposed (1) date of such Auction Borrowing, (2) Type of Auction Advances comprising such Auction Borrowing, (3) aggregate amount (which shall not be less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof) of such Auction Borrowing, (4) maturity date for repayment of each Auction Advance to be made as part of such Auction Borrowing (which maturity date shall be, in the case of a Fixed Rate Auction Borrowing, not earlier than seven days after the date of such Borrowing, and, in the case of a Eurodollar Rate Auction Borrowing, the date 1, 2, 3, 6, 9 or 12 months after the date of such Borrowing, as the Borrower shall elect, but in any case not later than the Termination Date) and (5) any other terms to be applicable to such Auction Borrowing. The Administrative Agent shall in turn promptly notify (by telecopy) each Bank of each request for an Auction Borrowing received by it from the Borrower and of the terms contained in such Notice of Auction Borrowing.

(ii) Each Bank shall, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Auction Advances to the Borrower as part of such proposed Auction Borrowing at a rate or rates of interest specified by such Bank in its sole discretion, by notifying (by telecopy or telephone (in the case of telephone, immediately confirmed by telecopy)) the Administrative Agent (which shall give prompt notice thereof to the Borrower), (A) in the case of a Fixed Rate Auction Borrowing, before 10:00 a.m. (New York City time) on the date of such proposed Auction Borrowing specified in the Notice of Auction Borrowing delivered with respect thereto, and (B) in the case of a Eurodollar Rate Auction Borrowing, before 10:00 a.m. (New York City time) on the third Business Day prior to the date of such proposed Auction Borrowing specified in the Notice of Auction Borrowing delivered with respect thereto, of the maximum amount of each Auction Advance which such Bank would be willing to make as part of such proposed Auction Borrowing (which amount may, subject to the proviso to the first sentence of this



Section 2.03(a), exceed such Bank's Commitment), the rate or rates of interest therefor (and whether reserves are included therein) and such Bank's Applicable Lending Office with respect to each such Auction Advance and any other terms and conditions required by such Bank; *provided* that, if the Bank then acting as Administrative Agent shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer before 9:45 a.m. (New York City time) on the date specified herein for notice of offers by the other Banks. If any Bank shall fail to notify the Administrative Agent, before the time specified herein for notice of offers, that it elects to make such an offer, such Bank shall be deemed to have elected not to make such an offer, and such Bank shall not be obligated or entitled to, and shall not, make any Auction Advance as part of such Auction Borrowing. If any Bank shall provide telephonic notice to the Administrative Agent of its election to make an offer, but such telephonic notice has not been confirmed by telecopy to the Administrative Agent at or before the time specified herein for notice of offers, the Administrative Agent may, in its sole discretion and without liability to such Bank or the Borrower, elect whether or not to provide notice thereof to the Borrower.

(iii) The Borrower shall, in turn, (A) in the case of a Fixed Rate Auction Borrowing, before 11:00 a.m. (New York City time) on the date of such proposed Auction Borrowing specified in the Notice of Auction Borrowing delivered with respect thereto, and (B) in the case of a Eurodollar Rate Auction Borrowing, before 11:00 a.m. (New York City time) on the third Business Day prior to the date of such proposed Auction Borrowing specified in the Notice of Auction Borrowing delivered with respect thereto, in its sole discretion (and without any liability to any unsuccessful bidder with respect to such Auction Borrowing) either:

(x) cancel such proposed Auction Borrowing by giving the Administrative Agent notice to that effect, or

(y) accept one or more of the offers made by any Bank or Banks pursuant to paragraph (ii) above, in its sole discretion, by giving notice to the Administrative Agent of the amount of each Auction Advance (which amount shall be equal to or greater than \$1,000,000, and equal to or less than the maximum amount offered by such Bank, notified to the Borrower by the Administrative Agent on behalf of such Bank for such Auction Advance pursuant to paragraph (ii) above) to be made by each Bank as part of such Auction Borrowing, and reject any remaining offers made by Banks pursuant to paragraph (ii) above, by giving the Administrative Agent notice to that effect; *provided* that the aggregate amount of such offers accepted by the Borrower shall be equal at least to \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof.

(iv) If the Borrower notifies the Administrative Agent that such Auction Borrowing is canceled pursuant to paragraph (iii)(x) above, the Administrative Agent shall give prompt notice (by telecopy) thereof to the Banks, and such Auction Borrowing shall not be made.

(v) If the Borrower accepts one or more of the offers made by any Bank or Banks pursuant to paragraph (iii)(y) above, such offer or offers and the Notice of Auction Borrowing in respect thereof shall constitute a supplement to this Agreement in respect of such Auction Borrowing and the Auction Advances made pursuant thereto, and the Administrative Agent shall in turn promptly notify (A) each Bank that has made an offer as described in paragraph (ii) above of the date and aggregate amount of such Auction Borrowing, the interest rate thereon and whether or not any offer or offers made by such Bank pursuant to paragraph (ii) above have been accepted by the Borrower and (B) each Bank that is to make an Auction Advance as part of such Auction Borrowing (a "Participating Bank" as to such Auction Borrowing) of the amount of each Auction Advance to be made by such Bank as part of such Auction Borrowing and the maturity date for the repayment of each such Auction Advance (together with a confirmation of the Administrative Agent's understanding of the interest rate and any other terms applicable to each such Auction Advance; the Administrative Agent shall assume, unless notified by such Bank to the contrary, that its understanding of such information is correct). Each such Participating Bank

shall, before noon (New York City time) on the date of such Auction Borrowing specified in the notice received from the Administrative Agent pursuant to clause (A) of the preceding sentence, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in Section 8.02 such Bank's portion of such Auction Borrowing, in same-day funds. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Administrative Agent of such funds, the Administrative Agent will make such funds available to the Borrower at the Administrative Agent's aforesaid address. Promptly after each Auction Borrowing, the Administrative Agent will notify each Bank of the amount of the Auction Borrowing, such Bank's Auction Reduction resulting therefrom and the date upon which such Auction Reduction commenced and is anticipated to terminate.

(b) Within the limits and on the conditions set forth in this Section 2.03, the Borrower may from time to time borrow under this Section 2.03, repay pursuant to Section 2.07(c), prepay under Section 2.07(d) and reborrow under this Section 2.03 and borrow under Section 2.01.

SECTION 2.04. Conversion and Continuation of Contract Borrowings. The Borrower shall have the right at any time upon prior irrevocable notice to the Administrative Agent (i) not later than noon (New York City time), one Business Day prior to conversion, to convert any Borrowing consisting of Eurodollar Rate Contract Advances or Adjusted CD Rate Advances into a Borrowing consisting of Alternate Base Rate Advances, (ii) not later than noon (New York City time), two Business Days prior to conversion or continuation, to convert any Borrowing consisting of Eurodollar Rate Contract Advances or Alternate Base Rate Advances into a Borrowing consisting of Adjusted CD Rate Advances or to continue any Borrowing consisting of Adjusted CD Rate Advances for an additional Interest Period, (iii) not later than noon (New York City time), three Business Days prior to conversion or continuation, to convert any Borrowing consisting of Alternate Base Rate Advances or Adjusted CD Rate Advances into a Borrowing consisting of Eurodollar Rate Contract Advances or to continue any Borrowing consisting of Eurodollar Rate Contract Advances for an additional Interest Period, (iv) not later than noon (New York City time), three Business Days prior to conversion, to convert the Interest Period with respect to any Borrowing consisting of Eurodollar Rate Contract Advances to another permissible Interest Period, and (v) not later than noon (New York City time), two Business Days prior to conversion, to convert the Interest Period with respect to any Borrowing consisting of Adjusted CD Rate Advances to another permissible Interest Period, subject in each case to the following:

(a) each conversion or continuation shall be made pro rata among the Banks in accordance with the respective principal amounts of the Advances comprising the converted or continued Contract Borrowing;

(b) if less than all the outstanding principal amount of any Contract Borrowing shall be converted or continued, the aggregate principal amount of such Contract Borrowing converted or continued shall be an amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof;

(c) accrued interest on an Advance (or portion thereof) being converted shall be paid by the Borrower at the time of conversion;

(d) if any Borrowing consisting of Eurodollar Rate Contract Advances or Adjusted CD Rate Advances is converted at a time other than the end of the Interest Period applicable thereto, the Borrower shall pay, upon demand, any amounts due to the Banks pursuant to Section 8.04(b) as a result of such conversion;

(e) any portion of a Contract Borrowing maturing or required to be repaid in less than one month may not be converted into or continued as a Borrowing consisting of Eurodollar Rate Contract Advances;

(f) any portion of a Borrowing maturing or required to be repaid in less than 30 days may not be converted into or continued as a Borrowing consisting of Adjusted CD Rate Advances;

(g) any portion of a Borrowing consisting of Eurodollar Rate Contract Advances or Adjusted CD Rate Advances which cannot be converted into or continued as such by reason of clauses (e) and (f) above shall be automatically converted at the end of the Interest Period in effect for such Borrowing into a Borrowing consisting of Alternate Base Rate Advances; and

(h) no Interest Period may be selected for any Borrowing consisting of Eurodollar Rate Contract Advances or Adjusted CD Rate Advances that would end later than the Termination Date.

Each notice pursuant to this Section 2.04 shall be irrevocable and shall refer to this Agreement and specify (i) the identity and amount of the Contract Borrowing that the Borrower requests be converted or continued, (ii) whether such Contract Borrowing is to be converted to or continued as a Borrowing consisting of Eurodollar Rate Contract Advances, Adjusted CD Rate Advances or Alternate Base Rate Advances, (iii) if such notice requests a conversion, the date of such conversion (which shall be a Business Day) and (iv) if such Contract Borrowing is to be converted to or continued as a Borrowing consisting of Eurodollar Rate Contract Advances or Adjusted CD Rate Advances, the Interest Period with respect thereto. If no Interest Period is specified in any such notice with respect to any conversion to or continuation as a Borrowing consisting of Eurodollar Rate Contract Advances or Adjusted CD Rate Advances, the Borrower shall be deemed to have selected an Interest Period of one month's duration, in the case of a Borrowing consisting of Eurodollar Rate Contract Advances, or 30 days' duration, in the case of a Borrowing consisting of Adjusted CD Rate Advances. The Administrative Agent shall advise the other Banks of any notice given pursuant to this Section 2.04 and of each Bank's portion of any converted or continued Contract Borrowing. If the Borrower shall not have given notice in accordance with this Section 2.04 to continue any Contract Borrowing into a subsequent Interest Period (and shall not otherwise have given notice in accordance with this Section 2.04 to convert such Contract Borrowing), such Contract Borrowing shall, at the end of the Interest Period applicable thereto (unless repaid pursuant to the terms hereof), automatically be continued into a new Interest Period as a Borrowing consisting of Alternate Base Rate Advances.

#### SECTION 2.05. Fees.

(a) The Borrower agrees to pay to each Bank, through the Administrative Agent, a facility fee equal to the Applicable Fee Percentage multiplied by the daily average amount of the Commitment of such Bank (whether used or unused) during the preceding quarter (or shorter period commencing with the Closing Date or ending with the Termination Date), payable in arrears on the last day of each March, June, September and December during the term of the Commitments and on the Termination Date.

(b) The Borrower agrees to pay to each Bank, through the Administrative Agent, additional margin for each day equal to the applicable Additional Margin Rate *multiplied* by the aggregate outstanding principal amount of the Contract Advances, Auction Advances and Special Rate Loans of such Bank on such day, payable monthly in arrears on the last Business Day of each month and on the Termination Date.

SECTION 2.06. Optional Reduction of the Commitments. The Borrower shall have the right, upon at least two Business Days' irrevocable notice to the Administrative Agent, to terminate in whole or reduce ratably in part the respective Commitments of the Banks; *provided* that (i) each partial reduction shall be in the aggregate amount of \$10,000,000 or in an integral multiple of \$1,000,000 in excess thereof and (ii) no such termination or reduction shall be made which would reduce the Commitments to an amount less than the aggregate outstanding principal amount of the Advances and Special Rate Loans. The Administrative Agent shall promptly thereafter notify each Bank of such termination or reduction.

SECTION 2.07. Repayment of Advances and Special Rate Loans; Prepayment.

(a) The Borrower shall repay to the Administrative Agent for the account of each Bank the principal amount of each Contract Advance made by each Bank on the Termination Date.

(b) The Borrower shall repay to each Bank making a Special Rate Loan the principal amount of such Special Rate Loan on the date when due (as agreed by the Borrower and the Bank making the relevant Special Rate Loan in accordance with Section 2.01(b)).

