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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 March 31, 2013**

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes       No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company

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

Yes       No

As of April 12, 2013, there were 466,778,645 shares of the Registrant's Common Stock outstanding.

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**PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements****Condensed Consolidated Statements of Income (Unaudited)***Union Pacific Corporation and Subsidiary Companies*

<i>Millions, Except Per Share Amounts, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>
Operating revenues:		
Freight revenues	\$ 4,984	\$ 4,823
Other revenues	306	289
Total operating revenues	5,290	5,112
Operating expenses:		
Compensation and benefits	1,216	1,211
Fuel	900	926
Purchased services and materials	557	526
Depreciation	434	427
Equipment and other rents	313	296
Other	237	216
Total operating expenses	3,657	3,602
Operating income	1,633	1,510
Other income (Note 6)	40	16
Interest expense	(128)	(135)
Income before income taxes	1,545	1,391
Income taxes	(588)	(528)
Net income	\$ 957	\$ 863
Share and Per Share (Note 8):		
Earnings per share - basic	\$ 2.05	\$ 1.81
Earnings per share - diluted	\$ 2.03	\$ 1.79
Weighted average number of shares - basic	467.8	477.8
Weighted average number of shares - diluted	470.5	481.4
Dividends declared per share	\$ 0.69	\$ 0.60

**Condensed Consolidated Statements of Comprehensive Income (Unaudited)***Union Pacific Corporation and Subsidiary Companies*

<i>Millions, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>
Net income	\$ 957	\$ 863
Other comprehensive income:		
Defined benefit plans	14	(7)
Foreign currency translation	3	15
Total other comprehensive income [a]	17	8
Comprehensive income	\$ 974	\$ 871

[a] Net of deferred taxes of \$12 million and \$8 million during the three months ended March 31, 2013 and 2012, respectively.

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

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*Union Pacific Corporation and Subsidiary Companies*

<i>Millions, Except Share and Per Share Amounts</i>	<b>March 31, 2013</b>	<b>December 31, 2012</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,917	\$ 1,063
Accounts receivable, net (Note 10)	1,512	1,331
Materials and supplies	655	660
Current deferred income taxes (Note 7)	251	263
Other current assets	311	297
Total current assets	4,646	3,614
Investments	1,240	1,259
Net properties (Note 11)	42,376	41,997
Other assets	299	283
Total assets	\$ 48,561	\$ 47,153
<b>Liabilities and Common Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and other current liabilities (Note 12)	\$ 3,058	\$ 2,923
Debt due within one year (Note 14)	552	196
Total current liabilities	3,610	3,119
Debt due after one year (Note 14)	9,309	8,801
Deferred income taxes (Note 7)	13,288	13,108
Other long-term liabilities	2,210	2,248
Commitments and contingencies (Note 16)		
Total liabilities	28,417	27,276
Common shareholders' equity:		
Common shares, \$2.50 par value, 800,000,000 authorized; 554,858,135 and 554,558,034 issued; 467,137,922 and 469,465,273 outstanding, respectively	1,387	1,386
Paid-in-surplus	4,134	4,113
Retained earnings	22,905	22,271
Treasury stock	(7,113)	(6,707)
Accumulated other comprehensive loss (Note 9)	(1,169)	(1,186)
Total common shareholders' equity	20,144	19,877
Total liabilities and common shareholders' equity	\$ 48,561	\$ 47,153

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*

<i>Millions, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>
<b>Operating Activities</b>		
Net income	\$ 957	\$ 863
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	434	427
Deferred income taxes and unrecognized tax benefits	184	124
Other operating activities, net	4	17
Changes in current assets and liabilities:		
Accounts receivable, net	(181)	74
Materials and supplies	5	(68)
Other current assets	(14)	(58)
Accounts payable and other current liabilities	135	25
Cash provided by operating activities	1,524	1,404
<b>Investing Activities</b>		
Capital investments	(782)	(804)
Proceeds from asset sales	17	13
Other investing activities, net	(35)	(39)
Cash used in investing activities	(800)	(830)
<b>Financing Activities</b>		
Debt issued (Note 14)	944	-
Common share repurchases (Note 17)	(374)	(433)
Dividends paid	(323)	(289)
Debt repaid	(83)	(72)
Other financing activities, net	(34)	(2)
Cash provided by/(used in) financing activities	130	(796)
Net change in cash and cash equivalents	854	(222)
Cash and cash equivalents at beginning of year	1,063	1,217
Cash and cash equivalents at end of period	\$ 1,917	\$ 995
<b>Supplemental Cash Flow Information</b>		
Non-cash investing and financing activities:		
Cash dividends declared but not yet paid	\$ 318	\$ 282
Capital investments accrued but not yet paid	107	118
Common shares repurchased but not yet paid	20	-
Cash paid for:		
Interest, net of amounts capitalized	\$ (179)	\$ (198)
Income taxes, net of refunds	(39)	(102)

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

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

*Union Pacific Corporation and Subsidiary Companies*

<i>Millions</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>AOCI [a]</i>	<i>Total</i>
Balance at January 1, 2012	554.3	(74.4)	\$ 1,386	\$ 4,031	\$ 19,508	\$ (5,293)	\$ (1,054)	\$ 18,578
Net income			-	-	863	-	-	863
Other comp. income			-	-	-	-	8	8
Conversion, stock option exercises, forfeitures, and other	0.3	0.6	1	25	-	-	-	26
Share repurchases (Note 17)	-	(3.9)	-	-	-	(433)	-	(433)
Cash dividends declared (\$0.60 per share)	-	-	-	-	(287)	-	-	(287)
Balance at March 31, 2012	554.6	(77.7)	\$ 1,387	\$ 4,056	\$ 20,084	\$ (5,726)	\$ (1,046)	\$ 18,755
Balance at January 1, 2013	554.6	(85.1)	\$ 1,386	\$ 4,113	\$ 22,271	\$ (6,707)	\$ (1,186)	\$ 19,877
Net income			-	-	957	-	-	957
Other comp. income			-	-	-	-	17	17
Conversion, stock option exercises, forfeitures, and other	0.2	0.3	1	21	-	(12)	-	10
Share repurchases (Note 17)	-	(2.9)	-	-	-	(394)	-	(394)
Cash dividends declared (\$0.69 per share)	-	-	-	-	(323)	-	-	(323)
<b>Balance at March 31, 2013</b>	<b>554.8</b>	<b>(87.7)</b>	<b>\$ 1,387</b>	<b>\$ 4,134</b>	<b>\$ 22,905</b>	<b>\$ (7,113)</b>	<b>\$ (1,169)</b>	<b>\$ 20,144</b>

[a] AOCI = Accumulated Other Comprehensive Income/(Loss) (See Note 9)

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. Basis of Presentation

Our Condensed Consolidated Financial Statements are unaudited and reflect all adjustments (consisting 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). Our Consolidated Statement of Financial Position at December 31, 2012, 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 2012 Annual Report on Form 10-K. The results of operations for the three months ended March 31, 2013, are not necessarily indicative of the results for the entire year ending December 31, 2013.

The Condensed Consolidated Financial Statements are presented in accordance with GAAP as codified in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

### 2. Adoption of New Accounting Pronouncement

On February 5, 2013, the FASB issued Accounting Standards Update 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02)*, which adds additional disclosure requirements for items reclassified out of accumulated other comprehensive income. We adopted this ASU during the three months ended March 31, 2013.

### 3. Operations and Segmentation

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable operating segment. Although we provide and review revenue by commodity group, we analyze the net financial results of the Railroad as one segment due to the integrated nature of our rail network. The following table provides freight revenue by commodity group:

<i>Millions, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>
Agricultural	\$ 784	\$ 858
Automotive	487	430
Chemicals	873	768
Coal	936	995
Industrial Products	916	863
Intermodal	988	909
Total freight revenues	\$ 4,984	\$ 4,823
Other revenues	306	289
Total operating revenues	\$ 5,290	\$ 5,112

Although our revenues are principally derived from customers domiciled in the U.S., the ultimate points of origination or destination for some products transported by us are outside the U.S. Each of our commodity groups includes revenue from shipments to and from Mexico. Included in the above table are revenues from our Mexico business which amounted to \$505 million and \$482 million, respectively for the three months ended March 31, 2013 and March 31, 2012.

#### 4. 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 have elected to issue treasury shares to cover option exercises and stock unit vestings, while new shares are issued when retention shares are granted. Information regarding stock-based compensation appears in the table below:

<i>Millions, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>
Stock-based compensation, before tax:		
Stock options	\$ 4	\$ 5
Retention awards	21	20
Total stock-based compensation, before tax	\$ 25	\$ 25
Excess tax benefits from equity compensation plans	\$ 46	\$ 39

**Stock Options** – We estimate the fair value of our stock option awards using the Black-Scholes option pricing model. The table below shows the annual weighted-average assumptions used for valuation purposes:

<i>Weighted-Average Assumptions</i>	<b>2013</b>	<b>2012</b>
Risk-free interest rate	0.8%	0.8%
Dividend yield	2.1%	2.1%
Expected life (years)	5.0	5.3
Volatility	36.2%	36.8%
Weighted-average grant-date fair value of options granted	\$ 34.98	\$ 31.29

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.

A summary of stock option activity during the three months ended March 31, 2013 is presented below:

	<i>Options (thous.)</i>	<i>Weighted- Average Exercise Price</i>	<i>Weighted-Average Remaining Contractual Term</i>	<i>Aggregate Intrinsic Value (millions)</i>
Outstanding at January 1, 2013	4,289	\$ 65.68	5.8 yrs.	\$ 258
Granted	572	132.00	N/A	N/A
Exercised	(333)	53.17	N/A	N/A
Forfeited or expired	(14)	103.73	N/A	N/A
Outstanding at March 31, 2013	4,514	\$ 74.89	6.1 yrs.	\$ 305
Vested or expected to vest at March 31, 2013	4,476	\$ 74.52	6.1 yrs.	\$ 304
Options exercisable at March 31, 2013	3,359	\$ 59.45	5.1 yrs.	\$ 279

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 March 31, 2013 are subject to performance or market-based vesting conditions.



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At March 31, 2013, there was \$31 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, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>
Intrinsic value of stock options exercised	\$ 28	\$ 62
Cash received from option exercises	14	21
Treasury shares repurchased for employee payroll taxes	(5)	(8)
Tax benefit realized from option exercises	11	24
Aggregate grant-date fair value of stock options vested	16	16

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

Changes in our retention awards during the three months ended March 31, 2013 were as follows:

	<i>Shares (thous.)</i>	<i>Weighted-Average Grant-Date Fair Value</i>
Nonvested at January 1, 2013	2,355	\$ 73.27
Granted	420	132.00
Vested	(846)	47.46
Forfeited	(24)	78.52
Nonvested at March 31, 2013	1,905	\$ 97.61

Retention awards are granted at no cost to the employee or non-employee director and vest over periods lasting up to four years. At March 31, 2013, there was \$105 million of total unrecognized compensation expense related to nonvested retention awards, which is expected to be recognized over a weighted-average period of 2.2 years.

**Performance Retention Awards** – In February 2013, our Board of Directors approved performance stock unit grants. Other than different performance targets, the basic terms of these performance stock units are identical to those granted in February 2011 and February 2012, including using annual return on invested capital (ROIC) as the performance measure. We define ROIC as net operating profit adjusted for interest expense (including interest on the present value of operating leases) and taxes on interest divided by average invested capital adjusted for the present value of operating leases.

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 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.

The assumptions used to calculate the present value of estimated future dividends related to the February 2013 grant were as follows:

	<b>2013</b>
Dividend per share per quarter	\$ 0.69
Risk-free interest rate at date of grant	0.4%

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Changes in our performance retention awards during the three months ended March 31, 2013 were as follows:

	Shares (thous.)	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2013	1,075	\$ 83.80
Granted	304	125.14
Vested	(401)	58.33
Forfeited	(22)	95.89
Nonvested at March 31, 2013	956	\$ 107.35

At March 31, 2013, there was \$65 million of total unrecognized compensation expense related to nonvested performance retention awards, which is expected to be recognized over a weighted-average period of 1.8 years. This expense is subject to achievement of the ROIC levels established for the performance stock unit grants.

## 5. 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.

*Other Postretirement Benefits (OPEB)* – We provide 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 in accumulated other comprehensive income and, if necessary, amortized as pension or OPEB expense.

The components of our net periodic pension and OPEB cost/(benefit) were as follows for the three months ended March 31:

Millions	Pension		OPEB	
	2013	2012	2013	2012
Service cost	\$ 19	\$ 13	\$ 1	\$ 1
Interest cost	33	35	3	3
Expected return on plan assets	(51)	(47)	-	-
Amortization of:				
Prior service credit	-	-	(4)	(4)
Actuarial loss	26	21	4	3
Net periodic pension cost	\$ 27	\$ 22	\$ 4	\$ 3

## Cash Contributions

For the three months ended March 31, 2013, we made \$14 million of cash contributions to the qualified pension plan. Any additional contributions made during 2013 will be based on cash generated from operations and financial market considerations. All contributions made to the qualified pension plan during the three months ended March 31, 2013 were voluntary and were made with cash generated from operations. Our policy with respect to funding the qualified plans is to fund at least the minimum required by law and not more than the maximum amount deductible for tax purposes. At March 31, 2013, we do not have minimum cash funding requirements for 2013.

## 6. Other Income

Other income included the following:

<i>Millions, for the Three Months Ended March 31,</i>	<b>2013 [a]</b>	<b>2012</b>
Rental income	\$ 37	\$ 20
Net gain on non-operating asset dispositions	4	1
Non-operating environmental costs and other	(1)	(5)
<b>Total</b>	<b>\$ 40</b>	<b>\$ 16</b>

[a] Rental income includes \$17 million related to a land lease contract settlement.

## 7. Income Taxes

Internal Revenue Service (IRS) examinations have been completed and settled for all years prior to 2005, although some interest calculations remain open for years prior to 2005. The IRS has completed its examinations and issued notices of deficiency for years 2005 through 2008. We disagree with many of their proposed adjustments, and we are at IRS Appeals for these years. The IRS is examining years 2009 and 2010, and we expect to receive their exam report in 2013. Additionally, several state tax authorities are examining our state income tax returns for years 2003 through 2010.

At March 31, 2013, our liability for unrecognized tax benefits was \$119 million. Of that amount, \$6 million is classified as a current asset in the Condensed Consolidated Statements of Financial Position.

## 8. Earnings Per Share

The following table provides a reconciliation between basic and diluted earnings per share:

<i>Millions, Except Per Share Amounts, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>
Net income	\$ 957	\$ 863
Weighted-average number of shares outstanding:		
Basic	467.8	477.8
Dilutive effect of stock options	1.4	2.2
Dilutive effect of retention shares and units	1.3	1.4
Diluted	470.5	481.4
Earnings per share – basic	\$ 2.05	\$ 1.81
Earnings per share – diluted	\$ 2.03	\$ 1.79
Stock options excluded as their inclusion would be antidilutive	0.4	0.4

## 9. Accumulated Other Comprehensive Income/(Loss)

Reclassifications out of accumulated other comprehensive income/(loss) for the three months ended March 31, 2013 and 2012, were as follows (net of tax):

<i>Millions</i>	<i>Defined benefit plans</i>	<i>Foreign currency translation</i>	<i>Derivatives</i>	<i>Total</i>
Balance at January 1, 2013	\$ (1,149)	\$ (36)	\$ (1)	\$ (1,186)
Other comprehensive income/(loss) before reclassifications	(2)	3	-	1
Amounts reclassified from accumulated other comprehensive income/(loss) [a]	16	-	-	16
Net year-to-date other comprehensive income/(loss), net of taxes of \$12 million	14	3	-	17
Balance at March 31, 2013	\$ (1,135)	\$ (33)	\$ (1)	\$ (1,169)
Balance at January 1, 2012	\$ (1,004)	\$ (48)	\$ (2)	\$ (1,054)
Other comprehensive income/(loss) before reclassifications	(7)	15	-	8
Amounts reclassified from accumulated other comprehensive income/(loss)	-	-	-	-
Net year-to-date other comprehensive income/(loss), net of taxes of \$8 million	(7)	15	-	8
Balance at March 31, 2012	\$ (1,011)	\$ (33)	\$ (2)	\$ (1,046)

[a] The accumulated other comprehensive income/(loss) reclassification components are 1) prior service cost/(benefit) and 2) net actuarial loss which are both included in the computation of net periodic pension cost. See Note 5 Retirement Plans for additional details.

## 10. Accounts Receivable

Accounts receivable includes freight and other receivables reduced by an allowance for doubtful accounts. The allowance is based upon historical losses, credit worthiness of customers, and current economic conditions. At both March 31, 2013 and December 31, 2012, our accounts receivable were reduced by \$4 million. Receivables not expected to be collected in one year and the associated allowances are classified as other assets in our Condensed Consolidated Statements of Financial Position. At March 31, 2013 and December 31, 2012, receivables classified as other assets were reduced by allowances of \$26 million and \$33 million, respectively.

**Receivables Securitization Facility** – The Railroad maintains a \$600 million, 364-day receivables securitization facility under which it sells most of its eligible third-party receivables to Union Pacific Receivables, Inc. (UPRI), a wholly-owned, bankruptcy-remote subsidiary which may subsequently transfer, without recourse an undivided interest in accounts receivable to investors. The amount outstanding under the facility was \$400 million and \$100 million at March 31, 2013 and December 31, 2012, respectively. The amount outstanding under the facility was supported by \$1.2 billion and \$1.1 billion of accounts receivable as collateral at March 31, 2013 and December 31, 2012, respectively, which, as a retained interest, is included in accounts receivable, net in our Condensed Consolidated Statements of Financial Position.

The outstanding amounts the Railroad is allowed to maintain under the facility, with a maximum of \$600 million, may fluctuate based on the availability of eligible receivables and is directly affected by business volumes and credit risks, including receivables payment quality measures such as default and dilution ratios. If default or dilution ratios increase one percent, amounts allowed to be outstanding under the facility would not materially change.

The costs of the receivables securitization facility include interest, which will vary based on prevailing commercial paper rates, program fees paid to banks, commercial paper issuing costs, and fees for

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unused commitment availability. The costs of the receivables securitization facility are included in interest expense and were \$1 million for the three months ended March 31, 2013 and 2012.

The investors have no recourse to the Railroad's other assets except for customary warranty and indemnity claims. Creditors of the Railroad do not have recourse to the assets of UPRI.

In July 2012, the receivables securitization facility was renewed for an additional 364-day period at comparable terms and conditions.

### 11. Properties

The following tables list the major categories of property and equipment, as well as the weighted average estimated useful life for each category (in years):

<i>Millions, Except Percentages As of March 31, 2013</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>	<i>Estimated Useful Life</i>
Land	\$ 5,106	\$ N/A	\$ 5,106	N/A
Road:				
Rail and other track material	13,359	4,812	8,547	35
Ties	8,501	2,194	6,307	33
Ballast	4,441	1,108	3,333	34
Other roadway [a]	14,882	2,621	12,261	48
Total road	41,183	10,735	30,448	N/A
Equipment:				
Locomotives	7,279	3,283	3,996	20
Freight cars	2,010	1,004	1,006	25
Work equipment and other	537	97	440	19
Total equipment	9,826	4,384	5,442	N/A
Technology and other	641	255	386	11
Construction in progress	994	-	994	N/A
Total	\$ 57,750	\$ 15,374	\$ 42,376	N/A

<i>Millions, Except Percentages As of December 31, 2012</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>	<i>Estimated Useful Life</i>
Land	\$ 5,105	\$ N/A	\$ 5,105	N/A
Road:				
Rail and other track material	13,220	4,756	8,464	33
Ties	8,404	2,157	6,247	33
Ballast	4,399	1,085	3,314	34
Other roadway [a]	14,806	2,583	12,223	49
Total road	40,829	10,581	30,248	N/A
Equipment:				
Locomotives	7,297	3,321	3,976	19
Freight cars	1,991	1,018	973	23
Work equipment and other	535	89	446	17
Total equipment	9,823	4,428	5,395	N/A
Technology and other	633	273	360	11
Construction in progress	889	-	889	N/A
Total	\$ 57,279	\$ 15,282	\$ 41,997	N/A

[a] Other roadway includes grading, bridges and tunnels, signals, buildings, and other road assets.

**12. Accounts Payable and Other Current Liabilities**

<i>Millions</i>	<b>March 31, 2013</b>	<b>Dec. 31, 2012</b>
Accounts payable	\$ 815	\$ 825
Income and other taxes payable	585	368
Accrued wages and vacation	379	376
Dividends payable	318	318
Accrued casualty costs	219	213
Interest payable	122	172
Equipment rents payable	100	95
Other	520	556
<b>Total accounts payable and other current liabilities</b>	<b>\$ 3,058</b>	<b>\$ 2,923</b>

**13. 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 at inception, 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 interest rate and fuel price movements.

**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 both March 31, 2013 and December 31, 2012, we had reductions of \$1 million recorded as an accumulated other comprehensive loss that is being amortized on a straight-line basis through September 30, 2014 for a cash flow hedge that was settled in 2004. As of March 31, 2013 and December 31, 2012, we had no interest rate cash flow hedges outstanding.

**Fair Value of Financial Instruments** – The fair value of our short- and long-term debt was estimated using a market value price model, which utilizes applicable U.S. Treasury rates along with current market quotes on comparable debt securities. All of the inputs used to determine the fair market value of the Corporation's long-term debt are Level 2 inputs and obtained from an independent source. At March 31, 2013, the fair value of total debt was \$11.8 billion, approximately \$1.9 billion more than the carrying value. At December 31, 2012, the fair value of total debt was \$11.1 billion, approximately \$2.1 billion more than the carrying value. The fair value of the Corporation's debt is a measure of its current value under present market conditions. It does not impact the financial statements under current accounting rules. At both March 31, 2013 and December 31, 2012, approximately \$203 million of debt securities contained call provisions that allow us to retire the debt instruments prior to final maturity, with the payment of fixed call premiums, or in certain cases, at par. The fair value of our cash equivalents approximates their carrying value due to the short-term maturities of these instruments.

**14. Debt**

**Credit Facilities** – At March 31, 2013, we had \$1.8 billion of credit available under our revolving credit facility (the facility), which is designated for general corporate purposes and supports the issuance of commercial paper. We did not draw on the facility at any time during the three months ended March 31, 2013. 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

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debt ratings. The facility matures in 2015 under a four year term and requires the Corporation to maintain a debt-to-net-worth coverage ratio as a condition to making a borrowing. At March 31, 2013, and December 31, 2012 (and at all times during the first quarter), we were in compliance with this covenant.

The definition of debt used for purposes of calculating the debt-to-net-worth coverage ratio includes, among other things, certain credit arrangements, capital leases, guarantees and unfunded and vested pension benefits under Title IV of ERISA. At March 31, 2013, the debt-to-net-worth coverage ratio allowed us to carry up to \$40.3 billion of debt (as defined in the facility), and we had \$10.4 billion of debt (as defined in the facility) outstanding at that date. Under our current capital plans, we expect to continue to satisfy the debt-to-net-worth coverage ratio; however, many factors beyond our reasonable control could affect our ability to comply with this provision in the future. The facility does not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require us to post collateral. The facility also includes a \$75 million cross-default provision and a change-of-control provision.

During the three months ended March 31, 2013, we did not issue or repay any commercial paper, and at March 31, 2013, we had no commercial paper outstanding. Our revolving credit facility supports our outstanding commercial paper balances, and, unless we change the terms of our commercial paper program, our aggregate issuance of commercial paper will not exceed the amount of borrowings available under the facility.

**Shelf Registration Statement and Significant New Borrowings** – We filed a new automatic shelf registration statement that became effective on February 8, 2013. The Board of Directors authorized the issuance of up to \$4 billion of debt securities, replacing the \$1.4 billion of authority remaining under our shelf registration filed in February 2010. SEC rules require UPC, a large accelerated filer, to file a new shelf registration statement every three years. 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. 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.

On March 15, 2013, we issued \$325 million of 2.75% unsecured fixed-rate notes and \$325 million of 4.25% unsecured fixed-rate notes under our shelf registration statement. The 2.75% notes will mature on April 15, 2023, and the 4.25% notes will mature on April 15, 2043. 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. At March 31, 2013, we had remaining authority from our Board of Directors to issue up to \$3.35 billion of debt securities under the shelf registration.

At March 31, 2013 and December 31, 2012, we reclassified as long-term debt approximately \$400 million and \$100 million, respectively, of debt due within one year that we intend to refinance. This reclassification reflects our ability and intent to refinance any short-term borrowings and certain current maturities of long-term debt on a long-term basis.

**Receivables Securitization Facility** – As of March 31, 2013 and December 31, 2012, we recorded \$400 million and \$100 million, respectively, as secured debt under our receivables securitization facility. (See further discussion of our receivables securitization facility in Note 10).

### **15. Variable Interest Entities**

We have entered into various lease transactions in which the structure of the leases contain variable interest entities (VIEs). These VIEs were created solely for the purpose of doing lease transactions (principally involving railroad equipment and facilities, including our headquarters building) and have no other activities, assets or liabilities outside of the lease transactions. Within these lease arrangements, we have the right to purchase some or all of the assets at fixed prices. Depending on market conditions, fixed-price purchase options available in the leases could potentially provide benefits to us; however, these benefits are not expected to be significant.

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We maintain and operate the assets based on contractual obligations within the lease arrangements, which set specific guidelines consistent within the railroad industry. As such, we have no control over activities that could materially impact the fair value of the leased assets. We do not hold the power to direct the activities of the VIEs and, therefore, do not control the ongoing activities that have a significant impact on the economic performance of the VIEs. Additionally, we do not have the obligation to absorb losses of the VIEs or the right to receive benefits of the VIEs that could potentially be significant to the VIEs.

We are not considered to be the primary beneficiary and do not consolidate these VIEs because our actions and decisions do not have the most significant effect on the VIE's performance and our fixed-price purchase price options are not considered to be potentially significant to the VIE's. The future minimum lease payments associated with the VIE leases totaled \$3.5 billion as of March 31, 2013.

### 16. Commitments and Contingencies

**Asserted and Unasserted Claims** – Various claims and lawsuits are pending against us and certain of our subsidiaries. We cannot fully determine the effect of all asserted and unasserted claims on our consolidated results of operations, financial condition, or liquidity; however, to the extent possible, where asserted and 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 and insurance recoveries 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 an actuarial analysis to measure the expense and liability, including unasserted claims. The Federal Employers' Liability Act (FELA) governs compensation for work-related accidents. Under FELA, damages are assessed based on a finding of fault through litigation or out-of-court settlements. We offer a comprehensive variety of services and rehabilitation programs for employees who are injured at work.

Our personal injury liability is not discounted to present value. Approximately 90% of the recorded liability is related to asserted claims and approximately 10% is related to unasserted claims at March 31, 2013. 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 \$335 to \$369 million. We record an accrual at the low end of the range as no amount of loss within the range is more probable than any other. Estimates can vary over time due to evolving trends in litigation.

Our personal injury liability activity was as follows:

<i>Millions, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>
Beginning balance	\$ 334	\$ 368
Current year accruals	27	30
Changes in estimates for prior years	(8)	3
Payments	(18)	(29)
Ending balance at March 31	\$ 335	\$ 372
Current portion, ending balance at March 31	\$ 97	\$ 107



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**Asbestos** – We are a defendant in a number of lawsuits in which current and former employees and other parties allege exposure to asbestos. We assess our potential liability using a statistical analysis of resolution costs for asbestos-related claims. This liability is updated annually and excludes future defense and processing costs. The liability for resolving both asserted and unasserted claims was based on the following assumptions:

- The ratio of future claims by alleged disease would be consistent with historical averages adjusted for inflation.
- The number of claims filed against us will decline each year.
- The average settlement values for asserted and unasserted claims will be equivalent to historical averages.
- The percentage of claims dismissed in the future will be equivalent to historical averages.

Our liability for asbestos-related claims is not discounted to present value due to the uncertainty surrounding the timing of future payments. Approximately 23% of the recorded liability related to asserted claims and approximately 77% related to unasserted claims at March 31, 2013.

Our asbestos-related liability activity was as follows:

<i>Millions, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>
Beginning balance	\$ 139	\$ 147
Accruals	-	-
Payments	(3)	(2)
Ending balance at March 31	\$ 136	\$ 145
Current portion, ending balance at March 31	\$ 9	\$ 9

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 March 31, 2013, and December 31, 2012.

We believe that our estimates of liability for asbestos-related claims and insurance recoveries are reasonable and probable. 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 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 also may vary in the future if strategies, activities, and outcomes of asbestos litigation materially change; federal and state laws governing asbestos litigation increase or decrease the probability or amount of compensation of claimants; and there are material changes with respect to payments made to claimants by other defendants.

**Environmental Costs** – We are subject to federal, state, and local environmental laws and regulations. We have identified 284 sites at which we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 33 sites that are the subject of actions taken by the U.S. government, 17 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 we identify an environmental issue with respect to property owned, leased, or otherwise used in our business, we perform, with assistance of our consultants, 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 both March 31, 2013 and December 31, 2012, none of our environmental liability was discounted.

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Our environmental liability activity was as follows:

<i>Millions, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>
Beginning balance	\$ 170	\$ 172
Accruals	7	13
Payments	(11)	(7)
Ending balance at March 31	\$ 166	\$ 178
Current portion, ending balance at March 31	\$ 50	\$ 45

The environmental liability includes future costs for remediation and restoration of sites, as well as 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. The ultimate liability for remediation is difficult to determine because of the number of potentially responsible parties, 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 of liability may vary over time due to changes in federal, state, and local laws governing environmental remediation. Current obligations are not expected to have a material adverse effect on our consolidated results of operations, financial condition, or liquidity.

**Insurance** – The Company has a consolidated, wholly-owned captive insurance subsidiary (the captive), that provides insurance coverage for certain risks including FELA claims and property coverage which are subject to reinsurance. The captive entered into annual reinsurance treaty agreements that insure workers compensation, general liability, auto liability and FELA risk. The captive cedes a portion of its FELA exposure through the treaty and assumes a proportionate share of the entire risk. The captive receives direct premiums, which are netted against the Company's premium costs in other expenses in the Condensed Consolidated Statements of Income. The treaty agreements provide for certain protections against the risk of treaty participants' non-performance, and we do not believe our exposure to treaty participants' non-performance is material at this time. In the event the Company leaves the reinsurance program, the Company is not relieved of its primary obligation to the policyholders for activity prior to the termination of the treaty agreements. We record both liabilities and reinsurance receivables using an actuarial analysis based on historical experience in our Condensed Consolidated Statement of Financial Position.

**Guarantees** – At March 31, 2013, we were contingently liable for \$307 million in guarantees. We have recorded a liability of \$2 million for the fair value of these obligations as of March 31, 2013, and December 31, 2012. 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.

**Operating Leases** – At March 31, 2013, we had commitments for future minimum lease payments under operating leases with initial or remaining non-cancelable lease terms in excess of one year of approximately \$4.1 billion.

**Gain Contingency** – UPRR and Santa Fe Pacific Pipelines (SFPP, a subsidiary of Kinder Morgan Energy Partners, L.P.) currently are engaged in a proceeding to resolve the fair market rent payable to UPRR under a 10-year agreement commencing on January 1, 2004 for pipeline easements on UPRR

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rights-of-way (*Union Pacific Railroad Company vs. Santa Fe Pacific Pipelines, Inc., SFPP, L.P., Kinder Morgan Operating L.P. "D" Kinder Morgan G.P., Inc., et al., Superior Court of the State of California for the County of Los Angeles, filed July 28, 2004*). In February 2007, a trial began to resolve this issue, and, on September 28, 2011, the judge issued a tentative Statement of Decision, which concluded that SFPP owes back rent to UPRR for the years 2004 through 2011. On May 29, 2012, the court entered judgment, awarding UPRR back rent and prejudgment interest. SFPP is appealing the final judgment. A favorable final judgment may materially affect our results of operations in the period of any monetary recoveries; however, due to the uncertainty regarding the amount and timing of any recovery, including the outcome of SFPP's appeal of this judgment or any subsequent proceeding, we consider this a gain contingency and do not reflect any amounts in the Condensed Consolidated Financial Statements as of March 31, 2013.

## 17. Share Repurchase Program

Effective April 1, 2011, our Board of Directors authorized the repurchase of 40 million shares of our common stock by March 31, 2014, replacing our previous repurchase program. As of March 31, 2013, we repurchased a total of \$7.5 billion of our common stock since the commencement of our repurchase programs. The table below represents shares repurchased under the new repurchase program.

	Number of Shares Purchased		Average Price Paid	
	2013	2012	2013	2012
First quarter	2,881,400	3,917,369	\$ 136.58	\$ 110.64
Remaining number of shares that may be repurchased under current authority				12,154,549

Management's assessments of market conditions and other pertinent facts guide the timing and volume of all repurchases. We expect to fund any share repurchases under this program through cash generated from operations, the sale or lease of various operating and non-operating properties, debt issuances, and cash on hand. Repurchased shares are recorded in treasury stock at cost, which includes any applicable commissions and fees.

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

**UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES  
RESULTS OF OPERATIONS**

**Three Months Ended March 31, 2013, Compared to  
Three Months Ended March 31, 2012**

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; eXtensible Business Reporting Language (XBRL) documents; 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**

We base our discussion and analysis of our financial condition and results of operations upon our Condensed Consolidated Financial Statements. The preparation of these financial statements requires estimation and judgment that affect the reported amounts of revenues, 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 2012 Annual Report on Form 10-K. There have not been any significant changes with respect to these policies during the first three months of 2013.

## RESULTS OF OPERATIONS

### Quarterly Summary

We reported earnings of \$2.03 per diluted share on net income of \$957 million in the first quarter of 2013 compared to earnings of \$1.79 per diluted share on net income of \$863 million for the first quarter of 2012. Freight revenues increased \$161 million in the first quarter compared to the same period in 2012 driven by core pricing gains. Our diverse portfolio of business offset lower shipments of coal and agricultural products with increases in other markets, including strong growth in shale-related products (crude oil and frac sand), international intermodal and lumber shipments. Core pricing gains, our ongoing focus on safety, service and network efficiency and continued cost control measures drove record financial results in the first quarter.

We continued operating an efficient and fluid network, adjusting resources to match significant shifts in our business mix. Average train speed, as reported to the Association of American Railroads (AAR), improved slightly compared to 2012. Average terminal dwell time increased 4% compared to first quarter 2012, primarily due to continuing growth of manifest traffic concentrated in the Southern Region. Average rail car inventory decreased 4% in the first quarter as volume declined 2%, despite a shift in traffic mix to more manifest shipments, which have longer cycle times.

### Operating Revenues

<i>Millions, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>	<b>% Change</b>
Freight revenues	\$ 4,984	\$ 4,823	3%
Other revenues	306	289	6
Total	\$ 5,290	\$ 5,112	3%

We generate freight revenues by transporting freight or other materials from our six commodity groups. Freight revenues vary with volume (carloads) and average revenue per car (ARC). Changes in price, traffic mix and fuel surcharges drive ARC. We provide some of our customers with contractual incentives for meeting or exceeding specified cumulative volumes or shipping to and from specific locations, which we record as reductions to freight revenues based on the actual or projected future shipments. We recognize freight revenues as shipments move from origin to destination. We allocate freight revenues between reporting periods based on the relative transit time in each reporting period and recognize expenses as we incur them.

Other revenues include revenues earned by our subsidiaries, revenues from our commuter rail operations, and accessorial revenues, 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 other revenues as we perform services or meet contractual obligations.

Freight revenues for four of the six commodity groups increased during the first quarter of 2013 compared to 2012, driven by core pricing gains, partially offset by an overall decline in volume levels. Substantial decreases in coal and agricultural products offset strong chemical and intermodal shipments.

Each of our commodity groups includes revenue from fuel surcharges. Freight revenues from fuel surcharge programs were \$636 million in the first quarter of 2013, compared to \$614 million in the same period of 2012. Higher fuel surcharge recoveries, due to the lag impact of our programs partially offset by volume declines drove the increase from 2012.

In the first quarter of 2013, other revenues increased from 2012 due primarily to higher revenues at our subsidiaries that broker intermodal and automotive services.