(c) The Borrower shall repay to the Administrative Agent for the account of each Participating Bank which has made an Auction Advance on the maturity date of each Auction Advance (such maturity date being that specified by the Borrower for repayment of such Auction Advance in the Notice of Auction Borrowing delivered with respect thereto) the then unpaid principal amount of such Auction Advance.

(d) The Borrower may, on notice given to the Administrative Agent (i) in the case of Alternate Base Rate Advances, not later than 10:30 a.m. (New York City time) on the day of the proposed prepayment, and (ii) in the case of Adjusted CD Rate Advances and Eurodollar Rate Contract Advances, not later than 10:30 a.m. (New York City time) on the second Business Day prior to the day of the proposed prepayment, stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amounts of the Contract Advances constituting part of the same Contract Borrowing in whole or ratably in part; *provided* that (1) any such partial prepayment shall be in an aggregate principal amount not less than \$10,000,000, and (2) any such prepayment of Adjusted CD Rate Advances or Eurodollar Rate Contract Advances shall be subject to the provisions of Section 8.04(b) hereof. The Borrower may not (x) prepay any principal amount of any Auction Advance unless the Participating Bank making such Auction Advance shall have expressly agreed thereto or (y) prepay any principal amount of any Special Rate Loan unless the Bank making such Special Rate Loan shall have expressly agreed thereto. The Administrative Agent shall promptly notify each Bank of any prepayments pursuant to this Section 2.07(d) promptly after any such prepayment. The Borrower shall have no right to prepay any principal amount of any Advance except as expressly set forth in this Section 2.07(d).

SECTION 2.08. Interest. The Borrower shall pay interest on each Advance and Special Rate Loan made by each Bank from the date of such Advance or Special Rate Loan, as the case may be, until paid in full, at the following rates per annum:

(i) Contract Advances. If such Advance is a Contract Advance, the Applicable Rate from time to time for such Contract Advance from the date of such Advance until the last day of the last Interest Period therefor, payable on the last day of each Interest Period and, in the case of any Interest Period longer than 90 days (in the case of Adjusted CD Rate Advances) or three months (in the case of Eurodollar Rate Contract Advances), on such 90th day or at three-month intervals following the first day of such Interest Period, as the case may be.

(ii) Auction Advances. If such Advance is an Auction Advance, a rate per annum equal at all times from the date of such Advance until the maturity thereof at the rate of interest for such Auction Advance specified by the Participating Bank making such Auction Advance in its notice with respect thereto delivered pursuant to subsection (a)(ii) of Section 2.03 above, payable on the proposed maturity date specified by the Borrower for such Auction Advance in the related Notice of Auction Borrowing delivered pursuant to subsection (a)(i) of Section 2.03 above, *provided* that in the case of Advances with maturities of greater than three months, interest shall be payable at the end of each three-month period for such Advance.

(iii) Special Rate Loans. If such loan is a Special Rate Loan, a rate per annum equal at all times as agreed to between the Bank making such Special Rate Loan and the Borrower at the time of the making of the Special Rate Loan by such Bank in accordance with Section 2.01(b).

(iv) Default Amounts. In the case of any past-due amounts of the principal of, or (to the fullest extent permitted by law) interest on, any Advance or Special Rate Loan, or any other amount payable under this Agreement, from the date such amount becomes due until paid in full, payable on demand, a rate per annum equal at all times to 2% above the Alternate Base Rate in effect from time to time.

SECTION 2.09. Interest Rate Determination. Each Reference Bank agrees to furnish to the Administrative Agent timely information for the purpose of determining each Adjusted CD Rate or Eurodollar Rate, as applicable. If any one or more of the Reference Banks shall not furnish such timely information to the Administrative Agent for the purpose of determining any such interest rate, the Administrative Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks, subject, however, to Section 2.10(a) hereof.

SECTION 2.10. Alternate Rate of Interest.

(a) If fewer than two Reference Banks furnish timely information to the Administrative Agent for determining the Eurodollar Rate for any Eurodollar Rate Advances or the Adjusted CD Rate for any Adjusted CD Rate Advances comprising any requested Borrowing, the Administrative Agent will notify the Banks and the Borrower thereof, and the right of the Borrower to select Advances of such Type for such Borrowing or any subsequent Borrowing shall be suspended until the Administrative Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist, and (i) any request by the Borrower for a Eurodollar Rate Auction Advance shall be of no force and effect and shall be denied by the Administrative Agent and (ii) unless the Borrower shall withdraw its request for such Advance by notice to the Administrative Agent, any request by the Borrower for a Eurodollar Rate Contract Advance or an Adjusted CD Rate Advance, as the case may be, shall be deemed to be a request for an Alternate Base Rate Advance; and

(b) If Banks having more than 50% of the Commitments shall, at least one Business Day before the date of any requested Borrowing, notify the Administrative Agent that the Eurodollar Rate for any Eurodollar Rate Advances or the Adjusted CD Rate for any Adjusted CD Rate Advances comprising such Borrowing will not adequately reflect the cost to such Banks of making or funding their respective Advances for such Borrowing, the Administrative Agent will notify the Banks and the Borrower thereof, and the right of the Borrower to select Advances of such Type for such Borrowing or any subsequent Borrowing shall be suspended until the Administrative Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist, and (i) any request by the Borrower for a Eurodollar Rate Auction Advance shall be of no force and effect and shall be denied by the Administrative Agent and (ii) unless the Borrower shall withdraw its request for such Advance by notice to the Administrative Agent, any request by the Borrower for a Eurodollar Rate Contract Advance or an Adjusted CD Rate Advance, as the case may be, shall be deemed to be a request for an Alternate Base Rate Advance.

SECTION 2.11. Increased Costs; Increased Capital.

(a) If, due to either (i) the introduction after the date hereof of or any change after the date hereof (other than any change by way of imposition or increase of reserve requirements, in the case of Adjusted CD Rate Advances, included in the determination of the Domestic Reserve Percentage for such Advances or, in the case of Eurodollar Rate Advances, included in the determination of the Eurodollar Rate Reserve Percentage for such Advances) in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request received from any central bank or other governmental authority after the date hereof (whether or not having the force of law), there shall be any increase in the cost to any Bank of agreeing to make or making, funding or maintaining Adjusted CD

Rate Advances or Eurodollar Rate Advances, then the Borrower shall from time to time, upon demand by such Bank (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost. Increased costs shall not include income, stamp or other taxes, imposts, duties, charges, fees, deductions or withholdings imposed, levied, collected, withheld or assessed by the United States of America or any political subdivision or taxing authority thereof or therein (including Puerto Rico) or of the country in which any Bank's principal office or Applicable Lending Office may be located or any political subdivision or taxing authority thereof or therein. Each Bank agrees that, upon the occurrence of any event giving rise to a demand under this subsection 2.11(a) with respect to the Eurodollar Lending Office or the CD Lending Office of such Bank, it will, if requested by the Borrower and to the extent permitted by law or the relevant governmental authority, endeavor in good faith and consistent with its internal policies to avoid or minimize the increase in costs resulting from such event by endeavoring to change its Eurodollar Lending Office or CD Lending Office, as appropriate; *provided* that such avoidance or minimization can be made in such a manner that such Bank, in its sole determination, suffers no economic, legal or regulatory disadvantage. A certificate as to the amount of and specifying in reasonable detail the basis for such increased cost, submitted to the Borrower and the Administrative Agent by such Bank, shall constitute such demand and shall, in the absence of manifest error, be conclusive and binding for all purposes.

(b) If either (i) the introduction after the date hereof of, or any change after the date hereof in or in the interpretation of, any law or regulation or (ii) the compliance by any Bank with any guideline or request received from any central bank or other governmental authority after the date hereof (whether or not having the force of law), affects or would affect the amount of capital required or expected to be maintained by such Bank or any corporation controlling such Bank and such Bank determines that the amount of such capital is increased by or based upon the existence of its Advances or Special Rate Loans or Commitment, then the Borrower shall, from time to time, upon demand by such Bank (with a copy of such demand to the Administrative Agent), immediately pay to the Administrative Agent for the account of such Bank additional amounts sufficient to compensate such Bank to the extent that such Bank determined such increase in capital to be allocable to the existence of such Bank's Advances or Special Rate Loans or Commitment. A certificate as to the amount of such increased capital and specifying in reasonable detail the basis therefor, submitted to the Borrower and the Administrative Agent by such Bank, shall constitute such demand and shall, in the absence of manifest error, be conclusive and binding for all purposes. Each Bank shall use all reasonable efforts to mitigate the effect upon the Borrower of any such increased capital requirement and shall assess any cost related to such increased capital on a nondiscriminatory basis among the Borrower and other borrowers of such Bank to which it applies and such Bank shall not be entitled to demand or be compensated for any increased capital requirement unless it is, as a result of such law, regulation, guideline or request, such Bank's policy generally to seek to exercise such rights, where available, against other borrowers of such Bank.

(c) Notwithstanding the foregoing provisions of this Section 2.11, (i) the Borrower shall not be required to reimburse any Bank for any increased costs incurred more than three months prior to the date that such Bank notifies the Borrower in writing thereof and (ii) in the event any Bank makes an assignment of, or grants a participation in, an Advance or Special Rate Loan or its Commitment pursuant to Section 8.07, the Borrower shall not be obligated to reimburse for increased costs with respect to such Advance, Special Rate Loan or Commitment to the extent that the aggregate amount thereof exceeds the aggregate amount for which the Borrower would have been obligated (determined, in the case of an assignment, on the basis of laws and regulations in effect at the time of such assignment) if such Bank had not made such assignment or granted such participation.

SECTION 2.12. Additional Interest on Eurodollar Rate Advances. The Borrower shall pay to the Administrative Agent for the account of each Bank any costs which such Bank determines are attributable to such Bank's compliance with regulations of the Board of Governors of the Federal Reserve System requiring the maintenance of reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities. Such costs shall be paid to the Administrative Agent for the account of such Bank in the form of additional interest on the unpaid principal amount of each Eurodollar Rate Advance

of such Bank, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the applicable period for such Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such period, payable on each date on which interest is payable on such Advance. Such additional interest shall be determined by such Bank and notified to the Borrower and the Administrative Agent. A certificate setting forth in reasonable detail the amount of such additional interest, submitted to the Borrower and the Administrative Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.13. Change in Legality. If any Bank shall, at least three Business Days before the date of any requested Borrowing consisting of Eurodollar Rate Advances or at least two Business Days before the date of any requested Borrowing consisting of Adjusted CD Rate Advances, notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or that any central bank or other governmental authority asserts that it is unlawful, for such Bank or its Applicable Lending Office to perform its obligations hereunder to make, fund or maintain Eurodollar Rate Advances or Adjusted CD Rate Advances hereunder, the right of the Borrower to select Advances of such Type from such Bank for such Borrowing or any subsequent Borrowing shall be suspended until such Bank shall notify the Administrative Agent that the circumstances causing such suspension no longer exist; and during the period when such obligation of such Bank is suspended, any Borrowing consisting of Eurodollar Rate Advances or Adjusted CD Rate Advances, as the case may be, shall not exceed the Commitments of the other Banks less the aggregate amount of any Special Rate Loans and Auction Advances then outstanding, and shall be made by the other Banks pro rata according to their respective Commitments.

SECTION 2.14. Payments and Computations.

(a) Except as expressly provided in Section 2.01(b)(ii), the Borrower shall make each payment hereunder from a bank account of the Borrower located in the United States not later than 1:00 p.m. (New York City time) on the day when due in U.S. dollars to the Administrative Agent at its address referred to in Section 8.02 in same-day funds, without set-off or counterclaim. The Administrative Agent will promptly thereafter cause to be distributed like funds to the Banks entitled thereto for the account of their respective Applicable Lending Offices, in each case to be applied in accordance with the terms of this Agreement.

(b) All computations of interest based on the Alternate Base Rate shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, when determined by reference to the Prime Rate (as defined in the definition of Alternate Base Rate in Section 1.01) and on the basis of a year of 360 days at all other times, and all computations of fees and of interest based on the Adjusted CD Rate, the Eurodollar Rate or the Fixed Rate shall be made by the Administrative Agent, and all computations of interest pursuant to Section 2.09 shall be made by the Reference Banks, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Administrative Agent (or, in the case of Section 2.09, by the Reference Banks) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of payment of interest or fees, as the case may be; *provided* that, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such

payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Bank shall repay to the Administrative Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Effective Rate.

(e) Each Bank shall maintain on its books a loan account in the name of the Borrower in which shall be recorded all Advances made by such Bank to the Borrower, the interest rate and the maturity date of each such Advance and all payments of principal and interest made by the Borrower with respect to such Advances. The obligation of the Borrower to repay the Advances made by each Bank and to pay interest thereon shall be evidenced by the entries from time to time made in the loan account of such Bank maintained pursuant to this Section 2.14(e); *provided* that the failure to make an entry with respect to an Advance shall not affect the obligations of the Borrower hereunder with respect to such Advance. In case of any dispute, action or proceeding relating to any Advance, the entries in such loan account shall be prima facie evidence of the amount of such Advance and of any amounts paid or payable with respect thereto.

(f) The Administrative Agent shall maintain on its books a set of accounts in which shall be recorded all Advances made by the Banks to the Borrower, the interest rates and maturity dates of such Advances and all payments of principal and interest made thereon. In case of any discrepancy between the entries in the Administrative Agent's books and the entries in any Bank's books, such Bank's records shall be considered correct, in the absence of manifest error.

#### SECTION 2.15. Taxes on Payments.

(a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without reduction for or on account of, any income, stamp or other taxes, imposts, duties, charges, fees, deductions or withholdings, imposed, levied, collected, withheld or assessed by the United States of America (or by any political subdivision or taxing authority thereof or therein) as a result of (i) the introduction after the date hereof of any law, regulation, treaty, directive or guideline (whether or not having the force of law), or (ii) any change after the date hereof in any law, regulation, treaty, directive or guideline (whether or not having the force of law), or (iii) any change after the date hereof in the interpretation or application of any law, regulation, treaty, directive or guideline (whether or not having the force of law) or (iv) any such taxes, imposts, duties, charges, fees, deductions or withholdings being imposed, levied, collected, withheld or assessed at a greater rate than the rate that would have been applicable had such an introduction or change not been made, but only to the extent of the increase in such rate ("Withholding Taxes"). If any Withholding Taxes are required to be withheld from any amounts payable to or for the account of any Bank hereunder, the amounts so payable to or for the account of such Bank shall be increased to the extent necessary to yield to such Bank (after payment of all Withholding Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts payable to or for the account of such Bank under this Agreement prior to such introduction or change. Whenever any Withholding Tax is payable by the Borrower, as promptly as possible thereafter, the Borrower shall send to the Administrative Agent, for the account of such Bank, a certified copy of an original official receipt showing payment thereof. If the Borrower fails to pay any Withholding Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent for the account of any Bank the required receipts or other required documentary evidence, the Borrower shall indemnify such Bank or the Administrative Agent for any incremental taxes, interest or penalties that may become payable by such Bank or the Administrative Agent as a result of any such failure.

(b) At least four Business Days prior to the first Borrowing or, if the first Borrowing does not occur within thirty days after the date of execution of this Agreement, by the end of such thirty day period, each Bank that is organized outside the United States agrees that it will deliver to the



Borrower and the Administrative Agent two duly completed copies of United States Internal Revenue Service Form W8-BEN (or such other documentation or information as may, under applicable United States federal income tax statutes or regulations, be required in order to claim an exemption or reduction from United States income tax withholding by reason of an applicable treaty with the United States, such documentation or other information being hereafter referred to as "Form W8-BEN") or W8-ECI (or such other documentation or information as may, under applicable United States federal income tax statutes or regulations, be required in order to claim an exemption from United States income tax withholding for income that is effectively connected with the conduct of a trade or business within the United States, such documentation or other information being hereafter referred to as "Form W8-ECI"), as the case may be, indicating in each case that such Bank is either entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes or, as the case may be, is subject to such limited deduction or withholding as it is capable of recovering in full from a source other than the Borrower. Each Bank which delivers to the Borrower and the Administrative Agent a Form W8-BEN or W8-ECI pursuant to the next preceding sentence further undertakes to deliver to the Borrower and the Administrative Agent two further copies of the said Form W8-BEN or W8-ECI, or successor applicable form or certificate, as the case may be, as and when the previous form filed by it hereunder shall expire or shall become incomplete or inaccurate in any respect, unless in any of such cases an event has occurred prior to the date on which any such delivery would otherwise be required which renders such form inapplicable.

(c) If at any time any Bank by reason of payment by the Borrower of any Withholding Taxes obtains a credit against, or return or reduction of, any tax payable by it, or any other currently realized tax benefit, which it would not have enjoyed but for such payment ("Tax Benefit"), such Bank shall thereupon pay to the Borrower the amount which such Bank shall certify to be the amount that, after payment, will leave such Bank in the same economic position it would have been in had it received no such Tax Benefit ("Equalization Amount"); *provided that* (1) if such Bank shall subsequently determine that it has lost the benefit of all or a portion of such Tax Benefit, the Borrower shall promptly remit to such Bank the amount certified by such Bank to be the amount necessary to restore such Bank to the position it would have been in if no payment had been made pursuant to this Section 2.15(c); (2) if such Bank shall be prevented by applicable law from paying the Borrower all or any portion of the Equalization Amount owing to the Borrower such payment need not be made to the extent such Bank is so prevented and the amount not paid shall be credited to the extent lawful against future payment owing to such Bank; and (3) the aggregate of all Equalization Amounts paid by any Bank shall in no event exceed the aggregate of all amounts paid by the Borrower to such Bank in respect of Withholding Taxes plus, in the case of a Tax Benefit that occurs by reason of a refund, interest actually received from the relevant taxing authority with respect to such refund. A certificate submitted in good faith by the Bank pursuant to this Section 2.15(c) shall be deemed conclusive absent manifest error.

(d) In the event a Bank shall become aware that the Borrower is required to pay any additional amount to it pursuant to Section 2.15(a), such Bank shall promptly notify the Administrative Agent and the Borrower of such fact and shall use reasonable efforts, consistent with legal and regulatory restrictions, to change the jurisdiction of its Applicable Lending Office if the making of such change (i) would avoid the need for or reduce the amount of any such additional amounts that may thereafter accrue, (ii) would not, in the good faith determination of such Bank, be disadvantageous for regulatory or competitive reasons to such Bank and (iii) would not require such Bank to incur any cost or forego any economic advantage for which the Borrower shall not have agreed to reimburse and indemnify such Bank.

(e) Notwithstanding the foregoing provisions of this Section 2.15, in the event any Bank makes an assignment of, or grants a participation in, an Advance or Special Rate Loan or its Commitment pursuant to Section 8.07, the Borrower shall not be obligated to pay any taxes, imposts, duties, charges, fees, deductions or withholdings to the extent that the aggregate amount thereof exceeds the aggregate amount for which the Borrower would have been obligated (determined, in the case of an assignment, on the basis of laws and regulations in effect at the time of such assignment) if such Bank had not made such assignment or granted such participation.

SECTION 2.16. Sharing of Payments, Etc. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff or otherwise) on account of the Contract Advances made by it (other than pursuant to Sections 2.11, 2.12, 2.15, 2.17, 8.04 or 8.07(g) hereof) in excess of its ratable share of payments on account of the Contract Advances obtained by all the Banks, then such Bank shall forthwith purchase from the other Banks through the Administrative Agent such participations in the Contract Advances made by them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them; *provided* that, if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and such Bank shall repay to the purchasing Bank the purchase price to the extent of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.16 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.17. Removal of a Bank. The Borrower shall have the right, by giving at least 15 Business Days' prior notice in writing to the affected Bank and the Administrative Agent, at any time when no Default or Event of Default has occurred and is then continuing, to remove as a party hereto any Bank having a credit rating of C/D (or its equivalent) or lower by Thomson BankWatch, Inc. (or any successor thereto), such removal to be effective as of the date specified in such notice from the Borrower (a "Removal Date"), which date shall be the last day of an Interest Period. On any Removal Date, the Borrower shall repay all the outstanding Contract Advances, Special Rate Loans and Auction Advances of the affected Bank, together with all accrued interest, fees and all other amounts owing hereunder to such Bank. Upon such Removal Date and receipt of the payment referred to above, the Commitment of such affected Bank shall terminate and such Bank shall cease thereafter to constitute a Bank hereunder. The Borrower shall have the right to offer to one or more Banks the right to increase their Commitments up to, in the aggregate for all such increases, the Commitment of any Bank which is removed pursuant to the foregoing provisions of this Section 2.17 (such Commitment being herein called an "Unallocated Commitment") effective on the relevant Removal Date, it being understood that no Bank shall be obligated to increase its Commitment in response to any such offer. The Borrower shall also have the right to offer all or any portion of an Unallocated Commitment to one or more commercial banks not parties hereto having a credit rating higher than C/D (or its equivalent) by Thomson BankWatch, Inc. (or any successor thereto), and, upon each such bank's acceptance of such offer and execution and delivery of an instrument agreeing to the terms and conditions hereof, each such bank shall become a Bank hereunder with a Commitment in an amount specified in such instrument. If the Bank which is removed pursuant to this Section 2.17 is a Reference Bank, the Administrative Agent, with the consent of the Borrower (which shall not be unreasonably withheld), shall appoint a new Reference Bank from among the Banks. The obligations of the Borrower described in Sections 2.02(b), 2.11, 2.12, 2.15, 8.04 and 8.12 that arose prior to the date of removal shall survive for the benefit of any Bank removed pursuant to this Section 2.17 notwithstanding such removal.

### ARTICLE III

#### CONDITIONS OF LENDING

SECTION 3.01. Conditions Precedent to Initial Borrowing. The obligation of each Bank to make an Advance on the occasion of the initial Borrowing is subject to the following conditions precedent (each of the documents referred to below to be in form and substance satisfactory to the Administrative Agent, dated a date on or within 10 days prior to the date hereof and in sufficient copies for each Bank):

(a) The Administrative Agent shall have received, on behalf of the Banks, a certificate of the Secretary or an Assistant Secretary of the Borrower certifying as to:

(i) the resolutions of the Board of Directors of the Borrower approving this Agreement and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement,

(ii) a true and correct copy of the bylaws of the Borrower as then in effect and

(iii) the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the other documents to be delivered hereunder.

(b) The Administrative Agent shall have received, on behalf of the Banks, a copy of the restated articles of incorporation of the Borrower and each amendment thereto, each certified by the Secretary of State of the State of Utah as being a true and correct copy thereof, and a certificate of said Secretary of State stating that the Borrower has legal existence and is in good standing with the office of said Secretary of State.

(c) The Administrative Agent shall have received, on behalf of the Banks, favorable opinions of counsel of the Borrower, substantially in the form of Exhibit C hereto and as to such other matters as any Bank through the Administrative Agent may reasonably request.

(d) The Administrative Agent shall have received, on behalf of the Banks, a favorable opinion of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel for the Administrative Agent, substantially in the form of Exhibit D hereto.

(e) The Borrower shall have paid all fees due and payable as of or before the Closing Date to the Banks.

(f) The Administrative Agent shall have received, on behalf of the Banks, a certificate from an officer of the Borrower to the effect that (i) no Default hereunder shall have occurred and be continuing; (ii) no Default under, and as defined in, either Existing Revolving Credit Agreement shall have occurred and be continuing; and (iii) each of the representations and warranties in Section 4.01 of this Agreement is true and correct on the date hereof.

(g) The Administrative Agent shall have received evidence that, on or prior to the Closing Date, the Borrower shall have (i) repaid in full the outstanding principal amount of each of the outstanding "Advances" and "Special Rate Loans" under, and as defined in, each Existing Revolving Credit Agreement, together with all accrued and unpaid interest thereon, all fees payable in respect thereof and all other amounts payable thereunder, and (ii) canceled each of the "Commitments" as defined therein.

SECTION 3.02. Conditions Precedent to Each Borrowing. The obligation of each Bank to make an Advance in connection with any Borrowing shall be subject to the further conditions precedent that on the date of such Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Contract Borrowing or Notice of Auction Borrowing and the acceptance by the Borrower of the proceeds of such Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Borrowing such statements are true):

(i) the representations and warranties contained in Section 4.01 (excluding those contained in subsections (e) and (f)(ii) thereof and, in the event of a Borrowing for general corporate purposes, excluding those contained in subsection (k) thereof) are correct on and as of the date of such Borrowing, before and after giving effect to such Borrowing and to the application of the proceeds therefrom, as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing, or would result from such Borrowing or from the application of the proceeds therefrom.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Utah.

(b) The execution, delivery and performance by the Borrower of this Agreement are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action and do not contravene (i) the Borrower's charter or by-laws or (ii) any law or any contractual restriction binding on or affecting the Borrower.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Agreement except such as have been duly obtained or made and are in full force and effect.