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The following tables summarize the year-over-year changes in freight revenues, revenue carloads, and ARC by commodity type:

<b>Freight Revenues</b>				
<i>Millions, for the Three Months Ended March 31,</i>				
	<b>2013</b>	2012	<b>% Change</b>	
Agricultural	\$ 784	\$ 858	<b>(9)%</b>	
Automotive	<b>487</b>	430	<b>13</b>	
Chemicals	<b>873</b>	768	<b>14</b>	
Coal	<b>936</b>	995	<b>(6)</b>	
Industrial Products	<b>916</b>	863	<b>6</b>	
Intermodal	<b>988</b>	909	<b>9</b>	
<b>Total</b>	<b>\$ 4,984</b>	\$ 4,823	<b>3%</b>	

<b>Revenue Carloads</b>				
<i>Thousands, for the Three Months Ended March 31,</i>				
	<b>2013</b>	2012	<b>% Change</b>	
Agricultural	<b>212</b>	234	<b>(9)%</b>	
Automotive	<b>184</b>	180	<b>2</b>	
Chemicals	<b>271</b>	241	<b>12</b>	
Coal	<b>402</b>	495	<b>(19)</b>	
Industrial Products	<b>289</b>	290	<b>-</b>	
Intermodal [a]	<b>810</b>	778	<b>4</b>	
<b>Total</b>	<b>2,168</b>	2,218	<b>(2)%</b>	

<b>Average Revenue per Car</b>				
<i>for the Three Months Ended March 31,</i>				
	<b>2013</b>	2012	<b>% Change</b>	
Agricultural	\$ 3,694	\$ 3,664	<b>1%</b>	
Automotive	<b>2,648</b>	2,390	<b>11</b>	
Chemicals	<b>3,225</b>	3,184	<b>1</b>	
Coal	<b>2,329</b>	2,010	<b>16</b>	
Industrial Products	<b>3,174</b>	2,977	<b>7</b>	
Intermodal [a]	<b>1,219</b>	1,169	<b>4</b>	
<b>Average</b>	<b>\$ 2,299</b>	\$ 2,175	<b>6%</b>	

[a] Each intermodal container or trailer equals one carload.

**Agricultural Products** – Lower volume, partially offset by price improvements, reduced freight revenue from agricultural shipments in the first quarter of 2013 versus 2012. Corn shipments decreased 31% in the first quarter of 2013 versus 2012, reflecting the impact of the severe drought in 2012 that affected Railroad served territory. The tight supply of corn and resulting high corn prices contributed to lower livestock counts, exports to Mexico and ethanol production, driving the volume decline.

**Automotive** – Higher ARC due to price increases, fuel surcharge, and a new logistics management arrangement that covers fees and container costs, coupled with increased shipments of finished vehicles and automotive parts improved automotive revenue in the first quarter of 2013 compared to 2012. Higher production and sales levels during the quarter drove the volume growth as the automobile industry continued to gain momentum.

**Chemicals** – Higher volume and core price improvements increased freight revenue from chemicals in the first quarter of 2013 versus 2012. Shipments of crude oil from the Bakken, Permian and Eagle Ford shale formations primarily to the Gulf area drove the growth in shipments of chemicals. Shipments of liquid petroleum gases increased due to strong demand from eastern origins to Louisiana and new business secured for shipments to the Gulf Coast. Plastics shipments also increased due to strong domestic demand in the first quarter of 2013.

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*Coal* – Lower volume, partially offset by higher ARC driven by core pricing gains, positive business mix and fuel surcharge recoveries, reduced freight revenue from coal shipments in the first quarter of 2013 compared to 2012. High coal stockpiles due to low natural gas prices in 2012 along with mine production issues and tighter inventory management at some utilities drove the decline in coal volume. Shipments from Southern Powder River Basin (SPRB) and Colorado and Utah mines decreased 19% and 16%, respectively, from the first quarter of 2012. The loss of a customer contract at the beginning of the year also contributed to lower volumes from the SPRB.

*Industrial Products* – Core pricing gains increased freight revenue from industrial products in the first quarter of 2013 versus 2012. Shipments of non-metallic minerals (primarily frac sand) grew as a result of drilling activity for energy products. Additionally, growth in new housing construction and home improvements drove an increase in lumber shipments. These volume increases were offset by a decline in hazardous waste shipments in 2012.

*Intermodal* – Volume growth and core pricing gains increased freight revenue from intermodal shipments in the first quarter of 2013 compared to the same period in 2012. First quarter volume levels from international traffic increased 7% versus the first quarter of 2012, reflecting modest improvements in economic conditions. Domestic traffic for the quarter was flat with the first quarter of 2012.

*Mexico Business* – Each of our commodity groups includes revenue from shipments to and from Mexico. Revenue from Mexico business increased 5% to \$505 million in the first quarter of 2013 versus the same period in 2012. Volume levels were essentially flat with the first quarter of 2012, as increases in automotive, industrial products, intermodal and coal offset declines in agricultural products and chemicals.

## Operating Expenses

<i>Millions, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>	<b>% Change</b>
Compensation and benefits	\$ 1,216	\$ 1,211	- %
Fuel	900	926	(3)
Purchased services and materials	557	526	6
Depreciation	434	427	2
Equipment and other rents	313	296	6
Other	237	216	10
Total	\$ 3,657	\$ 3,602	2 %

Operating expenses increased \$55 million in the first quarter of 2013 versus the comparable period in 2012. Wage and benefit inflation, new logistics management fees and container costs for automotive business, property taxes, locomotive overhauls and short-term freight car rental costs contributed to higher expenses during the period. In the first quarter of 2013, lower volume related expenses (including fuel) and personal injury expense partially offset these increases.

*Compensation and Benefits* – Compensation and benefits include wages, payroll taxes, health and welfare costs, pension costs, other postretirement benefits, and incentive costs. The slight increase was driven by general wage and benefit inflation and higher pension and other postretirement benefits offset by volume related expenses in the first quarter of 2013 versus 2012.

*Fuel* – Fuel includes locomotive fuel and gasoline for highway and non-highway vehicles and heavy equipment. Locomotive diesel fuel prices were essentially flat, averaging \$3.23 (including taxes and transportation costs) in the first quarter of 2013 and 2012. Fuel costs were lower as gross-ton miles declined 5% in the first quarter. The fuel consumption rate, computed as gallons of fuel consumed divided by gross ton-miles in thousands, increased 3% compared to the first quarter of 2012. Declines in heavier, more fuel-efficient coal shipments drove the gross-ton-mile and fuel consumption rate variances.

*Purchased Services and Materials* – Expense for purchased services and materials includes the costs of services purchased from outside contractors (including equipment maintenance and contract expenses incurred by our subsidiaries for external transportation services); materials used to maintain the Railroad's lines, structures, and equipment; costs of operating facilities jointly used by UPRR and other railroads;

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transportation and lodging for train crew employees; trucking and contracting costs for intermodal containers; leased automobile maintenance expenses; and tools and supplies. Contract services increased 12% compared to the first quarter of 2012, primarily due to increased locomotive overhauls and new logistics management fees.

*Depreciation* – The majority of depreciation relates to road property, including rail, ties, ballast, and other track material. A higher depreciable asset base, reflecting higher ongoing capital spending, increased depreciation expense in the first quarter of 2013 compared to the same period in 2012, partially offset by changes in estimated service lives as a result of recent depreciation studies.

*Equipment and Other Rents* – Equipment and other rents expense primarily includes rental expense that the Railroad pays for freight cars owned by other railroads or private companies; freight car, intermodal, and locomotive leases; other rent expenses; and office and other rentals. Additional container costs resulting from a new logistics management arrangement, increased automotive and intermodal shipments and higher freight car rental rates drove a \$20 million increase in our short-term freight car rental expense in the first quarter of 2013, compared to the same period in 2012. Conversely, lower locomotive and freight car lease expenses compared to 2012 partially offset the higher freight car rental expense.

*Other* – Other expenses include personal injury, freight and property damage, destruction of equipment owned by others, insurance, environmental, bad debt, state and local taxes, utilities, telephone and cellular, employee travel, computer software, and other general expenses. Other costs in the first quarter of 2013 were higher than the same period in 2012 as higher property tax, damaged freight and destroyed equipment costs more than offset lower personal injury expenses.

### Non-Operating Items

<i>Millions, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>	<b>% Change</b>
Other income	\$ 40	\$ 16	F
Interest expense	(128)	(135)	(5)
Income taxes	(588)	(528)	11%

*Other Income* – Other income increased in the first quarter of 2013 versus the same period of 2012 due to a \$17 million land lease contract settlement and lower environmental expenses.

*Interest Expense* – Interest expense decreased in the first quarter of 2013 versus 2012 due to a lower effective interest rate of 5.6% versus 6.1%, partially offset by an increased weighted-average debt level in 2013 of \$9.3 billion versus \$8.9 billion in 2012.

*Income Taxes* – Higher pre-tax income drove the increase in income taxes in the first quarter of 2013 compared to 2012. Our effective tax rate for the first quarter of 2013 was 38.1% compared to 38.0% in 2012.

### 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:

<i>For the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>	<b>% Change</b>
Average train speed (miles per hour)	<b>26.4</b>	26.3	- %
Average terminal dwell time (hours)	<b>27.4</b>	26.4	<b>4 %</b>
Average rail car inventory (thousands)	<b>263.8</b>	275.4	<b>(4)%</b>
Gross ton-miles (billions)	<b>227.7</b>	240.5	<b>(5)%</b>
Revenue ton-miles (billions)	<b>124.0</b>	132.7	<b>(7)%</b>
Operating ratio	<b>69.1</b>	70.5	<b>(1.4)pts</b>
Employees (average)	<b>46,437</b>	45,642	<b>2 %</b>
Customer satisfaction index	<b>94</b>	93	<b>1 pt</b>

*Average Train Speed* – Average train speed is calculated by dividing train miles by hours operated on our main lines between terminals. Average train speed, as reported to the Association of American Railroads (AAR), improved slightly in the first quarter of 2013 versus 2012.

*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 improves asset utilization and service. Average terminal dwell time increased 4% in the first quarter of 2013 compared to 2012, primarily due to continuing growth of manifest traffic concentrated in the Southern Region.

*Average Rail Car Inventory* – Average rail car inventory is the daily average number of rail cars on our lines, including rail cars in storage. Traffic volumes and rail car productivity influence inventory levels. Productivity may be improved through faster train speeds, lower terminal dwell, lower customer dwell and lower hold dwell. Average rail car inventory decreased 4% in the first quarter as volume declined 2%, despite a shift in traffic mix to more manifest shipments, which have longer cycle times.

*Gross and Revenue Ton-Miles* – Gross ton-miles are calculated by multiplying the weight of loaded and 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 5% during the first quarter of 2013 compared to the same period in 2012, while revenue ton-miles decreased 7% and carloads declined 2%. Changes in commodity mix drove the variance in year-over-year declines between gross ton-miles, revenue ton-miles and carloads.

*Operating Ratio* – Operating ratio is our operating expenses reflected as a percentage of operating revenue. Our operating ratio improved 1.4 points to a record low 69.1% in the first quarter of 2013 versus the same period of 2012. Core pricing gains more than offset the impact of inflation and lower volume in the first quarter of 2013 versus the same period in 2012.

*Employees* – Employee levels increased 2% in the first quarter of 2013 compared to the same period in 2012, driven by a shift in our traffic mix which requires more resources, largely concentrated in the Southern region. In addition, increased work on capital projects contributed to the higher employee levels.

*Customer Satisfaction Index* – Our customer satisfaction survey asks customers to rate how satisfied they are with our performance over the last 12 months on a variety of attributes. A higher score indicates higher customer satisfaction. The improvement in survey results generally reflects customer recognition of our service quality.

[Table of Contents](#)**Debt to Capital / Adjusted Debt to Capital**

<i>Millions, Except Percentages</i>	<b>Mar. 31, 2013</b>	<b>Dec. 31, 2012</b>
Debt (a)	\$ 9,861	\$ 8,997
Equity	20,144	19,877
Capital (b)	\$ 30,005	\$ 28,874
Debt to capital (a/b)	32.9%	31.2%

<i>Millions, Except Percentages</i>	<b>Mar. 31, 2013</b>	<b>Dec. 31, 2012</b>
Debt	\$ 9,861	\$ 8,997
Net present value of operating leases	3,044	3,096
Unfunded pension and OPEB	662	679
Adjusted debt (a)	13,567	12,772
Equity	20,144	19,877
Adjusted capital (b)	\$ 33,711	\$ 32,649
Adjusted debt to capital (a/b)	40.2%	39.1%

Adjusted debt to capital is a non-GAAP financial measure under SEC Regulation G and Item 10 of SEC Regulation S-K, and may not be defined and calculated by other companies in the same manner. 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. Operating leases were discounted using 5.6% at March 31, 2013 and 6.0% at December 31, 2012. The discount rate reflects our effective interest rate. 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 tables above provide reconciliations from debt to capital to adjusted debt to capital.

**LIQUIDITY AND CAPITAL RESOURCES****Financial Condition****Cash Flows**

*Millions,  
for the Three Months Ended March 31*

	<b>2013</b>	<b>2012</b>
Cash provided by operating activities	\$ 1,524	\$ 1,404
Cash used in investing activities	(800)	(830)
Cash provided by/(used in) financing activities	130	(796)
Net change in cash and cash equivalents	\$ 854	\$ (222)

**Operating Activities**

Higher net income in the first three months of 2013 increased cash provided by operating activities compared to the same period of 2012.

**Investing Activities**

Lower capital investments in the first three months of 2013 drove the decrease in cash used in investing activities compared to the same period in 2012.

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The table below details cash capital investments:

<i>Millions, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>
Rail and other track material	\$ 174	\$ 177
Ties	112	108
Ballast	46	46
Other [a]	46	48
Total road infrastructure replacements	378	379
Line expansion and other capacity projects	93	94
Commercial facilities	19	28
Total capacity and commercial facilities	112	122
Locomotives and freight cars	150	177
Positive train control	96	75
Technology and other	46	51
Total cash capital investments	\$ 782	\$ 804

[a] Other includes bridges and tunnels, signals, other road assets, and road work equipment.

**Capital Plan** – In 2013, we intend to make new capital investments of approximately \$3.6 billion under our capital plan, which may be revised if business conditions warrant or if new laws or regulations affect our ability to generate sufficient returns on these investments.

### Financing Activities

Cash provided by financing activities increased in the first three months of 2013 versus the same period of 2012 driven by the issuance of debt in 2013 of \$944 million compared to none in 2012.

**Free Cash Flow** – Free cash flow is defined as cash provided by operating activities less cash used in investing activities and dividends paid. Free cash flow was higher in 2013 due to higher net income.

Free cash flow is not considered a financial measure under accounting principles generally accepted in the U.S. (GAAP) by SEC Regulation G and Item 10 of SEC Regulation S-K and may not be defined and calculated by other companies in the same manner. We believe free cash flow is important to management and investors in evaluating our financial performance and measures our ability to generate cash without additional external financings. Free cash flow should be considered in addition to, rather than as a substitute for, cash provided by operating activities. The following table reconciles cash provided by operating activities (GAAP measure) to free cash flow (non-GAAP measure):

<i>Millions, for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>
Cash provided by operating activities	\$ 1,524	\$ 1,404
Cash used in investing activities	(800)	(830)
Dividends paid	(323)	(289)
Free cash flow	\$ 401	\$ 285

**Credit Facilities** – At March 31, 2013, we had \$1.8 billion of credit available under our revolving credit facility (the facility), which is designated for general corporate purposes and supports the issuance of commercial paper. We did not draw on the facility at any time during the three months ended March 31, 2013. 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 matures in 2015 under a four year term and requires the Corporation to maintain a debt-to-net-worth coverage ratio as a condition to making a borrowing. At March 31, 2013, and December 31, 2012 (and at all times during the first quarter), we were in compliance with this covenant.

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The definition of debt used for purposes of calculating the debt-to-net-worth coverage ratio includes, among other things, certain credit arrangements, capital leases, guarantees and unfunded and vested pension benefits under Title IV of ERISA. At March 31, 2013, the debt-to-net-worth coverage ratio allowed us to carry up to \$40.3 billion of debt (as defined in the facility), and we had \$10.4 billion of debt (as defined in the facility) outstanding at that date. Under our current capital plans, we expect to continue to satisfy the debt-to-net-worth coverage ratio; however, many factors beyond our reasonable control could affect our ability to comply with this provision in the future. The facility does not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require us to post collateral. The facility also includes a \$75 million cross-default provision and a change-of-control provision.

During the three months ended March 31, 2013, we did not issue or repay any commercial paper, and at March 31, 2013, we had no commercial paper outstanding. Our revolving credit facility supports our outstanding commercial paper balances, and, unless we change the terms of our commercial paper program, our aggregate issuance of commercial paper will not exceed the amount of borrowings available under the facility.

**Shelf Registration Statement and Significant New Borrowings** – We filed a new automatic shelf registration statement that became effective on February 8, 2013. The Board of Directors authorized the issuance of up to \$4 billion of debt securities, replacing the \$1.4 billion of authority remaining under our shelf registration filed in February 2010. SEC rules require UPC, a large accelerated filer, to file a new shelf registration statement every three years. 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. 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.

On March 15, 2013, we issued \$325 million of 2.75% unsecured fixed-rate notes and \$325 million of 4.25% unsecured fixed-rate notes under our shelf registration statement. The 2.75% notes will mature on April 15, 2023, and the 4.25% notes will mature on April 15, 2043. 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. At March 31, 2013, we had remaining authority from our Board of Directors to issue up to \$3.35 billion of debt securities under the shelf registration.

At March 31, 2013 and December 31, 2012, we reclassified as long-term debt approximately \$400 million and \$100 million, respectively, of debt due within one year that we intend to refinance. This reclassification reflects our ability and intent to refinance any short-term borrowings and certain current maturities of long-term debt on a long-term basis.

**Receivables Securitization Facility** – The Railroad maintains a \$600 million, 364-day receivables securitization facility under which it sells most of its eligible third-party receivables to Union Pacific Receivables, Inc. (UPRI), a wholly-owned, bankruptcy-remote subsidiary which may subsequently transfer, without recourse an undivided interest in accounts receivable to investors. The amount outstanding under the facility was \$400 million and \$100 million at March 31, 2013 and December 31, 2012, respectively. The amount outstanding under the facility was supported by \$1.2 billion and \$1.1 billion of accounts receivable as collateral at March 31, 2013 and December 31, 2012, respectively, which, as a retained interest, is included in accounts receivable, net in our Condensed Consolidated Statements of Financial Position.

The outstanding amounts the Railroad is allowed to maintain under the facility, with a maximum of \$600 million, may fluctuate based on the availability of eligible receivables and is directly affected by business volumes and credit risks, including receivables payment quality measures such as default and dilution ratios. If default or dilution ratios increase one percent, amounts allowed to be outstanding under the facility would not materially change.

The costs of the receivables securitization facility include interest, which will vary based on prevailing commercial paper rates, program fees paid to banks, commercial paper issuing costs, and fees for

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unused commitment availability. The costs of the receivables securitization facility are included in interest expense and were \$1 million for the three months ended March 31, 2013 and 2012.

The investors have no recourse to the Railroad's other assets except for customary warranty and indemnity claims. Creditors of the Railroad do not have recourse to the assets of UPRI.

In July 2012, the receivables securitization facility was renewed for an additional 364-day period at comparable terms and conditions.

### Share Repurchase Program

Effective April 1, 2011, our Board of Directors authorized the repurchase of 40 million shares of our common stock by March 31, 2014, replacing our previous repurchase program. As of March 31, 2013, we repurchased a total of \$7.5 billion of our common stock since the commencement of our repurchase programs. The table below represents shares repurchased under the new repurchase program.

	<i>Number of Shares Purchased</i>		<i>Average Price Paid</i>	
	<b>2013</b>	<i>2012</i>	<b>2013</b>	<i>2012</i>
First quarter	<b>2,881,400</b>	3,917,369	<b>\$ 136.58</b>	\$ 110.64
Remaining number of shares that may be repurchased under current authority				12,154,549

Management's assessments of market conditions and other pertinent facts guide the timing and volume of all repurchases. We expect to fund any share repurchases under this program through cash generated from operations, the sale or lease of various operating and non-operating properties, debt issuances, and cash on hand. Repurchased shares are recorded in treasury stock at cost, which includes any applicable commissions and fees.

### 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, our commercial obligations, financings, and commitments 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 March 31, 2013:

<b>Contractual Obligations</b>	Millions	Total	Apr. 1 through Dec. 31, 2013	Payments Due by Dec. 31,					After 2017	Other
				2014	2015	2016	2017			
Debt [a]	\$ 13,942	\$ 711	\$ 926	\$ 655	\$ 791	\$ 923	\$ 9,936	\$ -		
Operating leases [b]	4,080	329	462	419	384	350	2,136	-		
Capital lease obligations [c]	2,333	174	265	253	232	243	1,166	-		
Purchase obligations [d]	5,502	2,260	1,594	379	337	210	690	32		
Other postretirement benefits [e]	441	32	44	45	45	46	229	-		
Income tax contingencies [f]	119	-	-	-	-	-	-	119		
<b>Total contractual obligations</b>	<b>\$ 26,417</b>	<b>\$ 3,506</b>	<b>\$ 3,291</b>	<b>\$ 1,751</b>	<b>\$ 1,789</b>	<b>\$ 1,772</b>	<b>\$ 14,157</b>	<b>\$ 151</b>		

[a] Excludes capital lease obligations of \$1,772 million and unamortized discount of (\$368) million. Includes an interest component of \$5,485 million.

[b] Includes leases for locomotives, freight cars, other equipment, and real estate.

[c] Represents total obligations, including interest component of \$561 million.

[d] Purchase obligations include locomotive maintenance contracts; purchase commitments for fuel purchases, locomotives, ties, ballast, and rail; and agreements to purchase other goods and services. For amounts where we cannot reasonably estimate the year of settlement, they are reflected in the Other column.

[e] Includes estimated other postretirement, medical, and life insurance payments and payments made under the unfunded pension plan for the next ten years.

[f] Future cash flows for income tax contingencies reflect the recorded liabilities and assets for unrecognized tax benefits, including interest and penalties, as of March 31, 2013. For amounts where the year of settlement is uncertain, they are reflected in the Other column.

<b>Other Commercial Commitments</b>	Millions	Total	Apr. 1 through Dec. 31, 2013	Amount of Commitment Expiration by Dec. 31,				After 2017
				2014	2015	2016	2017	
Credit facilities [a]	\$ 1,800	\$ -	\$ -	\$ 1,800	\$ -	\$ -	\$ -	
Receivables securitization facility [b]	600	600	-	-	-	-	-	
Guarantees [c]	307	8	214	12	30	10	33	
Standby letters of credit [d]	24	9	15	-	-	-	-	
<b>Total commercial commitments</b>	<b>\$ 2,731</b>	<b>\$ 617</b>	<b>\$ 229</b>	<b>\$ 1,812</b>	<b>\$ 30</b>	<b>\$ 10</b>	<b>\$ 33</b>	

[a] None of the credit facility was used as of March 31, 2013.

[b] \$400 million of the receivables securitization facility was utilized at March 31, 2013, which is accounted for as debt. The full program matures in July 2013.

[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 March 31, 2013.

## OTHER MATTERS

**Asserted and Unasserted Claims** – Various claims and lawsuits are pending against us and certain of our subsidiaries. We cannot fully determine the effect of all asserted and unasserted claims on our consolidated results of operations, financial condition, or liquidity; however, to the extent possible, where asserted and 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 and insurance recoveries 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** – On February 5, 2013, the FASB issued Accounting Standards Update 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02)*, which adds additional disclosure requirements for items reclassified out of accumulated other comprehensive income. We adopted this ASU during the three months ended March 31, 2013.

## 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 and information include, without limitation, the statements and information set forth under the caption “Liquidity and Capital Resources” in Item 2 regarding our capital plan and statements under the caption “Off-Balance Sheet Arrangements, Contractual Obligations, and Commercial Commitments”. Forward-looking statements and information also include any other statements or information in this report 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, and transportation plan modifications; 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; estimates and expectations regarding tax matters, 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 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 2012 Annual Report on Form 10-K, filed February 8, 2013, 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 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.

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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 2012 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 were 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 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, we are involved in legal proceedings, claims, and litigation that occur in connection with our business. We routinely assess our liabilities and contingencies in connection with these matters based upon the latest available information and, when necessary, we seek input from our third-party advisors when making these assessments. Consistent with SEC rules and requirements, we describe below material pending legal proceedings (other than ordinary routine litigation incidental to our business), 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 we may determine to be appropriate.

### **Environmental Matters**

We received notices from the 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 U.S., 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.

Information concerning environmental claims and contingencies and estimated remediation costs is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Environmental, Item 7 of our 2012 Annual Report on Form 10-K.



## Other Matters

**Antitrust Litigation** - As we reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, 20 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. (one railroad was eventually dropped from the lawsuit). The original plaintiff filed the first of these claims in the U.S. District Court in New Jersey on May 14, 2007. The total number of complaints stands at 30. These suits allege that the named railroads engaged in price-fixing by establishing common fuel surcharges for certain rail traffic.

In addition to suits filed by direct purchasers of rail transportation, a few of the suits involved plaintiffs alleging that they are or were indirect purchasers of rail transportation and sought to represent a purported class of indirect purchasers of rail transportation that paid fuel surcharges. These complaints added allegations under state antitrust and consumer protection laws. On November 6, 2007, the Judicial Panel on Multidistrict Litigation ordered that all of the rail fuel surcharge cases be transferred to Judge Paul Friedman of the U.S. District Court in the District of Columbia for coordinated or consolidated pretrial proceedings. Following numerous hearings and rulings, Judge Friedman dismissed the complaints of the indirect purchasers, which the indirect purchasers appealed. On April 16, 2010, the U.S. Court of Appeals for the District of Columbia affirmed Judge Friedman's ruling dismissing the indirect purchasers' claims based on various state laws.

With respect to the direct purchasers' complaint, Judge Friedman conducted a two-day hearing on October 6 and 7, 2010, on the class certification issue and the railroad defendants' motion to exclude evidence of interline communications. On April 7, 2011, Judge Friedman issued an order deferring any decision on class certification until the Supreme Court issued its decision in the Wal-Mart employment discrimination case.

On June 21, 2012, Judge Friedman issued his decision certifying a class of plaintiffs to be represented by eight named plaintiffs. The class includes all shippers that paid a rate-based fuel surcharge to any one of the defendant railroads for rate-unregulated rail transportation from July 1, 2003 through December 1, 2008. This is a procedural ruling, which does not affirm any of the claims asserted by the plaintiffs and does not affect the ability of the railroad defendants to disprove the allegations made by the plaintiffs. On July 5, 2012, the defendant railroads filed a petition with the U.S. Court of Appeals for the District of Columbia requesting that the court review the class certification ruling. On August 28, 2012, a panel of the Circuit Court of the District of Columbia referred the petition to a merits panel of the court to address the issues in the petition and to address whether the district court properly granted class certification. The Circuit Court will hear oral argument on May 3, 2013.

As we reported in our Current Report on Form 8-K, filed on June 10, 2011, the Railroad received a complaint filed in the U.S. District Court for the District of Columbia on June 7, 2011, by Oxbow Carbon & Minerals LLC and related entities (Oxbow). The complaint named the Railroad and one other U.S. Class I Railroad as defendants and alleged that the named railroads engaged in price-fixing and monopolistic practices in connection with fuel surcharge programs and pricing of shipments of certain commodities, including coal and petroleum coke. The complaint seeks injunctive relief and payment of damages of over \$30 million, and other unspecified damages, including treble damages. Some of the allegations in the complaint are addressed in the existing fuel surcharge litigation referenced above. The complaint also included additional unrelated allegations regarding alleged limitations on competition for shipments of Oxbow's commodities. Judge Friedman, who presides over the fuel surcharge matter described above, also presides over this matter. On February 26, 2013, Judge Friedman granted the defendants' motion to dismiss Oxbow's complaint for failure to state properly a claim under the antitrust laws. However, the dismissal was without prejudice to refile the complaint. Judge Friedman has approved a schedule that allows Oxbow to file a revised complaint by May 1, 2013. In the event Oxbow files a revised complaint, we then will decide whether to file another motion to dismiss or otherwise respond to the complaint.

We deny the allegations that our fuel surcharge programs violate the antitrust laws or any other laws. We believe 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.

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**Item 1A. Risk Factors**

There were no material changes from the risk factors previously disclosed in our 2012 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 first quarter of 2013:

<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 [b]</i>	<i>Maximum Number of Shares That May Be Purchased Under Current Authority [b]</i>
Jan. 1 through Jan. 31	258,373	\$ 133.13	250,000	14,785,949
Feb. 1 through Feb. 28	1,580,418	134.60	1,300,000	13,485,949
Mar. 1 through Mar. 31	1,379,377	138.96	1,331,400	12,154,549
Total	3,218,168	\$ 136.35	2,881,400	N/A

[a] Total number of shares purchased during the quarter includes 336,768 shares delivered or attested to UPC by employees to pay stock option exercise prices, satisfy excess tax withholding obligations for stock option exercises or vesting of retention units, and pay withholding obligations for vesting of retention shares.

[b] On April 1, 2011, our Board of Directors authorized the repurchase of up to 40 million shares of our common stock by March 31, 2014. These repurchases may be made 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 Restrictions** – Our revolving credit facility includes a debt-to-net worth covenant that, under certain circumstances, restricts the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends was \$14.9 billion and \$15.1 billion at March 31, 2013 and December 31, 2012, respectively.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not Applicable.

**Item 5. Other Information**

None.

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**Item 6. Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
	<u>Filed with this Statement</u>
10(a)	Deferred Compensation Plan (409A Non-Grandfathered Component) of Union Pacific Corporation, as amended March 1, 2013.
10(b)	Deferred Compensation Plan (409A Grandfathered Component) of Union Pacific Corporation, as amended March 1, 2013.
10(c)	Supplemental Thrift Plan (409A Non-Grandfathered Component) of Union Pacific Corporation, as amended March 1, 2013.
10(d)	Supplemental Thrift Plan (409A Grandfathered Component) of Union Pacific Corporation, as amended March 1, 2013.
10(e)	Supplemental Pension Plan for Officers and Managers (409A Non-Grandfathered Component) of Union Pacific Corporation and Affiliates, as amended February 1, 2013 and March 1, 2013.
10(f)	Supplemental Pension Plan for Officers and Managers (409A Grandfathered Component) of Union Pacific Corporation and Affiliates, as amended February 1, 2013 and March 1, 2013.
10(g)	Union Pacific Corporation 2004 Stock Incentive Plan, as amended March 1, 2013.
10(h)	Union Pacific Corporation 2001 Stock Incentive Plan, as amended March 1, 2013.
12	Ratio of Earnings to Fixed Charges for the Three Months Ended March 31, 2013 and 2012.
31(a)	Certifications Pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002—John J. Koraleski.
31(b)	Certifications 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 – John J. Koraleski and Robert M. Knight, Jr.
101	eXtensible Business Reporting Language (XBRL) documents submitted electronically: 101.INS (XBRL Instance Document), 101.SCH (XBRL Taxonomy Extension Schema Document), 101.CAL (XBRL Calculation Linkbase Document), 101.LAB (XBRL Taxonomy Label Linkbase Document), 101.DEF (XBRL Taxonomy Definition Linkbase Document) and 101.PRE (XBRL Taxonomy Presentation Linkbase Document). The following financial and related information from Union Pacific Corporation's Quarterly Report on Form 10-Q for the period ended March 31, 2013 (filed with the SEC on April 18, 2013), is formatted in XBRL and submitted electronically herewith: (i) Condensed Consolidated Statements of Income for the periods ended March 31, 2013 and 2012, (ii) Condensed Consolidated Statements of Comprehensive Income for the periods ended March 31, 2013 and 2012, (iii) Condensed Consolidated Statements of Financial Position at March 31, 2013 and December 31, 2012, (iv) Condensed Consolidated Statements of Cash Flows for the periods ended March

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31, 2013 and 2012, (v) Condensed Consolidated Statements of Changes in Common Shareholders' Equity for the periods ended March 31, 2013 and 2012, and (vi) the Notes to the Condensed Consolidated Financial Statements.

Incorporated by Reference

- 3(a) Revised Articles of Incorporation of UPC, as amended through June 27, 2011, are incorporated herein by reference to Exhibit 3(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.
- 3(b) By-Laws of UPC, as amended, effective May 14, 2009, are incorporated herein by reference to Exhibit 3.2 to the Corporation's Current Report on Form 8-K dated May 15, 2009.
- 4(a) Form of 2.75% Note due 2023 is incorporated herein by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K dated March 15, 2013.
- 4(b) Form of 4.25% Note due 2043 is incorporated herein by reference to Exhibit 4.2 to the Corporation's Current Report on Form 8-K dated March 15, 2013.

**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: April 18, 2013

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/ Jeffrey P. Totusek  
Jeffrey P. Totusek  
Vice President and Controller  
(Principal Accounting Officer)



**DEFERRED  
PLAN** **COMPENSATION**  
**(409A Non-Grandfathered Component)**  
**of**  
**UNION PACIFIC CORPORATION**

*(Originally effective as of January 1, 2009,  
with amendments approved December 30, 2010, June 22, 2011, and March 1, 2013.)*

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# ARTICLE ONE

## Scope of Plan and Definitions

- 1.1 Purpose and Scope of Plan** - The purpose of the Plan (this and other capitalized terms having the meanings set forth below) is to provide a deferral opportunity and related benefits to Eligible Employees who participate in EIP and SIP. The Plan is intended to be an unfunded nonqualified deferred compensation plan that is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees of the Company, pursuant to sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and, as such, to be exempt from the provisions of Parts 2, 3 and 4 of Subtitle B of Title I of ERISA. The rights of each Participant and his Beneficiaries to benefits under the Plan shall be governed by the Plan as set forth herein and as it may hereafter be amended from time to time. This Plan is effective January 1, 2009, unless expressly provided otherwise herein.
- 1.2 Applicability** - The Deferred Compensation Plan was bifurcated into two components, effective January 1, 2009. As reflected in the terms of this Non-Grandfathered Plan, one such component is applicable solely to those amounts that were not, as of December 31, 2004, both credited to a Participant's Account and fully vested or as to which the Participant had a vested right in accordance with the terms of the Deferred Compensation Plan as in effect on December 31, 2004 (including related investment gains and losses occurring thereafter). With respect to any other amounts credited to a Participant's account under the Deferred Compensation Plan, the rights of the Participant and his Beneficiaries shall be governed by the component of the Deferred Compensation Plan known as the "Deferred Compensation Plan (409A Grandfathered Component) of Union Pacific Corporation, as amended and restated effective January 1, 2009." Prior to January 1, 2009, with respect to all amounts credited under the Deferred Compensation Plan that were subject to section 409A of the Code, the Deferred Compensation Plan was administered in good faith compliance with section 409A of the Code.
- 1.3 Definitions** - As used in the Plan, the following terms shall have the meanings set forth below, unless a different meaning is plainly required by the context:
- (a)** "Account" shall mean the entries maintained on the books of the Company which represent a Participant's interest under the Non-Grandfathered Plan. The term "Account" shall refer to:
    - (1)** The value of amounts credited to a Participant under the Deferred Compensation Plan as in effect on January 1, 2005, other than

amounts (including investment gains and losses thereon) which under the terms of the Deferred Compensation Plan were credited and fully vested or as to which the Participant had a vested right, as of December 31, 2004, valued in accordance with Article 3 and adjusted for payments made pursuant to Article 4.

- (2) The value of amounts credited to a Participant's Account pursuant to Section 2.1, valued in accordance with Article 3 and adjusted for payments made pursuant to Article 4.

Under no circumstances shall a Participant's Account under this Non-Grandfathered Plan be deemed to include amounts (including investment gains and losses thereon) which under the terms of the Deferred Compensation Plan were credited and fully vested or as to which the Participant has a vested right as of December 31, 2004.

- (b) "Award" shall mean an award as defined under EIP or SIP consisting of cash or stock units. Stock options or retention share awards are not eligible for deferral under this Plan.
- (c) "Award Account" shall mean the entries maintained on the books of the Company which represent a Participant's interest under the Plan with respect to each separate Award payable to the Participant under EIP or SIP that the Participant elects to defer under the terms of this Non-Grandfathered Plan. Each Award Account shall separately reflect the Participant's interest in each investment fund established under Section 3.1.
- (d) "Beneficiary" shall mean the person designated by a Participant to receive his interest under the Deferred Compensation Plan in the event of his death hereunder pursuant to procedures adopted by the Committee. Absent such designation, the Participant's Beneficiary shall be his estate.
- (e) "Committee" shall mean the Compensation and Benefits Committee of the Board of Directors of the Company, or such other committee of the Board of Directors as may from time to time be designated by the Board of Directors to administer the Deferred Compensation Plan.
- (f) "Deferred Compensation Plan" shall mean the Union Pacific Corporation Deferred Compensation Plan, as it may be amended from time to time. The Deferred Compensation Plan is comprised of the following components, each of which is set forth in a separate document: (1) The Union Pacific Corporation Deferred Compensation Plan (409A Grandfathered Component), and (2) The Union Pacific Corporation Deferred Compensation Plan (409A Non-Grandfathered Component).