(d) This Agreement is the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

(e) The statement of consolidated financial position of the Borrower and its consolidated Subsidiaries as at December 31, 2006, and the related statements of consolidated income, consolidated cash flows and changes in common stockholders' equity of the Borrower and its consolidated Subsidiaries for the fiscal year then ended, copies of which have been furnished to each Bank, each as reported on by Deloitte & Touche LLP, present fairly, in all material respects, the financial position of the Borrower and its consolidated Subsidiaries as at such date and the results of the operations of the Borrower and its consolidated Subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied. Since December 31, 2006, there has been no material adverse change in such financial position or operations of the Borrower and its consolidated Subsidiaries, taken as a whole.

(f) There is no pending or threatened action or proceeding affecting the Borrower or any of its consolidated Subsidiaries before any court, governmental agency or arbitrator, (i) which purports to affect the legality, validity or enforceability of this Agreement, or (ii) except as set forth in the Borrower's annual report on Form 10-K for the fiscal year ended December 31, 2006 (copies of which have been furnished to each Bank), which may materially adversely affect the financial condition or operations of the Borrower or any of its Subsidiaries, taken as a whole.

(g) After applying the proceeds of each Advance and Special Rate Loan, not more than 25% of the value of the assets of the Borrower and its Subsidiaries (as determined in good faith by the Borrower) that are subject to Section 5.02(a) or Section 5.02(d) will consist of or be represented by Margin Stock.

(h) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Advance or Special Rate Loan will be used for any purpose which violates the provisions of the regulations of the Board of Governors of the Federal Reserve System. If requested by any Bank or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Bank a statement in conformity

with the requirements of Federal Reserve Form U-1 referred to in Regulation U, the statements made in which shall be such, in the opinion of each Bank, as to permit the transactions contemplated hereby in accordance with Regulation U.

(i) No Termination Event has occurred nor is reasonably expected to occur with respect to any Plan which may materially adversely affect the financial condition or operations of the Borrower and its Subsidiaries, taken as a whole. Neither the Borrower nor any of its ERISA Affiliates has incurred nor reasonably expects to incur any withdrawal liability under ERISA to any Multiemployer Plan which may materially adversely affect the financial condition or operations of the Borrower and its Subsidiaries, taken as a whole. Schedule B (Actuarial Information) to the 2005 annual report (Form 5500 Series) with respect to each Plan, copies of which have been filed with the Internal Revenue Service and furnished to each Bank, is complete and accurate in all material respects and in all material respects fairly presents the funding status of each Plan. No Reportable Event has occurred and is continuing with respect to any Plan which may materially adversely affect the financial condition or operations of the Borrower and its Subsidiaries, taken as a whole.

(j) The Borrower and its Subsidiaries are in compliance with all applicable laws and regulations relating to the environment or to the discharge, transport or storage of hazardous materials except to the extent that non-compliance therewith would not have a material adverse effect on the financial condition or operations of the Borrower and its Subsidiaries taken as a whole.

(k) Neither the Borrower nor any of its Subsidiaries is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(l) (i) All written information concerning the Borrower and its Subsidiaries (excluding financial projections) that has been made available on or before the date of this Agreement to the Administrative Agent or any Bank by the Borrower or any of its representatives under this Agreement or in connection with the transactions contemplated hereby is, on and as of the date of this Agreement, correct in all material respects and does not contain, on and as of the date of this Agreement, any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were made; (ii) all written information furnished after the date hereof by the Borrower or any of its representatives to the Administrative Agent and the Banks in connection with this Agreement and the transactions contemplated hereby will, on the date as of which such information is stated or certified, be correct in all material respects and will not, on the date as of which such information is stated or certified, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements are made; and (iii) all financial projections concerning the Borrower and its Subsidiaries that have been or will be prepared by the Borrower in writing and made available to the Administrative Agent or any Bank by the Borrower or any of its representatives under this Agreement or in connection with the transactions contemplated hereby have been or will be prepared in good faith based upon reasonable assumptions as of the date such projections were made available to the Administrative Agent or such Bank (it being understood that such projections are subject to significant uncertainties and contingencies, many of which are beyond the control of the Borrower, and that no assurance can be given that the projections will be realized).

COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance or Special Rate Loan shall remain unpaid or any Bank shall have any Commitment hereunder, the Borrower will, and, in the case of Section 5.01(a), will cause its Subsidiaries to, unless the Majority Banks shall otherwise consent in writing:

(a) Keep Books; Corporate Existence; Maintenance of Properties; Compliance with Laws; Insurance.

(i) keep proper books of record and account, all in accordance with generally accepted accounting principles;

(ii) preserve and keep in full force and effect its existence, and preserve and keep in full force and effect its licenses, rights and franchises to the extent it deems necessary to carry on its business;

(iii) maintain and keep, or cause to be maintained and kept, its properties in good repair, working order and condition, and from time to time make or cause to be made all needful and proper repairs, renewals, replacements and improvements, in each case to the extent it deems necessary to carry on its business;

(iv) use its reasonable efforts to comply in all material respects with all material applicable statutes, regulations and orders of, and all material applicable restrictions imposed by, any governmental agency in respect of the conduct of its business and the ownership of its properties, to the extent it deems necessary to carry on its business, except such as are being contested in good faith by appropriate proceedings; and

(v) insure and keep insured its properties in such amounts (and with such self-insurance and deductibles) as it deems necessary to carry on its business and to the extent available on premiums and other terms which the Borrower or any Subsidiary, as the case may be, deems appropriate. Any of such insurance may be carried by, through or with any captive or affiliated insurance company or by way of self-insurance as the Borrower or any Subsidiary, as the case may be, deems appropriate.

Nothing in this subsection shall prohibit the Borrower or any of its Subsidiaries from discontinuing any business, forfeiting any license, right or franchise or discontinuing the operation or maintenance of any of its properties to the extent it deems appropriate in the conduct of its business.

(b) Reporting Requirements. Furnish to each Bank:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, a statement of the consolidated financial position of the Borrower and its consolidated Subsidiaries as at the end of such quarter and the related statements of consolidated income and consolidated cash flows of the Borrower and its consolidated Subsidiaries for such fiscal quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by a principal financial or accounting officer of the Borrower; *provided* that (1) the Borrower may deliver, in lieu of the foregoing, the quarterly report of the Borrower for such fiscal quarter on Form 10-Q filed with the Securities and Exchange Commission or any governmental authority succeeding to the functions of such Commission, but only so long as the financial statements contained in such quarterly

report on Form 10-Q relate to the same companies and are substantially the same in content as the financial statements referred to in the preceding provisions of this clause (i) and (2) so long as the Borrower is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission which are available to the public without cost and each Bank may electronically access without cost such Form 10-Q on the Securities and Exchange Commission's website or the Borrower's website (except with respect to registration statements and reports to stockholders which are not available on the Borrower's website), each Bank shall be deemed to have been furnished such Form 10-Q;

(ii) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the annual report for such year for the Borrower and its Subsidiaries, containing the consolidated financial statements of the Borrower and its consolidated Subsidiaries for such year and accompanied by a report thereon of Deloitte & Touche LLP or other independent public accountants of nationally recognized standing; *provided* that (1) the Borrower may deliver, in lieu of the foregoing, the annual report of the Borrower for such year on Form 10-K filed with the Securities and Exchange Commission or any governmental authority succeeding to the functions of such Commission, but only so long as the financial statements contained in such annual report on Form 10-K relate to the same companies and are substantially the same in content as the financial statements referred to in the preceding provisions of this clause (i) and (2) so long as the Borrower is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission which are available to the public without cost and each Bank may electronically access without cost such Form 10-K on the Securities and Exchange Commission's website or the Borrower's website (except with respect to registration statements and reports to stockholders which are not available on the Borrower's website), each Bank shall be deemed to have been furnished such Form 10-K;

(iii) promptly after the sending or filing thereof, copies of all reports which the Borrower sends to its stockholders generally, and copies of all reports and registration statements (without exhibits) which the Borrower files with the Securities and Exchange Commission or any national securities exchange (other than registration statements relating to employee benefit plans); *provided* that, so long as the Borrower is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission which are available to the public without cost and each Bank may electronically access without cost such reports and registration statements on the Securities and Exchange Commission's website or the Borrower's website (except with respect to registration statements and reports to stockholders which are not available on the Borrower's website), each Bank shall be deemed to have been furnished such reports and registration statements;

(iv) promptly after the filing or receiving thereof, copies of any notices of any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder which the Borrower or any Subsidiary files with the PBGC, or which the Borrower or any Subsidiary receives from the PBGC to the effect that proceedings or other action by the PBGC is to be instituted; and

(v) such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as any Bank through the Administrative Agent may from time to time reasonably request.

(c) Notices. Promptly give notice to the Administrative Agent and each Bank:

(i) of the occurrence of any Default or Event of Default; and

(ii) of the commencement of any litigation, investigation or proceeding affecting the Borrower or any of its Subsidiaries before any court, governmental authority or arbitrator which, in the reasonable judgment of the Borrower, could have a material adverse effect on the business, operations, property or financial or other condition of the Borrower and its Subsidiaries, taken as a whole.

Each notice pursuant to this subsection shall be accompanied by a statement of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower proposes to take with respect thereto.

(d) Certificates. Furnish to each Bank:

(i) concurrently with the delivery of the financial statements or Form 10-K referred to in Section 5.01(b)(ii), a letter signed by the independent public accountants certifying such financial statements to the effect that, in the course of the examination upon which their report for such fiscal year was based (but without any special or additional audit procedures for that purpose other than review of the terms and provisions of this Agreement), they did not become aware of any Default or Event of Default involving financial or accounting matters, or, if such accountants became aware of any such Default or Event of Default, specifying the nature thereof; and

(ii) concurrently with the delivery of the financial statements or Form 10-Q referred to in Section 5.01(b)(i), a certificate of a principal financial or accounting officer of the Borrower stating that, to the best of such officer's knowledge, the Borrower during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement to be observed, performed or satisfied by it, and that such officer has obtained no knowledge of any Default or Event of Default, except as specified in such certificate.

(e) Use of Proceeds. Use all of the proceeds of the Advances and Special Rate Loans for the general corporate purposes of, and to finance acquisitions by, the Borrower and its Subsidiaries, in each case in compliance with all applicable legal and regulatory requirements (including, without limitation, Regulations U and X and the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and the regulations thereunder); *provided* that neither any Bank nor the Administrative Agent shall have any responsibility for the use of any of the proceeds of the Advances or Special Rate Loans.

SECTION 5.02. Negative Covenants. So long as any Advance or Special Rate Loan shall remain unpaid or any Bank shall have any Commitment hereunder, the Borrower will not, without the written consent of the Majority Banks:

(a) Liens, Etc. Create, assume, incur or suffer to exist, or permit any Subsidiary to create, assume, incur or suffer to exist, any Mortgage (as hereinafter defined) upon any stock or indebtedness, whether now owned or hereafter acquired, of any Domestic Subsidiary (as hereinafter defined), to secure any Debt of the Borrower or any other Person (other than the Advances and Special Rate Loans made hereunder), without in any such case making effective provision whereby all of the Advances and Special Rate Loans made hereunder shall be directly secured equally and ratably with such Debt, *excluding, however*, from the operation of the foregoing provisions of this paragraph (a) any Mortgage upon stock or indebtedness of any corporation existing at the time such corporation becomes a Domestic Subsidiary, or existing upon stock or indebtedness of a Domestic Subsidiary at the time of acquisition of such stock or



indebtedness, and any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any such Mortgage; *provided* that (1) the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement; and (2) such Mortgage shall be limited to all or such part of the stock or indebtedness which secured the Mortgage so extended, renewed or replaced.

As used in this Section 5.02(a), the following terms shall have the following meanings notwithstanding any conflicting definition set forth in Section 1.01:

“Domestic Subsidiary” means a Subsidiary which is incorporated or conducting its principal operations within the United States of America or any state thereof or off the coast of the United States of America but within an area over which the United States of America or any state thereof has jurisdiction.

“Mortgage” means any mortgage, pledge, lien, encumbrance, charge or security interest of any kind.

(b) Debt to Net Worth Restriction. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Debt if, immediately after giving effect to such Debt and to the receipt and application of any proceeds thereof, the aggregate amount of Debt of the Borrower and its consolidated Subsidiaries, on a consolidated basis, would exceed 200% of the total consolidated stockholders’ equity of the Borrower as shown on the most recent consolidated balance sheet required to be delivered to the Banks pursuant to Section 5.01(b).