- (g) "EIP" shall mean the Union Pacific Corporation Executive Incentive Plan, effective May 5, 2005, and as it may thereafter be amended from time to time, and any successor executive incentive plan.
- (h) "Eligible Employee" shall mean an employee eligible to receive an Award who the Committee has designated as eligible to participate in this Plan.
- (i) "Participant" shall mean (1) any Eligible Employee for whom credits have been or are being made hereunder, or (2) any former Eligible Employee for whom credits have been made hereunder and who either (A) continues to be employed by the Company or an Affiliated Company, or (B) has an interest in all or a portion of his Account which has not been distributed pursuant to Article 4.
- (j) "Plan" or "Non-Grandfathered Plan" shall mean the Union Pacific Corporation Deferred Compensation Plan (409A Non-Grandfathered Component), effective as of January 1, 2009 as set forth herein, and as it may hereafter be amended from time to time.
- (k) "Separation from Service" shall mean a "separation from service" with the Company and all Affiliated Companies within the meaning of Code section 409A and the regulations promulgated thereunder.
- (l) "SIP" shall mean the Union Pacific Corporation 2001 Stock Incentive Plan, effective April 20, 2001, as amended; and the Union Pacific Corporation 2004 Stock Incentive Plan, effective April 16, 2004, and as it may thereafter be amended from time to time, or any successor stock incentive plan.
- (m) "Thrift Plan" shall mean the Union Pacific Corporation Thrift Plan, as in effect from time to time.

**1.4 Terms Defined in the Thrift Plan** - For all purposes of the Plan, the following terms shall have the meanings specified in the Thrift Plan, unless a different meaning is plainly required by the context: "Affiliated Company"; "Board of Directors"; "Code"; "Company"; "Employee"; "ERISA"; and "Plan Year."

**1.5 Other Definitional Provisions** - The terms defined in Sections 1.3 and 1.4 of the Plan shall be equally applicable to both the singular and plural forms of the terms defined. The masculine pronoun, whenever used, shall include the feminine and vice versa. The words "hereof," "herein" and "hereunder" and words of similar import when used in the Plan shall refer to the Plan as a whole and not to any particular provision of the Plan, unless otherwise specified.

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## ARTICLE TWO

### Deferrals and Credits

#### 2.1 Deferrals and Credits

- (a) The Committee may permit an Eligible Employee to elect to make deferrals from Awards (in the case of an Award under SIP that is performance-based compensation, as such term is defined in Code section 409A, after adjustment for dividend equivalent payments in accordance with the terms of the document establishing such Award or, in the case of an Award under EIP, a portion of the EIP Award) to be credited under the Plan by filing an Award deferral agreement with the Committee on such form as may be prescribed by the Committee for such purpose, subject to such terms and conditions as the Committee may from time to time impose in its sole discretion. Notwithstanding the foregoing, such agreement must be filed within the period permitted under paragraph (b) below and shall authorize the Company or the Affiliated Company by which the Eligible Employee is employed to reduce the Eligible Employee's Award as elected by the Eligible Employee as of the date determined pursuant to subparagraph (c) below. The Company shall credit such amount to the Eligible Employee's Account under the Plan.

- (b)** Any election by an Eligible Employee to defer an Award pursuant to paragraph (a) must be made:
- (1)** If the Award is not performance-based compensation as defined under Code section 409A and the regulations promulgated thereunder, prior to the beginning of the calendar year in which the Eligible Employee performs the services for which the Award is payable; and
  - (2)** If the Award is performance-based compensation, as defined under Code section 409A and the regulations promulgated thereunder, at least six (6) months prior to the end of the performance period to which the Award relates and before the date as of which such performance-based compensation becomes readily ascertainable, within the meaning of Code section 409A and the regulations promulgated thereunder, provided, however, that the Eligible Employee is continuously employed from the earlier of the beginning of such performance period or the date the performance goals for such performance period are established through the date of the deferral election.
- (c)** An Eligible Employee's deferral under paragraph (a) above shall be made as of the same date that such Award would have been payable to the Eligible Employee under EIP or SIP had such Award not been deferred under the Plan. In the event the Eligible Employee satisfies the requirements for an Award under the EIP but has a Separation from Service before the date the EIP Award would have been paid to the Eligible Employee had such Award not been deferred under the Plan, it shall nevertheless be paid in accordance with such deferral election and the terms of this Plan (including without limitation the Specified Employee Restriction at Section 4.2) with respect to the implementation of such deferral election.

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## ARTICLE THREE

### Valuation of Accounts

- 3.1 Establishment of Investment Funds** - The Committee shall have the authority in its sole discretion to provide a Participant with one or more investment funds for the Participant's Account and to add, delete, consolidate, substitute or otherwise change any such investment funds from time to time as the Committee may determine in its sole discretion. Notwithstanding any other provision of the Plan that may be interpreted to the contrary, the investment funds are to be used for measurement purposes only, and a Participant's election of any such investment fund, the allocation of the Participant's Account thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account shall not be considered an actual investment of a Participant's Account in any such investment fund.
- 3.2 Transfers Between Investment Funds** - Subject to such rules as the Committee may prescribe from time to time in its sole discretion, a Participant may elect to transfer such portion of a Participant's interest in any investment fund as permitted by the Committee to any other available investment fund. Such rules may require that a Participant's Account under this Non-Grandfathered Plan is commingled for investment purposes with any "Account" a Participant may have in the Union Pacific Corporation Deferred Compensation Plan (409A Grandfathered Component). However, separate recordkeeping shall be maintained with respect to the portions of the Participant's benefit in the Deferred Compensation Plan attributable to its Grandfathered and Non-Grandfathered components.
- 3.3 Valuation and Accounting** -
- (a)** Each investment fund shall be valued as such times and in accordance with such method(s) of valuation as determined from time to time in the sole discretion of the Committee, and the value of each Participant's Account shall be determined by reference to the portion of the Participant's Account allocable to each investment fund. The value of each Participant's interest in an investment fund may be measured in units, shares or dollars.
  - (b)** The value of a Participant's Account shall equal the aggregate value of the investment funds allocable to such Account.

## ARTICLE FOUR

### Payments

#### **4.1 Payments on Separation from Service or Date Certain -**

- (a) A Participant who fails to make a timely election described in subparagraph (b) shall be deemed to have elected to receive the value of his Award Account at the time of his Separation from Service in a single lump-sum payment. Subject to Section 4.2, such payment shall be made to the Participant (or if such Participant is not living at the time of payment, to such Participant's Beneficiaries) as soon as administratively practicable following the Participant's Separation from Service, but in no event later than the end of the calendar year in which the Participant's Separation from Service occurs or, if later, ninety (90) days after such Separation from Service. Notwithstanding the foregoing, any Award Account established for an Award attributable to SIP to which an amount is credited under Section 2.1(c) by reason of a Participant's disability shall be paid as soon as administratively practicable following the date on which such amount is credited to the Award Account, but in no event later than the end of the calendar year or the 15<sup>th</sup> day of the third calendar month following the date on which such amount is credited to the Award Account, regardless of any election made by the Participant.
- (b) (1) A Participant who has any Award Account in the Plan as of any time during the 2008 calendar year may elect in writing, according to such rules and using such forms as may be prescribed by the Committee, to have any such Account paid to him in one of the forms specified in paragraph (c) below, provided such Participant's Separation from Service occurs after December 31, 2008. Such election must be made no later than December 31, 2008.
- (2) A Participant who makes a deferral election under Section 2.1 for an Award made after December 31, 2008 may elect in writing, according to such rules and using such forms as may be prescribed by the Committee, to have the Award Account attributable to such Award paid to him in one of the forms specified in paragraph (c) below. Such election must be made before the end of the period in which to make a deferral election under Section 2.1(b) with regard to such Award.
- (c) A Participant may elect to have his Award Account paid to him in accordance with one of the following payment options, subject to Sections 4.2 and 4.3:

- (1) A single lump sum distribution as provided in subparagraph (a) payable at the earlier of (i) July of the year selected by the Participant or (ii) within thirty (30) days of the Participant's Separation from Service.
- (2) A single lump-sum distribution as provided in subparagraph (a) payable (i) in the year of the Participant's Separation from Service or (ii) if selected by the Participant, January of the next year following such Separation from Service;
- (3) Annual installments over a period not to exceed fifteen (15) years (such installment period to be elected by the Participant), beginning (i) as soon as administratively practicable following the Participant's Separation from Service, but in no event later than the end of the calendar year in which the Participant's Separation from Service occurs or, if later, ninety (90) days after such Separation from Service, or (ii) if elected by the Participant, January of the next year following such Separation from Service, with (under either option) subsequent installments paid in January of each subsequent year, with each installment determined by dividing the value of the Participant's then-undistributed Award Account under the Non-Grandfathered Plan by the number of installments remaining to be made; or
- (4) A single lump-sum distribution payable in January of a year following the Participant's Separation from Service that is not earlier than two (2) years, and not later than fifteen (15) years following the Participant's Separation from Service, such year to be elected by the Participant. The amount of such distribution shall equal the balance in the Participant's Award Account at such specified date. Pending the lump-sum distribution as aforesaid, the Participant's Award Account shall continue to be invested in accordance with Article Three. If the Award Account relates to amounts deferred into this Plan from the SIP, the increase or decrease in the value of such Award Account shall be accumulated as part of the Award Account and paid out as part of such lump sum distribution. If the Award Account relates to amounts deferred into this Plan from the EIP, then at the end of each calendar quarter following the Participant's Separation from Service, the net increase or decrease in the value of such Award Account, measured from the first valuation of such Award Account pursuant to Article Three which coincides with or next follows the Participant's Separation from Service, shall be determined. Subject to subparagraph (d)(1) (A), the amount of any such net increase for any calendar quarter shall be distributed to the Participant within thirty (30) days following the end of such calendar quarter.

- (d)** A Participant who has made the election or the deemed election described in subparagraphs (b) or (a) respectively may elect in writing to modify the form of payment and/or the payment commencement date for any Award Account (a “modification election”) in accordance with the following rules:
- (1)** When a Participant’s existing form of payment
    - (A) is described in subparagraphs (a), (c)(2) or (c)(3) above, a Participant may elect to receive the Participant’s Award Account in the form set forth in paragraph (c)(2), (c)(3) and (c)(4) above, provided that any election of the form described in subparagraph (c)(4) above shall not provide separate quarterly payments of investment income,
    - (B) is described in subparagraph (c)(1) above, a Participant may (i) elect to receive the Participant’s Award Account in a single lump sum distribution in July of a later year, provided such July occurs before the Participant’s Separation from Service or (ii) elect to receive the Participant’s Award Account in the form described in subparagraph (c)(2), (c)(3) or (c)(4) above, provided that any election of the form described in subsection (c)(4) above shall not provide separate payments of investment income, and
    - (C) is described in subparagraph (c)(4) above, a Participant may elect to receive the Participant’s Account in the form described in subsection (c)(3) above or change to a later date as of which the Participant will be paid a single lump-sum under subparagraph (c)(4) above.
  - (2)** A Participant’s modification election shall be made both prior to his Separation from Service and at least twelve (12) months prior to the date on which payments would have commenced in accordance with his prior election.
  - (3)** Notwithstanding the payment date indicated by the form of payment elected thereby, a Participant’s modification election to alter the date on which his payments will commence and/or the form in which payment is made must have the effect of postponing the payment commencement date by at least five (5) years, and shall be administered accordingly. A Participant shall be permitted to make a modification election or elections with respect to (i) all of his Award Accounts with respect to amounts deferred from the SIP that are payable at the same time and in the same form; (ii) all of his Award Accounts with respect to amounts deferred from the EIP that are payable at the same time and in the same form, and (iii) fifty percent (50%) of the balance as of the applicable payment date of

the Award Account(s) attributable to deferrals from the SIP or EIP, as the case may be, that are payable in accordance with subparagraph 4.1(c)(1) in the same year elected by the Participant in accordance with subparagraph 4.1(c)(1), each of which shall be considered a separately identified amount to which the Participant is entitled to payment on a determinable date with the meaning of Treas. Reg. § 1.409A-2(b)(2)(i), in accordance within such rules as may be established by the Committee for this purpose consistent with the requirements of Section 409A of the Code and the regulations thereunder. No such modification election shall be permitted if the payment commencement date that was previously elected was more than ten (10) years after the Participant's Separation from Service.

- (4) In the case of a Participant who desires to (A) change the method of payment from a single lump-sum distribution to annual installments, or (B) postpone the payment commencement date of annual installments that he previously elected, the maximum number of annual installments shall be fifteen (15), minus the number of years (with a fractional year rounded up to a full year) between the Participant's Separation from Service and the postponed payment commencement date.
- (5) For purposes of this paragraph (d),
- (A) the date as of which payments to a Participant would have commenced, absent the election provided by this paragraph, shall be deemed to be the first possible date as of which such payments could have been made to the Participant;
- (B) the quarterly payment of investment income provided under paragraph (c)(4) above shall be treated as a separate form of payment from the single lump-sum distribution provided by such paragraph; and
- (C) the entitlement to a series of installment payments shall be treated as the entitlement to a single form of payment.
- (e) On the death of a Participant who has not received payment of his full Account under subparagraphs (a) or (c), the Committee shall cause the unpaid balance of the Participant's vested account to be paid in a single lump-sum payment to such Participant's Beneficiaries. Such payment shall be made as soon as administratively practicable following completion of the first valuation of the Participant's Account pursuant to Article Three which coincides with or next follows the Participant's date of death, but in no event later than the end of the calendar year in which the Participant's date of death occurs or, if later, ninety (90) days after such date of death.



- (f)** Subject to Sections 4.2 and 4.3 and notwithstanding the deemed election or election of a Participant described in Section 4.1(a) or (b) respectively, any Award Account established for an Award attributable to SIP, other than such an Award in which the Participant has vested due to such Participant's disability, which is granted in 2011 that is not performance-based compensation, as defined under Code section 409A, shall be paid to a Participant:
- (1)** who has a Separation from Service before February 3, 2015, in a single sum as soon as administratively practicable following such date, but in no event later than the end of the 2015 calendar year or, if later, ninety (90) days after such date or;
  - (2)** who has a Separation from Service on or after February 3, 2015, in accordance with the payment option set forth in Section 4.1(c) and elected by the Participant (or in accordance with Section 4.1(a) in the event the Participant fails to make such election); provided, however, that a Participant who has elected the form of payment set forth in Section 4.1(c)(1) shall be paid at the earlier of (i) July of the year selected by the Participant that is after 2015 or (ii) within thirty (30) days of the Participant's Separation from Service.
- (g)** Subject to Sections 4.2 and 4.3 and notwithstanding the deemed election or election of a Participant described in Section 4.1(a) or (b) respectively, any Award Account established for an Award attributable to SIP, other than such an Award in which the Participant has vested due to such Participant's disability, which is: (i) granted in 2011 that is performance based compensation, as such term is defined in Code section 409A or (ii) granted after 2011 (regardless of whether the Award is performance based compensation), shall be paid to a Participant:
- (1)** who has a Separation from Service before the end of the "Restriction Period" as such term is defined in the letter agreement granting such Award, in a single sum as soon as administratively practicable following the end of such Restriction Period, but in no event later than the end of the calendar year in which such Restriction Period ends or, if later, ninety (90) days after the end of such Restriction Period; or
  - (2)** who has a Separation from Service on or after the end of the "Restriction Period" as such term is defined in the letter agreement granting such Award, in accordance with the payment option set forth in Section 4.1(c) and elected by the Participant (or in accordance with Section 4.1(a) in the event the Participant fails to make such election); provided, however, that a Participant who has elected the form of payment set forth in Section 4.1(c)(1) shall be

paid at the earlier of (i) July of the year selected by the Participant that is after the end of the calendar year in which such Restriction Period ends or (ii) within thirty (30) days of Participant's Separation from Service.

- 4.2 Specified Employee Restriction** – Notwithstanding anything in the Plan to the contrary, no payment shall be made to a “specified employee” (as determined in accordance with a uniform policy adopted by the Company with respect to all arrangements subject to Section 409A of the Code maintained by the Company and its Affiliated Companies) on account of such specified employee's Separation from Service until six (6) months plus one day following such specified employee's Separation from Service; provided however, in the event of the specified employee's death before his payment commencement date, this provision shall not prevent payment of death benefits at the time prescribed by Section 4.1(e).
- 4.3 Additional Restrictions on Payment Options** – Notwithstanding anything in Section 4.1 to the contrary; except, however the last sentence of subparagraph 4.1(a):
- (a)** the Participant may always elect the payment option described in subparagraph 4.1(c)(1) (providing for payment as of a specified date prior to Separation from Service) with respect to amounts to be deferred to an Award Account, regardless of the payment options the Participant may have elected with respect to any Award Accounts previously established under this Non-Grandfathered Plan.
  - (b)** with regard to the payment options described in subparagraphs 4.1(c)(2), 4.1(c)(3) or 4.1(c)(4) (each providing for payment following Separation from Service and henceforth referred to as the “Separation Payment Options”), the Participant may elect only one such Separation Payment Option with respect to (i) all Award Accounts consisting of amounts deferred into this Plan from the SIP and (ii) all Award Accounts consisting of amounts deferred into this Plan from the EIP (other than, in each case, Award Accounts for which the payment option described in subparagraph 4.1(c)(1) has been elected). A Participant's initial election of a Separation Payment Option, with respect to amounts deferred from the SIP or EIP, as the case may be, shall apply to all subsequent deferrals from the SIP or EIP, as applicable, unless the Participant elects the payment option described in subparagraph 4.1(c)(1) for such subsequent deferral.
  - (c)** a Participant's modification election made in accordance with Section 4.1(d) may not change the form of payment of an Award Account from a Separation Payment Option to the form of payment described in subparagraph 4.1(c)(1). In addition, any change to a different Separation Payment Option must apply to all Award Accounts attributable to deferrals

from the SIP or EIP, as the case may be, for which a Separation Payment Option has been elected.

- (d) in the event an Award Account is to be paid in accordance with the payment option described in subparagraph 4.1(c)(1) prior to the Participant having a Separation from Service, and at the time of such payment the Company reasonably anticipates that its deduction with respect to the Award Account payable to such Participant would be reduced or eliminated by Code section 162(m), such payment shall be delayed until the Company's first taxable year in which it reasonably anticipates that its deduction of such payment will not be reduced or eliminated by Code Section 162(m), and following such determination will then be paid in a single lump-sum distribution as soon as administratively practicable in such taxable year.

**4.4 Responsibility for Payments** – All payments attributable to credits made hereunder on behalf of a Participant shall be made by the Company on its own behalf or on behalf of the Affiliated Company by who such Participant was employed when such credits were made. Such Affiliated Company shall reimburse the Company for all amounts paid on its behalf.

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## ARTICLE FIVE

### Administration

- 5.1 Responsibilities and Powers of the Committee** - The Committee shall be solely responsible for the operation and administration of the Plan and shall have all powers necessary and appropriate to carry out its responsibilities in operating and administering the Plan. Without limiting the generality of the foregoing, the Committee shall have the responsibility and power to interpret the Plan, to make factual determinations and to determine whether a credit should be made on behalf of a Participant, the amount of the credit and the value of the amount so credited on any subsequent date. The determination of the Committee, made in good faith, shall be conclusive and binding on all persons, including Participants and their Beneficiaries. The Committee may delegate part or all of its authority to operate and administer the Plan to: (i) prior to March 1, 2013 the Senior Vice President-Human Resources of the Company; and (ii) on and after March 1, 2013 the Vice President-Human Resources of Union Pacific Railroad Company or such other officer or employee of Union Pacific Railroad Company or the Company with similar authority, and may grant authority to such person to execute agreements or other documents relating to the administration of the Plan as such person deems necessary or appropriate.
- 5.2 Outside Services** - The Committee may engage counsel and such clerical, medical, financial, investment, accounting and other specialized services as its may deem necessary or desirable to the operation and administration of the Plan. The Committee shall be entitled to rely, and shall be fully protected in any action or determination or omission taken or made or omitted in good faith in so relying, upon any opinions, reports or other advice which is furnished by counsel or other specialist engaged for that purpose.
- 5.3 Indemnification** - The Company shall indemnify the members of the Committee against any and all claims, loss, damages, expense (including reasonable counsel fees) and liability arising from any action or failure to act or other conduct in the Committee member's official capacity, except when the same is due to her own gross negligence or willful misconduct.
- 5.4 Claims Procedures** - The claims procedures set forth in Article XIII of the Thrift Plan shall apply to any claim for benefits hereunder, subject to such changes as the Committee deems necessary or appropriate.

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## ARTICLE SIX

### **Amendment and Termination**

- 6.1 Amendment** - The Board of Directors reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan. In addition, (i) prior to March 1, 2013 the Senior Vice President-Human Resources of the Company; and (ii) on and after March 1, 2013 the Vice President-Human Resources of Union Pacific Railroad Company or such other officer or employee of Union Pacific Railroad Company or the Company with similar authority, may make (a) all technical, administrative, regulatory and compliance amendments to the Plan or (b) any other amendment to the Plan that will not significantly increase the cost of the Plan to the Company as he or she deems necessary or appropriate. Notwithstanding anything to the contrary above, no amendment shall operate to reduce the accrued benefit of any individual who is a Participant at the time the amendment is adopted.
- 6.2 Termination** - The Plan is purely voluntary and the Board of Directors reserves the right to terminate the Plan at any time, provided, however, that the termination shall not operate to reduce the accrued benefit of any individual who is a Participant at the time the Plan is terminated.

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## ARTICLE SEVEN

### General Provisions

- 7.1 Source of Payments** - The Plan shall not be funded and all payments hereunder to Participants and their Beneficiaries shall be paid from the general assets of the Company. The Company shall not, by virtue of any provisions of the Plan or by any action of any person hereunder, be deemed to be a trustee or other fiduciary of any property for any Participant or his Beneficiaries and the liabilities of the Company to any Participant or his Beneficiaries pursuant to the Plan shall be those of a debtor only pursuant to such contractual obligations as are created by the Plan and no such obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. To the extent that any Participant or his Beneficiaries acquire a right to receive a payment from the Company under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.
- 7.2 No Warranties** - Neither the Committee nor the Company warrants or represents in any way that the value of each Participant's Account will increase or not decrease. Such Participant assumes all risk in connection with any change in such value.
- 7.3 Inalienability of Benefits** - No benefit payable under, or interest in, the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge and any attempt to do so shall be void; nor shall any such benefit or interest be in any manner liable for or subject to garnishment, attachment, execution or levy or liable for or subject to the debts, contracts, liabilities, engagements or torts of any Participant or his Beneficiaries. In the event that the Committee shall find that any Participant or his Beneficiaries has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit payable under, or interest in, the Plan, the Committee shall hold or apply such benefit or interest or any part thereof to or for the benefit of such Participant or his Beneficiaries, his spouse, children, parents or other relatives or any of them.
- 7.4 Expenses** - The Company shall pay all costs and expenses incurred in operating and administering the Plan, including the expense of any counsel or other specialist engaged by the Committee.
- 7.5 No Right of Employment** - Nothing herein contained nor any action taken under the provisions hereof shall be construed as giving any Participant the right to be retained in the employ of the Company or any Affiliated Company.

- 7.6 Limitations on Obligations** - Neither the Company, nor any Affiliated Company, nor any officer or employee of either, nor any member of the Board of Directors nor the Committee shall be responsible or liable in any manner to any Participant, Beneficiary or any person claiming through them for any action taken or omitted in connection with the granting of benefits or the interpretation and administration of the Plan.
- 7.7 Withholding** - The Company shall, on its own behalf or on behalf of the Affiliated Companies, withhold from any payment hereunder the required amounts of income and other taxes.
- 7.8 Headings** - The headings of the Sections in the Plan are placed herein for convenience of reference and, in the case of any conflict, the text of the Plan, rather than such heading, shall control.
- 7.9 Construction** - The Plan shall be construed, regulated and administered in accordance with the laws of the State of Utah, without regard to the choice of law principles thereof.
- 7.10 Payments to Minors, Etc.** - Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person and such payment shall fully discharge the Committee, the Company, all Affiliated Companies and all other parties with respect thereto.

**DEFERRED  
PLAN  
Grandfathered**



**COMPENSATION  
(409A  
Component)**

**of**

**UNION PACIFIC CORPORATION**

*(Originally effective as of January 1, 2009,  
with amendments effective March 1, 2013.)*

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# ARTICLE ONE

## **Scope of Plan and Definitions**

- 1.1 Purpose and Scope of Plan** - The purpose of the Plan (this and other capitalized terms having the meanings set forth below) is to provide a deferral opportunity and related benefits to Eligible Employees who participate in EIP and SIP. The Plan is intended to be an unfunded nonqualified deferred compensation plan that is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees of the Company, pursuant to sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and, as such, to be exempt from the provisions of Parts 2, 3 and 4 of Subtitle B of Title I of ERISA. The rights of each Participant and his Beneficiaries to benefits under the Plan shall be governed by the Plan as set forth herein and as it may hereafter be amended from time to time. This Plan is effective January 1, 2009, unless expressly provided otherwise herein.
- 1.2 Applicability** - The Deferred Compensation Plan was bifurcated into two components, effective January 1, 2009. As reflected in the terms of this Grandfathered Plan, one such component is applicable solely to those amounts that were, as of December 31, 2004, both credited to a Participant's Account and fully vested in accordance with the terms of the Deferred Compensation Plan as in effect on December 31, 2004 (including related investment gains and losses occurring thereafter), which terms were not materially modified after October 3, 2004. With respect to any other amounts credited to a Participant's account under the Deferred Compensation Plan, the rights of the Participant and his Beneficiaries shall be governed by the component of the Deferred Compensation Plan known as the "Deferred Compensation Plan (409A Non-Grandfathered Component) of Union Pacific Corporation, effective January 1, 2009." Prior to January 1, 2009, with respect to all amounts credited under the Deferred Compensation Plan that were subject to section 409A of the Code, the Deferred Compensation Plan was administered in good faith compliance with section 409A of the Code.
- 1.3 Definitions** - As used in the Plan, the following terms shall have the meanings set forth below, unless a different meaning is plainly required by the context:
- (a)** "Account" shall mean the entries maintained on the books of the Company which represent a Participant's interest under the Grandfathered Plan. A Participant's "Account" shall reflect the value of amounts credited to a Participant under the Deferred Compensation Plan as in effect on December 31, 2004, valued on and after December 31, 2004 in accordance with Article 2 and adjusted for payments made pursuant to Article 3 after December 31, 2004. Under no circumstances shall a

Participant's Account under this Grandfathered Plan be deemed to include amounts (including investment gains and losses thereon) which under the terms of the Deferred Compensation Plan were credited after December 31, 2004 or were not vested as of that date.

- (b)** "Award Account" shall mean the entries maintained on the books of the Company which represent a Participant's interest under the Plan with respect to each separate Award payable to the Participant under EIP or SIP that the Participant elected to defer under the terms of this Grandfathered Plan. Each Award Account shall separately reflect the Participant's interest in each investment fund established under Section 2.1.
- (b)** "Beneficiary" shall mean the person designated by a Participant to receive his interest under the Deferred Compensation Plan in the event of his death hereunder pursuant to procedures adopted by the Committee. Absent such designation, the Participant's Beneficiary shall be his estate.
- (c)** "Committee" shall mean the Compensation and Benefits Committee of the Board of Directors of the Company, or such other committee of the Board of Directors as may from time to time be designated by the Board of Directors to administer the Plan.
- (d)** "Deferred Compensation Plan" shall mean the Union Pacific Corporation Deferred Compensation Plan, as amended from time to time. The Deferred Compensation Plan is comprised of the following components, each of which is set forth in a separate document: (1) The Union Pacific Corporation Deferred Compensation Plan (409A Grandfathered Component), and (2) The Union Pacific Corporation Deferred Compensation Plan (409A Non-Grandfathered Component).
- (e)** "EIP" shall mean the Executive Incentive Plan of Union Pacific Corporation and Subsidiaries, effective as of January 1, 1971, and as it may thereafter be amended from time to time.
- (f)** "Participant" shall mean any person who has an Account which has not been distributed pursuant to Article Three.
- (g)** "Plan" or "Grandfathered Plan" shall mean the Union Pacific Corporation Deferred Compensation Plan (409A Grandfathered Component), as amended and restated in its entirety effective as of January 1, 2009 as set forth herein, and as it may hereafter be amended from time to time.
- (h)** "SIP" shall mean the 1993 Stock Option and Retention Stock Plan of Union Pacific Corporation, effective April 16, 1993, as amended; the Union Pacific Corporation 2001 Stock Incentive Plan, effective April 20, 2001, as amended; and the Union Pacific Corporation 2004 Stock Incentive Plan,

effective April 16, 2004, and as it may thereafter be amended from time to time.

(i) "Thrift Plan" shall mean the Union Pacific Corporation Thrift Plan, as in effect from time to time.

**1.4 Terms Defined in the Thrift Plan** - For all purposes of the Plan, the following terms shall have the meanings specified in the Thrift Plan, unless a different meaning is plainly required by the context: "Affiliated Company"; "Board of Directors"; "Code"; "Company"; "ERISA"; and "Separation from Service"; provided, however, that in determining if a Separation from Service has occurred, the initial public offering of Overnite Corporation that is the subject of Form S-1 Registration Statement No. 333-107614 shall be disregarded.

**1.5 Other Definitional Provisions** - The terms defined in Sections 1.3 and 1.4 of the Plan shall be equally applicable to both the singular and plural forms of the terms defined. The masculine pronoun, whenever used, shall include the feminine and *vice versa*. The words "hereof," "herein" and "hereunder" and words of similar import when used in the Plan shall refer to the Plan as a whole and not to any particular provision of the Plan, unless otherwise specified.

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## ARTICLE TWO

### Valuation of Accounts

**2.1 Establishment of Investment Funds** - The Committee shall have the authority in its sole discretion to provide a Participant with one or more investment funds for the Participant's Account and to add, delete, consolidate, substitute or otherwise change any such investment funds from time to time as the Committee may determine in its sole discretion. Notwithstanding any other provision of the Plan that may be interpreted to the contrary, the investment funds are to be used for measurement purposes only, and a Participant's election of any such investment fund, the allocation of the Participant's Account thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account shall not be considered an actual investment of a Participant's Account in any such investment fund.

**2.2 Transfers Between Investment Funds** - Subject to such rules as the Committee may prescribe from time to time in its sole discretion, a Participant may elect to transfer such portion of a Participant's interest in any investment fund as permitted by the Committee to any other available investment fund. Such rules may require that a Participant's Account under this Grandfathered Plan is commingled for investment purposes with any "Account" a Participant may have in the Union Pacific Corporation Deferred Compensation Plan (409A Non-Grandfathered Component). However, separate recordkeeping shall be

maintained with respect to the portions of the Participant's benefit in the Deferred Compensation Plan attributable to its Grandfathered and Non-Grandfathered Components.

### **2.3 Valuation and Accounting -**

(a) Each investment fund shall be valued as such times and in accordance with such method(s) of valuation as determined from time to time in the sole discretion of the Committee, and the value of each Participant's Account shall be determined by reference to the portion of the Participant's Account allocable to each investment fund. The value of each Participant's interest in an investment fund may be measured in units, shares or dollars.

(b) The value of a Participant's Account shall equal the aggregate value of the investment funds allocable to such Account.

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## **ARTICLE THREE**

### **Payments**

#### **3.1 Payments on Separation from Service or Date Certain -**

(a) Except as provided in subparagraph (b), as soon as administratively practicable following the Participant's Separation from Service, the value of the Participant's Award Account(s) under the Grandfathered Plan at the time of such Separation from Service shall be paid to the Participant or, if such Participant is not living at the time of payment, to such Participant's Beneficiaries in a single lump-sum payment.

(b) A Participant may have any Award Account paid to him or, if such Participant is not living at the time of payment, to such Participant's Beneficiaries, in one of the payment options described in subparagraph (b)(1) by making an election of such payment option in accordance with the procedures set forth in subparagraph (b)(2).

(1) The payment options for any Award Account are described below.

(i) A single lump sum distribution as provided in subparagraph (a) payable at the earlier of (A) July of the year elected by the Participant or (B) the Participant's Separation from Service.

(ii) A single lump-sum distribution as provided in subparagraph (a) payable in the year of the Participant's Separation from Service

or (if elected by the Participant) January of the next year following such Separation from Service.

**(iii)** Annual installments over a period not to exceed fifteen (15) years (such installment period to be elected by the Participant) beginning as soon as administratively practicable following the: (A) Participant's Separation from Service or (B), if elected by the Participant, January of the next year following such Separation from Service, with (under either option) subsequent installments paid in January of each subsequent year, provided that all subsequent installments will be paid in the next succeeding January, with each installment determined by dividing the value of the Participant's then-undistributed Award Account by the number of installments remaining to be made.

**(iv)** A single lump-sum distribution payable in January of year following the Participant's Separation from Service that is not later than fifteen (15) years after the Participant's Separation from Service, such year to be elected by the Participant. The amount of such distribution shall equal the balance in the Participant's Award Account at such specified date. Pending the lump-sum distribution as aforesaid, the Participant's Award Account shall continue to be invested in accordance with Article Two. If the Award Account relates to amounts deferred into the Plan from the SIP, the increase or decrease in the value of such Award Account shall be accumulated as part of the Award Account and paid as part of such lump-sum distribution. If the Award Account relates to a amounts deferred into this Plan from the EIP, then at the end of each calendar quarter following the Participant's Separation from Service, the net increase or decrease in the value of such Award Account, measured from the first valuation of such Award Account pursuant to Article Two which coincides with or next follows the Participant's Separation from Service, shall be determined. The amount of any such net increase shall be distributed to the Participant within thirty (30) days following the end of such calendar quarter.

**(2)** A Participant must elect a payment option described in subparagraph (b)(1) for any Award Account in writing at the time the Participant makes the deferral election that establishes the Award Account, subject to the following restrictions:

**(i)** The Participant may always elect the payment option described in subparagraph (b)(1)(i) (providing for payment as of a specified date prior to Separation from Service) with regard to amounts to be deferred to an Award Account, regardless of the payment option the Participant may have elected with respect to

any Award Accounts previously established under this Grandfathered Plan.

**(ii)** With respect to the payment options described in subparagraphs (b)(1)(ii), (b)(1)(iii) or (b)(1)(iv) (each providing for payment following Separation from Service and hereafter referred to as the "Separation Payment Options"), the Participant may elect only one such Separation Payment Option with respect to (A) all Award Accounts consisting of amounts deferred into the Plan from the SIP, and (B) all Award Accounts consisting of amounts deferred into the Plan from the EIP (other than, in each case, Award Accounts for which the payment option described in subparagraph (b)(1)(i) has been elected). A Participant's initial election of a Separation Payment Option, with respect to amounts deferred from the SIP or EIP, as the case may be, shall apply to all subsequent deferrals from the SIP or EIP, as applicable, unless the Participant elects the payment option described in subparagraph (b)(1)(i) for such subsequent deferral.

**(3)** Notwithstanding the foregoing, a Participant may change the payment option with respect to an Award Account by filing an appropriate election (A) at least six (6) months prior to the date the Award Account would otherwise have begun to be paid to the Participant and (B) in the tax year prior to such date; provided however, that (i) a Participant may not elect to change the form of payment of an Award Account from a Separation Payment Option to the form of payment described in subparagraph (b)(1)(i), and (ii) any change to a different Separation Payment Option must apply to all Award Accounts attributable to deferrals from the SIP or EIP, as the case may be, for which a Separation Payment Option has been elected.

**(c)** On the death of a Participant whose Award Account is payable under (b)(1)(iii) or (iv), the Committee, in its sole discretion, may accelerate one or more installments or payments, and change the form of payment or distribution in accordance with this Section 3.1, of any balance of a Participant's Award Account.

**(d)** At any time before or after Separation from Service of a Participant who has one or more Award Accounts, the Committee, if it finds in its sole discretion that continued deferral of such Award Account(s) would result in undue hardship to such Participant or his Beneficiary, may accelerate and pay in cash all or any part of such Award Account(s). If payment of part of an Award Account is made pursuant to this Subsection 3.1(d), such payment shall be made pro-rata from the Investment Funds established under Section 2.1 in which such Award Account is invested at the time of the payment.

(e) In the event of relevant changes in the Federal income tax laws, regulations and rulings, or upon termination of the Plan, the Committee may, in its sole discretion, so accelerate or change the form of payment of any or all Award Accounts.

**3.2 Payments Prior to Separation From Service or Date Certain** – A Participant may request a withdrawal from any Award Account by filing a request with the Committee. Any withdrawal under this Section will be charged with a 10% early withdrawal penalty that will be withheld from the amount withdrawn and such amount withheld shall be irrevocably forfeited. All withdrawals shall be made pro-rata from the investment funds established under Section 2.1 in which the Participant's Award Account are invested at the time of the withdrawal.

**3.3 Responsibility for Payments**. All payments attributable to credits made hereunder on behalf of a Participant shall be made by the Company on its own behalf or on behalf of the Affiliated Company by who such Participant was employed when such credits were made. Such Affiliated Company shall reimburse the Company for all amounts paid on its behalf.

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## ARTICLE FOUR

### Administration

**4.1 Responsibilities and Powers of the Committee** - The Committee shall be solely responsible for the operation and administration of the Plan and shall have all powers necessary and appropriate to carry out its responsibilities in operating and administering the Plan. Without limiting the generality of the foregoing, the Committee shall have the responsibility and power to interpret the Plan, to make factual determinations and to determine whether a credit should be made on behalf of a Participant, the amount of the credit and the value of the amount so credited on any subsequent date. The determination of the Committee, made in good faith, shall be conclusive and binding on all persons, including Participants and their Beneficiaries. The Committee may delegate part or all of its authority to operate and administer the Plan to: (i) prior to March 1, 2013 the Senior Vice President-Human Resources of the Company; and (ii) on and after March 1, 2013 the Vice President-Human Resources of Union Pacific Railroad Company or such other officer or employee of Union Pacific Railroad Company or the Company with similar authority, and may grant authority to such person to execute agreements or other documents relating to the administration of the Plan as such person deems necessary or appropriate.

**4.2 Outside Services** - The Committee may engage counsel and such clerical, medical, financial, investment, accounting and other specialized services as she may deem necessary or desirable to the operation and administration of the Plan. The Committee shall be entitled to rely, and shall be fully protected in any

action or determination or omission taken or made or omitted in good faith in so relying, upon any opinions, reports or other advice which is furnished by counsel or other specialist engaged for that purpose.

**4.3 Indemnification** - The Company shall indemnify the Committee against any and all claims, loss, damages, expense (including reasonable counsel fees) and liability arising from any action or failure to act or other conduct in her official capacity, except when the same is due to her own gross negligence or willful misconduct.

**4.4 Claims Procedures** - The claims procedures set forth in Article XIII of the Thrift Plan shall apply to any claim for benefits hereunder, subject to such changes as the Committee deems necessary or appropriate.



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## ARTICLE FIVE

### Amendment and Termination

- 5.1 **Amendment** - The Board of Directors reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan. In addition, (i) prior to March 1, 2013 the Senior Vice President-Human Resources of the Company; and (ii) on and after March 1, 2013 the Vice President-Human Resources of Union Pacific Railroad Company or such other officer or employee of Union Pacific Railroad Company or the Company with similar authority, may make (a) all technical, administrative, regulatory and compliance amendments to the Plan or (b) any other amendment to the Plan that will not significantly increase the cost of the Plan to the Company as he or she deems necessary or appropriate. Notwithstanding anything to the contrary above, no amendment shall operate to reduce the accrued benefit of any individual who is a Participant at the time the amendment is adopted.
- 5.2 **Termination** - The Plan is purely voluntary and the Board of Directors reserves the right to terminate the Plan at any time, provided, however, that the termination shall not operate to reduce the accrued benefit of any individual who is a Participant at the time the Plan is terminated.
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## ARTICLE SIX

### General Provisions

- 6.1 **Source of Payments** - The Plan shall not be funded and all payments hereunder to Participants and their Beneficiaries shall be paid from the general assets of the Company. The Company shall not, by virtue of any provisions of the Plan or by any action of any person hereunder, be deemed to be a trustee or other fiduciary of any property for any Participant or his Beneficiaries and the liabilities of the Company to any Participant or his Beneficiaries pursuant to the Plan shall be those of a debtor only pursuant to such contractual obligations as are created by the Plan and no such obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. To the extent that any Participant or his Beneficiaries acquire a right to receive a payment from the Company under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.
- 6.2 **No Warranties** - Neither the Committee nor the Company warrants or represents in any way that the value of each Participant's Account will increase or not

decrease. Such Participant assumes all risk in connection with any change in such value.

- 6.3 Inalienability of Benefits** - No benefit payable under, or interest in, the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge and any attempt to do so shall be void; nor shall any such benefit or interest be in any manner liable for or subject to garnishment, attachment, execution or levy or liable for or subject to the debts, contracts, liabilities, engagements or torts of any Participant or his Beneficiaries. In the event that the Committee shall find that any Participant or his Beneficiaries has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit payable under, or interest in, the Plan, the Committee shall hold or apply such benefit or interest or any part thereof to or for the benefit of such Participant or his Beneficiaries, his spouse, children, parents or other relatives or any of them.
- 6.4 Expenses** - The Company shall pay all costs and expenses incurred in operating and administering the Plan, including the expense of any counsel or other specialist engaged by the Committee.
- 6.5 No Right of Employment** - Nothing herein contained nor any action taken under the provisions hereof shall be construed as giving any Participant the right to be retained in the employ of the Company or any Affiliated Company.
- 6.6 Limitations on Obligations** - Neither the Company, nor any Affiliated Company, nor any officer or employee of either, nor any member of the Board of Directors nor the Committee shall be responsible or liable in any manner to any Participant, Beneficiary or any person claiming through them for any action taken or omitted in connection with the granting of benefits or the interpretation and administration of the Plan.
- 6.7 Withholding** - The Company shall, on its own behalf or on behalf of the Affiliated Companies, withhold from any payment hereunder the required amounts of income and other taxes.
- 6.8 Headings** - The headings of the Sections in the Plan are placed herein for convenience of reference and, in the case of any conflict, the text of the Plan, rather than such heading, shall control.
- 6.9 Construction** - The Plan shall be construed, regulated and administered in accordance with the laws of the State of Utah, without regard to the choice of law principles thereof.
- 6.10 Payments to Minors, Etc.** - Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person and such payment

shall fully discharge the Committee, the Company, all Affiliated Companies and all other parties with respect thereto.

**6.11 Rule of Interpretation** - This Grandfathered Plan is intended to qualify as a grandfathered arrangement not subject to section 409A of the Code, and shall be interpreted and construed so as to realize such intent. The Committee is empowered to amend the terms of this Grandfathered Plan in order to ensure that the Award Accounts under the Plan are not subject to the restrictions and limitations of section 409A of the Code.

**SUPPLEMENTAL  
(409A Non-  
Component)**



**THRIFT PLAN  
Grandfathered**

**of**

**UNION PACIFIC CORPORATION**

**(As amended and restated in its entirety  
effective as of January 1, 2009, including all amendments  
adopted through March 1, 2013)**

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## ARTICLE ONE

### Scope of Plan and Definitions

- 1.1 Purpose and Scope of Plan** - The purpose of the Plan (this and other capitalized terms having the meanings set forth below) is to provide benefits to Eligible Employees who participate in the Thrift Plan in excess of those permitted under the Thrift Plan because of the limitations set forth in Sections 401(a)(17) and 415 of the Code. To the extent that benefits are provided under the Plan, solely because of the limitations set forth in Section 415 of the Code, the Company intends to maintain the Plan as an "excess benefit plan" as that term is defined in Section 3(36) of ERISA. The rights of each Participant and his Beneficiaries to benefits under the Plan shall be governed by the Plan as set forth herein and as it may hereafter be amended from time to time. This Plan is effective January 1, 2009, unless expressly provided otherwise herein.
- 1.2 Applicability** - The Supplemental Thrift Plan was bifurcated into two components, effective January 1, 2009. As reflected in the terms of this Plan, one such component is applicable solely to those amounts that were not, as of December 31, 2004, both credited to a Participant's Account and fully vested or as to which the Participant had a vested right in accordance with the terms of the Supplemental Thrift Plan as in effect on December 31, 2004 (including related investment gains and losses occurring thereafter). With respect to any other amounts credited to a Participant's account under the Supplemental Thrift Plan, the rights of the Participant and his Beneficiaries shall be governed by the component of the Supplemental Thrift Plan known as the "Supplemental Thrift Plan (409A Grandfathered Component) of Union Pacific Corporation, as amended and restated effective January 1, 2009." Prior to January 1, 2009, with respect to all amounts credited under the Supplemental Thrift Plan that were subject to section 409A of the Code, the Supplemental Thrift Plan was administered in good faith compliance with section 409A of the Code.
- 1.3 Definitions** - As used in the Plan, the following terms shall have the meanings set forth below, unless a different meaning is plainly required by the context:
- (a)** "Account" shall mean the entries maintained on the books of the Company which represent a Participant's interest under the Plan. The term "Account" shall refer, as the context indicates, to either or both of the following:
    - (1)** "A Account" shall mean the Account which shows amounts credited to a Participant pursuant to Section 2.1, valued in accordance with Section 2.4 and adjusted for payments made pursuant to Article Four.

- (2) "B Account" shall mean the Account which shows amounts credited to a participant pursuant to Section 2.2, valued in accordance with Section 2.4 and adjusted for payments made pursuant to Article Four.

Under no circumstances shall a Participant's Account be deemed to include amounts (including investment gains and losses thereon) which under the terms of the Supplemental Thrift Plan were credited or as to which the Participant had a vested right as of December 31, 2004 and were fully vested as of that date.

- (b) "Beneficiary" shall mean the person designated by a Participant to receive his interest under the Thrift Plan in the event of his death, unless the Participant designates a different person to be his Beneficiary hereunder pursuant to procedures adopted by the Named Fiduciary-Plan Administration. If a Participant has made no such designation under the Thrift Plan, the Participant shall designate the person to be his Beneficiary hereunder pursuant to procedures adopted by the Named Fiduciary-Plan Administration. Absent such designation, the Participant's Beneficiary shall be his estate.
- (c) "Compensation" shall mean the fixed and basic salary or wage paid by the Company or any Affiliated Company to an Employee during a Plan Year, exclusive of (1) overtime, (2) bonuses, (3) fees, (4) retainers, (5) incentive payments, lump-sum merit awards or any other form of extra remuneration, (6) cash payments received under the Long-Term Disability Plan of Union Pacific, and (7) any amounts that the Employee receives with respect to periods when he is not an Eligible Employee. Notwithstanding the above, Compensation shall be determined prior to giving effect to any salary reduction election made pursuant to the Thrift Plan or pursuant to the Union Pacific Flexible Benefits Program and prior to giving effect to any Compensation reduction agreement hereunder. Compensation shall be determined prior to giving effect to any salary reduction election made pursuant to the Union Pacific Transportation Spending Account Program.
- (d) "Eligible Employee" shall mean an Eligible Employee as defined in the Thrift Plan (1) for whom the Named Fiduciary-Plan Administration determines that the contributions that would be made and allocated under the Thrift Plan for a month if the limitations set forth in Sections 401(a)(17) and 415 of the Code did not apply might exceed his After-Tax Employee Contribution, Elective Contribution and Matching Contribution made and allocated for the month, and (2) whom the Named Fiduciary-Plan Administration has designated as eligible to participate in this Plan.
- (e) "Participant" shall mean (1) any Eligible Employee for whom credits have been or are being made hereunder, or (2) any former Eligible Employee

for whom credits have been made hereunder and who either (A) continues to be employed by the Company or an Affiliated Company, or (B) has an interest in all or a portion of his Account which has not been distributed pursuant to Article Four.

- (f) "Plan" shall mean the Union Pacific Corporation Supplemental Thrift Plan (409A Non-Grandfathered Component), effective as of January 1, 2009 as set forth herein, and as it may hereafter be amended from time to time.
- (g) "Separation from Service" shall mean a separation from service as defined in the regulations promulgated under Section 409A of the Code.
- (h) "Supplemental Thrift Plan" shall mean the Union Pacific Corporation Supplemental Thrift Plan, effective January 1, 1989, and as it may thereafter be amended from time to time. The Supplemental Thrift Plan is comprised of the following components, each of which is set forth in a separate document: (1) The Union Pacific Corporation Supplemental Thrift Plan (409A Grandfathered Component), and (2) The Union Pacific Corporation Supplemental Thrift Plan (409A Non-Grandfathered Component).
- (i) "Thrift Plan" shall mean the Union Pacific Corporation Thrift Plan, as in effect as of January 1, 1989, and as it may thereafter be amended from time to time.

**1.4 Terms Defined in the Thrift Plan** - For all purposes of the Plan, the following terms shall have the meanings specified in the Thrift Plan, unless a different meaning is plainly required by the context: "Affiliated Company"; "After-Tax Employee Contribution"; "Elective Contribution"; "Board of Directors"; "Code"; "Company"; "Employee"; "ERISA"; "Matching Contribution"; "Named Fiduciary-Plan Administration"; and "Plan Year."

**1.5 Other Definitional Provisions** - The terms defined in Sections 1.3 and 1.4 of the Plan shall be equally applicable to both the singular and plural forms of the terms defined. The masculine pronoun, whenever used, shall include the feminine and *vice versa*. The words "hereof," "herein" and "hereunder" and words of similar import when used in the Plan shall refer to the Plan as a whole and not to any particular provision of the Plan, unless otherwise specified.

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## ARTICLE TWO

### Deferrals and Credits

#### **2.1 Deferrals and Credits**

- (a) An Eligible Employee may, with respect to any Plan Year, elect to make deferrals to be credited under the Plan by filing a Compensation reduction agreement with the Named Fiduciary-Plan Administration on such form and at such time in advance as may be prescribed by the Named Fiduciary-Plan Administration for such purpose. Such agreement shall authorize the Company or the Affiliated Company by which the Eligible Employee is employed to reduce the Eligible Employee's Compensation by the percentage elected by the Eligible Employee, with such percentage being not less than the minimum deferral percentage permitted under the Thrift Plan and not more than the maximum deferral percentage permitted under the Thrift Plan, commencing as of the date determined pursuant to subparagraph (c)(1) below. The Company shall credit such amount to the Eligible Employee's A Account under the Plan.
- (b) Any election made by an Eligible Employee to defer Compensation made pursuant to paragraph (a) above must be made prior to the beginning of the calendar year in which the Eligible Employee performs the services for which the Compensation is payable. An Eligible Employee's election shall remain in effect until the earlier of: 1) when his status as an Eligible Employee ends; or 2) December 31 of the Plan Year to which the election pertains.
- (c) At an Eligible Employee's election, his deferrals under paragraph (a) above shall:
  - (1) commence at the earlier of when (A) the Eligible Employee's Compensation for the Plan Year to which such election applies equals the limitation set forth in Section 401(a)(17) of the Code or (B) the percentage of Compensation the Eligible Employee elected to defer under the Thrift Plan has resulted in annual additions on behalf of the Eligible Employee (including such additions attributable to Matching Contributions under the Thrift Plan as in effect on the first day of such Plan Year) equal to the limit set forth in Section 415 of the Code; and
  - (2) equal the percentage of the Eligible Employee's Compensation for the period following the commencement date of such deferral determined pursuant to subparagraph (c)(1) above as elected by the Eligible Employee pursuant to paragraph (a) above.

**2.2 Matching Credits** - The Company shall credit an Eligible Employee's B Account with an amount equal to the Matching Contribution that would have been allocated to the Eligible Employee under the Thrift Plan with respect to the deferral being credited to the Eligible Employee's A Account pursuant to Section 2.1.



- 2.3 Timing of Credits** - Credits for a month under Sections 2.1 and 2.2 shall be made as of the same date that such amounts would have been allocated to the Participant's accounts under the Thrift Plan had such amounts been included in the Participant's After-Tax Employee Contributions, Elective Contributions and Matching Contributions for the month.
- 2.4 Valuation of Accounts** - Pending distribution pursuant to Article Four, the value of amounts credited to a Participant's A and B Accounts as of any subsequent date shall be determined by the Named Fiduciary-Plan Administration as follows:
- (a)** except as provided in (b) and (c) below, as if such amounts had instead been actually contributed to the Thrift Plan and been invested in accordance with the investment provisions set forth in Article VI (effective August 8, 2007, without regard to Section 6.05A) thereof, provided that investment elections for purposes of the Plan may differ from those made by such Participant under the Thrift Plan; or
  - (b)** except as provided in (c) below, after a Participant's accounts under the Thrift Plan are transferred to another defined contribution plan maintained within the controlled group of corporations of which the Company is the common parent, as if such Accounts had been actual investments transferred to such transferee plan and been invested in accordance with the investment provisions set forth in such transferee plan (effective August 8, 2007, without regard to a provision, if any, in such transferee plan permitting participants in such transferee plan to participate in the Vanguard Advisers Managed Account Program), provided that investment elections for purposes of the Plan may differ from those made by such Participant under such transferee plan; or
  - (c)** effective May 1, 1991 for a Participant who is subject to the restrictions under Section 16 of the Securities Exchange Act of 1934, as if such amounts had instead been actually contributed to the Thrift Plan and been invested in accordance with the investment provisions set forth in Article VI (effective August 8, 2007, without regard to Section 6.05A) thereof except that the Participant must make separate investment elections for purposes of this Plan so that no amount will be treated as if it were actually invested in the Company common stock fund and may make other investment elections for purposes of the Plan that differ from those made under the Thrift Plan.

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## ARTICLE THREE

### Vesting

**3.1** **A Accounts** - Each Participant shall be 100% vested, at all times, in the value of his A Account.

**3.2** **B Accounts** - Each Participant shall be 100% vested, at all times, in the value of his B Account.

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## ARTICLE FOUR

### Payments

**4.1** **Payments on Separation from Service** -

**(a)** A Participant who fails to make a timely election described in subparagraph (b) shall be deemed to have elected to receive the value of his Account at the time of his Separation from Service in a single lump-sum payment in cash. Such payment shall be made as soon as administratively practicable following the completion of the first valuation of a Participant's Account pursuant to Section 2.4 which coincides with or next follows the Participant's Separation from Service, but in no event later than the end of the calendar year in which the Participant's Separation from Services occurs or, if later, ninety (90) days after such Separation from Service.

**(b)** **(1)** A Participant who has an Account in the Plan as of any time during the 2008 calendar year may elect in writing, according to such rules and using such forms as may be prescribed by the Named Fiduciary-Plan Administration, to have his Account paid to him in one of the forms specified in paragraph (c) below, provided such Participant's Separation from Service occurs after December 31, 2008. Such election must be made no later than December 31, 2008 and shall apply to the Participant's entire Account payable at the Participant's Separation from Service after December 31, 2008, subject to paragraph (d) below.

**(2)** A Participant who is not eligible to make an election under subparagraph (b)(1) above, may elect in writing, according to such rules and using such forms as may be prescribed by the Named Fiduciary-Plan Administration to have his Account paid to him in one of the forms specified in paragraph (c) below. Such election must be made no later than the December 31 immediately preceding the calendar year in which

his initial deferral election under Section 2.1 becomes effective and shall apply to the Participant's entire Account payable at the Participant's Separation from Service, subject to paragraph (d) below.

- (c)** A Participant may elect to have his Account paid to him in accordance with one of the following forms:
- (1)** A single lump-sum distribution as provided in subparagraph (a) payable in the year of the Participant's Separation from Service or, if elected by the Participant, January of the next year following such Separation from Service;
  - (2)** Annual installments over a period not to exceed fifteen (15) years (such installment period to be elected by the Participant), beginning (i) as soon as administratively practicable following the Participant's Separation from Service, but in no event later than the end of the calendar year in which the Participant's Separation from Service occurs or, if later, ninety (90) days after such Separation from Service, or (ii) if elected by the Participant, January of the next year following such Separation from Service, with (under either option) subsequent installments paid in January of each subsequent year, provided that all subsequent installments will be paid in the next succeeding January, with each installment determined by dividing the value of the Participant's Account by the number of installments remaining to be made; or
  - (3)** A single lump-sum distribution payable in January of a year following the Participant's Separation of Service that is not earlier than two (2) years, and not later than fifteen (15) years following the Participant's Separation from Service, such year to be elected by the Participant. The amount of such distribution shall equal the balance in the Participant's Account at such specified date. Pending the lump-sum distribution as aforesaid, the Participant's Account shall continue to be invested in accordance with Section 2.4. At the end of each calendar quarter following the Participant's Separation from Service, the net increase or decrease in the value of the Participant's Account, measured from the first valuation of the Participant's Account pursuant to Section 2.4 which coincides with or next follows the Participant's Separation from Service, shall be determined. Subject to subparagraph (d)(1)(A), the amount of any such net increase for any calendar quarter shall be distributed to the Participant within thirty (30) days following the end of such calendar quarter.
- (d)** A Participant who has made the election or the deemed election described in subparagraphs (b) or (a) respectively may elect in writing to change the

form of payment and/or the payment commencement date in accordance with the following rules:

**(1)** When a Participant's existing form of payment

(A) is described in subparagraphs (a), (c)(1) or (c)(2) above, a Participant may elect to receive the Participant's Account in any form set forth in paragraph (c) above, provided that any election of the form described in subparagraph (c)(3) above shall not provide separate quarterly payments of investment income; and

(B) is described in subparagraph (c)(3) above, a Participant may elect to receive the Participant's Account in the form described in subsection (c)(2) above or change the date as of which the Participant will be paid a single lump-sum under subparagraph (c)(3) above.

**(2)** A Participant's election to modify a prior election shall be made both prior to his Separation from Service and at least twelve (12) months prior to the date on which payments would have commenced in accordance with his prior election.

**(3)** Notwithstanding the payment date indicated by the form of payment elected thereby, a Participant's modification election to alter the form of payment and/or the date on which his payments will commence must have the effect of postponing the payment commencement date by at least five (5) years, and shall be administered accordingly. No such election shall be permitted if the payment commencement date that was previously elected was more than ten (10) years after the Participant's Separation from Service.

**(4)** In the case of a Participant who desires to (A) change the form of payment from a single lump-sum distribution to annual installments, or (B) postpone the payment commencement date of annual installments that he previously elected, the maximum number of annual installments shall be fifteen (15), minus the number of years (with a fractional year rounded up to a full year) between the Participant's Separation from Service and the postponed payment commencement date.

**(5)** For purposes of this paragraph (d),

(A) the date as of which payments to a Participant would have commenced, absent the election provided by this paragraph, shall be deemed to be the first possible date as of which such payments could have been made to the Participant;

(B) the quarterly payment of investment income provided under paragraph (c)(3) above shall be treated as a separate form of payment from the single lump-sum distribution provided by such paragraph; and

(C) the entitlement to a series of installment payments shall be treated as the entitlement to a single form of payment.

(e) On the death of a Participant who has not received payment of his full Account under subparagraphs (a) or (c), the Named Fiduciary-Plan Administration shall cause the unpaid balance of the Participant's Account to be paid in a single lump-sum payment to such Participant's Beneficiaries. Such payment shall be made as soon as administratively practicable following completion of the first valuation of the Participant's Account pursuant to Section 2.4 which coincides with or next follows the Participant's date of death, but in no event later than the end of the calendar year in which the Participant's date of death occurs or, if later, ninety (90) days after such date of death.

**4.2 No Payments Prior to Separation From Service** – Under no circumstances shall a Participant receive any payment from the Plan prior to his Separation from Service.

**4.3 Specified Employee Restriction** – Notwithstanding anything in the Plan to the contrary, no payment shall be made to a "specified employee" (as determined in accordance with a uniform policy adopted by the Company with respect to all arrangements subject to Section 409A of the Code maintained by the Company and its Affiliated Companies) until six (6) months plus one day following such specified employee's Separation from Service; provided however, that in the event of the specified employee's death before his payment commencement date, this provision shall not prevent payment of death benefits at the time prescribed by Section 4.1(e).

**4.4 Deferrals from STD Payments Subsequent to Separation from Service** – To the extent that a Participant's deferral election under Section 2.1 applies to Compensation paid to him following a Separation from Service that consists of short-term disability benefits under a short-term disability plan of the Company or an Affiliated Company, the amount credited to his Account from such deferral for a calendar year, valued in accordance with Section 2.4, shall be paid to such Participant in a single lump-sum payment in cash in January of the next year following such deferral.

**4.5 Responsibility for Payments** – All payments attributable to credits made hereunder on behalf of a Participant shall be made by the Company on its own behalf or on behalf of the Affiliated Company by who such Participant was

employed when such credits were made. Such Affiliated Company shall reimburse the Company for all amounts paid on its behalf.

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## ARTICLE FIVE

### Administration

- 5.1 Responsibilities and Powers of the Named Fiduciary-Plan Administration** - The Named Fiduciary-Plan Administration shall be solely responsible for the operation and administration of the Plan and shall have all powers necessary and appropriate to carry out her responsibilities in operating and administering the Plan. Without limiting the generality of the foregoing, the Named Fiduciary-Plan Administration shall have the responsibility and power to interpret the Plan, to make factual determinations and to determine whether a credit should be made on behalf of a Participant, the amount of the credit and the value of the amount so credited on any subsequent date. The determination of the Named Fiduciary-Plan Administration, made in good faith, shall be conclusive and binding on all persons, including Participants and their Beneficiaries.
- 5.2 Outside Services** - The Named Fiduciary-Plan Administration may engage counsel and such clerical, medical, financial, investment, accounting and other specialized services as she may deem necessary or desirable to the operation and administration of the Plan. The Named Fiduciary-Plan Administration shall be entitled to rely, and shall be fully protected in any action or determination or omission taken or made or omitted in good faith in so relying, upon any opinions, reports or other advice which is furnished by counsel or other specialist engaged for that purpose.
- 5.3 Indemnification** - The Company shall indemnify the Named Fiduciary-Plan Administration against any and all claims, loss, damages, expense (including reasonable counsel fees) and liability arising from any action or failure to act or other conduct in her official capacity, except when the same is due to her own gross negligence or willful misconduct.
- 5.4 Claims Procedures** - The claims procedures set forth in Article XIII of the Thrift Plan shall apply to any claim for benefits hereunder, subject to such changes as the Named Fiduciary-Plan Administration deems necessary or appropriate.

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## ARTICLE SIX

### Amendment and Termination

- 6.1 Amendment** - The Board of Directors reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan. In addition, (i) prior to March 1, 2013 the Senior Vice President-Human Resources of the Company; and (ii) on and after March 1, 2013 the Vice President-Human Resources of Union Pacific Railroad Company or such other officer or employee of Union Pacific Railroad Company or the Company with similar authority, may make (a) all technical, administrative, regulatory and compliance amendments to the Plan, (b) any amendment to the Plan necessary or appropriate to conform the Plan to changes in the Thrift Plan, and (c) any other amendment to the Plan that will not significantly increase the cost of the Plan to the Company as he or she deems necessary or appropriate. Notwithstanding anything to the contrary above, no amendment shall operate to reduce the accrued benefit of any individual who is a Participant at the time the amendment is adopted.
- 6.2 Termination** - The Plan is purely voluntary and the Board of Directors reserves the right to terminate the Plan at any time, provided, however, that the termination shall not operate to reduce the accrued benefit of any individual who is a Participant at the time the Plan is terminated.

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## ARTICLE SEVEN

### General Provisions

- 7.1 Source of Payments** - The Plan shall not be funded and all payments hereunder to Participants and their Beneficiaries shall be paid from the general assets of the Company. The Company shall not, by virtue of any provisions of the Plan or by any action of any person hereunder, be deemed to be a trustee or other fiduciary of any property for any Participant or his Beneficiaries and the liabilities of the Company to any Participant or his Beneficiaries pursuant to the Plan shall be those of a debtor only pursuant to such contractual obligations as are created by the Plan and no such obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. To the extent that any Participant or his Beneficiaries acquire a right to receive a payment from the Company under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

- 7.2 No Warranties** - Neither the Named Fiduciary-Plan Administration nor the Company warrants or represents in any way that the value of each Participant's Account will increase or not decrease. Such Participant assumes all risk in connection with any change in such value.
- 7.3 Inalienability of Benefits** - No benefit payable under, or interest in, the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge and any attempt to do so shall be void; nor shall any such benefit or interest be in any manner liable for or subject to garnishment, attachment, execution or levy or liable for or subject to the debts, contracts, liabilities, engagements or torts of any Participant or his Beneficiaries. In the event that the Named Fiduciary-Plan Administration shall find that any Participant or his Beneficiaries has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit payable under, or interest in, the Plan, the Named Fiduciary-Plan Administration shall hold or apply such benefit or interest or any part thereof to or for the benefit of such Participant or his Beneficiaries, his spouse, children, parents or other relatives or any of them.
- 7.4 Expenses** - The Company shall pay all costs and expenses incurred in operating and administering the Plan, including the expense of any counsel or other specialist engaged by the Named Fiduciary-Plan Administration.
- 7.5 No Right of Employment** - Nothing herein contained nor any action taken under the provisions hereof shall be construed as giving any Participant the right to be retained in the employ of the Company or any Affiliated Company.
- 7.6 Limitations on Obligations** - Neither the Company, nor any Affiliated Company, nor any officer or employee of either, nor any member of the Board of Directors nor the Named Fiduciary-Plan Administration shall be responsible or liable in any manner to any Participant, Beneficiary or any person claiming through them for any action taken or omitted in connection with the granting of benefits or the interpretation and administration of the Plan.
- 7.7 Withholding** - The Company shall, on its own behalf or on behalf of the Affiliated Companies, withhold from any payment hereunder the required amounts of income and other taxes.
- 7.8 Headings** - The headings of the Sections in the Plan are placed herein for convenience of reference and, in the case of any conflict, the text of the Plan, rather than such heading, shall control.
- 7.9 Construction** - The Plan shall be construed, regulated and administered in accordance with the laws of the State of Utah, without regard to the choice of law principles thereof.



**7.10 Payments to Minors, Etc.** - Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person and such payment shall fully discharge the Named Fiduciary-Plan Administration, the Company, all Affiliated Companies and all other parties with respect thereto.

**SUPPLEMENTAL  
(409A Grandfathered**



**THRIFT PLAN  
Component)**

**of**

**UNION PACIFIC CORPORATION**

*(Originally effective as of January 1, 2009,  
with amendments effective as of March 1, 2013.)*

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# ARTICLE ONE

## **Scope of Plan and Definitions**

- 1.1 Purpose and Scope of Plan** - The purpose of the Plan (this and other capitalized terms having the meanings set forth below) is to provide benefits to Eligible Employees who participate in the Thrift Plan in excess of those permitted under the Thrift Plan because of the limitations set forth in Sections 401(a)(17) and 415 of the Code. To the extent that benefits are provided under the Plan, solely because of the limitations set forth in Section 415 of the Code, the Company intends to maintain the Plan as an "excess benefit plan" as that term is defined in Section 3(36) of ERISA. The rights of each Participant and his Beneficiaries to benefits under the Plan shall be governed by the Plan as set forth herein and as it may hereafter be amended from time to time. This Plan is effective January 1, 2009, unless expressly provided otherwise herein.
- 1.2 Applicability** - The Supplemental Thrift Plan was bifurcated into two components, effective January 1, 2009. As reflected in the terms of this Plan, one such component is applicable solely to those amounts that were, as of December 31, 2004, both credited to a Participant's Account and fully vested in accordance with the terms of the Supplemental Thrift Plan as in effect on December 31, 2004 (including related investment gains and losses occurring thereafter), which terms were not materially modified after October 3, 2004. With respect to any other amounts credited to a Participant's account under the Supplemental Thrift Plan, the rights of the Participant and his Beneficiaries shall be governed by the component of the Supplemental Thrift Plan known as the "Supplemental Thrift Plan (409A Non-Grandfathered Component) of Union Pacific Corporation, effective January 1, 2009." Prior to January 1, 2009, with respect to all amounts credited under the Supplemental Thrift Plan that were subject to section 409A of the Code, the Supplemental Thrift Plan was administered in good faith compliance with section 409A of the Code.
- 1.3 Definitions** - As used in the Plan, the following terms shall have the meanings set forth below, unless a different meaning is plainly required by the context:
- (a)** "Account" shall mean the entries maintained on the books of the Company which represent a Participant's interest under the Plan. The term "Account" shall refer, as the context indicates, to either or both of the following:
    - (1)** "A Account" shall mean the Account which shows amounts credited to a Participant pursuant to Section 2.1 of the Supplemental Thrift Plan as in effect on December 31, 2004, valued in accordance with Section 2.1 and adjusted for payments made pursuant to Section 3.1.

- (2) "B Account" shall mean the Account which shows amounts credited to a participant pursuant to Section 2.2 of the Supplemental Thrift Plan as in effect on December 31, 2004, valued in accordance with Section 2.1 and adjusted for payments made pursuant to Section 3.1.

Under no circumstances shall a Participant's Account be deemed to include amounts (including investment gains and losses thereon) which under the terms of the Supplemental Thrift Plan were credited after December 31, 2004 or were not vested as of that date.

- (b) "Beneficiary" shall mean the person designated by a Participant to receive his interest under the Thrift Plan in the event of his death, unless the Participant designates a different person to be his Beneficiary hereunder pursuant to procedures adopted by the Named Fiduciary-Plan Administration. If a Participant has made no such designation under the Thrift Plan, the Participant shall designate the person to be his Beneficiary hereunder pursuant to procedures adopted by the Named Fiduciary-Plan Administration. Absent such designation, the Participant's Beneficiary shall be his estate.
- (c) "Participant" shall mean any person who has an Account which has not been distributed pursuant to Section 3.1.
- (d) "Plan" shall mean the Union Pacific Corporation Supplemental Thrift Plan (409A Grandfathered Component), as amended and restated in its entirety effective as of January 1, 2009 as set forth herein, and as it may hereafter be amended from time to time.
- (e) "Supplemental Thrift Plan" shall mean the Union Pacific Corporation Supplemental Thrift Plan, effective January 1, 1989, and as it may thereafter be amended from time to time. The Supplemental Thrift Plan is comprised of the following components, each of which is set forth in a separate document: (1) The Union Pacific Corporation Supplemental Thrift Plan (409A Grandfathered Component), and (2) The Union Pacific Corporation Supplemental Thrift Plan (409A Non-Grandfathered Component).
- (f) "Thrift Plan" shall mean the Union Pacific Corporation Thrift Plan, as in effect as of January 1, 1989, and as it may thereafter be amended from time to time.

**1.4 Terms Defined in the Thrift Plan** - For all purposes of the Plan, the following terms shall have the meanings specified in the Thrift Plan, unless a different meaning is plainly required by the context: "Affiliated Company"; "Board of Directors"; "Code"; "Company"; "ERISA"; "Named Fiduciary-Plan Administration";

and "Separation from Service"; provided, however, that in determining if a Separation from Service has occurred, the initial public offering of Overnite Corporation that is the subject of Form S-1 Registration Statement No. 333-107614 shall be disregarded.

- 1.5** **Other Definitional Provisions** - The terms defined in Sections 1.3 and 1.4 of the Plan shall be equally applicable to both the singular and plural forms of the terms defined. The masculine pronoun, whenever used, shall include the feminine and ***vice versa***. The words "hereof," "herein" and "hereunder" and words of similar import when used in the Plan shall refer to the Plan as a whole and not to any particular provision of the Plan, unless otherwise specified.

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## ARTICLE TWO

### Valuation of Accounts

- 2.1** **Valuation of Accounts** - Pending distribution pursuant to Section 3.1, the value of amounts credited to a Participant's A and B Accounts as of any subsequent date shall be determined by the Named Fiduciary-Plan Administration as follows:
- (a) except as provided in (b) and (c) below, as if such amounts had instead been actually contributed to the Thrift Plan and been invested in accordance with the investment provisions set forth in Article VI (effective August 8, 2007, without regard to Section 6.05A) thereof, provided that investment elections for purposes of the Plan may differ from those made by such Participant under the Thrift Plan; or
  - (b) except as provided in (c) below, after a Participant's accounts under the Thrift Plan are transferred to another defined contribution plan maintained within the controlled group of corporations of which the Company is the common parent, as if such Accounts had been actual investments transferred to such transferee plan and been invested in accordance with the investment provisions set forth in such transferee plan (effective August 8, 2007, without regard to a provision, if any, in such transferee plan permitting participants in such transferee plan to participate in the Vanguard Advisers Managed Account Program), provided that investment elections for purposes of the Plan may differ from those made by such Participant under such transferee plan; or
  - (c) effective May 1, 1991 for a Participant who is subject to the restrictions under Section 16 of the Securities Exchange Act of 1934, as if such amounts had instead been actually contributed to the Thrift Plan and been invested in accordance with the investment provisions set forth in Article VI (effective August 8, 2007, without regard to Section 6.05A)

thereof except that the Participant must make separate investment elections for purposes of this Plan so that no amount will be treated as if it were actually invested in the Company common stock fund and may make other investment elections for purposes of the Plan that differ from those made under the Thrift Plan.

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## ARTICLE THREE

### Payments

#### **3.1 Payments on Separation from Service -**

- (a)** Except as provided in subparagraph (b), as soon as administratively practicable following the completion of the first valuation of a Participant's Account pursuant to Section 2.1 which coincides with or next follows the Participant's Separation from Service, the value of the Participant's Account at the time of such Separation from Service shall be paid to the Participant or, if such Participant is not living at the time of payment, to such Participant's Beneficiaries in a single lump-sum payment in cash.
- (b)** A Participant may elect in writing at least six (6) months prior to his Separation from Service and in the tax year prior to his Separation from Service to have his Account paid to him or, if such Participant is not living at the time of payment, to such Participant's Beneficiaries, in accordance with one of the following forms:
  - (1)** A single lump-sum distribution as provided in subparagraph (a) payable in the year of the Participant's Separation from Service or (if elected by the Participant) January of the next year following such Separation from Service;
  - (2)** Annual installments over a period not to exceed fifteen (15) years, such installment period to be elected by the Participant, beginning as soon as administratively practicable following: (A) the Participant's Separation from Service or (B), if elected by the Participant, January of the next year following such Separation from Service, with (under either option) subsequent installments paid in January of each subsequent year, provided that all subsequent installments will be paid in the next succeeding January, with each installment determined by dividing the value of the Participant's vested Account by the number of installments remaining to be made; or

(3) A single lump-sum distribution payable in January of a year following the Participant's Separation from Service that is not later than fifteen (15) years from the Participant's Separation from Service, such year to be elected by the Participant. The amount of such distribution shall equal the balance in the Participant's Account at such specified date. Pending the lump-sum distribution as aforesaid, the Participant's Account shall continue to be invested in accordance with Article Two. At the end of each calendar quarter following the Participant's Separation from Service, the net increase or decrease in the value of the Account, measured from the first valuation of such Account pursuant to Article Two which coincides with or next follows the Participant's Separation from Service, shall be determined. The amount of any such net increase for any calendar quarter shall be distributed to the Participant within thirty (30) days following the end of such calendar quarter.