(c) Restriction on Fundamental Changes. Enter into any transaction of merger or consolidation, or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

(i) the corporation formed by such consolidation or into which the Borrower is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Borrower substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America, any state thereof or the District of Columbia (the “Successor Corporation”) and shall expressly assume, by amendment to this Agreement executed by the Borrower and such Successor Corporation and delivered to the Administrative Agent, the due and punctual payment of the principal of and interest on the Advances and Special Rate Loans made hereunder and all other amounts payable under this Agreement and the performance or observance of every covenant hereof on the part of the Borrower to be performed or observed;

(ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(iii) if, as a result of any such consolidation or merger or such conveyance, transfer or lease, properties or assets of the Borrower would become subject to a Mortgage which would not be permitted by Section 5.02(a), the Borrower or the Successor Corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Advances and Special Rate Loans made hereunder equally and ratably with (or prior to) all indebtedness secured thereby; and

(iv) the Borrower shall have delivered to the Administrative Agent a certificate signed by an executive officer of the Borrower and a written opinion of counsel satisfactory to the Administrative Agent (who may be counsel to the Borrower), each stating that such transaction and such amendment to this Agreement comply with this Section 5.02(c) and that all conditions precedent herein provided for relating to such transaction have been satisfied.

(d) Prohibition of Sale of Certain Stock. Convey, sell, assign or otherwise transfer (or permit any Subsidiary to do so) any of the shares of capital stock of the Railroad now owned (directly or indirectly) or at any time hereafter acquired (directly or indirectly) by the Borrower, *provided* that nothing in this Section 5.02(d) will prohibit transfers of shares of capital stock of the Railroad to the Borrower or another Subsidiary of the Borrower or the merger or other consolidation of the Railroad with or into the Borrower or another Subsidiary of the Borrower.

(e) Compliance with ERISA. To the extent that any event or action set forth in clauses (i) through (iv) below would subject the Borrower and its Subsidiaries taken as a whole to any material liability to the PBGC or otherwise, (i) terminate, or permit any Subsidiary to terminate, any Plan; (ii) engage in, or permit any Subsidiary to engage in, any "prohibited transaction" (as defined in Section 4975 of the Code) involving any Plan; (iii) incur or suffer to exist, or permit any Subsidiary to incur or suffer to exist, any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, involving any Plan; or (iv) allow or suffer to exist, or permit any Subsidiary to allow or suffer to exist, any event or condition which presents a risk of incurring a liability to the PBGC by reason of termination of any Plan.

(f) Margin Stock. Permit more than 25%, after applying the proceeds of each Advance or Special Rate Loan, of the value of the assets of the Borrower and its Subsidiaries (as determined in good faith by the Borrower) that are subject to Section 5.02(a) or Section 5.02(d) to consist of or be represented by Margin Stock.

## ARTICLE VI

### EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) the Borrower shall fail to pay any principal of any Advance or Special Rate Loan when the same becomes due and payable; *provided* that if any such failure shall result from the malfunctioning or shutdown of any wire transfer or other payment system employed by the Borrower to make such payment or from an inadvertent error of a technical or clerical nature by the Borrower or any bank or other entity employed by the Borrower to make such payment, no Event of Default shall result under this paragraph (a) during the period (not in excess of two Business Days) required by the Borrower to make alternate payment arrangements; or

(b) the Borrower shall fail to pay any interest on any Advance or Special Rate Loan or any fee payable hereunder or under any agreement executed in connection herewith when the same becomes due and payable and such failure shall remain unremedied for ten days; or

(c) any representation or warranty made by the Borrower herein or by the Borrower (or any of its officers) in connection with this Agreement (including, without limitation, any representation or warranty deemed made by the Borrower at the time of any Advance or Special Rate Loan pursuant to Article III) shall prove to have been incorrect in any material respect when made or deemed made; or

(d) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Administrative Agent or any Bank; or

(e) an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Debt of the Borrower (other than any such Debt owed to any Bank or an affiliate of any Bank if such event of default shall relate solely to a restriction on Margin Stock), whether such Debt now exists or shall hereafter be created, shall happen and shall result in Debt of the Borrower in excess of \$75,000,000 principal amount becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such declaration shall not be rescinded or annulled; or the Borrower shall fail to pay at maturity (or within five calendar days after maturity) Debt of the Borrower in excess of \$75,000,000 principal amount; or

(f) (i) the Borrower or the Railroad shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Borrower or the Railroad shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower or the Railroad any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismitted, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against the Borrower or the Railroad any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Borrower or the Railroad shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Borrower or the Railroad shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(g) a Material Plan shall fail to maintain the minimum funding standards required by Section 412 of the Code for any plan year or a waiver of such standard is sought or granted under Section 412(d), or a Material Plan is, shall have been or will be terminated or the subject of termination proceedings under ERISA, or the Borrower or any of its Subsidiaries or any ERISA Affiliate has incurred or will incur a liability to or on account of a Material Plan under Sections 4062, 4063 or 4064 of ERISA, and there shall result from any such event either a liability or a material risk of incurring a liability to the PBGC or a Material Plan (or a related trust) which will have a material adverse effect upon the business, operations or the condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole; or

(h) the Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred withdrawal liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans in connection with withdrawal liabilities (determined as of the date of such notification), will have a material adverse effect upon the business, operations or the condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole; or

(i) both (X) a Change in Control shall occur and (Y) on the date that is four months after the occurrence of such Change in Control (i) either the rating by S&P of the Index Debt shall be equal to or lower than BB+ or S&P shall not have in effect a rating on the Index Debt and (ii) either the rating by Moody's of the Index Debt shall be equal to or lower than Ba1 or Moody's shall not have in effect a rating on the Index Debt;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of Banks having more than 50% of the Commitments, by notice to the Borrower, declare the obligation of each Bank to make Contract Advances (and to make any Auction Advances and Special Rate Loans that such Bank has theretofore committed to make) to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of Banks owed more than 50% of the then aggregate unpaid principal amount of the Advances and Special Rate Loans owing to Banks, by notice to the Borrower, declare the Advances and Special Rate Loans, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances and Special Rate Loans, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; *provided* that in the event of an actual or deemed entry of an order for relief with respect to the Borrower or any of its Subsidiaries under the Federal Bankruptcy Code, (A) the obligation of each Bank to make Contract Advances (and to make any Auction Advances and Special Rate Loans that such Bank has theretofore committed to make) shall automatically be terminated and (B) the Advances and Special Rate Loans, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

## ARTICLE VII

### THE ADMINISTRATIVE AGENT, ETC.

SECTION 7.01. Authorization and Action. Each Bank hereby appoints and authorizes the Administrative Agent to take such action as administrative agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the amounts due hereunder), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks, and such instructions shall be binding upon all Banks and all holders of Advances and Special Rate Loans; *provided* that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement or applicable law. The Administrative Agent agrees to give to each Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement. Each of the Co-Syndication Agents, Co-Documentation Agents, Joint Lead Arrangers and Joint Bookrunners named on the cover page hereof shall have no duties, responsibilities or liabilities whatsoever under this Agreement (other than in its capacity, if any, as a Bank hereunder).

SECTION 7.02. Administrative Agent's Reliance, Etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Administrative Agent: (i) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations made in or in connection with this Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (iv) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (v) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing

(including, without limitation, by telecopy) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03. JPMCB and Affiliates. With respect to its Commitment and the Advances and Special Rate Loans made by it, JPMCB shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Administrative Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include JPMCB in its individual capacity. JPMCB and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower, any of its subsidiaries and any Person who may do business with or own securities of the Borrower or any such subsidiary or affiliate, all as if JPMCB were not the Administrative Agent and without any duty to account therefor to the Banks.

SECTION 7.04. Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05. Indemnification. The Banks agree to indemnify the Administrative Agent (to the extent not promptly reimbursed by the Borrower), ratably as computed as set forth below from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against any of them in any way relating to or arising out of this Agreement or any action taken or omitted by the Administrative Agent under this Agreement, *provided* that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or willful misconduct of the Administrative Agent. Without limitation of the foregoing, each Bank agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any costs and expenses payable by the Borrower under Section 8.04, to the extent that the Administrative Agent is not promptly reimbursed for such costs and expenses by the Borrower. For purposes of this Section 7.05, ratable allocations among the Banks shall be made (i) in respect of any demand by the Administrative Agent prior to a declaration made pursuant to clause (ii) of Section 6.01, according to the respective amounts of their Commitments and (ii) thereafter according to the respective principal amounts of the Advances and Special Rate Loans then outstanding to them (or, if there are no Advances or Special Rate Loans at the time outstanding, according to the respective amounts of their Commitments as most recently in effect).

SECTION 7.06. Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Banks and the Borrower and may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Administrative Agent with the consent of the Borrower (which consent shall not be required if at the time of such appointment any Default or Event of Default has occurred and is continuing). If no successor Administrative Agent shall have been so appointed by the Majority Banks, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Administrative Agent, as applicable, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any state thereof and having a combined capital and surplus of at least \$75,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal

hereunder as Administrative Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

## ARTICLE VIII

### MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided that*:

(a) no amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (1) waive any of the conditions specified in Section 3.01, (2) waive any of the conditions specified in Section 3.02 (if and to the extent that the Borrowing which is the subject of such waiver would involve an increase in the aggregate outstanding amount of Advances over the aggregate amount of Advances outstanding immediately prior to such Borrowing), (3) increase or extend the Commitments of the Banks or subject the Banks to any additional obligations, (4) reduce the principal of, or interest on, the Contract Advances or any fees or other amounts payable hereunder, (5) postpone any date fixed for any payment of principal of, or interest on, the Contract Advances or any fees or other amounts payable hereunder, (6) make any change which would alter the percentage of the Commitments or of the aggregate unpaid principal amount of the Contract Advances, Auction Advances or Special Rate Loans, or the number of Banks, which shall otherwise be required for the Banks or any of them to take any action hereunder or (7) amend this Section 8.01;

(b) no amendment, waiver or consent shall, unless in writing and signed by the Bank holding an Auction Advance at such time, (1) reduce the principal of, or interest on, such Auction Advance or any fees or other amounts payable hereunder or thereunder with respect thereto, (2) postpone any date fixed for any payment of principal of, or interest on, such Auction Advance or any fees or other amounts payable hereunder or thereunder with respect thereto, or (3) subject such Bank to any additional obligations with respect to such Bank's Auction Advance;

(c) no amendment, waiver or consent shall, unless in writing and signed by the Bank holding a Special Rate Loan at such time, (1) reduce the principal of, or interest on, such Special Rate Loan or any fees or other amounts payable with respect thereto, (2) postpone any date fixed for any payment of principal of, or interest on, such Special Rate Loan or any fees or other amounts payable with respect thereto, or (3) subject such Bank to any additional obligations with respect to such Bank's Special Rate Loan; and

(d) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Banks required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement.

SECTION 8.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopy communication) and telecopied, mailed first class or certified mail or delivered, if to the Borrower, at its address at 1400 Douglas Street, Stop 1920, Omaha, NE 68179, Attention: Vice President and Treasurer, telephone number (402) 544-6111, telecopier number (402) 501-0362; if to any Bank at its Domestic Lending Office and if to the Administrative Agent, at its address at JPMorgan Chase Bank, N.A., 1111 Fannin – 10, Houston, Texas 77002, Attention: Alice H. Telles, Account Manager, telecopier number (713) 750-2938, with a copy to JPMorgan Chase Bank, N.A., 270 Park Avenue, 4<sup>th</sup> Floor, New York, New York 10017, Attention: Robert P. Kellas, telecopier number (212) 270-3972; or, as to the Borrower, any Bank or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the

other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent. All such notices and communications shall, when telecopied or mailed, be effective when sent by telecopy or three days after deposited in the mails, respectively, except that notices and communications to the Administrative Agent pursuant to Article II or VII shall not be effective until received by the Administrative Agent. The Administrative Agent shall be entitled to rely on any oral notice made pursuant to Section 2.03 believed by it to be genuine and made by the proper party or parties, and the Borrower and the Banks, as the case may be, agree to be conclusively bound by the Administrative Agent's records in respect of any such notice.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any Bank or the Administrative Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs, Expenses and Taxes.

(a) The Borrower agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery, administration, modification, syndication and amendment of this Agreement and the other documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent with respect thereto and with respect to advising the Administrative Agent as to its rights and responsibilities under this Agreement, and all costs and reasonable expenses, if any (including, without limitation, reasonable counsel fees and expenses), incurred by the Administrative Agent or any Bank in connection with the "work-out" or other enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement and the other documents to be delivered hereunder. In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from the execution and delivery of this Agreement and agrees to save the Administrative Agent and each Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes.