(c) On the death of a Participant whose Account is payable under (b)(2) or (3), the Named Fiduciary-Plan Administration, in her sole discretion, may accelerate one or more installments or payments, and change the form of payment or distribution in accordance with this Section 3.1, of any balance of a Participant's Account.

**3.2** Payments Prior to Separation From Service – A Participant may request a withdrawal from his Account prior to his Separation from Service by filing a request with the Named Fiduciary-Plan Administration. Any withdrawal under this Section will be charged with a 10% early withdrawal penalty that will be withheld from the amount withdrawn and such amount withheld shall be irrevocably forfeited. All withdrawals shall be made pro-rata from the investment funds in which the Participant's Account are invested at the time of the withdrawal.

**3.3** All payments attributable to credits made hereunder on behalf of a Participant shall be made by the Company on its own behalf or on behalf of the Affiliated Company by who such Participant was employed when such credits were made. Such Affiliated Company shall reimburse the Company for all amounts paid on its behalf.

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## ARTICLE FOUR

### Administration

- 4.1 Responsibilities and Powers of the Named Fiduciary-Plan Administration** - The Named Fiduciary-Plan Administration shall be solely responsible for the operation and administration of the Plan and shall have all powers necessary and appropriate to carry out her responsibilities in operating and administering the Plan. Without limiting the generality of the foregoing, the Named Fiduciary-Plan Administration shall have the responsibility and power to interpret the Plan, to make factual determinations and to determine whether a credit should be made on behalf of a Participant, the amount of the credit and the value of the amount so credited on any subsequent date. The determination of the Named Fiduciary-Plan Administration, made in good faith, shall be conclusive and binding on all persons, including Participants and their Beneficiaries.
- 4.2 Outside Services** - The Named Fiduciary-Plan Administration may engage counsel and such clerical, medical, financial, investment, accounting and other specialized services as she may deem necessary or desirable to the operation and administration of the Plan. The Named Fiduciary-Plan Administration shall be entitled to rely, and shall be fully protected in any action or determination or omission taken or made or omitted in good faith in so relying, upon any opinions, reports or other advice which is furnished by counsel or other specialist engaged for that purpose.
- 4.3 Indemnification** - The Company shall indemnify the Named Fiduciary-Plan Administration against any and all claims, loss, damages, expense (including reasonable counsel fees) and liability arising from any action or failure to act or other conduct in her official capacity, except when the same is due to her own gross negligence or willful misconduct.
- 4.4 Claims Procedures** - The claims procedures set forth in Article XIII of the Thrift Plan shall apply to any claim for benefits hereunder, subject to such changes as the Named Fiduciary-Plan Administration deems necessary or appropriate.

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## ARTICLE FIVE

### Amendment and Termination

- 5.1 Amendment** - The Board of Directors reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan. In addition, (i) prior to March 1, 2013 the Senior Vice President-Human Resources of the Company; and (ii) on and after March 1, 2013 the Vice President-Human Resources of Union Pacific Railroad Company or such other officer or employee of Union Pacific Railroad Company or the Company with similar authority, may make (a) all technical, administrative, regulatory and compliance amendments to the Plan, (b) any



amendment to the Plan necessary or appropriate to conform the Plan to changes in the Thrift Plan, and (c) any other amendment to the Plan that will not significantly increase the cost of the Plan to the Company as he or she deems necessary or appropriate. Notwithstanding anything to the contrary above, no amendment shall operate to reduce the accrued benefit of any individual who is a Participant at the time the amendment is adopted.

**5.2 Termination** - The Plan is purely voluntary and the Board of Directors reserves the right to terminate the Plan at any time, provided, however, that the termination shall not operate to reduce the accrued benefit of any individual who is a Participant at the time the Plan is terminated.

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## ARTICLE SIX

### General Provisions

**6.1 Source of Payments** - The Plan shall not be funded and all payments hereunder to Participants and their Beneficiaries shall be paid from the general assets of the Company. The Company shall not, by virtue of any provisions of the Plan or by any action of any person hereunder, be deemed to be a trustee or other fiduciary of any property for any Participant or his Beneficiaries and the liabilities of the Company to any Participant or his Beneficiaries pursuant to the Plan shall be those of a debtor only pursuant to such contractual obligations as are created by the Plan and no such obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. To the extent that any Participant or his Beneficiaries acquire a right to receive a payment from the Company under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

**6.2 No Warranties** - Neither the Named Fiduciary-Plan Administration nor the Company warrants or represents in any way that the value of each Participant's Account will increase or not decrease. Such Participant assumes all risk in connection with any change in such value.

**6.3 Inalienability of Benefits** - No benefit payable under, or interest in, the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge and any attempt to do so shall be

void; nor shall any such benefit or interest be in any manner liable for or subject to garnishment, attachment, execution or levy or liable for or subject to the debts, contracts, liabilities, engagements or torts of any Participant or his Beneficiaries. In the event that the Named Fiduciary-Plan Administration shall find that any Participant or his Beneficiaries has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit payable under, or interest in, the Plan, the Named Fiduciary-Plan Administration shall hold or apply such benefit or interest or any part thereof to or for the benefit of such Participant or his Beneficiaries, his spouse, children, parents or other relatives or any of them.

- 6.4 Expenses** - The Company shall pay all costs and expenses incurred in operating and administering the Plan, including the expense of any counsel or other specialist engaged by the Named Fiduciary-Plan Administration.
- 6.5 No Right of Employment** - Nothing herein contained nor any action taken under the provisions hereof shall be construed as giving any Participant the right to be retained in the employ of the Company or any Affiliated Company.
- 6.6 Limitations on Obligations** - Neither the Company, nor any Affiliated Company, nor any officer or employee of either, nor any member of the Board of Directors nor the Named Fiduciary-Plan Administration shall be responsible or liable in any manner to any Participant, Beneficiary or any person claiming through them for any action taken or omitted in connection with the granting of benefits or the interpretation and administration of the Plan.
- 6.7 Withholding** - The Company shall, on its own behalf or on behalf of the Affiliated Companies, withhold from any payment hereunder the required amounts of income and other taxes.
- 6.8 Headings** - The headings of the Sections in the Plan are placed herein for convenience of reference and, in the case of any conflict, the text of the Plan, rather than such heading, shall control.
- 6.9 Construction** - The Plan shall be construed, regulated and administered in accordance with the laws of the State of Utah, without regard to the choice of law principles thereof.
- 6.10 Payments to Minors, Etc.** - Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person and such payment shall fully discharge the Named Fiduciary-Plan Administration, the Company, all Affiliated Companies and all other parties with respect thereto.

**SUPPLEMENTAL PENSION PLAN  
(409A NON-GRANDFATHERED COMPONENT)  
For Officers and Managers  
of  
Union Pacific Corporation  
and  
Affiliates  
(As amended and restated in its entirety  
effective as of January 1, 1989, including all amendments  
adopted through March 1, 2013)**

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## ARTICLE ONE

### **Scope of Supplemental Plan and Definitions**

1.1 Introduction. This “Supplemental Plan (409A Non-Grandfathered Component),” amended through January 1, 2009, and as it may hereafter be amended from time to time, establishes the rights to specified benefits for certain officers and managers or highly compensated employees who retire or otherwise terminate their Employment on or after January 1, 2005. The rights of any such individual who retired or otherwise terminated Employment prior to January 1, 2005 shall be subject to the terms of the Supplemental Plan as in effect at the date of retirement or termination, except to the extent otherwise provided herein. This Supplemental Plan is intended to be a non-qualified supplemental retirement plan which is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees of the Company, pursuant to sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and, as such, to be exempt from the provisions of Parts 2, 3 and 4 of Subtitle B of Title I of ERISA.

1.2 Applicability. The Supplemental Plan was bifurcated into two components, effective January 1, 2009. One such component, known as the “Supplemental Pension Plan (409A Grandfathered Component) for Officers and Managers of Union Pacific Corporation, effective January 1, 1989,” is applicable solely to those benefits that were both accrued and fully vested as of December 31, 2004 in accordance with the terms of the Supplemental Plan as in effect on December 31, 2004, which terms were not materially modified after October 3, 2004. With respect to all other amounts accrued under the Supplemental Plan, the rights of the Participant shall be governed by the terms of this Supplemental Plan (409A Non-Grandfathered Component).

1.3 Definitions. As used in this Supplemental Plan (409A Non-Grandfathered Component), the following terms have the meanings set forth below, unless a different meaning is plainly required by the context:

(a) “Additional Disability Pay Benefit” means the benefit provided for in Section 2.4(b). The Additional Disability Pay Benefit is intended to constitute “disability pay” that is exempt from the requirements of Section 409A of the Code, as described in Section 1.409A-1(a)(5) of the Treasury Regulations.

(b) “Administrator” shall have, on and after February 1, 2013, the same meaning as “Named Fiduciary-Plan Administration” as such term is defined in the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates. Prior to February 1, 2013, “Administrator” means the Senior Vice President-Human Resources of Union Pacific or, if there is no such Senior Vice President - Human Resources, such person or persons appointed by the Board of Directors of Union Pacific or, in the absence of any such appointment, Union Pacific, who shall administer this Supplemental Plan.

(c) "Change in Control" means a "Change in Control" as defined in the Union Pacific Corporation Key Employee Continuity Plan adopted November 16, 2000, as may be amended from time to time.

(d) "Company" means Union Pacific and any Affiliated Company which is included in the Supplemental Plan by written action of (i) its board of directors and (ii) either the Board of Directors of Union Pacific or the Administrator acting on behalf of the Board of Directors of Union Pacific; provided, however, that if an Affiliated Company (other than an Affiliated Company that would remain such if the phrase "100 percent" were substituted for the phrase "at least 80 percent" in section 1563(a)(1) of the Code, which is then incorporated by reference in sections 414(b) and (c) of the Code) is included in the Supplemental Plan by virtue of action by the Administrator, unless the Board of Directors of Union Pacific ratifies such action not later than its first regularly scheduled meeting held subsequent to the taking of such action by the Administrator, such Affiliated Company shall cease to be so included as of the close of business on the last day of the month in which such meeting occurs and no employee of such Affiliated Company shall accrue a benefit under the Supplemental Plan.

(e) "Early Supplemental Pension Retirement Date" means the date of a Participant's Separation from Service after he becomes vested in his Supplemental Plan (409A Non-Grandfathered Component) benefit under Section 4.2, before his Normal Retirement Date, and after either attaining age 55 and completing 10 years of Vesting Service or attaining age 65, determined after taking into account (i) additional service credited under Section 1.3(s) and/or (ii) additional years of age, not exceeding five (5), as may be approved by the Chief Executive Officer of Union Pacific prior to the Participant's Separation from Service or as may be credited to the Participant pursuant to Sections 2.7 and 2.8; provided, however that such date does not qualify as an Early Retirement Date under the terms of the Pension Plan. Notwithstanding the foregoing, any additional years of age awarded under this Section 1.3(e) shall affect only a Participant's eligibility for an Early Supplemental Pension, and not the actual commencement date of such benefit.

(f) "Early Supplemental Pension" means the pension provided for in Section 2.2.

(g) "Effective Date" means January 1, 1989, the effective date of this document; provided, however, that when a provision of this Supplemental Plan (409A Non-Grandfathered Component) states an effective date other than January 1, 1989, such stated special effective date shall apply as to that provision.

(h) "Final Average Compensation" means Final Average Compensation as determined under Article II of the Pension Plan as of the date of the Participant's Separation from Service.

(i) "Incentive Compensation" means:

(i) incentive compensation awarded to a Participant under the Executive Incentive Plan of Union Pacific Corporation and Subsidiaries, as amended and restated as of April 15, 1988 and as it may thereafter be amended from time to time, and any successor thereto (the "Executive Incentive Plan");

(ii) for 1999 and later years, incentive compensation foregone by a Participant for an award under the Executive Incentive Premium Exchange Program of Union Pacific Corporation and Subsidiaries;

(iii) such other incentive compensation as may be included in Incentive Compensation for a Participant at the discretion of the Board of Directors of Union Pacific; or

(iv) the amount of retention stock (or retention units) awarded to a Participant by the Compensation and Benefits Committee of the Company's Board of Directors (or any successor thereto) in lieu of a cash award under the Executive Incentive Plan,

but only to the extent that such incentive compensation or retention stock (or retention units) is not taken into account in computing the Participant's Final Average Compensation for reasons other than the annual compensation limit under section 401(a)(17) of the Code or the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan. Awards of Incentive Compensation shall be taken into account at the time such awards would have been paid but for the Participant's election, to forego or defer payment under a plan of the Company or an Affiliated Company; provided, however, that for purposes of calculating a Participant's benefit under this Supplemental Plan (409A Non-Grandfathered Component) no more than the three highest awards of Incentive Compensation shall be counted in the Participant's highest 36 consecutive months of Compensation determined as of the Participant's Separation from Service taking all Incentive Compensation into account.

(j) "Normal Supplemental Pension" means the pension provided for in Section 2.1.

(k) "Participant" means any Employee of the Company on or after the Effective Date who is or once was a Covered Employee under the Pension Plan and:

(i) whose Total Credited Service under Section 1.3(s) includes years that are not taken into account as Credited Service under the Pension Plan (including years not taken into account due to application of the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan);

(ii) who has Incentive Compensation within the 120-calendar-month period immediately preceding the date on which the Participant ceases to be a Covered Employee;

(iii) whose Final Average Compensation is not fully recognized under the Pension Plan due to application of the annual compensation limit under section 401(a)(17) of the Code or the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan, as determined as of the date of the Participant's Separation from Service;

(iv) whose benefit under the Pension Plan is reduced as a result of the limitation described in Section 5.02 of the Pension Plan; or

(v) who is credited with additional years of age as described in Section 1.3(e)(ii), and who has been designated by the Administrator as eligible to participate in the Supplemental Plan.

In the event of the death or incompetency of a Participant, the term shall mean the Participant's personal representative or guardian for whatever amounts remain payable to the Participant under the terms of the Supplemental Plan.

(l) "Pension Plan" means the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates, as amended from time to time.

(m) "Postponed Supplemental Pension" means the pension provided for in Section 2.3.

(n) "Rehired Supplemental Pension" means the pension provided for in Section 2.5.

(o) "Separation from Service" means the date as of which the Company and the Participant reasonably anticipate that no further services would be performed, or that the level of bona fide services the Participant would perform after such date would permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed by the Participant over the immediately preceding thirty-six (36) month period. There shall be no Separation from Service during a Participant's bona fide leave of absence so long as such leave does not exceed six (6) months or such longer period as the Participant may retain a right to reemployment with the Company under applicable statute or by contract. The term Separation from Service shall be interpreted in the same manner as a separation from service under Section 409A of the Code.

(p) "Supplemental Plan" means the Supplemental Pension Plan for Officers and Managers of Union Pacific Corporation and Affiliates, as amended and restated effective January 1, 1989, and as it may thereafter be amended from time to time. The Supplemental Plan is comprised of the following components, each of which is set forth in a separate document: (1) the Supplemental Pension Plan (409A Non-Grandfathered Component) for Officers and Managers of Union Pacific Corporation and Affiliates, and (2) the



Supplemental Pension Plan (409A Grandfathered Component) for Officers and Managers of Union Pacific Corporation and Affiliates.

(q) "Surviving Spouse" means:

(i) where payments to the Participant have not begun under the Supplemental Plan at the time of the Participant's death, the spouse who was legally married to the Participant continuously during the 12 months ending on the date of the Participant's death;

(ii) where payments to the Participant have begun under the Supplemental Plan prior to the Participant's death:

(A) in the case of a Participant whose Supplemental Plan and Pension Plan benefit began on the same date or who is not vested in a Pension Plan benefit, the spouse who was legally married to the Participant on the date that his Supplemental Plan payments began;

(B) in the case of a Participant whose Supplemental Plan benefits began on a date earlier than the date on which his Pension Plan benefits began, the spouse who was legally married to the Participant on the date his Pension Plan benefits began; or

(C) in the case of a Participant whose Supplemental Plan benefits began but whose vested Pension Plan benefits had not started prior to this death, the spouse who was legally married to the Participant on the date of his death.

(r) "Surviving Spouse's Pension" means the pension provided for in Section 2.6.

(s) "Total Credited Service" means:

(i) all years of Credited Service (and portions thereof) as set forth in the Article IV of the Pension Plan, including Credited Service for years of Employment that are not taken into account under the Pension Plan solely due to application of the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan, but excluding Credited Service accruing during a Participant's approved unpaid leave of absence that is after the Participant's Separation from Service;

(ii) such additional years of training prior to the Participant's Employment Commencement Date, as may have especially qualified the Participant for service with the Company, as determined by the Board of Directors, in its sole discretion;

(iii) such additional years of service, not exceeding five (5), as may be approved by the Chief Executive Officer of Union Pacific prior to the Participant's termination of Employment; and

(iv) such additional years of service as may be credited to the Participant pursuant to Section 2.8.

(t) "Total Offset Service" means (i) all years of "offset service" (including portions thereof) as set forth in Article V of the Pension Plan, including years of offset service for years of Employment that are not taken into account under the Pension Plan solely due to application of the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan; and (ii) any additional years as credited in accordance with Section 1.3(s)(ii), (iii) or (iv).

(u) "Union Pacific" means Union Pacific Corporation, or any successor to that corporation.

(v) "Vesting Service" means (i) all years of Vesting Service (including portions thereof) as set forth in Article IV of the Pension Plan; and (ii) any additional years as credited in accordance with Section 1.3(s)(ii), (iii) or (iv).

(w) All other capitalized terms shall have the respective meanings set forth in the definition provisions of Article II of the Pension Plan.

## ARTICLE TWO

### Amount and Payment of Pension

2.1 Normal Supplemental Pension. Subject to the provisions of Articles Three, Five and Eleven, a Participant who has a Separation from Service at his or her Normal Retirement Age under the Pension Plan shall be entitled to receive a Normal Supplemental Pension (or a Rehire Supplemental Pension, as applicable), in the form of a single life annuity commencing on the Participant's Normal Retirement Date, equal to the result of (a) minus (b) minus (c), where:

(a) is the annual Accrued Benefit payable at Normal Retirement Date computed on the basis of the formula provided in Section 5.01 of the Pension Plan as of the date of the Participant's Separation from Service, determined without regard to the limitation described in Section 5.02 of the Pension Plan, and including under such formula any amounts of Final Average Compensation that were excluded from consideration for the Participant under the Pension Plan and all Incentive Compensation payable to the Participant within the 120-calendar-month period immediately preceding the date on which the Participant ceases to be a Covered Employee, and utilizing Total Credited Service up to 40 years in place of Credited Service under Article IV of the Pension Plan and Total Offset Service up to 40 years in place of "offset service" under Article V of the Pension Plan;

(b) is the annual nonforfeitable Accrued Benefit payable at Normal Retirement Date actually determined to be due under the terms of the Pension Plan as of the date of the Participant's Separation from Service; and

(c) is the annual nonforfeitable Normal Supplemental Pension payable at Normal Retirement Date actually determined under the Supplemental Plan (409A Grandfathered Component).

For purposes of determining benefits under the Supplemental Plan (409A Non-Grandfathered Component), any actuarial adjustments for a delay in the commencement of payment beyond the Normal Retirement Date or otherwise that apply under the Pension Plan in calculating the benefit described in (b), above, shall also apply to calculate the benefit described in (a), above.

### 2.2 Early Supplemental Pension.

(a) Participant Retires on Early Retirement Date. Subject to the provisions of Articles Three, Five and Eleven, a Participant who has a Separation from Service on an Early Retirement Date under the Pension Plan shall receive an Early Supplemental Pension, in the form of a single life annuity commencing on the first day of the month following the later of the Participant's Separation from Service or the Participant's attainment of age 55. The Early Supplemental Pension shall be computed in the same manner as the Normal Supplemental Pension, but with the amounts described in

Section 2.1 adjusted for payment as of the early benefit start date in accordance with Section 6.03 of the Pension Plan (whether or not the Participant's Pension Plan benefit or Supplemental Plan (409A Grandfathered Component) benefit starts on that date), taking into account any additional years of age described in Section 1.3(e)(ii) solely for purposes of adjusting both the gross and offset portions of the benefit in Section 2.1(a). Additionally, if the Participant's Normal Supplemental Pension, as defined in the Supplemental Plan (409A Grandfathered Component), is payable under Section 4.2 of such Plan, the Participant's Early Supplemental Pension under the Supplemental Plan (409A Non-Grandfathered Component) shall be increased by the difference, if any, between (i) the amount of the benefit computed under the immediately preceding sentence attributable to the Participant's Normal Supplemental Pension under the terms of Supplemental Plan (409A Grandfathered Component) as described in Section 2.1(c) and (ii) such amount that would have been payable from the Supplemental Plan (409A Grandfathered Component) at the Participant's early benefit start date under the Supplemental Plan (409A Non-Grandfathered Component) (whether or not the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts on that date).

(b) Participant Retires on Early Supplemental Pension Retirement Date. Subject to the provisions of Articles Three, Five and Eleven, a Participant who has a Separation from Service on an Early Supplemental Pension Retirement Date shall receive an Early Supplemental Pension, in the form of a single life annuity commencing on the first day of the month following the later of the Participant's Separation from Service or the Participant's attainment of age 55. The Early Supplemental Pension shall be computed in the same manner as described in Section 2.2(a), above, except that, for purposes of determining the Early Supplemental Pension as described in Section 2.2(a):

(i) the amount described in Sections 2.1(a) and 2.1(c) shall be adjusted for payment as of the early benefit start date in accordance with Section 6.03 of the Pension Plan (whether or not the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts on that date), taking into account any additional years of age described in Section 1.3(e)(ii) solely for purposes of adjusting both the gross and offset portions of the benefit in Section 2.1(a);

(ii) the amount described in Section 2.1(b) shall be adjusted for payment as of the early benefit start date in accordance with Section 6.04 of the Pension Plan (whether or not the Participant's Pension Plan benefit starts on that date); and

(iii) if the Participant's Normal Supplemental Pension, as defined in the Supplemental Plan (409A Grandfathered Component), is payable under Section 4.2 of such Plan, the Participant's Early Supplemental Pension under the Supplemental Plan (409A Non-Grandfathered Component) shall be increased by the difference, if any, between (i) the amount of the benefit computed under Section 2.2(a) attributable to the Participant's Normal Supplemental Pension

under the terms of Supplemental Plan (409A Grandfathered Component) as described in Section 2.1(c) and (ii) such amount that would have been payable from the Supplemental Plan (409A Grandfathered Component) at the Participant's early benefit start date under the Supplemental Plan (409A Non-Grandfathered Component) (whether or not the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts on that date).

2.3 Postponed Supplemental Pension. Subject to the provisions of Articles Three, Five and Eleven, a Participant who has a Separation from Service after his Normal Retirement Age shall be entitled to a Postponed Supplemental Pension, in the form of a single life annuity commencing at the Postponed Retirement Date, which is equal to the Normal Supplemental Pension, computed in accordance with Section 2.1 based on his Total Credited Service, Total Offset Service, etc. as of the Participant's Postponed Retirement Date (instead of his Normal Retirement Date).

#### 2.4 Disabled Participants.

(a) Disability Supplemental Retirement Benefit. In the event that a Participant becomes a Disabled Participant under the Pension Plan (and therefore is deemed to have had a Separation from Service under the Pension Plan), the Participant shall receive a Normal Supplemental Pension, Early Supplemental Pension, or Postponed Supplemental Pension, as determined under Section 2.1, 2.2, 2.3 or 4.2, as applicable, in the form of a single life annuity commencing on the first day of the month following the later of the Participant's Disability Date under the Pension Plan or the Participant's attainment of age 55; provided that such Disabled Participant has had a Separation from Service under the Supplemental Plan (409A Non-Grandfathered Component). Such benefit shall be based on the Participant's Supplemental Plan (409A Non-Grandfathered Component) benefit accrued through his or her Disability Date.

(b) Additional Disability Pay. To the extent that a Disabled Participant accrues a benefit under this Supplemental Plan (409A Non-Grandfathered Component) in excess of the amount described in Section 2.4(a) (due to the continued crediting of service for Disabled Participants), such additional benefit shall be paid at the same time and in the same form as the Participant's Pension Plan benefit, as described in Section 6.05 of the Pension Plan. Such Additional Disability Pay Benefit may include, by way of example, any early retirement subsidy with respect to the Supplemental Plan benefit described in Section 2.4(a) that the Disabled Participant accrues after his or her Disability Date.

2.5 Rehired Employees. The following provisions shall apply to any Participant who returns to Employment with the Company after having had a Separation from Service.

(a) Any Supplemental Pension determined under the terms of this Supplemental Plan (409A Non-Grandfathered Component) that is attributable to a prior period of Employment shall continue to be paid to the Participant without regard to the Participant's reemployment (even if the Participant's Pension Plan benefit and Supplemental Plan (409A Grandfathered Component) benefit are suspended during such reemployment).

(b) A rehired Participant shall be entitled to a Rehire Supplemental Pension, as determined in the same manner as a Supplemental Pension under Sections 2.1, 2.2, 2.3, 2.4(a) or 4.2, as applicable, based on the Participant's Final Average Compensation, Incentive Compensation, Total Credited Service and Total Offset Service during his or her aggregated periods of Employment, but offset further by the annual nonforfeitable Supplemental Pension actually determined under the Supplemental Plan (409A Non-Grandfathered Component) as of the Participant's prior Separation from Service.

(c) In the event that the Participant is entitled to receive more than one Rehire Supplemental Pension under this Supplemental Plan (409A Non-Grandfathered Component) (as a result of more than two Separations from Service), the provisions of Section 2.5(b) shall be applied as if all prior periods of the Participant's Employment were aggregated into a single prior period of Employment.

(d) In the event that a Disabled Participant who is entitled to an Additional Disability Pay Benefit under Section 2.4(b) returns to Employment with the Company, the Rehire Supplemental Pension determined under Section 2.5(b) shall not take into account the Additional Disability Pay Benefit (except for purposes of vesting, eligibility for an early retirement subsidy, or the calculation of the 40 year limit in Section 2.1).

## 2.6 Surviving Spouse's Pension (Post-Retirement Automatic Survivor Annuity).

(a) The Surviving Spouse of a Participant who dies while receiving a Normal or Postponed Supplemental Pension or an Early Supplemental Pension determined under Section 2.2(a), relating to a Separation from Service on a date that qualifies as an Early Retirement Date under the terms of the Pension Plan, and, if applicable, an Additional Disability Pay Benefit, shall be entitled to a Surviving Spouse's Pension equal to one-half of (i) the single life annuity amount of the Normal, Early, or Postponed Supplemental Pension (including the Additional Disability Pay Benefit, if applicable) payable to such deceased Participant under the Supplemental Plan (409A Non-Grandfathered Component). Additionally, if the Participant's Normal Supplemental Pension, as defined in the Supplemental Plan (409A Grandfathered Component), is payable under Section 4.2 of such Plan, the Participant's Surviving Spouse's Pension shall be increased by an amount equal to one-half of the amount of the benefit computed under the Section 2.1(c) adjusted for payment as of any early benefit start

date in accordance with Section 6.04 of the Pension Plan (whether or not the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts on that date) and adjusted as of any postponed benefit start date according to any actuarial adjustments for a delay in the commencement of payment of the Participant's benefit beyond the Normal Retirement Date or otherwise that apply to the calculation of such a delayed benefit payment (whether or not the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts on that date). Such Surviving Spouse's Pension shall be payable to such Spouse in equal monthly payments for life, commencing on the first day of the month immediately following the death of such Participant.

(b) The Surviving Spouse of a Participant who dies while receiving an Early Supplemental Pension determined under Section 2.2(b), relating to a Separation from Service on an Early Supplemental Pension Retirement Date (i.e., a date that does not qualify as an Early Retirement Date under the terms of the Pension Plan), and, if applicable, an Additional Disability Pay Benefit, shall be entitled to a Surviving Spouse's Pension. The Surviving Spouse's Pension shall be payable in equal monthly payments for the Surviving Spouse's life, commencing on the first day of the month immediately following the Participant's death, which shall equal one-half of the single life annuity amount calculated for the Participant under Section 2.2(b) (including the Additional Disability Pay Benefit, if applicable), as of the Participant's early benefit start date under this Supplemental Plan (409A Non-Grandfathered Component). Additionally, if the Participant's Normal Supplemental Pension, as defined in the Supplemental Plan (409A Grandfathered Component), is payable under Section 4.2 of such Plan, the Participant's Surviving Spouse's Pension shall be increased by an amount equal to one-half of the amount of the benefit computed under the Section 2.1(c) adjusted for payment as of any early benefit start date in accordance with Section 6.04 of the Pension Plan (whether or not the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts on that date).

(c) The Surviving Spouse's Pension described in this Section 2.6 is payable in addition to any other death benefit that may be payable to the Surviving Spouse or other beneficiary of the Participant under the form of payment in which the Participant's Supplemental Pension is paid pursuant to Article Three. However, in no event shall the Surviving Spouse who is entitled to the Surviving Spouse's Pension, if also designated as the Participant's beneficiary under a joint and survivor annuity payable under the Supplemental Plan, receive a total benefit from the Supplemental Plan that is more than 100% of the retirement income otherwise payable to the Participant under the Supplemental Plan.

2.7 Change in Control. A Participant who is affected by a Change in Control shall have his eligibility for and amount of Supplemental Plan benefits determined pursuant to the terms of the Union Pacific Corporation Key Employee Continuity Plan adopted November 16, 2000, as may be amended from time to time.

2.8 Additional Age and Service for Certain Participants.

(a) Participant Ike Evans shall be deemed to have attained an age two (2) years, six (6) months older than his actual age, up to a maximum age 65 and shall receive an additional two (2) years, six (6) months service (up to a maximum of 40 years of service), which service shall be treated as part of the Participant's Total Credited Service in the way described in Section 1.3(s)(iii);

(b) Participant Stan McLaughlin shall be deemed to have attained an age two (2) years older than his actual age, up to a maximum age 65 and shall receive an additional two (2) years service (up to a maximum of 40 years of service), which service shall be treated as part of the Participant's Total Credited Service in the way described in Section 1.3(s)(iii);

(c) Participant John Holm, shall be deemed to have attained an age two (2) years older than his actual age, up to a maximum age 65 and shall receive an additional two (2) years service (up to a maximum of 40 years of service), which service shall be treated as part of the Participant's Total Credited Service in the way described in Section 1.3(s)(iii);

(d) Participant Jerry Everett shall be deemed to have attained an age two (2) years, three (3) months older than his actual age, up to a maximum age 65 and shall receive an additional two (2) years service (up to a maximum of 40 years of service), which service shall be treated as part of the Participant's Total Credited Service in the way described in Section 1.3(s)(iii); and

(e) Participant Mike Ring shall be deemed to have attained an age three (3) years, six (6) months older than his actual age, up to a maximum age 65.

(f) The age and service credited as provided in Section 2.8(a)-(e) results in an additional deferral of compensation for purposes of the American Jobs Creation Act of 2004 ("AJCA"), and such additional deferral of compensation is subject to the terms of the AJCA.

2.9 Six Month Delay for Specified Employees. Notwithstanding any provision of this Supplemental Plan (409A Non-Grandfathered Component) to the contrary, no payment shall be made to a "specified employee" (as determined in accordance with a uniform policy adopted by the Company with respect to all arrangements subject to Section 409A of the Code maintained by the Company and its Affiliated Companies) until the first day of the seventh month following such specified employee's Separation from Service; provided, however, that in the event of the specified employee's death before his payment commencement date, this provision shall not prevent payment of death benefits at the time(s) otherwise prescribed by this Supplemental Plan (409A Non-Grandfathered Component); and provided further that this Section 2.9 shall not apply to the Additional Disability Pay Benefit. Payments suspended during such six-month period shall be accumulated and paid to the specified employee (without



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interest) in the seventh month following the specified employee's Separation from Service.

## ARTICLE THREE

### Manner of Payment

3.1 Normal Form of Payment for Retirement. Except as provided in Sections 3.2 and 3.3, if a Participant has a Separation from Service on a Normal Retirement Date, an Early Retirement Date, an Early Supplemental Pension Retirement Date, or a Postponed Retirement Date under Section 2.1, 2.2 or 2.3, payment of the Supplemental Pension shall be made to a Participant on his or her benefit start date in the form of a single life annuity payable in equal monthly installments to the Participant for his or her lifetime.

3.2 Optional Forms of Payment for Retirement. Notwithstanding Section 3.1, a Participant may elect to receive payment of the Supplemental Pension in one of the following forms in lieu of the applicable normal form set forth in Section 3.1.

(a) A single life annuity payable in equal monthly installments to the Participant for his lifetime;

(b) A single life annuity payable in equal monthly installments to the Participant for his lifetime, with 120 payments guaranteed. If a Participant dies before he or she has received 120 monthly payments, then any balance of guaranteed payments shall be paid in a single sum to the Participant's Beneficiary within 90 days following the Participant's death. A Participant's designation of a Beneficiary to receive the balance of the guaranteed payments may be made or changed until the earlier of the Participant's death or the expiration of the guaranteed period; or

(c) A joint and survivor annuity with any individual Beneficiary designated by the Participant, payable in equal monthly installments for the Participant's lifetime and with 25%, 50%, 75% or 100%, as elected by the Participant, of the amount of such monthly installment payable after the death of the Participant to the designated Beneficiary of such Participant, if then living, for the life of such designated Beneficiary. A Participant's designation of a Beneficiary under a joint and survivor annuity may not be changed on or after the benefit start date for the Supplemental Pension. If a Participant's Beneficiary dies before the benefit start date for the Supplemental Pension, but after the Participant has elected a joint and survivor annuity, the election shall automatically be revoked and the Supplemental Pension shall be paid in the form set forth in Section 3.1. Notwithstanding the foregoing, the percentage payable to the Participant's Beneficiary (unless the Beneficiary is the Participant's spouse) after the Participant's death may not exceed the applicable percentage from the table set forth in Appendix C of the Pension Plan.

The election described in this Section 3.2 must be made in writing, in the form prescribed by the Administrator, at least six (6) months before, and no later than the tax

year of the Participant immediately preceding, the benefit start date for the Supplemental Pension. Any optional form of benefit described in this Section 3.2 shall be the actuarial equivalent of the normal form of benefit described in Section 3.1, disregarding the value of any subsidized survivor annuity benefit, and based on the actuarial equivalence factors set forth in Appendix A of the Pension Plan.

3.3 Payments For Certain Retirements Under Section 2.2(b). If a Participant has a Separation from Service on an Early Supplemental Pension Retirement Date, and at such Separation from Service either is not vested in or is not eligible to start a pension under the Pension Plan, payment of his Supplemental Pension shall be made in the form of a single life annuity. The Participant is not eligible to elect payment of his Supplemental Pension in any other form.

3.4 Special Payments.

(a) Michael A. Paras. The amount of the Supplemental Pension payable to Michael A. Paras under Article Two shall be paid on its scheduled payment date in the form of a single sum payment determined by converting the single life annuity into a single sum payment using (1) an interest rate that is equal to the adjusted first, second, and third segment rates applied under rules similar to the rules of Section 430(h)(2)(C) of the Code for the month before the date of distribution or such other time as the Secretary of the Treasury may prescribe, as described in Section 417(e)(3) of the Code and as published from time to time by the Secretary of the Treasury and (2) the mortality table referred to in Revenue Ruling 2007-67 (or such other mortality table as may subsequently be in effect) for Benefit Payment Dates occurring on or after January 1, 2009.

(b) Jeff M. Crandall. The amount of the Supplemental Pension payable to Jeff M. Crandall under Article Two shall be paid on its scheduled payment date in the form of a single sum payment determined by converting the joint and survivor annuity into a single sum payment using (1) an interest rate that is equal to the adjusted first, second, and third segment rates applied under rules similar to the rules of Section 430(h)(2)(C) of the Code for the month before the date of distribution or such other time as the Secretary of the Treasury may prescribe, as described in Section 417(e)(3) of the Code and as published from time to time by the Secretary of the Treasury and (2) the mortality table referred to in Revenue Ruling 2007-67 (or such other mortality table as may subsequently be in effect) for Benefit Payment Dates occurring on or after January 1, 2009; provided that Jeff M. Crandall is not entitled to receive any payment from a nonqualified deferred compensation plan required to be aggregated with the Supplemental Plan (409A Non-Grandfathered Component) under the regulations promulgated under Section 409A of the Code and the amount of the single sum payment does not exceed the applicable dollar amount under Section 402(g)(1)(B) of the Code.

## ARTICLE FOUR

### Vesting

#### 4.1 Termination Prior to Vesting.

(a) Except as provided in Section 2.7, a Participant who has a Separation from Service before Early or Normal Retirement Date, and before completion of 5 years of actual Vesting Service under the Pension Plan (treating as actual service for this purpose, service described in Section 1.3(s)(ii) or credited under Section 2.7) shall not be entitled to any benefit under this Supplemental Plan (409A Non-Grandfathered Component); provided, however, that the Chief Executive Officer of Union Pacific may reduce the required years of actual Vesting Service to 3 if the Chief Executive Officer of Union Pacific determines that such change would not be disadvantageous to the Company in the case of any Participant. The Chief Executive Officer of Union Pacific shall make such determination by the date the Participant terminates Employment.

(b) If a Participant described in Section 4.1(a) returns to Employment and subsequently becomes vested in the Supplemental Plan (409A Non-Grandfathered Component) benefit that was forfeited under Section 4.1(a), such benefit shall commence on the first day of the month following the later of the date the Participant becomes vested or the Participant's attainment of age 55 (even if the Participant is still in the Employment of the Company on such date by reason of his or her reemployment).

4.2 Termination After Vesting. Except as provided in Section 2.7 or Articles Five and Eleven, a Participant who has a Separation from Service before Normal or Early Retirement Date and before Early Supplemental Pension Retirement Date but after (i) completing 5 (or 3, if applicable) years of actual Vesting Service under the Pension Plan (treating as actual service for this purpose, service described in Section 1.3(s)(ii) or credited under Section 2.7) shall be entitled to receive, commencing on the first day of the month following the later of the Participant's Separation from Service or the Participant's attainment of age 55, the Normal Supplemental Pension computed under Section 2.1 as of the date the Participant had a Separation from Service.

In determining any Supplemental Pension to be paid to the Participant commencing prior to Normal Retirement Date, (I) the amounts described in Sections 2.1(a) and 2.1(c) shall be adjusted for early payment as of the early benefit start date in accordance with Section 6.04 of the Pension Plan (taking into account any additional years of age described in Section 1.3(e)(ii) for purposes of adjusting both the gross and offset portions of the benefit, and regardless of whether the Participant's Supplemental Plan (409A Grandfathered Component) benefit starts on that date), and (II) the amount described in Section 2.1(b) shall be adjusted for payment as of the early benefit start date in accordance with Section 6.04 of the Pension Plan (whether or not the Participant's Pension Plan benefit starts on that date).

#### 4.3 Form of Vested Benefit.

(a) Benefits Payable Under Supplemental Plan and Pension Plan. If a Participant is entitled to benefits under both the Supplemental Plan (409A Non-Grandfathered Component) and the Pension Plan, the Supplemental Pension determined under Section 4.2 shall be paid:

(i) to the Participant, if he or she is not married, on his or her benefit start date in the form of a single life annuity payable in equal monthly installments to the Participant for his or her lifetime; or

(ii) to the Participant, if he or she is married, on his or her benefit start date in the form of a joint and survivor annuity with the Participant's spouse (determined as of the benefit start date) as the beneficiary, payable in equal monthly installments for the Participant's lifetime and with 50% of the amount of such monthly installment payable after the death of the Participant to such spouse, if then living, for the life of such spouse.

Notwithstanding the foregoing, the Participant may elect, in lieu of the normal form of benefit set forth in Section 4.3(a) (i) or (ii), as applicable, to be paid in any of the forms described in Section 3.2, and shall be subject to adjustment for form of payment and the same Beneficiary designation applicable to the Participant's Pension Plan benefit.

(b) No Benefits Payable Under Pension Plan. In the event a Participant is entitled to a benefit from the Supplemental Plan (409A Non-Grandfathered Component) but is not vested in a benefit under the Pension Plan, the Participant shall receive payment of his Supplemental Pension determined under Section 4.2 in the automatic form of payment described in Section 8.02 of the Pension Plan, as adjusted for form of payment and the same Beneficiary designation applicable to the Participant's Pension Plan benefit, that would have applied to the Participant had he been eligible for and started payment under the Pension Plan on the same day.

## ARTICLE FIVE

### Certain Employee Transfers

5.1 Transfers into Supplemental Plan from Resources Supplemental Plan. If any employee who is a participant in the Supplemental Pension Plan for Exempt Salaried Employees of Union Pacific Resources Company and Affiliates is transferred on or before October 15, 1996 to the Company and becomes a Participant after such transfer, such employee shall retain no rights in the other supplemental pension plan and shall receive all benefits to which entitled under this Supplemental Plan (409A Non-Grandfathered Component), based upon Total Credited Service and Total Offset Service which shall include, as to such employee, any service which would have been used in determining the Participant's benefits under such other supplemental pension plan.

5.2 Transfers to Resources Supplemental Plan. If a Participant is transferred on or before October 15, 1996 to an Affiliated Company participating in the Supplemental Pension Plan for Exempt Salaried Employees of Union Pacific Resources Company and Affiliates and becomes a participant in the supplemental pension plan of the Affiliated Company after such transfer, such former Participant shall retain no rights in this Supplemental Plan if such other supplemental pension plan has provisions that substantially conform to the transfer provisions for the protection of transferees that are contained in Section 5.1.

5.3 No Duplication of Benefits. There shall under no circumstances be any duplication of benefits under this Supplemental Plan or any supplemental pension plan of an Affiliated Company or former Affiliated Company by reason of the same period of employment.

## ARTICLE SIX

### Pre-Retirement Survivor's Benefit

6.1 Eligibility. The Surviving Spouse of a Participant who either (a) has a Separation from Service due to death, or (b) (i) has a Separation from Service other than due to death after becoming entitled to a Supplemental Pension under Article Two or Article Four, and (ii) dies prior to the commencement of payment of the Supplemental Pension shall receive the benefit determined pursuant to Section 6.2.

#### 6.2 Surviving Spouse's Benefit.

##### (a) Subsidized Death Benefits.

(i) Except as provided in subsection (ii), the benefit payable to the Surviving Spouse of a Participant described in Section 6.1 who dies:

(A) before his or her Separation from Service and before Early or Normal Retirement Date under the terms of the Pension Plan;

(B) before his or her Separation from Service and after Early or Normal Retirement Date under the terms of the Pension Plan; or

(C) after his or her Separation from Service, providing such Separation from Service occurred after Early or Normal Retirement Date under the terms of the Pension Plan,

shall be a monthly annuity payable for the Surviving Spouse's life. Monthly payments to the Surviving Spouse shall equal one-half of the monthly Supplemental Pension such Participant would have received (assuming, for a Participant described in Section 6.1(a), the Participant had vested) in the form of a single life annuity, if the Participant had survived (but accrued no additional benefits after death) and started his Supplemental Pension on the date Supplemental Plan (409A Non-Grandfathered Component) benefits begin to the Surviving Spouse under Section 6.3. Notwithstanding anything in the Supplemental Plan (409A Non-Grandfathered Component) to the contrary, the Surviving Spouse's benefit with respect to a Participant described in (A), above, shall be determined by applying, for purposes of any adjustment for payment prior to Normal Retirement Date, the early retirement reduction factors of Section 6.03 of the Pension Plan.

(ii) The benefit payable to the Surviving Spouse of a Participant described in Section 6.1, who dies other than under circumstances described in Section 6.2(a)(i) or 6.2(a)(iii) but after becoming eligible for an Early Supplemental Pension under Section 2.2 based on an Early Supplemental Pension Retirement Date, shall be an annuity payable for the Surviving Spouse's life calculated as follows. Monthly payments to the Surviving Spouse shall equal one-half of the monthly Supplemental Pension in the form of a single life annuity calculated for the Participant as described in Section 2.2(b) as if the Participant had survived (but accrued no additional benefits after

death) and started his Supplemental Pension on the date Supplemental Plan (409A Non-Grandfathered Component) benefits begin to the Surviving Spouse under Section 6.3.

(iii) In addition to any other benefit due to the Surviving Spouse under this Supplemental Plan (409A Non-Grandfathered Component), if a Participant dies while a Disabled Participant but before Early or Normal Retirement Date under the terms of the Pension Plan (as determined for purposes of the Additional Disability Pay Benefit), the Surviving Spouse shall be entitled to an additional monthly annuity payable for the Surviving Spouse's life. Monthly payments to the Surviving Spouse shall equal one-half of the monthly Additional Disability Pay Benefit such Disabled Participant would have received (assuming the Disabled Participant had vested) in the form of a single life annuity, if the Disabled Participant had survived (but accrued no additional benefits after death) and started his Additional Disability Pay Benefit on the date the Supplemental Plan (409A Non-Grandfathered Component) benefits described in this Section 6.2(a)(iii) begin to the Surviving Spouse under Section 6.3. Notwithstanding anything in the Supplemental Plan (409A Non-Grandfathered Component) to the contrary, the Surviving Spouse's benefit described in this Section 6.2(a)(iii) shall be determined by applying, for purposes of any adjustment for payment prior to Normal Retirement Date, the early retirement reduction factors of Section 6.03 of the Pension Plan.

(b) Non-Subsidized Death Benefits. The benefit payable to the Surviving Spouse of a Participant described in Section 6.1 who dies under circumstances other than those described in Section 6.2(a) shall be an annuity payable for the Surviving Spouse's life with monthly payments equal to 50% of the monthly Supplemental Pension the Participant would have received in the form of a Qualified Joint and Survivor Annuity determined as if the Participant had survived (and accrued no additional benefits after his death) and started his Supplemental Pension on the date Supplemental Plan (409A Non-Grandfathered Component) benefits begin to the Surviving Spouse under Section 6.3.

6.3 Timing of Surviving Spouse's Benefit. The benefit to which a Surviving Spouse of a Participant shall be entitled pursuant to Section 6.2(a) or (b) shall be paid monthly to such Surviving Spouse, commencing as of the first day of the month following the later of the Participant's death or the date the Participant would have attained age 55. Payments to the Surviving Spouse shall end with the payment made for the month in which the Surviving Spouse dies.



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## ARTICLE SEVEN

### **Funding**

The Company's obligations hereunder shall constitute a general, unsecured obligation of the Company payable solely out of its general assets, and no Participant or former Participant shall have any right to any specific assets of the Company. To the extent that any Participant or former Participant acquires a right to receive payments under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. The Board of Directors of Union Pacific may, but shall not be required to, authorize Union Pacific to establish a trust to hold assets to be used to discharge the Company's obligations hereunder, provided that such trust shall not confer upon Participants or former Participants any rights other than the rights of unsecured general creditors of the Company.

## ARTICLE EIGHT

### Administration

8.1 Responsibilities and Powers of Administrator. Except for the responsibilities and powers elsewhere herein given specifically to the Board of Directors of Union Pacific, the Administrator shall have all responsibilities for the operation and administration of the Supplemental Plan and shall have all powers and discretionary authority necessary to carry out those responsibilities hereunder. Without limiting the generality of the foregoing, the Administrator shall have full power and discretionary authority to:

(a) keep and maintain such accounts and records with respect to Participants and former Participants as are deemed necessary or proper;

(b) determine all questions of the eligibility for participation and benefits and of the status and rights of Participants, former Participants, and any other person hereunder, make all required factual determinations, interpret and construe the Supplemental Plan in connection therewith and correct defects, resolve ambiguities therein and supply omissions thereto;

(c) adopt from time to time mortality and other tables and interest rates upon which all actuarial calculations shall be based, including the determination of the appropriate factors for the adjustment of pension payments; and

(d) adopt from time to time rules and regulations governing this Supplemental Plan.

The Administrator shall carry out all responsibilities and exercise all powers in accordance with the terms of the Supplemental Plan. The determination of the Administrator as to any questions involving the responsibilities hereunder shall be final, conclusive and binding on all persons.

8.2 Certification and Payment of Benefits. The Administrator shall compute the amount and manner of payment of benefits to which the Participants, former or retired Participants, Surviving Spouses and beneficiaries become entitled. All payments of benefits shall be made directly by the Company upon the instructions of the Administrator.

8.3 Reports to Board of Directors. As the Administrator deems necessary or proper or as the Board of Directors of Union Pacific may require, but in any event at least once during each calendar year, the Administrator shall report to such Board on the operation and administration of the Supplemental Plan and on any other matter concerning the Supplemental Plan deemed advisable or required by such Board.

8.4 Designation and Delegation. The Administrator may designate other persons to carry out such of the responsibilities hereunder for the operating and

administration of the Supplemental Plan as the Administrator deems advisable and delegate to the persons so designated such of the powers as the Administrator deems necessary to carry out such responsibilities. Such designation and delegation shall be subject to such terms and conditions as the Administrator deems necessary or proper. Any action or determination made or taken in carrying out responsibilities hereunder by the persons so designated by the Administrator shall have the same force and effect for all purposes as if such action or determinations had been made or taken by the Administrator.

8.5 Outside Services. The Administrator may engage counsel and such clerical, medical, financial, actuarial, accounting and other specialized services as is deemed necessary or desirable for the operation and administration of the Supplemental Plan. The Administrator and persons so designated shall be entitled to rely, and shall be fully protected in any action or determination or omission taken or made or omitted in good faith in so relying, upon any opinions, reports or other advice which is furnished by counsel or other specialist engaged for that purpose.

8.6 Expenses. All expenses, including any fees for outside services under Section 8.5, incurred by the Administrator and by persons designated by the Administrator under Section 8.4 in the operation and administration of the Supplemental Plan shall be paid by the Company. Neither the Administrator nor any other person who is an employee of the Company or an Affiliated Company shall receive any compensation solely for services in carrying out any responsibility hereunder.

8.7 Bonding. No bond or other security shall be required of the Administrator or of any person designated under Section 8.4.

8.8 Liability. The Administrator and persons designated by him under Section 8.4 shall use ordinary care and diligence in the performance of their duties. The Company shall indemnify and defend the Administrator and each other person so designated under Section 8.4 against any and all claims, loss, damages, expense (including reasonable counsel fees), and liability arising from any action or failure to act or other conduct in their official capacity, except when the same is due to the gross negligence or willful misconduct of the Administrator or other persons.

8.9 Finality of Actions. Any action required of Union Pacific, the Company, the Board of Directors of Union Pacific, or the Chief Executive Officer of Union Pacific (the "CEO") under this Supplemental Plan, or made by the Administrator acting on their behalf, shall be made in the Company's, the Board's or the CEO's sole discretion, not in a fiduciary capacity and need not be uniformly applied to similarly situated persons. Any such action shall be final, conclusive and binding on all persons interested in the Supplemental Plan.

**ARTICLE NINE**

**Amendment or Termination**

9.1 Amendment or Termination. The Board of Directors of Union Pacific, acting by written resolution, reserves the right to modify, alter, amend or terminate the Supplemental Plan from time to time and to modify, withdraw or terminate the Supplemental Plan, to any extent that it may deem advisable; provided, that no such modification, alteration, amendment or termination shall impair any rights which have accrued to Participants hereunder to the date of such modification, alteration, amendment or termination. Notwithstanding the foregoing, (i) prior to March 1, 2013 the Senior Vice President - Human Resources of Union Pacific; and (ii) on and after March 1, 2013 the Vice President-Human Resources of Union Pacific Railroad Company or such other officer or employee of Union Pacific Railroad Company or Union Pacific with similar authority, may make all technical, administrative, regulatory and compliance amendments to the Supplemental Plan, and any other amendment that will not significantly increase the cost of the Supplemental Plan to the Company, as he or she shall deem necessary or appropriate.

## ARTICLE TEN

### General Provisions

10.1 Certain Rights Reserved. Nothing herein contained shall confer upon any Employee or other person the right (a) to continue in Employment or service of the Company or affect any right that the Company may have to terminate the Employment or service of (or to demote or to exclude from future participation in the Supplemental Plan) any such Employee or other person at any time for any reason, (b) to participate in the Supplemental Plan, or (c) to receive an annual base salary of any particular amount.

10.2 Alienability of Benefits. Payments under the Supplemental Plan may not be assigned, transferred, pledged or hypothecated, and to the extent permitted by law, no such payments shall be subject to legal process or attachment for the payment of any claims against any person entitled to receive the same. Compliance with the provisions and conditions of any domestic relations order relating to an individual's Supplemental Plan benefits, which the Administrator has determined must be complied with under the terms of applicable law, shall not be considered a violation of this provision.

10.3 Payment Due an Incompetent. If it shall be found that any person to whom a payment is due hereunder is unable to care for that person's affairs because of physical or mental disability, as determined by a licensed physician, the Administrator shall have the authority to cause the payments becoming due such person to be made to the legally appointed guardian of any such person or to the spouse, brother, sister, or other person as it shall determine. Payments made pursuant to such power shall operate as a complete discharge of the Company's obligations.

10.4 Governing Law. The Supplemental Plan shall be construed and enforced in accordance with the laws of the State of Nebraska (without regard to the legislative or judicial conflict of laws rules of any state), except to the extent superseded by any federal law.

10.5 Successors. This Supplemental Plan shall be binding upon any successor (whether direct or indirect, by purchase, merger, consolidated or otherwise) to all or substantially all of the business and/or assets of the Company in the same manner and to the same extent that the Company would be bound to perform if no such succession had taken place.

10.6 Titles and Headings Not To Control. The titles and Articles of the Supplemental Plan and the headings of Sections and subsections of the Supplemental Plan are placed herein for convenience of reference only and, as such, shall have no force and effect in the interpretation of the Supplemental Plan.

10.7 Severability. If any provisions of the Supplemental Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part, the unlawfulness,

invalidity, or unenforceability shall not affect any provision of the Plan or part thereof, each of which shall remain in full force and effect.

10.8 Determination and Withholding of Taxes. The Administrator shall have full authority to satisfy the responsibility of Union Pacific or any Affiliated Company to withhold taxes with respect to a Participant or former Participant, including FICA taxes, by withholding such taxes from any distributions under the Plan to the Participant or former Participant or his beneficiary or estate. The Administrator shall also have full authority, with or without the consent of the Participant or former Participant, to withhold from the individual's compensation from any and all sources, any FICA or other taxes applicable to benefits accrued under the Supplemental Plan.

10.9 Interpretation. This Supplemental Plan (409A Non-Grandfathered Component) is intended to satisfy the requirements of Section 409A of the Code, shall be interpreted in a manner consistent with such intent, and has been operated in reasonable good faith compliance with the requirements of Section 409A during the period of January 1, 2005 through December 31, 2008.

## ARTICLE ELEVEN

### **Transfers to Non-Covered Employment**

11.1 Notwithstanding any other provision of this Supplemental Plan (409A Non-Grandfathered Component) to the contrary, if a Participant is transferred to the employment of an Affiliated Company that has not adopted the Supplemental Plan ("non-covered employment"), upon the approval of the Chief Executive Officer of Union Pacific, any benefits to which such Participant (or his Surviving Spouse or other beneficiary) would be entitled under the Pension Plan, the Supplemental Plan (409A Non-Grandfathered Component), or both, by treating such Participant's non-covered employment as if it were service covered by such Plans and by aggregating such service with the Participant's other service covered by the Plans shall be provided to the Participant under this Section 11.1 to the extent that such benefits exceed the aggregate of (a) the Participant's benefits under the Pension Plan, (b) the Participant's benefits under the Supplemental Plan (409A Non-Grandfathered Component) determined without regard to this Section 11.1, and (c) the Participant's benefits under any pension plan of the Affiliated Company that are based on the Participant's non-covered employment and/or employment otherwise covered by the Pension and Supplemental Plans.

## ARTICLE TWELVE

### Claims Procedure

12.1 Application for Benefits. Each Participant, former Participant, Surviving Spouse or other beneficiary, or alternate payee under a domestic relations order believing himself or herself eligible for a benefit under this Supplemental Plan shall apply for such benefit by completing and filing with the Administrator an application for benefits on a form supplied by the Administrator.

12.2 Claims. The following provisions are effective on and after January 1, 2002:

(a) Claim for Benefits. A claim for Supplemental Plan benefits may be filed by:

(i) any person (or his duly authorized representative) who has applied for and/or received benefits from the Supplemental Plan pursuant to Section 12.1 and who believes that the amount and/or form of benefits provided (including no benefits) or any change in or termination or reduction of benefits previously provided results in a denial of benefits to which he is entitled for any reason (whether under the terms of the Supplemental Plan or by reason of any provision of law); or

(ii) any Employee or other individual (or his duly authorized representative) who believes himself to be entitled to benefits from the Supplemental Plan.

A claim for benefits must be filed with the Administrator, in writing and in accordance with such other requirements as may be prescribed by the Administrator. Any claim shall be processed as follows:

(A) When a claim for benefits has been filed by the claimant (or his duly authorized representative), such claim for benefits shall be evaluated and the claimant shall be notified by the Administrator of the approval or denial within a reasonable period of time, but not later than 90 days after the receipt of such claim unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period and shall specify the special circumstances requiring an extension and the date by which a final decision will be reached (which date shall not be later than 180 days after the date on which the claim was received).

(B) A claimant shall be given written notice in which the claimant shall be advised as to whether the claim is granted or denied, in whole or in part. If a claim is denied, in whole or in part, the claimant shall be given written notice which shall contain (I) the specific reasons for the denial, (II) references to the specific Supplemental Plan provisions upon which the denial is based, (III) a description of any



additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary, (IV) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim, (V) the claimant's rights to seek review of the denial and time limits and other aspects of the Supplemental Plan's claim review procedures, and (VI) a statement of the claimant's right to bring a civil action under ERISA section 502(a) following an adverse determination upon review.

(b) Review of Claim Denial. If a claim for benefits is denied, in whole or in part, the claimant (or his duly authorized representative) shall have the right to request that the Administrator review the denial, provided that the claimant files in accordance with such requirements as may be prescribed by the Administrator a written request for review with the Administrator within 60 days after the date on which the claimant received written notification of the denial. A claimant (or his duly authorized representative) may review relevant documents, records and other information relevant to the claim (or receive copies free of charge) and may submit to the Administrator with the written request for review documents, records, written comments and other information relevant to the claim for benefits, which shall be considered upon review whether or not such information and other items were available when the claim was originally determined. Requests for review not timely filed shall be barred. A timely request for claim review shall be processed as follows:

(i) Within a reasonable period of time, but not later than 60 days after a request for review is received, the review shall be made and the claimant shall be advised in writing of the decision on review, unless special circumstances require an extension of time for processing the review. If an extension is needed, the claimant shall be given a written notification within such initial 60-day period specifying the reasons for the extension and when such review shall be completed (provided that such review shall be completed within 120 days after the date on which the request for review was filed). However, if the period for deciding the claim has been extended under this paragraph (i) due to a claimant's failure to provide information necessary to decide a claim, the period for making a decision on review shall be tolled from the date the claimant is sent written notice of the extension until the date on which the claimant responds to the request for information (or such earlier date as may be prescribed by the Administrator in accordance with applicable law and regulations).

(ii) The decision on review shall be forwarded to the claimant in writing and shall include (A) specific reasons for the decision, (B) references to the specific Plan provisions upon which the decision is based, (C) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim, and (D) a statement of the claimant's right to bring an action under ERISA section 502(a). A decision on review shall be final and binding on all persons for all purposes.

(c) Exhaustion of Claims Review Process. A claimant shall have no right to seek review of a denial of benefits, or to bring any action in any court to enforce a claim for benefits prior to his filing a claim for benefits and exhausting his rights to review under this Section 12.3.

**SUPPLEMENTAL PENSION PLAN  
(409A GRANDFATHERED COMPONENT)**

**For Officers and Managers**

**of**

**Union Pacific Corporation**

**and**

**Affiliates**

**(As amended and restated in its entirety effective as of January 1, 1989,  
including all amendments adopted through March 1, 2013)**

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## ARTICLE ONE

### Scope of Supplemental Plan and Definitions

1.1 Introduction. This Supplemental Plan (409A Grandfathered Component), amended through January 1, 2009, and as it may hereafter be amended from time to time, establishes the rights to specified benefits for certain officers and managers or highly compensated employees who retire or otherwise terminate their Employment on or after January 1, 1989. The rights of any such individual who retired or otherwise terminated Employment prior to January 1, 1989 shall be subject to the terms of the Supplemental Plan as in effect at the date of retirement or termination, except to the extent otherwise provided herein. This Supplemental Plan is intended to be a non-qualified supplemental retirement plan which is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees of the Company, pursuant to sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and, as such, to be exempt from the provisions of Parts 2, 3 and 4 of Subtitle B of Title I of ERISA.

1.2 Applicability. The Supplemental Plan was bifurcated into two components, effective January 1, 2009. As reflected in the terms of this document, one such component is applicable solely to those benefits that were, as of December 31, 2004, both accrued and fully vested in accordance with the terms of the Supplemental Plan as in effect on December 31, 2004, which terms were not materially modified after October 3, 2004. The Supplemental Plan benefit governed by the terms of this 409A Grandfathered Component generally is determined by measuring a Participant's accrued benefit as if he had had a Separation from Service on the earlier of the date of his actual Separation from Service or December 31, 2004, and applying the terms of the Supplemental Plan, the Pension Plan and the various applicable Code limits as of that date (except as modified herein). With respect to any other amounts accrued under the Supplemental Plan, the rights of the Participant shall be governed by the component of the Supplemental Plan known as the "Supplemental Pension Plan (409A Non-Grandfathered Component) for Officers and Managers of Union Pacific Corporation and Affiliates, effective January 1, 1989, including all amendments adopted through January 1, 2009."

1.3 Definitions. As used in this Supplemental Plan (409A Grandfathered Component), the following terms have the meanings set forth below, unless a different meaning is plainly required by the context:

(a) "Administrator" shall have, on and after February 1, 2013, the same meaning as "Named Fiduciary-Plan Administration" as such term is defined in the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates. Prior to February 1, 2013, "Administrator" means the Senior Vice-President-Human Resources of Union Pacific or, if there is no such Senior Vice President-Human Resources, such person or persons appointed by the Board of Directors of Union

Pacific or, in the absence of any such appointment, Union Pacific, who shall administer this Supplemental Plan.

(b) "Company" means Union Pacific and any Affiliated Company which is included in the Supplemental Plan by written action of (i) its board of directors and (ii) either the Board of Directors of Union Pacific or the Administrator acting on behalf of the Board of Directors of Union Pacific; provided, however, that if an Affiliated Company (other than an Affiliated Company that would remain such if the phrase "100 percent" were substituted for the phrase "at least 80 percent" in section 1563(a)(1) of the Code, which is then incorporated by reference in sections 414(b) and (c) of the Code) is included in the Supplemental Plan by virtue of action by the Administrator, unless the Board of Directors of Union Pacific ratifies such action not later than its first regularly scheduled meeting held subsequent to the taking of such action by the Administrator, such Affiliated Company shall cease to be so included as of the close of business on the last day of the month in which such meeting occurs and no employee of such Affiliated Company shall accrue a benefit under the Supplemental Plan.

(c) "Early Supplemental Pension Retirement Date" means, subject to Sections 2.9(a)(ii)(B) and (b)(ii)(B), Section 2.10(b)(ii) and Section 2.12(b)(ii), the date of a Participant's termination of Employment after he becomes vested in his Supplemental Plan (409A Grandfathered Component) benefit under Section 4.2, before his Normal Retirement Date, and after either attaining age 55 and completing 10 years of Vesting Service or attaining age 65, determined after taking into account (i) additional service that was credited on or before October 3, 2004 under Section 1.3(p) and/or (ii) additional years of age, not exceeding five (5), as was approved on or before October 3, 2004 by the Chief Executive Officer of Union Pacific prior to the Participant's termination of Employment or as was credited to the Participant pursuant to Section 2.7, 2.9, 2.10, 2.11 or 2.12; provided, however that such date does not qualify on or before December 31, 2004 as an Early Retirement Date under the terms of the Pension Plan.

(d) "Early Supplemental Pension" means the pension provided for in Section 2.2.

(e) "Effective Date" means January 1, 1989, the effective date of this document; provided, however, that when a provision of this Supplemental Plan (409A Grandfathered Component) states an effective date other than January 1, 1989, such stated special effective date shall apply as to that provision.

(f) "Final Average Compensation" means Final Average Compensation as determined under Article II of the Pension Plan as of the earlier of the date of the Participant's actual Separation from Service or December 31, 2004, assuming the Participant had a Separation from Service on that date.

(g) "Incentive Compensation" means:

(i) incentive compensation awarded to a Participant (and in which the Participant was vested) on or before December 31, 2004 under the Executive

Incentive Plan of Union Pacific Corporation and Subsidiaries, as amended and restated as of April 15, 1988 and as it may thereafter be amended from time to time and any successor thereto (the "Executive Incentive Plan");

(ii) for 1999 and later years, vested incentive compensation foregone by a Participant on or before October 3, 2004 for an award under the Executive Incentive Premium Exchange Program of Union Pacific Corporation and Subsidiaries;

(iii) such other vested incentive compensation as may be included in Incentive Compensation for a Participant on or before October 3, 2004 at the discretion of the Board of Directors of Union Pacific; or

(iv) the amount of retention stock (or retention units) awarded to a Participant by the Compensation and Benefits Committee of the Company's Board of Directors (or any successor thereto) on or before October 3, 2004 in lieu of a cash award under the Executive Incentive Plan,

but only to the extent that such incentive compensation or retention stock (or retention units) is not taken into account in computing the Participant's Final Average Compensation for reasons other than the annual compensation limit under section 401(a)(17) of the Code or the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan (each as determined as of the earlier of the date of the Participant's Separation from Service or December 31, 2004). Awards of Incentive Compensation shall be taken into account at the time such awards would have been paid but for the Participant's election, on or before October 3, 2004, to forego or defer payment under a plan of the Company or an Affiliated Company; provided, however, that for purposes of calculating a Participant's benefit under this Supplemental Plan (409A Grandfathered Component) no more than the three highest awards of Incentive Compensation shall be counted in the Participant's highest 36 consecutive months of Compensation determined as of the earlier of the date of the Participant's Separation from Service or December 31, 2004, and taking all Incentive Compensation into account.

(h) "Normal Supplemental Pension" means the pension provided for in Section 2.1.

(i) "Participant" means any Employee of the Company on or after the Effective Date who is or once was a Covered Employee under the Pension Plan and:

(i) whose Total Credited Service under Section 1.3(p) includes years that are not taken into account as Credited Service under the Pension Plan (including years not taken into account due to application of the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan) as of December 31, 2004;

(ii) who has Incentive Compensation within the 120-calendar-month period immediately preceding the earlier of the date on which the Participant ceases to be a Covered Employee or December 31, 2004;

(iii) whose Final Average Compensation is not fully recognized under the Pension Plan due to application of the annual compensation limit under section 401(a)(17) of the Code or the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan, each determined as of the earlier of the date of the Participant's Separation from Service or December 31, 2004;

(iv) whose benefit under the Pension Plan is (or would have been if the Participant had a Separation from Service on December 31, 2004) reduced as a result of the limitation described in Section 5.02 of the Pension Plan, determined no later than December 31, 2004; or

(v) who is credited with additional years of age as described in Section 1.3(c)(ii), and who has been designated by the Administrator as eligible to participate in the Supplemental Plan.

In the event of the death or incompetency of a Participant, the term shall mean the Participant's personal representative or guardian for whatever amounts remain payable to the Participant under the terms of the Supplemental Plan.

(j) "Pension Plan" means the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates, as in effect on the earlier of the date of the Participant's Separation from Service or December 31, 2004, unless the context indicates otherwise.

(k) "Postponed Supplemental Pension" means the pension provided for in Section 2.3.

(l) "Special 1990-1992 Window Participant" means a Pension Plan participant who retired under an early retirement window program described in Section 6.07 or 6.09 of the Pension Plan and who was prohibited under Section 6.12 (prior to 1999, Section 6.11) of the Pension Plan from receiving the benefits of the window program in any payment from the Pension Plan made for a month prior to November 1, 1994.

(m) "Supplemental Plan" shall mean the Supplemental Pension Plan for Officers and Managers of Union Pacific Corporation and Affiliates, as amended and restated effective January 1, 1989, and as it may thereafter be amended from time to time. The Supplemental Plan is comprised of the following components, each of which is set forth in a separate document: (1) The Supplemental Pension Plan (409A Grandfathered Component) for Officers and Managers of Union Pacific Corporation and Affiliates, and (2) The Supplemental Pension Plan (409A Non-Grandfathered Component) for Officers and Managers of Union Pacific Corporation and Affiliates.

(n) "Surviving Spouse" means:



(i) where payments to the Participant have not begun under the Supplemental Plan at the time of the Participant's death, the spouse who was legally married to the Participant continuously during the 12 months ending on the date of the Participant's death;

(ii) where payments to the Participant have begun under the Supplemental Plan prior to January 1, 1995 and prior to the Participant's death, the spouse who was legally married to the Participant continuously during the 12 months ending on the date that such payments began or who was legally married to the Participant on the date such payments began and for a period of at least 12 months ending on or before the date of the Participant's death;

(iii) where payments to the Participant have begun under the Supplemental Plan on or after January 1, 1995 but prior to the Participant's death:

(A) in the case of a Participant whose Supplemental Plan and Pension Plan benefit began on the same date or who is not vested in a Pension Plan benefit, the spouse who was legally married to the Participant on the date that his Supplemental Plan payments began;

(B) in the case of a Participant whose Supplemental Plan benefits began on a date earlier than the date on which his Pension Plan benefits began, the spouse who was legally married to the Participant on the date his Pension Plan benefits began; or

(C) in the case of a Participant whose Supplemental Plan benefits began but whose vested Pension Plan benefits had not started prior to this death, the spouse who was legally married to the Participant on the date of his death;

provided, however, that, for benefits starting before July 25, 2002, the Surviving Spouse shall be determined as described in this paragraph (iii) unless the Administrator advised the Participant to the contrary.

(o) "Surviving Spouse's Pension" means the pension provided for in Section 2.4.

(p) "Total Credited Service" means:

(i) all years of Credited Service (and portions thereof) as of December 31, 2004 as set forth in the Article IV of the Pension Plan, including Credited Service for years of Employment as of December 31, 2004 that are not taken into account under the Pension Plan solely due to application of the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan;

(ii) such additional years of training prior to the Participant's Employment Commencement Date, as may have especially qualified the Participant for service with the Company, as determined by the Board of Directors, in its sole discretion, and which were awarded on or before October 3, 2004;

(iii) such additional years of service, not exceeding five (5), as may be approved by the Chief Executive Officer of Union Pacific prior to the Participant's termination of Employment, and which were awarded on or before October 3, 2004; and

(iv) such additional years of service as may be credited to the Participant on or before December 31, 2004 pursuant to Section 2.7, 2.9, 2.10, 2.11 or 2.12.

(q) "Total Offset Service" means (i) all years of "offset service" (including portions thereof) as of December 31, 2004 and as set forth in Article V of the Pension Plan, including years of offset service for years of Employment as of December 31, 2004 that are not taken into account under the Pension Plan solely due to application of the provisions of Alternative II-D set forth in Section 3.01(c) of the Pension Plan; and (ii) any additional years as credited in accordance with Section 1.3(p)(ii), (iii) or (iv).

(r) "Union Pacific" means Union Pacific Corporation, or any successor to that corporation.

(s) "Vesting Service" means (i) all years of Vesting Service (including portions thereof) as set forth in Article IV of the Pension Plan; and (ii) any additional years as credited in accordance with Section 1.3(p)(ii), (iii) or (iv).

(t) All other capitalized terms shall have the respective meanings set forth in the definition provisions of Article II of the Pension Plan.

## ARTICLE TWO

### Amount and Payment of Pension

2.1 Normal Supplemental Pension. Subject to the provisions of Articles Three, Five and Eleven, a Participant retiring on a Normal Retirement Date under the Pension Plan (including a Participant who has become a Disabled Participant under the Pension Plan and who ceases to be such on the Normal Retirement Date) shall be entitled to receive a Normal Supplemental Pension, in the form of a single life annuity commencing on the Participant's Normal Retirement Date, equal to the excess, if any, of:

(a) the annual Accrued Benefit payable at Normal Retirement Date computed on the basis of the formula provided in Section 5.01 of the Pension Plan as of the earlier of the Participant's actual Separation from Service or December 31, 2004 (assuming the Participant had a Separation from Service on that date), determined without regard to the limitation described in Section 5.02 of the Pension Plan (determined no later than December 31, 2004), and including under such formula any amounts of Final Average Compensation that were excluded from consideration for the Participant under the Pension Plan and all Incentive Compensation payable to the Participant within the 120-calendar-month period immediately preceding the date on which the Participant ceases to be a Covered Employee (or, if earlier, December 31, 2004), and utilizing Total Credited Service up to 40 years in place of Credited Service under Article IV of the Pension Plan and Total Offset Service up to 40 years in place of "offset service" under Article V of the Pension Plan, over

(b) the annual nonforfeitable Accrued Benefit payable at Normal Retirement Date actually determined to be due under the terms of the Pension Plan, as of the earlier of the date of the Participant's Separation from Service or December 31, 2004.