(b) If (i) any payment of principal of any Adjusted CD Rate Advance or Eurodollar Rate Contract Advance or Auction Advance or Special Rate Loan is made (1) by the Borrower to or for the account of a Bank other than on the last day of the Interest Period for such Contract Advance, or on the maturity date of such Auction Advance (other than prepayment of a Fixed Rate Auction Advance in accordance with any prepayment provisions applicable thereto) or Special Rate Loan, as the case may be, or as a result of a payment pursuant to Section 2.07(d), or as a result of acceleration of the maturity of the Advances and Special Rate Loans pursuant to Section 6.01 or for any other reason, or (2) by an Eligible Assignee to a Bank other than on the last day of the Interest Period (or the final maturity date in the case of an Auction Advance or Special Rate Loan) for such Advance or Special Rate Loan upon an assignment of rights and obligations under this Agreement pursuant to Section 8.07 as a result of a demand by the Borrower pursuant to Section 8.07(a), or an assignment of rights and obligations under this Agreement pursuant to Section 2.17 as a result of a demand by the Borrower, or (ii) the Borrower fails to convert or continue any Contract Advance hereunder after irrevocable notice of such conversion or continuation has been given pursuant to Section 2.04, then the Borrower shall, upon demand by the affected Bank (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Bank any amounts required to compensate such Bank for any additional losses, costs or expenses which it may reasonably incur as a result of such payment or failure, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund or maintain such Advance. A certificate of such Bank setting forth the amount demanded hereunder and the basis therefor shall, in the absence of manifest error, be conclusive and binding for all purposes.

SECTION 8.05. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section

6.01 to authorize the Administrative Agent to declare the Advances and Special Rate Loans due and payable pursuant to the provisions of Section 6.01, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Advances and Special Rate Loans made by such Bank, irrespective of whether or not such Bank shall have made any demand under this Agreement and although such obligations may be unmatured. Each Bank agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Bank, *provided* that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section 8.05 are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Bank may have.

SECTION 8.06. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and the Administrative Agent and when the Administrative Agent shall have been notified by each Bank that such Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent and each Bank and their respective successors and assigns.

SECTION 8.07. Assignments and Participations.

(a) Each Bank may and, if demanded by the Borrower pursuant to subsection (g) hereof, shall assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances and Special Rate Loans owing to it); *provided* that (i) each such assignment shall (except in the case of outstanding Auction Advances and Special Rate Loans) be of a constant, and not a varying, percentage of all of the rights and obligations of the Banks under this Agreement, (ii) the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than the lesser of (x) the amount set forth opposite the name of such Bank on Schedule I to this Agreement or in the Assignment and Acceptance pursuant to which the assigning Bank became a Bank, and (y) \$25,000,000, and shall be an integral multiple of \$1,000,000, unless otherwise agreed by the Borrower and the Administrative Agent, (iii) each such assignment shall be to an Eligible Assignee and (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing fee of \$3,500. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least three Business Days after the execution thereof, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto), *provided* that the obligations of the Borrower to the Bank assignor described in Sections 2.02(b), 2.11, 2.12, 2.15, 8.04 and 8.12 that arose prior to such assignment, and the obligations of the Bank assignor described in Sections 7.05 and 8.10 that arose prior to such assignment, shall survive the making of such assignment, notwithstanding that such Bank assignor may cease to be a "Bank" hereunder. Notwithstanding the foregoing, any Bank assigning its rights and obligations under this Agreement may retain any Auction Advances and any Special Rate Loans made by it outstanding at such time, and in such case shall retain its rights hereunder in respect of any Advances and Special Rate Loans so retained until such Advances and Special Rate Loans have been repaid in full in accordance with this Agreement.

Notwithstanding anything to the contrary contained in this Agreement, any Bank (a "Granting Bank") may grant to a special purpose vehicle (an "SPV") affiliated with such Granting Bank



(identified as such in writing from time to time by the Granting Bank to the Administrative Agent and the Borrower) the option to provide to the Borrower all or any part of any Advances or Special Rate Loans that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to Article II, *provided* that (i) nothing herein shall constitute a commitment by any SPV to make any Advances or Special Rate Loans, (ii) if an SPV elects not to exercise such option or otherwise fails to provide all or any part of such Advances or Special Rate Loans, the Granting Bank shall be obligated to make such Advances or Special Rate Loans pursuant to the terms hereof automatically and without any action by any other Person and (iii) the Borrower may bring any proceeding against either the Granting Bank or the SPV in order to enforce any rights of the Borrower hereunder. The making of an Advance or Special Rate Loan by an SPV hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Advance or Special Rate Loan were made by the Granting Bank. Each party hereto hereby agrees that no SPV shall be liable for any payment under this Agreement for which a Bank would otherwise be liable, for so long as, and to the extent, the related Granting Bank makes such payment. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPV, it will not institute against, or join any other Person in instituting against, such SPV any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof arising out of any claim against such SPV under this Agreement. In addition, notwithstanding anything to the contrary contained in this Agreement (1) any SPV may with notice to (but without the prior written consent of) the Borrower or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Advances or Special Rate Loans to its Granting Bank or to any financial institutions (consented to by the Borrower and the Administrative Agent) providing liquidity and/or credit support (if any) with respect to commercial paper issued by such SPV to fund such Advances or Special Rate Loans; and (2) such SPV may disclose, on a confidential basis, confidential information with respect to the Borrower and its Subsidiaries to any rating agency, commercial paper dealer or provider of a surety, guarantee or credit liquidity enhancement to such SPV. This paragraph may not be amended without the consent of each SPV at the time holding Advances or Special Rate Loans under this Agreement.

(b) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee, except for any required consent of the Borrower; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(c) The Administrative Agent shall maintain at its first address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the

Advances owing to, each Bank from time to time (the "Register"). Subject to Section 2.14(f), the entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee representing that it is an Eligible Assignee, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit B hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register, (iii) give prompt notice thereof to the Borrower and (iv) send a copy thereof to the Borrower.

(e) Each Bank may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances or Special Rate Loans owing to it); *provided* that (i) such Bank's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Administrative Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement and (iv) such Bank shall not agree with any such bank or other financial institution to permit such bank or other financial institution to enforce the obligations of the Borrower relating to the Advances or any Special Rate Loan or to approve of any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers with respect to any decrease in any fees payable hereunder or the amount of principal or rate of interest which is payable in respect of such Advances or Special Rate Loan or any extension of the dates fixed for the payment thereof).

(f) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Bank by or on behalf of the Borrower; *provided* that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any information relating to the Borrower or this Agreement received by it from such Bank in accordance with Section 8.10.

(g) If any Bank shall make demand for payment under or shall notify the Borrower that it is affected by an event described in Section 2.11 or 2.15 hereunder or shall notify the Administrative Agent pursuant to Section 2.13 hereunder, then within 15 days after such demand or such notice, the Borrower may (i) demand that such Bank assign in accordance with this Section 8.07 to one or more Eligible Assignees designated by the Borrower all (but not less than all) of such Bank's Commitment and the Advances and Special Rate Loans owing to it within the next succeeding 30 days, *provided* that, if any such Eligible Assignee designated by the Borrower shall fail to consummate such assignment on terms acceptable to such Bank, or if the Borrower shall fail to designate any such Eligible Assignees for all or part of such Bank's Commitment, Advances and Special Rate Loans, then such Bank may assign such Commitment, Advances and Special Rate Loans to any other Eligible Assignee in accordance with this Section 8.07 during such 30-day period or (ii) terminate all (but not less than all) of such Bank's Commitment and repay all (but not less than all) of such Bank's Advances and Special Rate Loans not so assigned on or before such 30th day in accordance with Sections 2.06 and 2.07(d) hereof (but without the requirements stated therein for ratable treatment of the Banks). Nothing in this Section 8.07(g) shall relieve the Borrower of its obligations for payment under Section 2.11 or 2.15 arising prior to an assignment or termination pursuant hereto.

(h) Any Bank may at any time assign all or any portion of its rights under this Agreement to a Federal Reserve Bank; *provided* that no such assignment shall release a Bank from any of its obligations hereunder. In connection with any such assignment or proposed assignment, the Borrower

will, promptly upon the request of any Bank, execute and deliver to such Bank a note evidencing the Borrower's obligations hereunder, in a form mutually satisfactory to the Borrower and such Bank.

(i) This Section 8.07 sets forth the exclusive manner by which a Bank may assign its rights and obligations hereunder or sell participations in or to its rights and obligations hereunder.

(j) Each Bank agrees to notify the Borrower of any assignment of or grant of a participating interest in any Advance or Special Rate Loan, and of the identity of the assignee or participant.

(k) The Borrower may not assign or delegate any rights or obligations hereunder without the prior written consent of each Bank.

SECTION 8.08. Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York.

SECTION 8.09. Submission to Jurisdiction; Service of Process; Jury Trial. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York state court sitting in New York City for the purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower shall at all times continue to be qualified to do business in and maintain an office in New York or, alternatively, shall maintain an agent for service of process in New York and shall provide the Administrative Agent with notice of the identity of such agent, such appointment to be documented in a manner satisfactory to the Administrative Agent. The Borrower hereby agrees that service of process in any such proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to it at its address referred to in Section 8.02. The Borrower irrevocably waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THIS AGREEMENT, THE ADVANCES, THE SPECIAL RATE LOANS OR THE ACTIONS OF THE BORROWER, THE ADMINISTRATIVE AGENT OR ANY BANK IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

SECTION 8.10. Treatment of Certain Information; Confidentiality.

(a) The Borrower acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to the Borrower or one or more of its Subsidiaries (in connection with this Agreement or otherwise) by any Bank or by one or more subsidiaries or affiliates of such Bank and the Borrower hereby authorizes each Bank to share any information delivered to such Bank by the Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Bank to enter into this Agreement, with any such subsidiary or affiliate, it being understood that any such subsidiary or affiliate receiving such information shall be bound by the provisions of paragraph (b) below as if it were a Bank hereunder. Such authorization shall survive the repayment of the Advances and Special Rate Loans and the termination of the Commitments.

(b) Each Bank and the Administrative Agent agrees that it will not disclose without the prior consent of the Borrower (other than to its affiliates and to its and its affiliates' directors, employees, auditors and counsel who are informed of and agree to respect the confidential nature of such information, and then only on a "need to know" basis in connection with this Agreement) any information (the "Information") with respect to the Borrower (or its business) which is furnished by or on behalf of the Borrower to such Bank or to the Administrative Agent in connection with this Agreement; *provided that*

the Banks and the Administrative Agent may disclose any such Information (i) that is or has become generally available to the public (other than as a result of a disclosure in violation of this Section 8.10) or is or becomes available to the Banks and the Administrative Agent on a non-confidential basis from a source other than the Borrower or its agents (unless, to the actual knowledge of the recipient Bank or the Administrative Agent, such information was provided by such source in violation of a confidentiality agreement), (ii) as may be required or appropriate in response to any summons or subpoena or in connection with any litigation, (iii) in order to comply with any applicable law or regulation, or in accordance with any order, ruling or regulatory practice of any bank regulatory agency (including, without limitation, the Board of Governors of the Federal Reserve System or any foreign bank regulatory agency) having or claiming jurisdiction over the relevant Bank or the Administrative Agent, and (iv) to a proposed assignee or participant in connection with any proposed assignment or participation permitted under Section 8.07 as provided in Section 8.07(f), or to a proposed contractual counterparty (or its advisors) to any securitization, hedge or other derivative transaction relating to a party's obligations hereunder, *provided* that such proposed assignee, participant or counterparty agrees in writing to be bound by the confidentiality provisions of this Section 8.10.

(c) In the event that any Bank or any Person receiving Information from such Bank becomes legally compelled to disclose any of the Information or the existence of this Agreement (other than to any bank regulatory agency referred to in Section 8.10(b)(iii) in the course of customary audits of the relevant Bank), such Bank shall provide the Borrower with notice of such event promptly upon obtaining knowledge thereof (*provided* that such notice is not otherwise prohibited by law) so that the Borrower may seek a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained, such Bank shall furnish only that portion of the Information which in its reasonable opinion it is legally required to disclose and shall disclose such Information in a manner reasonably designed to preserve its confidential nature.

(d) Each Bank acknowledges that disclosure of Information in violation of this Section 8.10 could have serious consequences, and agrees that, in the event of any breach of this Section 8.10 by any Bank or its representatives, the Borrower will be entitled to equitable relief (including injunctive relief and specific performance) in addition to all other remedies available to it at law or in equity.