For purposes of determining benefits under the Supplemental Plan (409A Grandfathered Component), any actuarial adjustments for a delay in the commencement of payment beyond the Normal Retirement Date or otherwise that apply under the Pension Plan in calculating the benefit described in (b), above, shall also apply to calculate the benefit described in (a), above. Such actuarial adjustments shall be applied in a manner that does not cause benefits due under this 409A Grandfathered Component after December 31, 2004 to become subject to section 409A of the Code.

### 2.2 Early Supplemental Pension.

(a) Participant Retires on Early Retirement Date. The following provisions apply to a Participant retiring on an Early Retirement Date under the Pension Plan on or before December 31, 2004, or who retires on an Early Retirement Date under the Pension Plan after December 31, 2004 and who was eligible to retire on an Early Retirement Date as of December 31, 2004 if he had Separated from Service on such date:

(i) Benefit Payable on Normal Retirement Date. Subject to the provisions of Articles Three, Five and Eleven, a Participant retiring on such an Early Retirement Date under the Pension Plan shall be entitled to receive a Normal Supplemental Pension in the form of a single life annuity commencing at Normal Retirement Date, computed in accordance with Section 2.1 based on Total Credited Service, Total Offset Service, etc. A Participant retiring on an Early Retirement Date shall include a Participant who has become a Disabled Participant under the Pension Plan and who ceases to be a Disabled Participant on an Early Retirement Date.

(ii) Benefit Payable on Early Retirement Date. In lieu of the benefit described in (i), above, subject to the provisions of Articles Three, Five and Eleven, such Participant may receive an Early Supplemental Pension, in the form of a single life annuity commencing at the date prior to his Normal Retirement Date on which he elects to start his pension under the Pension Plan. The Early Supplemental Pension shall be computed in the same manner as the Normal Supplemental Pension, but with the amounts described in Sections 2.1(a) and (b) adjusted for payment as of the early benefit start date in accordance with Section 6.03 of the Pension Plan, taking into account any additional years of age described in Section 1.3(c)(ii) for purposes of adjusting both the gross and offset portions of the benefit in Section 2.1(a) (except as provided otherwise in Section 2.11 or 2.12).

(b) Participant Retires on Early Supplemental Pension Retirement Date. The following provisions apply to a Participant retiring on an Early Supplemental Pension Retirement Date on or before December 31, 2004, or who retires on an Early Supplemental Pension Retirement Date after December 31, 2004 and who was eligible to retire on an Early Supplemental Retirement Date as of December 31, 2004 if he had Separated from Service on such date:

(i) Participant Is Eligible to Start Pension Plan Benefit. Subject to the provisions of Articles Three, Five and Eleven, a Participant retiring on such an Early Supplemental Pension Retirement Date who is (or would have been) eligible to start a benefit under the Pension Plan upon the earlier of his retirement or December 31, 2004 may receive a Normal or Early Supplemental Pension as described in subsection (a); provided, however, that, for purposes of determining the Early Supplemental Pension as described in (a)(ii), above:

(A) the amount described in Section 2.1(a) shall be adjusted for payment as of the early benefit start date in accordance with Section 6.03 of the Pension Plan, taking into account any additional years of age described in Section 1.3(c)(ii) for purposes of adjusting both the gross and offset portions of the benefit in Section 2.1(a) (except as provided otherwise in Section 2.11 or 2.12); and

(B) the amount described in Section 2.1(b) shall be adjusted for payment as of the early benefit start date in accordance with Section 6.04 of the Pension Plan.

(ii) Participant Is Not Eligible to Start Pension Plan Benefit. Subject to the provisions of Article Three, Five and Eleven, a Participant retiring on an Early Supplemental Pension Retirement Date who either is not (or would not have been) vested in or eligible to start a benefit under the Pension Plan upon the earlier of his retirement or December 31, 2004 shall receive an Early Supplemental Pension, in the form of a single life annuity commencing on the first day of the month following his Early Supplemental Pension Retirement Date, the amount of which shall be determined as follows:

(A) Prior to the earliest date, if any, that the Participant is eligible to start benefits under the Pension Plan, the Early Supplemental Pension payable under this provision shall be computed in the same manner as the Normal Supplemental Pension, except that:

(I) the amount described in Section 2.1(a) shall be adjusted for payment as of the early benefit start date as described in Section 6.03 of the Pension Plan for Pension Plan payments starting on an Early Retirement Date, taking into account any additional years of age described in Section 1.3(c)(ii) for purposes of adjusting both the gross and offset portions of the benefit in Section 2.1(a) (except as provided otherwise in Section 2.11 or 2.12); and

(II) the amount described in Section 2.1(b) shall be zero for purposes of determining the Early Supplemental Pension payable prior to the earliest date, if any, on which the Participant is eligible to start benefits under the Pension Plan.

(B) On and after the earliest date, if any, that the Participant is eligible to start benefits under the Pension Plan, the Early Supplemental Pension shall equal the excess of:

(I) the amount described in Section 2.2(b)(ii)(A)(I), above, calculated as of the early benefit start date on which payments under the Supplemental Plan (409A Grandfathered Component) began, over

(II) the amount described in Section 2.1(b) reduced for early payment in accordance with Section 6.04 of the Pension Plan as of such "earliest date" whether or not the Participant's Pension Plan benefit starts on that date.

Effective for benefits starting before July 25, 2002, payments under this subparagraph (b)(ii) were made as described above unless the Administrator advised the Participant to the contrary.

2.3 Postponed Supplemental Pension. Subject to the provisions of Articles Three, Five and Eleven, a Participant who retires on a Postponed Retirement Date shall be entitled to a Postponed Supplemental Pension, in the form of a single life annuity commencing at the Postponed Retirement Date, which is equal to the Normal Supplemental Pension, computed in accordance with Section 2.1 based on his Total Credited Service, Total Offset Service, etc. as of the Participant's Postponed Retirement

Date (instead of his Normal Retirement Date), or, if earlier, as of his Required Beginning Date. If a Participant's benefits begin on his Required Beginning Date and prior to his termination of Employment, the Participant's benefits shall be adjusted thereafter as described in Section 8.06 of the Pension Plan.

#### 2.4 Surviving Spouse's Pension (Post-Retirement Automatic Survivor Annuity).

(a) The Surviving Spouse of a Participant who dies while receiving a Normal or Postponed Supplemental Pension or an Early Supplemental Pension determined under Section 2.2(a) on a date that qualifies as an Early Retirement Date shall be entitled to a Surviving Spouse's Pension equal to one-half of the single life annuity amount of the Normal, Early, or Postponed Supplemental Pension payable to such deceased Participant under the Supplemental Plan (409A Grandfathered Component). Such Surviving Spouse's Pension shall be payable to such Spouse in equal monthly payments for life, commencing on the first day of the month immediately following the death of such Participant.

(b) The Surviving Spouse of a Participant who dies while receiving an Early Supplemental Pension determined under Section 2.2(b), on an Early Supplemental Pension Retirement Date (i.e., a date that does not qualify as an Early Retirement Date), shall be entitled to a Surviving Spouse's Pension. The Surviving Spouse's Pension shall be payable in equal monthly payments for the Surviving Spouse's life, commencing on the first day of the month immediately following the Participant's death, which shall equal one-half of the single life annuity amount calculated for the Participant under Section 2.2(b)(i)(A) or 2.2(b)(ii)(A)(I), as appropriate, as of the Participant's early benefit start date; provided, however, that monthly payments to the Surviving Spouse shall be reduced by any pre-retirement survivor benefit that the Surviving Spouse is entitled to receive from the Pension Plan attributable to the Participant's accrued benefit under the Pension Plan as of the earlier of the Participant's Separation from Service or December 31, 2004 from the earliest date following the Participant's death that such survivor benefit is payable from the Pension Plan, even if benefits to the Surviving Spouse have not started on that earliest date. Effective for benefits starting before July 25, 2002, payments under this subsection (b) were made as described above unless the Administrator advised the Participant and/or Surviving Spouse to the contrary.

(c) The Surviving Spouse's Pension described in this Section 2.4 is payable in addition to any other death benefit that may be payable to the Surviving Spouse or other beneficiary of the Participant under the form of payment in which the Participant's Supplemental Pension is paid pursuant to Article Three. However, except with respect to Participants who qualify for the enhancements described in Sections 2.7, 2.9, 2.10, 2.11 or 2.12, in no event shall the Surviving Spouse who is entitled to the Surviving Spouse's Pension, if also designated as the Participant's beneficiary under a joint and survivor annuity payable under the Supplemental Plan, receive a total benefit from the Supplemental Plan that is more than 100% of the retirement income otherwise payable to the Participant under the Supplemental Plan.

## 2.5 Suspension of Benefits.

(a) Date of Benefit Suspension. Notwithstanding any provisions of Article Two or Article Four to the contrary, the payment of the pension to which a Participant is otherwise entitled under the Supplemental Plan (409A Grandfathered Component) shall be suspended during any period for which payment of a pension to which such Participant may otherwise be entitled under the Pension Plan is (or would be) suspended under the terms of the Pension Plan due to such Participant's return to Employment. The pension payable to the Participant under the Supplemental Plan (409A Grandfathered Component) which has been suspended shall resume on the same date as payments to the Participant under the Pension Plan resume (or would resume if the Participant had been entitled to such a pension, or the terms of the Pension Plan as in effect on October 3, 2004 applied to the payments to the Participant under the Pension Plan).

(b) Resumption of Payments. Upon the resumption of payment of such pension hereunder to such Participant, the resumed benefits shall be recalculated taking into account any increases in the Participant's Total Credited Service, Total Offset Service, Incentive Compensation, age and so forth. However, no actuarial or other adjustment shall be made to reflect such suspension. The resumed benefit shall be offset, in a manner prescribed by the Administrator, by (i) any benefit paid during a month in which benefits should have been suspended but were not, which has not previously been repaid to the Company by the Participant, and (ii) the Actuarial Equivalent of any benefits paid prior to Normal Retirement Date.

(c) Form of Resumed Payments. The resumed payments (including any additional benefits earned during the period of suspension on or before December 31, 2004) under the Supplemental Plan (409A Grandfathered Component) shall be paid to the Participant in the same form of payment as the Participant elects for his resumed payments under the Pension Plan. If the Participant is not entitled to any benefits under the Pension Plan, the resumed payments under the Supplemental Plan (409A Grandfathered Component) shall resume in the same form of payment in effect for the Participant before payments were suspended.

2.6 Benefits for Special 1990-1992 Window Participants. Each Special 1990-1992 Window Participant (or the Surviving Spouse or other beneficiary of a Special 1990-1992 Window Participant) shall receive from the Supplemental Plan (409A Grandfathered Component) in each month the individual receives a payment from the Pension Plan prior to November 1, 1994, an amount equal to the excess of:

(a) the amount that would have been payable to the individual from the Pension Plan for that month, had the provisions of Section 6.12 (prior to 1999, Section 6.11) of the Pension Plan not applied; over

(b) the amount actually paid to the individual from the Pension Plan for that month.

2.7 Window Benefits for Highly Compensated Employees. Each Participant who was a Covered Employee under the Pension Plan, who retired under an early retirement window program described in Section 6.06, 6.07 or 6.09 of the Pension Plan but on the relevant date was excluded from participation in the Pension Plan pursuant to Section 3.01(c) of the Pension Plan or was excluded from participation in the window program due to his status as an officer, shall be deemed for all purposes under the Supplemental Plan (409A Grandfathered Component) to have the additional years of service and the additional years of age that would have been credited to the Participant under the Pension Plan pursuant to such program if Section 3.01(c) of the Pension Plan had not applied to the Participant; provided, however, that service credited pursuant to this Section shall not cause the Participant's Total Credited Service or Total Offset Service to exceed 40 years, and no Participant's deemed age shall exceed 65 years.

2.8 1991 Cost-of-Living Increase. Effective December 1, 1991, the monthly benefit payment to any person who is (a) a former employee of the Company then receiving retirement benefits under this Supplemental Plan (409A Grandfathered Component) (regardless of the employee's termination date), or (b) a beneficiary or surviving spouse then receiving death benefits under this Supplemental Plan (409A Grandfathered Component) shall be increased by the percentage shown in the following table.

<u>Participant's Benefit Start Date or Surviving Spouse's Benefit Start Date for Pre-Retirement Death Benefits</u>	<u>Increase in Supplemental Pension</u>
1978 or earlier	19%
1979	16%
1980	13%
1981	10%
1982	7%
1983	6%
1984	5%
1985	4%
1986	3%
1987	2%
1988 or later	0%

However, such increase shall only be applied to the portion, if any, of the amount being received due to participation in this Supplemental Plan (409A Grandfathered Component) that does not exceed the difference between \$108,963 per year and the amount being received by such person under the Pension Plan as increased by resolutions of the Board of Directors of Union Pacific unanimously adopted on June 27, 1974 and May 31, 1979 (before adjustment to reflect the increases effective December 1, 1991).



2.9 1999 Window Program.

(a) 1999 5x5 Program.

(i) Effective July 1, 1999, the benefit enhancements described in subsection (ii) shall be provided to any Participant who is a Covered Employee under the Pension Plan who satisfies the requirements of (i)(A) and (B).

(A) The requirements of this subparagraph are satisfied by a Covered Employee:

(I) whose 1998 Compensation, as defined in Section 2.18(c) of the Pension Plan, is at least \$110,000 and whose annual salary rate as of July 1, 1999 is less than \$140,000;

(II) who is at least age 55 by July 1, 2000;

(III) whose most recent date of hire as an Employee is before June 30, 1994;

(IV) who, as of July 1, 1999, is not a loaned executive, is not on long-term disability under the Union Pacific Long-Term Disability Plan, has not previously been accepted to participate in a voluntary force reduction program, does not have an existing termination agreement in effect or is not on a leave of absence (except those granted a leave under the Family and Medical Leave Act or as an accommodation under the Americans with Disabilities Act);

(V) who agrees to terminate employment with the Company and all Affiliated Companies on the date selected by the Company, which date shall not occur after July 15, 2000, and continues to provide satisfactory service as determined by the Company until that date; and

(VI) who elects to receive the benefit enhancements described in subsection (ii) during the period beginning July 1, 1999, and ending July 31, 1999, by submission of a written election and execution of other documents, including a waiver of any and all rights or claims (other than to benefits under the Supplemental Plan (409A Grandfathered Component) or the Pension Plan) that the Employee may have against Company and any Affiliated Company, the Supplemental Plan, the Pension Plan and their officers, agents and employees, in the form and manner prescribed by the Company and does not revoke such waiver within the time prescribed by the Company.

(B) The requirements of this paragraph are satisfied by a Covered Employee who, as of May 18, 1999, is employed in one of the following departments, provided that the number of Covered Employees of such department satisfying paragraph (A) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 1998 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than \$110,000 do not exceed the department's numerical limit set

forth below. The departments referred to below consist entirely of Union Pacific Railroad Company Covered Employees, unless indicated to the contrary.

<b>Departments</b>	<b>Departmental Limit</b>
Corporate Relations (excluding Government Affairs)	4
Engineering (excluding employees who report directly to a Regional office)	80
Finance (excluding Accounting, Real Estate and Tax)	3
Human Resources – Development & Training	5
Human Resources - Other	8
Information Technologies/Union Pacific Technologies (excluding UPT employees working exclusively on commercial business)	100
Labor Relations	24
Law (excluding Little Rock)	10
Marketing & Sales - Damage Prevention	3
Marketing & Sales - Marketing Services (including NDMC)	20
Marketing & Sales - NCSC (excluding ICSC)	13
Marketing & Sales - Agricultural Products	7
Mechanical - Car (excluding employees who report directly to a Regional office)	15
Mechanical - Locomotive (excluding employees who report to directly to a Regional office)	18
Network Design and Integration	20
Risk Management - Police	10
Risk Management - Other	21
Supply	21
Operating Support Services/Quality	6

In the event the number of Covered Employees satisfying paragraph (A) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 1998 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than

\$110,000 exceeds a Departmental Limit, such Covered Employees shall be ranked based upon their combined age and Vesting Service (as determined under Article IV of the Pension Plan), as of July 1, 1999, and the benefit enhancements described in subsection (ii) or in the Pension Plan shall be provided to the Covered Employees with the greatest combined age and Vesting Service up to the Departmental Limit.

(ii) Each Covered Employee described in subsection (i) shall:

(A) for purposes of calculating Vesting Service, Total Credited Service and Total Offset Service and determining actuarial reductions for payments beginning before Normal Retirement Date, receive an additional 5 years of service (up to a maximum of 40 years of service) and shall be deemed to have attained an age 5 years older than his actual age (up to a maximum of age 65),

(B) be treated as having satisfied the requirements to have an Early Supplemental Pension Retirement Date if he has not satisfied the requirements to have an Early Retirement Date under the Pension Plan, and

(C) be treated as having been a Covered Employee for 60 full consecutive months for purposes of applying Section 4.02(c)(3) of the Pension Plan when calculating Total Credited Service and Total Offset Service under this Supplemental Plan (409A Grandfathered Component).

(b) 1999 5x5 Program II.

(i) Effective December 1, 1999, the benefit enhancements described in subsection (ii) shall be provided to any Participant who is a Covered Employee under the Pension Plan who satisfies the requirements of (i)(A) and (B).

(A) The requirements of this subparagraph are satisfied by a Covered Employee:

(I) whose 1998 Compensation, as defined in Section 2.18(c) of the Pension Plan, is at least \$110,000 and whose annual salary rate as of December 1, 1999 is less than \$140,000 (but excluding any Covered Employee in the Marketing and Sales Department whose annualized 1999 base salary is more than \$85,000);

(II) who is at least age 55 by July 1, 2000;

(III) whose most recent date of hire as an Employee is before June 30, 1994;

(IV) who, as of December 1, 1999, is not a loaned executive, is not on long-term disability under the Union Pacific Long-Term Disability Plan, has not previously been accepted to participate in a voluntary force reduction program, does not have an existing termination agreement in effect or is not on a leave

of absence (except those granted a leave under the Family and Medical Leave Act or as an accommodation under the Americans with Disabilities Act);

(V) who agrees to terminate employment with the Company and all Affiliated Companies on the date selected by the Company, which date shall not occur after July 15, 2000, and continues to provide satisfactory service as determined by the Company until that date; and

(VI) who elects to receive the benefit enhancements described in subsection (ii) during the period beginning December 1, 1999, and ending December 31, 1999, by submission of a written election and execution of other documents, including a waiver of any and all rights or claims (other than to benefits under the Supplemental Plan (409A Grandfathered Component) or the Pension Plan) that the Employee may have against the Company and any Affiliated Company, the Supplemental Plan, the Pension Plan and their officers, agents and employees, in the form and manner prescribed by the Company, and does not revoke such waiver within the time prescribed by the Company.

(B) The requirements of this subparagraph are satisfied by a Covered Employee who, as of December 1, 1999, is employed in one of the following departments, provided that the number of Covered Employees of such department satisfying paragraph (A) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 1998 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than \$110,000 do not exceed the department's numerical limit set forth below. The departments referred to below consist entirely of Union Pacific Railroad Company Covered Employees, unless indicated to the contrary.

<b>Departments</b>	<b>Departmental Limit</b>
Western Regional Staff (excluding Service Unit staff)	5
Northern Regional Staff (excluding Service Unit staff)	19
Southern Regional Staff (excluding Service Unit staff)	5
Commissary Services	3
Information Technologies/Union Pacific Technologies (excluding UPT employees working exclusively on commercial business)	51
Marketing & Sales - Commodity Groups	11
Marketing & Sales - Marketing Services (including NDMC)	10
Supply	8

In the event the number of Covered Employees satisfying paragraph (A) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 1998 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than \$110,000 exceeds a Departmental Limit, such Covered Employees shall be ranked based upon their combined age and Vesting Service (as determined under Article IV of the Pension Plan), as of December 1, 1999, and the benefit enhancements described in subsection (ii) or in the Pension Plan shall be provided to the Covered Employees with the greatest combined age and Vesting Service up to the Departmental Limit.

(ii) Each Covered Employee described in subsection (a) shall:

(A) for purposes of calculating Vesting Service, Total Credited Service and Total Offset Service and determining actuarial reductions for payments beginning before Normal Retirement Date, receive an additional 5 years of service (up to a maximum of 40 years of service) and shall be deemed to have attained an age 5 years older than his actual age (up to a maximum of age 65),

(B) be treated as having satisfied the requirements to have an Early Supplemental Pension Retirement Date if he has not satisfied the requirements to have an Early Retirement Date under the Pension Plan,

(C) be treated as having been a Covered Employee for 60 full consecutive months for purposes of applying Section 4.02(c)(3) of the Pension Plan when calculating Total Credited Service and Total Offset Service under this Supplemental Plan (409A Grandfathered Component), and

(D) for purposes of calculating benefits payable under this Supplemental Plan (409A Grandfathered Component), have the Railroad Retirement Annuity used for his governmental offset described in Section 5.01(b) of the Pension Plan determined as if his termination of Employment occurred on December 31, 1999.

#### 2.10 2000 VERP

(a) Effective April 1, 2000, the benefit enhancements described in subsection (b) shall be provided to any Participant who is a Covered Employee under the Pension Plan who satisfies the requirements of (a)(i) and (ii).

(i) The requirements of this subparagraph are satisfied by a Covered Employee:

(A) whose 1999 Compensation, as defined in Section 2.18(c) of the Pension Plan, is at least \$110,000 and whose annual salary rate as of April 1, 2000 is less than \$140,000;

(B) who is at least age 55 by December 31, 2000;

(C) whose most recent date of hire as an Employee is on or before March 31, 1995;

(D) who, as of April 1, 2000, is not a loaned executive, is not on long-term disability under the Union Pacific Long-Term Disability Plan, has not previously been accepted to participate in a voluntary force reduction program, does not have an existing termination agreement in effect or is not on a leave of absence (except those granted a leave under the Family and Medical Leave Act or as an accommodation under the Americans with Disabilities Act);

(E) who agrees to terminate employment with the Company and all Affiliated Companies on the date selected by the Company, which date shall not occur after December 31, 2000, and continues to provide satisfactory service as determined by the Company until that date; and

(F) who elects to receive the benefit enhancements described in subsection (b) during the period beginning April 1, 2000, and ending April 30, 2000, by submission of a written election and execution of other documents, including a waiver of any and all rights or claims (other than to benefits under the Supplemental Plan (409A Grandfathered Component) or the Pension Plan) that the Employee may have against the Company and any Affiliated Company, the Supplemental Plan, the Pension Plan and their officers, agents and employees, in the form and manner prescribed by the Company, and does not revoke such waiver within the time prescribed by the Company.

(ii) The requirements of this subparagraph are satisfied by a Covered Employee who, as of April 1, 2000, is employed in one of the following departments, provided that the number of Covered Employees of such department satisfying subparagraph (i) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 1999 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than \$110,000 do not exceed the department's numerical limit set forth below. The departments referred to below consist entirely of Union Pacific Railroad Covered Employees, unless indicated to the contrary.

<b>Department</b>	<b>Total Eligible Employees</b>	<b>Departmental Limit</b>
Network Design & Integration - Business Planning (Bulk), Service Scheduling	2	2
Network Design & Integration - Car Management	8	4
Harriman Dispatching Center - Administrative Support in Locomotive Management, Bulk Operations & Operations Support - Administration	2	1
Harriman Dispatching Center - Directors in Locomotive Management, Bulk Operations and Operations Support - Administration	2	1
Harriman Dispatching Center - Managers in Locomotive Management, Bulk Operations and Operations Support	21	8

Department	Total Eligible Employees	Departmental Limit
- Administration		
Mechanical Department- Car - Perishables - UPFE	4	4
Risk Management - UPRR - Police	51	4

In the event the number of Covered Employees satisfying subparagraph (i) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 1999 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than \$110,000 exceeds a Departmental Limit, such Covered Employees shall be ranked based upon their combined age and Vesting Service (as determined under Article IV of the Pension Plan) as of April 1, 2000, and the benefit enhancements described in subsection (b) or in the Pension Plan shall be provided to the Covered Employees with the greatest combined age and Vesting Service up to the Departmental Limit.

(b) Each Covered Employee described in subsection (a) shall:

(i) for purposes of calculating Vesting Service, Total Credited Service and Total Offset Service and determining actuarial reductions for payments beginning before Normal Retirement Date, receive an additional 5 years of service (up to a maximum of 40 years of service) and shall be deemed to have attained an age 5 years older than his actual age (up to a maximum of age 65),

(ii) be treated as having satisfied the requirements to have an Early Supplemental Pension Retirement Date if he has not satisfied the requirements to have an Early Retirement Date under the Pension Plan, and

(iii) be treated as having been a Covered Employee for 60 full consecutive months for purposes of Section 4.02(c)(3) of the Pension Plan when calculating Total Credited Service and Total Offset Service under this Supplemental Plan (409A Grandfathered Component).

#### 2.11 2001 VERP

(a) Effective March 1, 2001, the benefit enhancements described in subsection (b) shall be provided to any Participant who is a Covered Employee under the Pension Plan who satisfies the requirements of (a)(i) and (ii).

(i) The requirements of this subparagraph are satisfied by a Covered Employee:

(A) whose 2000 Compensation, as defined in Section 2.18(c) of the Pension Plan, is at least \$110,000 and whose annual salary rate as of December 31, 2000 is less than \$140,000;

(B) who is at least age 52 on or before May 1, 2001;

(C) who is an active non-agreement employee on a Band D or lower position working in one of the departments listed in subparagraph (a)(ii) as of December 31, 2000;

(D) who, as of March 1, 2001, is not a loaned executive, is not on long-term disability under the Union Pacific Long-Term Disability Plan, or is not on a leave of absence (except those granted a leave under the Family and Medical Leave Act or as an accommodation under the Americans with Disabilities Act);

(E) who agrees to terminate employment with the Company and all Affiliated Companies on the date selected by the Company, which date shall not occur after September 30, 2001, and continues to provide satisfactory service as determined by the Company until that date; and

(F) who elects to receive the benefit enhancements described in subsection (b) during the period beginning February 2, 2001, and ending March 5, 2001, by submission of a written election and execution of other documents, including a waiver of any and all rights or claims (other than to benefits under the Supplemental Plan (409A Grandfathered Component) or Pension Plan) that the Employee may have against the Company and any Affiliated Company, the Supplemental Plan, the Pension Plan and their officers, agents and employees, in the form and manner prescribed by the Company, and does not revoke such waiver within the time prescribed by the Company.

(ii) The requirements of this subparagraph are satisfied by a Covered Employee who, as of December 31, 2000, is employed in one of the following departments, and is a Covered Employee on March 1, 2001, provided that the number of Covered Employees of such department satisfying subparagraph (i) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 2000 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than \$110,000 do not exceed the department's numerical limit set forth below. The departments referred to below consist entirely of Union Pacific Railroad Covered Employees, unless indicated to the contrary.

<b>Department</b>	<b>Sub Group</b>	<b>Departmental Limit</b>
Corporate Relations	Communications	8
	Government Affairs - Omaha	2
Executive	Commissary	6
Finance	Accounting - Omaha (excluding VP and Contr. Staff)	6



<b>Department</b>	<b>Sub Group</b>	<b>Departmental Limit</b>
	Accounting - St. Louis	3
	Banking & Credit	2
	Financial Analysis	1
	Planning & Analysis (excluding Bus. Dev. Planning)	3
	Real Estate - Admin.	2
	Real Estate - Contracts	3
	Real Estate - Facility Man	2
	Real Estate - Field Ops	12
	Real Estate - Ops Supp	3
	Tax	4
Human Resources	Planning & Development	8
	Administrative Staff	1
	All Other Groups	6
IT/UPT	All	211
Labor Relations	Administration	3
	Benefits	1
	Operations & Non-Ops	1
	Peer Support	1
Law	All	10
Marketing & Sales	Ag Products	3
	Autos	6
	Chemicals	6
	Customer Relations	2
	Energy - Acct. Mgt.	1
	Energy - Logistics	1
	Industrial Products	12
	Interline	2
	Intermodal	6
	NCSC	10

<b>Department</b>	<b>Sub Group</b>	<b>Departmental Limit</b>
	Revenue Information Mgt.	1
	UPDS	2
Operating	Car	15
	CMS & Timekeeping	6
	Engineering	135
	HDC (excluding Train Dispatchers)	23
	Locomotive - North Little Rock	4
	Locomotive - Oper. Regions	5
	Locomotive - All Other	9
	Operating Practices & Safety	7
	Operating Region - Northern (excluding Train Dispatchers & Metra)	--
	Telecommunications	1
	Signal	1
	All Other	46
	Operating Region - Southern (excluding Train Dispatchers)	55
	Operating Region - Western (excluding Train Dispatchers):	--
	Admin. & Train Mgt.	2
	Car	6
	Engineering - Bridge	1
	Engineering - Environmental	2
	Engineering - Signal	2
	Engineering - Track	5
	Locomotive	2
	Region Staff	5
	Transportation	19
	Risk Mgt. - Claims & Health Services	18
	Risk Mgt. - Police (excluding Internal Placement)	1
	Support Serv. - Jt. Fac. & NRPC Op.	1

Department	Sub Group	Departmental Limit
	Support Serv. - All Other	1
NDI	All	15
Supply	All	17
UPC	Corporate Audit	1

In the event the number of Covered Employees satisfying subparagraph (i) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 2000 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than \$110,000 exceeds a Departmental Limit, such Covered Employees shall be ranked based upon their combined age and Vesting Service (as determined under Article IV of the Pension Plan) as of March 31, 2001, and the benefit enhancements described in subsection (b) or in the Pension Plan shall be provided to the Covered Employees with the greatest combined age and Vesting Service up to the Departmental Limit.

(b) Each Covered Employee described in subsection (a) shall:

(i) for purposes of calculating Vesting Service, Total Credited Service and Total Offset Service and determining actuarial reductions for payments beginning before Normal Retirement Date, receive an additional 10 years in the aggregate (other than for purposes of determining any actuarial reduction for payment before Normal Retirement Date for any governmental or other offset described in Section 5.01(a)(1)(C) or in Table I, Section XII, Part 1 C or D of the Pension Plan), which shall first be applied to the Covered Employee's age (up to a maximum of age 65) then to service (up to a maximum of 40 years of service),

(ii) be treated as having completed 5 years of actual Vesting Service for purposes of Sections 4.1 and 4.2, and

(iii) be treated as having been a Covered Employee for 60 full consecutive months for purposes of applying Section 4.02(c)(3) of the Pension Plan when calculating Total Credited Service and Total Offset Service under this Supplemental Plan (409A Grandfathered Component).

(c) Effective April 1, 2001:

(i) notwithstanding anything to the contrary in Section 2.11(a)(i)(E), but only with the consent of the Covered Employee, the termination date selected by the Company for a Covered Employee in Real Estate - Contracts, Real Estate - Field Ops, and Real Estate - Ops Supp may be any date on or before December 31, 2001.

(ii) The Departmental Limit is increased for the subgroups listed in Section 2.11(a)(ii) as set forth below:

<b>Department</b>	<b>Sub Group</b>	<b>Revised Departmental Limit</b>
Finance	Accounting - Omaha (excluding VP and Contr. Staff)	7
	Real Estate - Ops Supp	5
Human Resources	All Other Groups	8
Labor Relations	Operations & Non-Ops	2
Marketing & Sales	Ag Products	4
	Energy - Logistics	2
	Industrial Products	14
	NCSC	17
Operating	Operating Practices & Safety	11
	Signal	3
	All Other	47
	Engineering - Signal	3
	Engineering - Track	7
	Region Staff	8
	Transportation	27

To be eligible for the benefit enhancement described in Section 2.11(b), a Covered Employee must be described in Section 2.11(a)(i) and (ii) who, but for the increase in the Departmental Limit, would not have received the benefit enhancement described in 2.11(b) and who elects to receive the benefit enhancement described in Section 2.11(b) by submitting a written election during the period beginning April 2, 2001 and ending April 9, 2001.

**2.12 Railroad 1996 Voluntary Early Retirement Program.**

(a) Effective March 20, 1996, the benefit enhancements described in subsection (b) shall be provided to any Participant who is a Covered Employee under the Pension Plan who:

(i) is actively employed on March 20, 1996 by: (A) Union Pacific Railroad Company ("Railroad"); (B) Union Pacific Motor Freight Company ("Motor Freight"); (C) Union Pacific Technologies Transportation System, Inc. ("UPTTS") or Union Pacific Distribution Services Company ("UPDS") (collectively, the "VERP Companies");

(ii) is not a Grade 28 or above on March 20, 1996;

(iii) is not on terminal vacation or on a leave of absence (other than one required by the Family and Medical Leave Act of 1993) on March 20, 1996;

(iv) is not a loaned executive, in a temporary position or in the internal placement program on March 20, 1996;

(v) has not previously been accepted to participate in a voluntary force reduction program;

(vi) does not have an existing termination agreement in effect with the VERP Companies;

(vii) is employed on March 20, 1996: (A) in Omaha, Nebraska by the Railroad's Information Technologies Department or Marketing and Sales Department; (B) in Omaha, Nebraska by UPTTS; (C) in Omaha, Nebraska by UPDS, or (D) by Union Pacific Motor Freight Company;

(viii) had at least 10 years of Vesting Service under the Pension Plan as of March 20, 1996 and will attain the age of at least 52 by July 1, 1996;

(ix) had total pay in 1995 as reported on Form W-2, plus amounts not included in taxable income due to a salary deferral election made pursuant to the terms of a qualified cash or deferred arrangement (within the meaning of section 401(k) of the Code) or a cafeteria plan (within the meaning of section 125 of the Code) maintained by the Employer of \$125,000 or more;

(x) elects not earlier than March 20, 1996 and not later than April 20, 1996 by submission of a written election in the form and manner prescribed by the Administrator to retire and terminate Employment with the benefit enhancements described in this Section; and

(xi) remains actively employed by the VERP Companies through the date communicated to the Covered Employee in writing on or before March 20, 1996, which date shall not thereafter be changed for any reason and shall not be earlier than May 1, 1996 nor later than April 30, 1997, except that the dates for the Railroad's Information Technologies Department are July 1, 1996 and June 30, 1997, respectively.

(b) Each Covered Employee described in subsection (a) shall:

(i) for purposes of calculating Vesting Service, Total Credited Service and Total Offset Service and determining actuarial reductions for payments beginning before Normal Retirement Date, receive an additional 10 years in the aggregate (other than for purposes of determining any actuarial reduction for payment before Normal Retirement Date for any governmental or other offset described in Section 5.01(a)(1)(C) or in Table I, Section XII, Part 1 C or D of the Pension Plan),

which shall first be applied to the Covered Employee's age (up to a maximum of age 65) then to service (up to a maximum of 40 years of service);

(ii) be treated as having satisfied the requirements to have an Early Supplemental Pension Retirement Date if he has not satisfied the requirements to have an Early Retirement Date under the Pension Plan; and

(iii) be treated as having been a Covered Employee for 60 full consecutive months for purposes of applying Section 4.02(c)(3) of the Pension Plan when calculating Total Credited Service and Total Offset Service under this Supplemental Plan (409A Grandfathered Component).

## **ARTICLE THREE**

### **Manner of Payment**

3.1 Payments For Retirements Under Section 2.1, 2.2(a), 2.2(b)(i) and 2.3. Except as provided in Section 3.3, if (a) a Participant retires on a Normal Retirement Date, an Early Retirement Date, an Early Supplemental Pension Retirement Date, or a Postponed Retirement Date under Section 2.1, 2.2(a), 2.2(b)(i) or 2.3, and (b) at retirement is eligible to start both a Supplemental Pension under Article Two of this Supplemental Plan (409A Grandfathered Component) and a pension under the Pension Plan, payment of the Supplemental Pension shall begin on the date the Participant's Pension Plan benefits begin pursuant to his election under the Pension Plan (and not earlier or later). In addition, the Supplemental Pension shall be paid in the same form, and shall be subject to the same adjustment for form of payment and the same Beneficiary designation, as apply to the Participant's Pension Plan benefit; provided, however, that in the event the Participant is eligible for and elects a level income option under the Pension Plan, the Supplemental Pension shall be paid as a single life annuity.

3.2 Payments For Retirements Under Section 2.2(b)(ii). Except as provided in Section 3.3, if a Participant retires on an Early Supplemental Pension Retirement Date, and at retirement either is not vested in or is not eligible to start a pension under the Pension Plan, payment of his Supplemental Pension shall begin on the first day of the month next following the Participant's Early Supplemental Pension Retirement Date. The Participant's Supplemental Pension will be paid in the form of a single life annuity. The Participant is not eligible to elect payment of his Supplemental Pension in any other form.