(e) The confidentiality obligations of any proposed assignee that has executed a confidentiality letter prior to the date on which it becomes a Bank hereunder pursuant to Section 8.07(a) shall be superseded by this Section 8.10 upon the date upon which such assignee becomes a Bank.

(f) Each Bank's obligations and all of the Borrower's rights and remedies under this Section 8.10 shall survive any reduction in the Commitments, the termination of this Agreement or the return or destruction of the Information, in each case until the date one year after the termination of this Agreement.

SECTION 8.11. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 8.12. Indemnification.

(a) The Borrower agrees to indemnify and hold harmless the Administrative Agent, the Joint Lead Arrangers and each Bank and each of their respective officers, directors, employees, agents, advisors and representatives (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and reasonable expenses (including, without limitation, fees and disbursements of counsel), joint or several, that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to any investigation, litigation or proceeding or the preparation of any defense with respect thereto, arising out of or in connection with or relating to this Agreement or the transactions contemplated hereby or any use made or proposed to be

made with the proceeds of the Advances or Special Rate Loans, whether or not such investigation, litigation or proceeding is brought by the Borrower, any of its Subsidiaries, shareholders or creditors, an Indemnified Party or any other Person, or an Indemnified Party is otherwise a party thereto, and whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense (i) results from such Indemnified Party's gross negligence or willful misconduct or (ii) arises out of a final, non-appealable judgment against such Indemnified Party in favor of the Borrower on the basis of a breach of this Agreement. The foregoing indemnification shall not cover any such claims, damages, losses, liabilities or expenses relating to (i) any income, stamp or other taxes, imports, duties, charges, fees, deductions or withholdings imposed, levied, collected, withheld or assessed by the United States or any political subdivision or taxing authority thereof or therein (including Puerto Rico) or of the country in which any Bank's principal office or Applicable Lending Office may be located or any political subdivision or taxing authority thereof or therein; (ii) any costs (whenever imposed) to any Bank of agreeing to make or making, funding or maintaining any Advances or Special Rate Loans; or (iii) any capital required or expected to be maintained by any Bank or any corporation controlling such Bank as a result of such Bank's Commitment or its Advances or Special Rate Loans, but in each case without prejudice to Sections 2.02(b), 2.11, 2.12, 2.15 and 8.04.

(b) The Borrower agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Borrower or any of its Subsidiaries, shareholders or creditors or any other Person for or in connection with the transactions contemplated hereby, except to the extent such liability is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct; *provided* that (1) nothing in this clause (b) shall be deemed to constitute a waiver of any claim the Borrower may hereafter have for breach by any party of this Agreement; and (2) in no event shall any Indemnified Party be liable for any indirect or consequential damages.

SECTION 8.13. USA PATRIOT Act. Each Bank hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Bank to identify the Borrower in accordance with said Act. The U.S. Federal Tax Identification No. of the Borrower is 13-2626465.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

UNION PACIFIC CORPORATION

By  /S/ MARY S. JONES

Name: Mary S. Jones

Title: Vice President & Treasurer

JPMORGAN CHASE BANK, N.A.

as Administrative Agent

By  /S/ ROBERT P. KELLAS

Name: Robert P. Kellas

Title: Executive Director

BANKS

JPMORGAN CHASE BANK, N.A.

By /S/ ROBERT P. KELLAS

Name: Robert P. Kellas

Title: Executive Director

BANK OF AMERICA, N.A.

By /S/ IRENE BERTOZZI BARTENSTEIN

Name: Irene Bertozzi Bartenstein

Title: Principal

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,  
NEW YORK BRANCH

By /S/ LAWRENCE ELKINS

Name: Lawrence Elkins

Title: Authorized Signatory

BARCLAYS BANK PLC

By /S/ NICHOLAS BELL

Name: Nicholas Bell

Title: Director

BNP PARIBAS

By /S/ MIKE SHRYOCK

Name: Mike Shryock

Title: Managing Director

BNP PARIBAS

By /S/ BECKY ORTEGA

Name: Becky Ortega

Title: Vice President

CITIBANK, N.A.

By /S/ STEVE T. ZUVICH

Name: Steve T. Zuvich

Title: Vice President, National Corporate Banking,  
212-816-7304

CREDIT SUISSE, CAYMAN ISLANDS BRANCH

By /S/ JAY CHALL

Name: Jay Chall

Title: Director

By /S/ ALAIN SCHMID

Name: Alain Schmid

Title: Assistant Vice President

MORGAN STANLEY BANK

By /S/ DANIEL TWENGE

Name: Daniel Twenge

Title: Authorized Signatory, Morgan Stanley Bank

SUNTRUST BANK

By /S/ KAP YARBROUGH

Name: Kap Yarbrough

Title: Vice President

US BANK, NATIONAL ASSOCIATION

By /S/ KAREN NELSON

Name: Karen Nelson

Title: Vice President



ABN AMRO BANK N.V.

By /S/ ROBERT W. HART

Name: Robert W. Hart

Title: Senior Vice President

By /S/ DAVID J. THOMAS

Name: David J. Thomas

Title: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By /S/ GREG D. CAMPBELL

Name: Greg D. Campbell

Title: Vice President

MELLON BANK, N.A.

By /S/ MARK F. JOHNSON

Name: Mark F. Johnson

Title: First Vice President

MERRILL LYNCH BANK USA

By /S/ LOUIS ALDER

Name: Louis Alder

Title: Director

THE NORTHERN TRUST COMPANY

By /S/ REID A. ACORD

Name: Reid A. Acord

Title: Second Vice President

THE BANK OF NEW YORK

By /S/ WALTER C. PARELLI

Name: Walter C. Parelli

Title: Vice President

## SCHEDULE I

<b>Name of Bank</b>	<b>Commitment</b>
JPMorgan Chase Bank, N.A.	\$ 200,000,000
Bank of America, N.A.	\$ 200,000,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch	\$ 175,000,000
Barclays Bank PLC	\$ 175,000,000
BNP Paribas	\$ 175,000,000
Citibank, N.A.	\$ 175,000,000
Credit Suisse, Cayman Islands Branch	\$ 175,000,000
Morgan Stanley Bank	\$ 100,000,000
SunTrust Bank	\$ 100,000,000
US Bank, National Association	\$ 100,000,000
ABN Amro Bank N.V.	\$ 75,000,000
Wells Fargo Bank, National Association	\$ 75,000,000
Mellon Bank, N.A.	\$ 50,000,000
Merrill Lynch Bank USA	\$ 50,000,000
The Northern Trust Company	\$ 50,000,000
The Bank of New York	\$ 25,000,000
<b>Total</b>	<b>\$ 1,900,000,000.00</b>

Notice of Contract Borrowing

\_\_\_\_\_, 20\_\_

JPMorgan Chase Bank, N.A., as Administrative  
Agent for the Banks parties to the  
Credit Agreement referred to below  
270 Park Avenue  
New York, New York 10017  
Attention: Robert P. Kellas

JPMorgan Chase Bank, N.A.  
1111 Fannin – 10  
Houston, Texas 77002  
Attention: Alice H. Telles, Account Manager

Ladies and Gentlemen:

The undersigned, Union Pacific Corporation, refers to the 5-Year Revolving Credit Agreement, dated as of April 20, 2007 (as amended, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Banks and JPMorgan Chase Bank, N.A., as Administrative Agent for said Banks, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Contract Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Contract Borrowing (the "Proposed Contract Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Contract Borrowing is \_\_\_\_\_, 20\_\_.

(ii) The Type of Contract Advances comprising the Proposed Contract Borrowing is [Adjusted CD Rate Advances][Alternate Base Rate Advances] [Eurodollar Rate Contract Advances].

(iii) The aggregate amount of the Proposed Contract Borrowing is \$\_\_\_\_\_.

(iv) The Interest Period for each Contract Advance made as part of the Proposed Contract Borrowing is [\_\_ days] [\_\_ months[s]].

Very truly yours,

UNION PACIFIC CORPORATION

By: \_\_\_\_\_  
Title:

Notice of Auction Borrowing

\_\_\_\_\_, 20\_\_

JPMorgan Chase Bank, N.A., as Administrative  
Agent for the Banks parties to the Credit Agreement referred to below  
270 Park Avenue  
New York, New York 10017  
Attention: Robert P. Kellas

JPMorgan Chase Bank, N.A.  
1111 Fannin – 10  
Houston, Texas 77002  
Attention: Alice H. Telles, Account Manager

Ladies and Gentlemen:

The undersigned, Union Pacific Corporation, refers to the 5-Year Revolving Credit Agreement, dated as of April 20, 2007 (as amended, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Banks and JPMorgan Chase Bank, N.A., as Administrative Agent for said Banks, and hereby gives you notice pursuant to Section 2.03 of the Credit Agreement that the undersigned hereby requests an Auction Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Auction Borrowing (the "Proposed Auction Borrowing") is requested to be made:

- 1. Date of Auction Borrowing \_\_\_\_\_
- 2. Type of Auction Advances comprising the Proposed Auction Borrowing (Eurodollar Rate Auction Advance or Fixed Rate Auction Advance) \_\_\_\_\_
- 3. Amount of Auction Borrowing \_\_\_\_\_
- 4. Maturity date \_\_\_\_\_
- 5. Interest payment date(s) \_\_\_\_\_
- 6. Prepayment provisions \_\_\_\_\_
- 7. \_\_\_\_\_
- 8. \_\_\_\_\_

Very truly yours,

UNION PACIFIC CORPORATION

By: \_\_\_\_\_  
Title:

EXHIBIT B

Assignment and Acceptance

Dated \_\_\_\_\_, 20\_\_

Reference is made to the 5-Year Revolving Credit Agreement, dated as of April 20, 2007 (as amended, the "Credit Agreement"), among Union Pacific Corporation, a Utah corporation (the "Borrower"), the Banks and JPMorgan Chase Bank, N.A., as Administrative Agent for the Banks (the "Administrative Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

\_\_\_\_\_ (the "Assignor") and \_\_\_\_\_ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, without recourse and without any representations and warranties of the Assignor except as specifically set forth below, and the Assignee hereby purchases and assumes from the Assignor, a portion of the Assignor's rights and obligations under the Credit Agreement as of the Effective Date (as defined below) equal to a \_\_\_\_\_%<sup>1</sup> interest in and to all of the rights and obligations of the Banks under the Credit Agreement (including, without limitation, such percentage interest in the Commitments as in effect on the Effective Date and the [Contract] Advances [and Special Rate Loans]<sup>2</sup>, if any, outstanding on the Effective Date).

2. The Assignor (i) represents and warrants that as of the date hereof its Commitment (without giving effect to assignments thereof which have not yet become effective) is \$\_\_\_\_\_ and the aggregate outstanding principal amount of [Contract] Advances [and Special Rate Loans]<sup>2</sup> owing to it (without giving effect to assignments thereof which have not yet become effective) is \$\_\_\_\_\_; (ii) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (iii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; (iv) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Person or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Administrative Agent, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee, except for any required consent of the Borrower; (iv) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to

<sup>1</sup> Specify percentage to no more than four decimal points.

<sup>2</sup> Include if Special Rate Loans are to be assigned.

the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank; and (vi) specifies as its CD Lending Office, Domestic Lending Office (and address for notices) and Eurodollar Lending Office the offices set forth beneath its name on the signature pages hereof.

4. The effective date for this Assignment and Acceptance shall be \_\_\_\_\_ (the "Effective Date").<sup>3</sup> Following the execution of this Assignment and Acceptance, it will be delivered to the Administrative Agent for acceptance and recording by the Administrative Agent.

5. Upon such acceptance and recording, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Bank thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement, except as otherwise expressly provided therein.

6. Upon such acceptance and recording, from and after the Effective Date, the Administrative Agent shall make all payments under the Credit Agreement in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Effective Date directly between themselves.

**7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the law of the State of New York.**

[NAME OF ASSIGNOR]

By: \_\_\_\_\_  
Title: \_\_\_\_\_

[NAME OF ASSIGNEE]

By: \_\_\_\_\_  
Title: \_\_\_\_\_

<sup>3</sup> See Section 8.07(a) of the Credit Agreement. Such date shall be at least three Business Days after the execution of this Assignment and Acceptance.

Accepted this \_\_ day  
of \_\_\_\_\_, 20\_\_

JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent

By: \_\_\_\_\_  
Title:

Consented this \_\_\_\_\_ day  
of \_\_\_\_\_, 20\_\_

UNION PACIFIC CORPORATION

By: \_\_\_\_\_  
Title:



EXHIBIT C

[FORM OF OPINION OF COUNSEL FOR THE BORROWER]

April 20, 2007

To each of the Banks party to the  
5-Year Revolving Credit  
Agreement, dated as of  
the date hereof among Union  
Pacific Corporation, said Banks,  
and JPMorgan Chase Bank, N.A., as  
Administrative Agent for said Banks; and

To JPMorgan Chase Bank, N.A.,  
as Administrative Agent

I am the Assistant General Counsel of Union Pacific Corporation, a Utah corporation (the "Borrower"), and have acted in such capacity in connection with the execution and delivery of the 5-Year Revolving Credit Agreement, dated as of April 20, 2007 (the "Agreement"), among the Borrower, the Banks parties thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.

This opinion is delivered to you pursuant to subsection 3.01(c) of the Agreement. Terms used herein which are defined in the Agreement shall have the respective meanings set forth in the Agreement, unless otherwise defined herein.

In connection with this opinion, I, or attorneys under my supervision, have examined executed copies of the Agreement and such corporate documents and records of the Borrower and its Subsidiaries, certificates of public officials and officers of the Borrower and its Subsidiaries, and such other documents, as I have deemed necessary or appropriate for the purposes of this opinion. In rendering this opinion I have assumed, without independent investigation: (i) the authenticity of all documents submitted to me as originals; (ii) the conformity to original documents of all documents submitted to me as certified or photostatic copies; and (iii) the genuineness of all signatures. As to questions of material fact to the opinions expressed herein, I have relied upon such certificates of public officials, corporate agents and officers of the Borrower and such other documents or certifications as I deemed relevant.

Based upon the foregoing and the other qualifications and limitations set forth herein, I am of the opinion that:

1. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Utah.
2. The execution, delivery and performance by the Borrower of the Agreement are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's charter or By-laws or (ii) any law, statute, regulation or order of any governmental agency or (iii) to the best of my knowledge, any contractual restriction binding on or affecting the Borrower. The Agreement has been duly executed and delivered by the Borrower.
3. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of the Agreement.
4. The Agreement is a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other similar laws relating to, or

affecting the rights of, creditors generally and except as to the enforceability of the Agreement with respect to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, (a) the possible unavailability of specific performance, injunctive relief or any other equitable remedy and (b) concepts of materiality, reasonableness, and good faith and fair dealing.

5. There is no pending or threatened action or proceeding affecting the Borrower or any of its consolidated Subsidiaries before any court, governmental agency or arbitrator, (i) which purports to affect the legality, validity or enforceability of the Agreement, or (ii) except as set forth in the Borrower's annual report on Form 10-K for the fiscal year ended December 31, 2004, which may materially adversely affect the financial condition or operations of the Borrower or any of its Subsidiaries, taken as a whole.

The foregoing opinions are subject to the following comments and qualifications:

(A) The enforceability of Section 8.12 of the Agreement may be limited by (i) laws rendering unenforceable indemnification contrary to Federal or state securities laws and the public policy underlying such laws and (ii) laws limiting the enforceability of provisions exculpating or exempting a party, or requiring indemnification of a party for, liability for its own action or inaction, to the extent the action or inaction involved gross negligence, recklessness, willful misconduct or unlawful conduct.

(B) The enforceability of provisions in the Agreement to the effect that terms may not be waived or modified except in writing may be limited under certain circumstances.

(C) I express no opinion as to (i) the effect of the laws of any jurisdiction in which any Bank is located (other than the State of New York) that limit the interest, fees, or other charges such Bank may impose, (ii) the last sentence of Section 2.16 of the Agreement, (iii) the first sentence of Section 8.09 of the Agreement, insofar as such sentence relates to the subject matter jurisdiction of the United States District Court for the Southern District of New York to adjudicate any controversy relating to the Agreement, and (iv) the waiver of inconvenient forum set forth in Section 8.09 of the Agreement with respect to proceedings in Federal courts.

I am a member of the Bar of the State of New York and do not purport to be an expert on any laws other than the laws of the State of New York and the Federal laws of the United States of America, and except as provided in the next sentence, this opinion is limited to the present law of such State and the present Federal law of the United States of America. To the extent that this opinion relates to matters under the laws of the State of Utah, I have relied on the opinion of J. Clare Williams, Esq., General Solicitor in Utah for Union Pacific Railroad Company and Utah counsel for the Borrower, a copy of which is attached hereto. Such opinion is satisfactory in form and substance to me and I believe that you and I are justified in relying thereon. This opinion may be relied upon by you solely with respect to the matters specifically set forth herein, and, without the prior written consent of Union Pacific Corporation, may not be furnished in any manner to, or relied upon by, any other person or entity for any purpose, provided that this opinion letter may be furnished without the prior written consent of Union Pacific Corporation (i) to your affiliates, counsel, accountants and agents, (ii) as required by applicable law or regulation, (iii) pursuant to judicial process or government order or requirement, (iv) to your actual or prospective successors, assigns and transferees, (v) in connection with any enforcement of rights in respect of the transactions described herein and (vi) to any rating agencies.

Very truly yours,

James J. Theisen, Jr., Esq.  
Union Pacific Corporation  
1416 Dodge Street  
Omaha, Nebraska 68179

To each of the Banks party to the  
5-Year Revolving Credit  
Agreement, dated as of  
the date hereof, among Union Pacific  
Corporation, said Banks, and JPMorgan  
Chase Bank, N.A., as Administrative Agent  
for said Banks; and

To JPMorgan Chase Bank, N.A., as  
Administrative Agent

As Utah counsel for Union Pacific Corporation, a Utah corporation (the "Borrower"), I am familiar with the 5-Year Revolving Credit Agreement, dated as of the date hereof (the "Agreement"), among the Borrower, the Banks parties thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. Terms used herein which are defined in the Agreement shall have the respective meanings set forth in the Agreement, unless otherwise defined herein.

In connection with this opinion, I have examined copies of the Agreement and such corporate documents and records of the Borrower and its Subsidiaries, certificates of public officials and officers of the Borrower and its Subsidiaries, and such other documents as I have deemed necessary or appropriate for the purposes of this opinion. . In rendering this opinion I have assumed, without independent investigation: (i) the authenticity of all documents submitted to me as originals; (ii) the conformity to original documents of all documents submitted to me as certified or photostatic copies; and (iii) the genuineness of all signatures. As to questions of material fact to the opinions expressed herein, I have relied upon such certificates of public officials, corporate agents and officers of the Borrower and such other documents or certifications as I deemed relevant.

Based upon the foregoing and the other qualifications and limitations set forth herein, I am of the opinion that:

1. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Utah.
2. The execution, delivery, and performance by the Borrower of the Agreement are within the Borrower's corporate powers and do not contravene any Utah law, statute, regulation or order of any governmental agency in the State of Utah.
3. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body of the State of Utah is required for the due execution, delivery, and performance by the Borrower of the Agreement.

4. Insofar as the laws of the State of Utah may be applicable, the Agreement is a legal, valid, and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other similar laws relating to or affecting the rights of creditors generally and except as to the enforceability of the Agreement with respect to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, (a) the possible unavailability of specific performance, injunctive relief or any other equitable remedy and (b) concepts of materiality, reasonableness, and good faith and fair dealing.

The foregoing opinions are subject to the following comments and qualifications:

(A) The enforceability of Section 8.12 of the Agreement may be limited by (i) laws rendering unenforceable indemnification contrary to Federal or state securities laws and the public policy underlying such laws and (ii) laws limiting the enforceability of provisions exculpating or exempting a party, or requiring indemnification of a party, for liability for its own action or inaction, to the extent the action or inaction involved gross negligence, recklessness, willful misconduct or unlawful conduct.

(B) The enforceability of provisions in the Agreement to the effect that terms may not be waived or modified except in writing may be limited under certain circumstances.

(C) I express no opinion as to (i) the effect of the laws of any jurisdiction in which any Bank is located (other than the State of Utah) that limit the interest, fees, or other charges such Bank may impose, (ii) the last sentence of Section 2.16 of the Agreement, (iii) the first sentence of Section 8.09 of the Agreement, insofar as such sentence relates to the subject matter jurisdiction of the United States District Court for the Southern District of New York to adjudicate any controversy relating to the Agreement, and (iv) the waiver of inconvenient forum set forth in Section 8.09 of the Agreement with respect to the proceedings in federal courts.

This opinion may be relied upon by you solely with respect to the matters specifically set forth herein, and, without the prior written consent of Union Pacific Corporation, may not be furnished in any manner to, or relied upon by, any other person or entity for any purpose, provided that this opinion letter may be furnished without the prior written consent of Union Pacific Corporation (i) to your affiliates, counsel, accountants and agents, (ii) as required by applicable law or regulation, (iii) pursuant to judicial process or government order or requirement, (iv) to your actual or prospective successors, assigns and transferees, (v) in connection with any enforcement of rights in respect of the transactions described herein and (vi) to any rating agencies.

Very truly yours,

EXHIBIT D

[FORM OF OPINION OF SPECIAL  
NEW YORK COUNSEL TO THE ADMINISTRATIVE AGENT]

April 20, 2007

To each of the Banks party to the  
Credit Agreement referred to below

To JPMorgan Chase Bank, N.A.,  
as Administrative Agent

Re: Union Pacific Corporation

Ladies and Gentlemen:

We have acted as special New York counsel to JPMorgan Chase Bank, N.A., as Administrative Agent (as hereinafter defined), in connection with the 5-Year Revolving Credit Agreement dated as of April 20, 2007 (the "Credit Agreement") among Union Pacific Corporation (the "Borrower"), the banks named therein (the "Banks") and JPMorgan Chase Bank, N.A., as administrative agent for the Banks (in such capacity, the "Administrative Agent"). Terms defined in the Credit Agreement have the same respective defined meanings when used herein. This opinion letter is being delivered pursuant to Section 3.01(d) of the Credit Agreement.

In rendering the opinion expressed below, we have examined an executed counterpart of the Credit Agreement. In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with authentic original documents of all documents submitted to us as copies. When relevant facts were not independently established, we have relied upon representations made in or pursuant to the Credit Agreement.

In rendering the opinion expressed below, we have also assumed that:

- (i) the Credit Agreement has been duly authorized, executed and delivered by, and (except to the extent set forth in the opinion below as to the Borrower) constitutes a legal, valid, binding and enforceable obligation of, all of the parties thereto;
- (ii) all signatories to the Credit Agreement have been duly authorized; and
- (iii) all of the parties to the Credit Agreement are duly organized and validly existing and have the power and authority (corporate or other) to execute, deliver and perform the Credit Agreement.

Based upon and subject to the foregoing and subject also to the comments and qualifications set forth below, and having considered such questions of law as we have deemed necessary as a basis for the opinion expressed below, we are of the opinion that the Credit Agreement constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent

conveyance or transfer or other similar laws relating to or affecting the rights of creditors generally, and except as the enforceability of the Credit Agreement is subject to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, (a) the possible unavailability of specific performance, injunctive relief or any other equitable remedy and (b) concepts of materiality, reasonableness, good faith and fair dealing.

The foregoing opinion is also subject to the following comments and qualifications:

(A) The enforceability of Section 8.12 of the Credit Agreement may be limited by laws limiting the enforceability of provisions exculpating or exempting a party from, or requiring indemnification of a party for, liability for its own action or inaction, to the extent the action or inaction involves gross negligence, recklessness, willful misconduct or unlawful conduct.

(B) The enforceability of provisions in the Credit Agreement to the effect that terms may not be waived or modified except in writing may be limited under certain circumstances.

(C) We express no opinion as to (i) the effect of the laws of any jurisdiction in which any Bank is located (other than the State of New York) that limit the interest, fees or other charges such Bank may impose for the loan or use of money or other credit, (ii) the last sentence of Section 2.16 of the Credit Agreement, (iii) Section 8.05 of the Credit Agreement, (iv) the first sentence of Section 8.09 of the Credit Agreement, insofar as such sentence relates to the subject matter jurisdiction of the United States District Court for the Southern District of New York to adjudicate any controversy related to the Credit Agreement, or (v) the waiver of inconvenient forum set forth in Section 8.09 of the Credit Agreement with respect to proceedings in the United States District Court for the Southern District of New York.

The foregoing opinion is limited to matters involving the Federal laws of the United States and the law of the State of New York, and we do not express any opinion as to the law of any other jurisdiction.

At the request of our client, this opinion letter is, pursuant to Section 3.01(d) of the Credit Agreement, provided to you by us in our capacity as special New York counsel to the Administrative Agent and may not be relied upon by any other Person or for any purpose other than in connection with the transactions contemplated by the Credit Agreement without, in each instance, our prior written consent.

Very truly yours,