3.3 Payments Starting Before July 25, 2002. Effective for benefits starting before July 25, 2002, the Administrator may have permitted a Participant described in Section 3.1 or 3.2 who was retiring on an Early Supplemental Pension Retirement Date that did not qualify as an Early Retirement Date under the Pension Plan to elect, in the manner prescribed by the Administrator, to receive payment of his Supplemental Pension in any form of payment described in Article VIII of the Pension Plan that would have been available to the Participant had he retired on an Early Retirement Date under the Pension Plan. If the Participant was permitted to and elected a form of payment other than a single life annuity, the Supplemental Pension payments are actuarially adjusted for the form of payment elected by the Participant, as determined by the Administrator, using factors for that purpose set forth in the Pension Plan.

## ARTICLE FOUR

### Vesting

#### 4.1 Termination Prior to Vesting.

(a) A Participant who is not eligible to retire on an Early or Normal Retirement Date on or before December 31, 2004 shall not be entitled to any benefit under this Supplemental Plan (409A Grandfathered Component), unless:

(i) the Participant's Employment terminates before April 27, 1989, and after the completion of 10 years of Vesting Service (including within such Vesting Service not less than 5 years of actual Vesting Service under the Pension Plan); or

(ii) except as provided in Section 2.11(b)(ii) or Article Five, a Participant completes 5 years of actual Vesting Service under the Pension Plan (treating as actual service for this purpose, service described in Section 1.3(p)(ii)) as of the earlier of the date the Participant's Employment terminates or December 31, 2004; provided, however, that the Chief Executive Officer of Union Pacific may reduce the required years of actual Vesting Service to 3 if the Chief Executive Officer of Union Pacific determines that such change would not be disadvantageous to the Company in the case of any Participant. The Chief Executive Officer of Union Pacific shall make such determination by the earlier of the date the Participant terminates Employment or October 3, 2004.

4.2 Termination After Vesting. Except as provided in Section 2.11(b)(ii) or 4.4 or Articles Five and Eleven, a Participant not eligible to retire on an Early or Normal Retirement Date on or before December 31, 2004 who is entitled to a benefit under this Supplemental Plan (409A Grandfathered Component) under Section 4.1 shall be entitled to receive, commencing on the Participant's Normal Retirement Date, the Normal Supplemental Pension computed under Section 2.1 as of the date the Participant terminated Employment or ceased to be a Disabled Participant. In lieu thereof, such Participant shall receive a Supplemental Pension commencing on the earliest of:

(i) any date prior to the Participant's Normal Retirement Date on which the Participant starts his benefit payments from the Pension Plan;

(ii) in the case of a Participant who is credited with additional years of age described in Section 1.3(c)(ii) and, as a result, would be deemed to reach age 55 and become eligible to start his Supplemental Plan (409A Grandfathered Component) benefits earlier than his Pension Plan benefits, the first day of the month following the later of (A) the Participant's termination of Employment, or (B) the Participant's 55th birthday (determined taking into account additional years of age described in Section 1.3(c)(ii)); or



(iii) in the case of a Participant who is not vested under the Pension Plan, the first day of the month following the later of (A) the Participant's termination of Employment, or (B) the Participant's 55th birthday (determined taking into account additional years of age described in Section 1.3(c)(ii)), or the first day of any month thereafter that is prior to the Participant's Normal Retirement Date on which the Participant elects to start payment of his Supplemental Pension.

The election described in (iii) must be made in writing, in a form prescribed by the Administrator, at least six (6) months before, and in the tax year of the Participant immediately preceding, the elected benefit start date. Any Supplemental Pension paid to the Participant commencing prior to Normal Retirement Date shall equal (I) the amount described in Section 2.1(a) adjusted for early payment as of the early benefit start date in accordance with Section 6.04 of the Pension Plan (taking into account any additional years of age described in Section 1.3(c)(ii) for purposes of adjusting both the gross and offset portions of the benefit except as provided otherwise in Section 2.11), reduced by (II) the amount described in Section 2.1(b), if any, adjusted for payment as of the early benefit start date in accordance with Section 6.04 of the Pension Plan. Notwithstanding the preceding sentence, if the Participant's Supplemental Pension begins prior to his Pension Plan benefit, the reduction described in (II) shall be calculated and apply beginning on the earliest date benefits are payable to the Participant under the Pension Plan, even if the Participant's Pension Plan benefits do not actually start on that earliest date.

#### 4.3 Form of Vested Benefit.

(a) Benefits Payable Under Supplemental Plan (409A Grandfathered Component) and Pension Plan. Except as provided in Section 4.4, if a Participant is entitled to benefits under both the Supplemental Plan (409A Grandfathered Component) and the Pension Plan and benefits under both Plans start on the same date, the Supplemental Pension determined under Section 4.2 shall be paid in the same form, and shall be subject to the same adjustment for form of payment and the same Beneficiary designation, as apply to the Participant's Pension Plan benefit. The Participant's Supplemental Pension determined under Section 4.2 shall be adjusted for form of payment, as appropriate, pursuant to Article VIII of the Pension Plan. If, however, such Participant's Supplemental Plan (409A Grandfathered Component) benefit starts before his Pension Plan benefit, the Participant's Supplemental Pension will be paid in the form of a single life annuity.

(b) No Benefits Payable Under Pension Plan. Except as provided in Section 4.4, in the event a Participant is entitled to a benefit from the Supplemental Plan (409A Grandfathered Component) but is not vested in a benefit under the Pension Plan, the Participant shall receive payment of his Supplemental Pension determined under Section 4.2 in the automatic form of payment described in Section 8.02 of the Pension Plan that would have applied to the Participant had he been eligible for and started payment under the Pension Plan on the same day. The Participant's Supplemental Pension determined under Section 4.2 shall be adjusted for form of payment, as appropriate, pursuant to Article VIII of the Pension Plan.

4.4 Payments Starting Before July 25, 2002. The rules set forth in Sections 4.2 and 4.3, above, applied to Supplemental Plan (409A Grandfathered Component) benefits starting before July 25, 2002, unless the Administrator advised the Participant to the contrary.

## **ARTICLE FIVE**

### **Certain Employee Transfers**

5.1 Transfers into Supplemental Plan from Resources Supplemental Plan. If any employee who is a participant in the Supplemental Pension Plan for Exempt Salaried Employees of Union Pacific Resources Company and Affiliates is transferred on or before October 15, 1996 to the Company and becomes a Participant after such transfer, such employee shall retain no rights in the other supplemental pension plan and shall receive all benefits to which entitled under this Supplemental Plan (409A Grandfathered Component), based upon Total Credited Service and Total Offset Service which shall include, as to such employee, any service which would have been used in determining the Participant's benefits under such other supplemental pension plan.

5.2 Transfers to Resources Supplemental Plan. If a Participant is transferred on or before October 15, 1996 to an Affiliated Company participating in the Supplemental Pension Plan for Exempt Salaried Employees of Union Pacific Resources Company and Affiliates and becomes a participant in the supplemental pension plan of the Affiliated Company after such transfer, such former Participant shall retain no rights in this Supplemental Plan if such other supplemental pension plan has provisions that substantially conform to the transfer provisions for the protection of transferees that are contained in Section 5.1.

5.3 No Duplication of Benefits. There shall under no circumstances be any duplication of benefits under this Supplemental Plan or any supplemental pension plan of an Affiliated Company or former Affiliated Company by reason of the same period of employment.

**ARTICLE SIX**

**Pre-Retirement Survivor's Benefit**

6.1 Eligibility. The Surviving Spouse of a Participant who either (a) terminates Employment or ceases to be a Disabled Participant due to death, or (b) (i) terminates Employment other than due to death after becoming entitled to a Supplemental Pension under Article Two or Article Four, and (ii) dies prior to the commencement of payment of the Supplemental Pension shall receive the benefit determined pursuant to Section 6.2.

6.2 Surviving Spouse's Benefit.

(a) Subsidized Death Benefits.

(i) Except as provided in subsection (ii) or Section 6.4, the benefit payable to the Surviving Spouse of a Participant described in Section 6.1 who dies:

(A) on or after January 1, 1994 while a Disabled Participant, but before Early or Normal Retirement Date under the terms of the Pension Plan;

(B) on or after the Effective Date during Employment, but before Early or Normal Retirement Date under the terms of the Pension Plan;

(C) on or after the Effective Date during Employment, but after Early or Normal Retirement Date under the terms of the Pension Plan; or

(D) on or after the Effective Date after terminating Employment or ceasing to be a Disabled Participant, provided that such termination or cessation occurred after Early or Normal Retirement Date under the terms of the Pension Plan; and provided further that such Early or Normal Retirement Date occurs on or before December 31, 2004

shall be a monthly annuity payable for the Surviving Spouse's life. Monthly payments to the Surviving Spouse shall equal one-half of the monthly Supplemental Pension such Participant would have received (assuming, for a Participant described in Section 6.1(a), the Participant had vested) in the form of a single life annuity (in the form of a Qualified Joint and Survivor Annuity for a Participant described in (B) whose death occurs prior to 1994), if the Participant had survived (but accrued no additional benefits after death) and started his Supplemental Pension on the date Supplemental Plan (409A Grandfathered Component) benefits begin to the Surviving Spouse under Section 6.3. Notwithstanding anything in the Supplemental Plan (409A Grandfathered Component) to the contrary, the Surviving Spouse's benefit with respect to a Participant described in (A) or (B), above, shall be determined by applying, for purposes of any adjustment for payment prior to Normal Retirement Date, the early retirement reduction factors of Section 6.03 of the Pension Plan.

(ii) Except as provided in Section 6.4, the benefit payable to the Surviving Spouse of a Participant described in Section 6.1, who dies other than under circumstances described in Section 6.2(a)(i) but after becoming eligible for an Early Supplemental Pension under Section 2.2 based on an Early Supplemental Pension Retirement Date or who dies under circumstances described in Section 6.2(a)(i) but is described in Section 6.3(b), shall be an annuity payable for the Surviving Spouse's life calculated as follows:

(A) In the case of a Participant who is entitled to both a pension under the Supplemental Plan (409A Grandfathered Component) and a pension under the Pension Plan, monthly payments to the Surviving Spouse shall equal one-half of the monthly Supplemental Pension in the form of a single life annuity calculated for the Participant as described in Section 2.2(b)(i)(A) as if the Participant had survived (but accrued no additional benefits after death) and started his Supplemental Pension on the date Supplemental Plan (409A Grandfathered Component) benefits begin to the Surviving Spouse under Section 6.3, reduced by any survivor benefit that the Surviving Spouse is entitled to receive from the Pension Plan (attributable to the Participant's accrued benefit under the Pension Plan as of the earlier of the date of the Participant's Separation from Service or December 31, 2004) from the earliest date on or following the date payments begin to the Surviving Spouse that such survivor benefit is payable from the Pension Plan (whether or not such survivor benefit begins on the earliest date under the Pension Plan).

(B) In the case of a Participant who is entitled to a pension under the Supplemental Plan (409A Grandfathered Component) but is not vested in a pension under the Pension Plan, monthly payments to the Surviving Spouse shall equal one-half of the monthly Supplemental Pension in the form of a single life annuity calculated for the Participant as described in Section 2.2(b)(ii)(A)(I) as if the Participant had survived (but accrued no additional benefits after death) and started his Supplemental Pension on the date Supplemental Plan (409A Grandfathered Component) benefits begin to the Surviving Spouse under Section 6.3.

(b) Non-Subsidized Death Benefits. Except as provided in Section 6.4, the benefit payable to the Surviving Spouse of a Participant described in Section 6.1 who dies under circumstances other than those described in Section 6.2(a) shall be an annuity payable for the Surviving Spouse's life with monthly payments equal to:

(i) Prior to the earliest date, if any, on which the Surviving Spouse is eligible to start any survivor benefit payable under the Pension Plan, 50% of the monthly Supplemental Pension the Participant would have received in the form of a Qualified Joint and Survivor Annuity determined as if the Participant is not entitled to a pension under the Pension Plan if the Participant had survived (and accrued no additional benefits after his death) and started his Supplemental Pension on the date Supplemental Plan (409A Grandfathered Component) benefits begin to the Surviving Spouse under Section 6.3; and

(ii) On or after the earliest date, if any, on which the Surviving Spouse is eligible to start any survivor benefit payable under the Pension Plan, the amount described in (i), above, reduced by any survivor benefit that the Surviving Spouse is entitled to receive from the Pension Plan attributable to the Participant's accrued benefit under the Pension Plan as of the earlier of the Participant's Separation from Service or December 31, 2004 beginning on such earliest date (whether or not such survivor benefit begins on the earliest date under the Pension Plan).

6.3 Timing of Surviving Spouse's Benefit. Except as provided in Section 6.4, the benefit to which a Surviving Spouse of a Participant shall be entitled pursuant to Section 6.2(a) or (b) shall be paid monthly to such Surviving Spouse, commencing as of the date such Surviving Spouse elects, or is required to, start payment of any benefit to which the Surviving Spouse is entitled under the Pension Plan. Notwithstanding the preceding sentence:

(a) if the Surviving Spouse is not entitled to any payment from the Pension Plan, the Surviving Spouse shall receive payment of any Supplemental Pension to which the Surviving Spouse is entitled under Section 6.2 beginning as of the later of (i) the first of the month following the Participant's 55th birthday (determined taking into account any additional years of age described in Section 1.3(c)(ii)), or (ii) the first of the month following the date of the Participant's death.

(b) if the deceased Participant would have been entitled or required to start his Supplemental Plan (409A Grandfathered Component) benefit on an earlier date than the Participant would have been entitled to start his Pension Plan benefit had he survived, the Surviving Spouse shall receive payment of any Supplemental Pension to which the Surviving Spouse is entitled under Section 6.2 beginning as of the later of (i) the earliest date as of which the Participant would have been eligible or required to start payments pursuant to Article Two, Three or Four, as appropriate, or (ii) the first of the month following the date of the Participant's death.

Payments to the Surviving Spouse shall end with the payment made for the month in which the Surviving Spouse dies.

6.4 Payments Starting Before July 25, 2002. The rules for pre-retirement death benefits set forth in Sections 6.2 and 6.3, above, applied to Supplemental Plan (409A Grandfathered Component) pre-retirement death benefits starting before July 25, 2002, unless the Administrator advised the Participant and/or Surviving Spouse to the contrary.

## **ARTICLE SEVEN**

### **Funding**

7.1 **Funding**. The Company's obligations hereunder shall constitute a general, unsecured obligation of the Company payable solely out of its general assets, and no Participant or former Participant shall have any right to any specific assets of the Company. To the extent that any Participant or former Participant acquires a right to receive payments under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. The Board of Directors of Union Pacific may, but shall not be required to, authorize Union Pacific to establish a trust to hold assets to be used to discharge the Company's obligations hereunder, provided that such trust shall not confer upon Participants or former Participants any rights other than the rights of unsecured general creditors of the Company.

7.2 **Payment to James Otto**. On or about December 1, 2000, James Otto was paid in a single sum the actuarial equivalent value of the portion of his Supplemental Pension, payable in the form of a 50% joint and survivor annuity with his spouse as beneficiary, that was not funded through annuity purchases. Such single sum payment of \$501.40 was in full settlement of the Supplemental Plan's obligation to pay such remaining benefit to James Otto or his Surviving Spouse or other beneficiary.

## **ARTICLE EIGHT**

### **Administration**

8.1 Responsibilities and Powers of Administrator. Except for the responsibilities and powers elsewhere herein given specifically to the Board of Directors of Union Pacific, the Administrator shall have all responsibilities for the operation and administration of the Supplemental Plan and shall have all powers and discretionary authority necessary to carry out those responsibilities hereunder. Without limiting the generality of the foregoing, the Administrator shall have full power and discretionary authority to:

(a) keep and maintain such accounts and records with respect to Participants, former Participants and Special 1990-1992 Window Participants as are deemed necessary or proper;

(b) determine all questions of the eligibility for participation and benefits and of the status and rights of Participants, former Participants, Special 1990-1992 Window Participants and any other person hereunder, make all required factual determinations, interpret and construe the Supplemental Plan in connection therewith and correct defects, resolve ambiguities therein and supply omissions thereto;

(c) adopt from time to time mortality and other tables and interest rates upon which all actuarial calculations shall be based, including the determination of the appropriate factors for the adjustment of pension payments; and

(d) adopt from time to time rules and regulations governing this Supplemental Plan.

The Administrator shall carry out all responsibilities and exercise all powers in accordance with the terms of the Supplemental Plan. The determination of the Administrator as to any questions involving the responsibilities hereunder shall be final, conclusive and binding on all persons.

8.2 Certification and Payment of Benefits. The Administrator shall compute the amount and manner of payment of benefits to which the Participants, Special 1990-1992 Window Participants, former or retired Participants, Surviving Spouses and beneficiaries become entitled. All payments of benefits shall be made directly by the Company upon the instructions of the Administrator.

8.3 Reports to Board of Directors. As the Administrator deems necessary or proper or as the Board of Directors of Union Pacific may require, but in any event at least once during each calendar year, the Administrator shall report to such Board on the operation and administration of the Supplemental Plan and on any other matter concerning the Supplemental Plan deemed advisable or required by such Board.



8.4 Designation and Delegation. The Administrator may designate other persons to carry out such of the responsibilities hereunder for the operating and administration of the Supplemental Plan as the Administrator deems advisable and delegate to the persons so designated such of the powers as the Administrator deems necessary to carry out such responsibilities. Such designation and delegation shall be subject to such terms and conditions as the Administrator deems necessary or proper. Any action or determination made or taken in carrying out responsibilities hereunder by the persons so designated by the Administrator shall have the same force and effect for all purposes as if such action or determinations had been made or taken by the Administrator.

8.5 Outside Services. The Administrator may engage counsel and such clerical, medical, financial, actuarial, accounting and other specialized services as is deemed necessary or desirable for the operation and administration of the Supplemental Plan. The Administrator and persons so designated shall be entitled to rely, and shall be fully protected in any action or determination or omission taken or made or omitted in good faith in so relying, upon any opinions, reports or other advice which is furnished by counsel or other specialist engaged for that purpose.

8.6 Expenses. All expenses, including any fees for outside services under Section 8.5, incurred by the Administrator and by persons designated by the Administrator under Section 8.4 in the operation and administration of the Supplemental Plan shall be paid by the Company. Neither the Administrator nor any other person who is an employee of the Company or an Affiliated Company shall receive any compensation solely for services in carrying out any responsibility hereunder.

8.7 Bonding. No bond or other security shall be required of the Administrator or of any person designated under Section 8.4.

8.8 Liability. The Administrator and persons designated by him under Section 8.4 shall use ordinary care and diligence in the performance of their duties. The Company shall indemnify and defend the Administrator and each other person so designated under Section 8.4 against any and all claims, loss, damages, expense (including reasonable counsel fees), and liability arising from any action or failure to act or other conduct in their official capacity, except when the same is due to the gross negligence or willful misconduct of the Administrator or other persons.

8.9 Finality of Actions. Any action required of Union Pacific, the Company, the Board of Directors of Union Pacific, or the Chief Executive Officer of Union Pacific (the "CEO") under this Supplemental Plan, or made by the Administrator acting on their behalf, shall be made in the Company's, the Board's or the CEO's sole discretion, not in a fiduciary capacity and need not be uniformly applied to similarly situated persons. Any such action shall be final, conclusive and binding on all persons interested in the Supplemental Plan.

## **ARTICLE NINE**

### **Amendment or Termination**

9.1 Amendment or Termination. The Board of Directors of Union Pacific, acting by written resolution, reserves the right to modify, alter, amend or terminate the Supplemental Plan from time to time and to modify, withdraw or terminate the Supplemental Plan, to any extent that it may deem advisable; provided, that no such modification, alteration, amendment or termination shall impair any rights which have accrued to Participants hereunder to the date of such modification, alteration, amendment or termination. Notwithstanding the foregoing, (i) prior to March 1, 2013 the Senior Vice President - Human Resources of Union Pacific; and (ii) on and after March 1, 2013 the Vice President – Human Resources of Union Pacific Railroad Company or such other officer or employee of Union Pacific Railroad Company or Union Pacific with similar authority, may make all technical, administrative, regulatory and compliance amendments to the Supplemental Plan, and any other amendment that will not significantly increase the cost of the Supplemental Plan to the Company, as he or she shall deem necessary or appropriate. This Supplemental Plan (409A Grandfathered Component) is intended to be exempt from the requirements of Section 409A, based on the grandfathering provisions set forth in section 1.409A-6 of the Treasury Regulations. Such grandfathered status is predicated, in part, on the basis that the terms and conditions of this Supplemental Plan (409A Grandfathering Component) have not been materially modified on or after October 3, 2004.

## ARTICLE TEN

### General Provisions

10.1 Certain Rights Reserved. Nothing herein contained shall confer upon any Employee or other person the right (a) to continue in Employment or service of the Company or affect any right that the Company may have to terminate the Employment or service of (or to demote or to exclude from future participation in the Supplemental Plan) any such Employee or other person at any time for any reason, (b) to participate in the Supplemental Plan, or (c) to receive an annual base salary of any particular amount.

10.2 Alienability of Benefits. Payments under the Supplemental Plan may not be assigned, transferred, pledged or hypothecated, and to the extent permitted by law, no such payments shall be subject to legal process or attachment for the payment of any claims against any person entitled to receive the same. Effective on and after July 25, 2002, compliance with the provisions and conditions of any domestic relations order relating to an individual's Supplemental Plan benefits, which the Administrator has determined must be complied with under the terms of applicable law, shall not be considered a violation of this provision.

10.3 Payment Due an Incompetent. If it shall be found that any person to whom a payment is due hereunder is unable to care for that person's affairs because of physical or mental disability, as determined by a licensed physician, the Administrator shall have the authority to cause the payments becoming due such person to be made to the legally appointed guardian of any such person or to the spouse, brother, sister, or other person as it shall determine. Payments made pursuant to such power shall operate as a complete discharge of the Company's obligations.

10.4 Governing Law. The Supplemental Plan shall be construed and enforced in accordance with the laws of the State of Nebraska (without regard to the legislative or judicial conflict of laws rules of any state), except to the extent superseded by any federal law.

10.5 Successors. This Supplemental Plan shall be binding upon any successor (whether direct or indirect, by purchase, merger, consolidated or otherwise) to all or substantially all of the business and/or assets of the Company in the same manner and to the same extent that the Company would be bound to perform if no such succession had taken place.

10.6 Titles and Headings Not To Control. The titles and Articles of the Supplemental Plan and the headings of Sections and subsections of the Supplemental Plan are placed herein for convenience of reference only and, as such, shall have no force and effect in the interpretation of the Supplemental Plan.

10.7 Severability. If any provisions of the Supplemental Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part, the unlawfulness,

invalidity, or unenforceability shall not affect any provision of the Plan or part thereof, each of which shall remain in full force and effect.

10.8 Determination and Withholding of Taxes. The Administrator shall have full authority to satisfy the responsibility of Union Pacific or any Affiliated Company to withhold taxes with respect to a Participant or former Participant, including FICA taxes, by withholding such taxes from any distributions under the Plan to the Participant or former Participant or his beneficiary or estate. The Administrator shall also have full authority, with or without the consent of the Participant or former Participant, to withhold from the individual's compensation from any and all sources, any FICA or other taxes applicable to benefits accrued under the Supplemental Plan.

**ARTICLE ELEVEN**

**Transfers to Non-Covered Employment**

11.1 Notwithstanding any other provision of this Supplemental Plan (409A Grandfathered Component) to the contrary, if a Participant is transferred on or before December 31, 2004 to the employment of an Affiliated Company that has not adopted the Supplemental Plan (409A Grandfathered Component) ("non-covered employment"), upon the approval of the Chief Executive Officer of Union Pacific, any benefits to which such Participant (or his Surviving Spouse or other beneficiary) would be entitled under the Pension Plan, the Supplemental Plan (409A Grandfathered Component), or both, by treating such Participant's non-covered employment that occurred on or before December 31, 2004 as if it were service covered by such Plans and by aggregating such service with the Participant's other service covered by the Plans, shall be provided to the Participant under this Section 11.1 to the extent that such benefits exceed the aggregate of (a) the Participant's benefits under the Pension Plan, (b) the Participant's benefits under the Supplemental Plan (409A Grandfathered Component) determined without regard to this Section 11.1, and (c) the Participant's benefits under any pension plan of the Affiliated Company that are based on the Participant's non-covered employment and/or employment otherwise covered by the Pension and Supplemental Plans.

## **ARTICLE TWELVE**

### **Claims Procedure**

12.1 Application for Benefits. Each Participant, former Participant, Special 1990-1992 Window Participant, Surviving Spouse or other beneficiary, or alternate payee under a domestic relations order believing himself or herself eligible for a benefit under this Supplemental Plan shall apply for such benefit by completing and filing with the Administrator an application for benefits on a form supplied by the Administrator.

12.2 Claims Before January 1, 2002. The following provisions are effective prior to January 1, 2002: In the event that any claim for benefits is denied in whole or in part, the person whose claim has been so denied shall be notified of such denial in writing by the Administrator. The notice advising of the denial shall specify the reason or reasons for denial, make specific reference to pertinent provisions of the Supplemental Plan, describe any additional material or information necessary for the claimant to perfect the claim (explaining why such material or information is needed), and shall advise the claimant of the procedure for the appeal of such denial. All appeals shall be made by the following procedure:

(a) The person whose claim has been denied shall file with the Administrator a notice of desire to appeal the denial. Such notice shall be filed within 60 days of notification by the Administrator of claim denial, shall be made in writing, and shall set forth all of the facts upon which the appeal is based. Appeals not timely filed shall be barred.

(b) The Administrator shall consider the merits of the claimant's written presentations, the merits of any facts or evidence in support of the denial of benefits, and such other facts and circumstances as the Administrator shall deem relevant.

(c) The Administrator shall ordinarily render a determination upon the appealed claim within 60 days after receipt which determination shall be accompanied by a written statement as to the reasons therefor. However, in special circumstances the Administrator may extend the response period for up to an additional 60 days, in which event it shall notify the claimant in writing prior to commencement of the extension. The determination so rendered shall be binding upon all parties.

12.3 Claims On or After January 1, 2002. The following provisions are effective on and after January 1, 2002:

(a) Claim for Benefits. A claim for Supplemental Plan benefits may be filed by:

(i) any person (or his duly authorized representative) who has applied for and/or received benefits from the Supplemental Plan pursuant to Section 12.1 and who believes that the amount and/or form of benefits provided (including no benefits) or any change in or termination or reduction of benefits previously provided

results in a denial of benefits to which he is entitled for any reason (whether under the terms of the Supplemental Plan or by reason of any provision of law); or

(ii) any Employee or other individual (or his duly authorized representative) who believes himself to be entitled to benefits from the Supplemental Plan.

A claim for benefits must be filed with the Administrator, in writing and in accordance with such other requirements as may be prescribed by the Administrator. Any claim shall be processed as follows:

(A) When a claim for benefits has been filed by the claimant (or his duly authorized representative), such claim for benefits shall be evaluated and the claimant shall be notified by the Administrator of the approval or denial within a reasonable period of time, but not later than 90 days after the receipt of such claim unless special circumstances require an extension of time for processing the claim. If such an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period and shall specify the special circumstances requiring an extension and the date by which a final decision will be reached (which date shall not be later than 180 days after the date on which the claim was received).

(B) A claimant shall be given written notice in which the claimant shall be advised as to whether the claim is granted or denied, in whole or in part. If a claim is denied, in whole or in part, the claimant shall be given written notice which shall contain (I) the specific reasons for the denial, (II) references to the specific Supplemental Plan provisions upon which the denial is based, (III) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary, (IV) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim, (V) the claimant's rights to seek review of the denial and time limits and other aspects of the Supplemental Plan's claim review procedures, and (VI) a statement of the claimant's right to bring a civil action under ERISA section 502(a) following an adverse determination upon review.

(b) Review of Claim Denial. If a claim for benefits is denied, in whole or in part, the claimant (or his duly authorized representative) shall have the right to request that the Administrator review the denial, provided that the claimant files in accordance with such requirements as may be prescribed by the Administrator a written request for review with the Administrator within 60 days after the date on which the claimant received written notification of the denial. A claimant (or his duly authorized representative) may review relevant documents, records and other information relevant to the claim (or receive copies free of charge) and may submit to the Administrator with the written request for review documents, records, written comments and other information relevant to the claim for benefits, which shall be considered upon review whether or not such information and other items were available when the claim was

originally determined. Requests for review not timely filed shall be barred. A timely request for claim review shall be processed as follows:

(i) Within a reasonable period of time, but not later than 60 days after a request for review is received, the review shall be made and the claimant shall be advised in writing of the decision on review, unless special circumstances require an extension of time for processing the review. If an extension is needed, the claimant shall be given a written notification within such initial 60-day period specifying the reasons for the extension and when such review shall be completed (provided that such review shall be completed within 120 days after the date on which the request for review was filed). However, if the period for deciding the claim has been extended under this paragraph (i) due to a claimant's failure to provide information necessary to decide a claim, the period for making a decision on review shall be tolled from the date the claimant is sent written notice of the extension until the date on which the claimant responds to the request for information (or such earlier date as may be prescribed by the Administrator in accordance with applicable law and regulations).

(ii) The decision on review shall be forwarded to the claimant in writing and shall include (A) specific reasons for the decision, (B) references to the specific Plan provisions upon which the decision is based, (C) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim, and (D) a statement of the claimant's right to bring an action under ERISA section 502(a). A decision on review shall be final and binding on all persons for all purposes.

(c) Exhaustion of Claims Review Process. A claimant shall have no right to seek review of a denial of benefits, or to bring any action in any court to enforce a claim for benefits prior to his filing a claim for benefits and exhausting his rights to review under this Section 12.3.

12.4 Claims Related to Corrections Under Pension Plan Compliance Statement. Notwithstanding any provision of the Supplemental Plan to the contrary, any individual whose Supplemental Plan benefit is recalculated or adjusted in connections with corrections made under the Compliance Statement dated October 25, 2001 (that was issued for the Pension Plan under the Internal Revenue Service Voluntary Compliance Resolution Program) and who believes that such recalculation and/or adjustment results in a denial of benefits to which he is entitled for any reason (whether under the terms of the Supplemental Plan or by reason of any provision of law) may file a claim with the Administrator, in writing, stating the reasons he disagrees with such recalculation and/or adjustment and providing proof of any service, compensation or other facts that he believes should be taken into account. In order to be considered by the Supplemental Plan, such written claim and proof must be received by the Administrator by the date specified in the written notice of such recalculation and/or adjustment that is sent by the Administrator (or his delegate), by first class mail, to the person's address reflected in Supplemental Plan records on the date of the mailing. The deadline for filing a claim under this Section 12.4 that is specified in the written notice from the Administrator shall be a date not earlier than 90 days after the date such notice



is mailed to the person. Any claim described in this Section 12.4 that is not received by the date specified in the written notice of recalculation and/or adjustment shall be denied on the grounds that it is untimely.

12.5

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**UNION PACIFIC CORPORATION  
2004 STOCK INCENTIVE PLAN**

**Originally effective as of April 16, 2004  
Amended and restated effective as of January 1, 2009,  
amended September 23, 2009  
and March 1, 2013**

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**UNION PACIFIC CORPORATION  
2004 STOCK INCENTIVE PLAN**

**1. PURPOSE**

The purpose of the Union Pacific Corporation 2004 Stock Incentive Plan is to promote and closely align the interests of employees of Union Pacific Corporation and its shareholders by providing stock-based compensation and other performance-based compensation. The Plan is intended to strengthen Union Pacific Corporation's ability to reward performance which enhances long term shareholder value; to increase employee stock ownership through performance-based compensation plans; and to strengthen the Company's ability to attract and retain an outstanding employee and executive team.

This Plan was originally effective as of April 16, 2004 (the "Original Effective Date"). Effective as of January 1, 2009, this Plan is amended and restated to reflect the provisions of Section 409A of the Code.

**2. DEFINITIONS**

The following terms shall have the following meanings:

"Achievement Award Shares" means Shares awarded under Section 11 of the Plan.

"Act" means the Securities Exchange Act of 1934, as amended.

"Affiliate" shall have the meaning set forth in Rule 12b-2 under Section 12 of the Act.

"Approved Leave of Absence" means a leave of absence of definite length approved by the senior human resources officer (or such other officer with similar authority), or one of more additional officers or employees of the Company or any Subsidiary or Affiliate, to whom the Committee delegates such authority.

"Award" means an award of Options, Stock Appreciation Rights, Retention Shares, Stock Units or Incentive Bonuses pursuant to the Plan.

"Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Act.

"Beneficiary" means any person or persons designated in writing by a Participant to the Committee in a form prescribed by it for that purpose, which designation shall be revocable at any time by the Participant prior to his or her death, provided that, in the absence of such a designation or the failure of the person or persons so designated to survive the Participant, "Beneficiary" shall mean such Participant's estate; and further provided that no designation of Beneficiary shall be effective unless it is received by the Company before the Participant's death.

“Board” means the Board of Directors of the Company.

“Change in Control” means the occurrence of any one of the following:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in-the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) or (B) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on January 29, 2004, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) more than 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities; or

(iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, more than 50% of the combined voting power of the voting securities of which is owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

“Code” means the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any successor statute.

“Committee” means the Committee designated by the Board to administer the Plan pursuant to Section 3.

“Common Stock” means the Common Stock, par value \$2.50 per share, of the Company.

“Company” means Union Pacific Corporation, a Utah corporation, and except as utilized in the definition of Change in Control, any successor corporation.

“Fair Market Value” means as of any date, the value of the Common Stock determined as follows: (i) if the Common Stock is listed on any established stock exchange, system or market, its Fair Market Value shall be the closing price for the Common Stock as quoted on such exchange, system or market as reported in the Wall Street Journal or such other source as the Committee deems reliable; and (ii) in the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Committee by the reasonable application of a reasonable valuation method, taking into account factors consistent with Treas. Reg. § 409A-1(b)(5)(iv) (B) as the Committee deems appropriate.

“Incentive Bonus” means a bonus opportunity awarded under Section 10 pursuant to which a Participant may become entitled to receive an amount, payable in cash or Shares, based on satisfaction of such performance criteria as are specified in the Incentive Bonus Document.

“Incentive Bonus Document” means the agreement or other document evidencing the Award of an Incentive Bonus.

“Option” means a non-qualified option granted under Section 6 of the Plan.

“Option Document” means the agreement or other document evidencing the Award of an Option.

“Option Proceeds” means the cash actually received by the Company as payment of the option price upon exercise of an option plus the maximum tax benefit that could be realized by the Company as a result of the option exercise, which shall be determined by multiplying the amount that is deductible as a result of the option exercise (currently, equal to the amount upon which the Participant’s withholding tax obligation is calculated) by the sum of the maximum federal corporate income tax rate for the year of exercise plus an assumed 3% state income tax rate. To the extent that a Participant pays the option price and/or withholding taxes with Shares, Option Proceeds shall not be calculated with respect to the amount paid in such manner.

“Participant” means any employee of the Company or a Subsidiary (including directors who are also such employees) who is granted an Award under the Plan.

“Person” shall have the meaning given in Section 3(a)(9) of the Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its Affiliates, (ii) a trustee or other fiduciary holding securities

under an employee benefit plan of the Company or any of its Subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

“Plan” or “SIP” means this Union Pacific Corporation 2004 Stock Incentive Plan, as amended from time to time.

“Prior Plans” means the Union Pacific Corporation 2001 Stock Incentive Plan and the 1993 Stock Option and Retention Stock Plan of Union Pacific Corporation.

“Qualifying Performance Criteria” means the criteria set forth in Section 15.

“Retention Shares” means Shares subject to an Award granted under Section 8 of the Plan.

“Restriction Period” means the period defined in Section 8(b)(i).

“Retirement Status” means, (a) for a Participant who was granted Stock Units in 2006 and/or 2007 under this Plan, an individual who, during the Unit Restriction Period for such Stock Unit Award, attained age 60 with eligibility for retirement under the provisions of the Company’s or Subsidiary’s pension plan (or who had attained such age and eligibility at the time such Stock Unit Award was granted) (“60/10 Retirement Status”), and (b) for a Participant who was granted Stock Units in 2005, or in 2008 or any subsequent year under this Plan, or any successor thereto adopted by the Company, an individual who, during the Unit Restriction Period for such Stock Unit Award, attained age 65 (or who had attained such age at the time such Stock Unit Award was granted) (“Age 65 Retirement Status”).

“Separation from Service” means the termination of a Participant’s employment with the Company and all Subsidiaries that constitutes a “separation from service” within the meaning of Treas. Reg. Section 1.409A-1(h)(1).

“Shares” mean shares of the Company’s Common Stock.

“Stock Administrator” means the Company’s third party stock administrator or any other person or entity designated by the Committee to assist in the administration of this Plan.

“Stock Appreciation Right” means a right granted pursuant to Section 7 of the Plan.

“Stock Unit” means a right to receive in the future a Share of Common Stock or, at the option of the Committee, the value of such Common Stock in cash pursuant to an Award granted under Section 9 of the Plan.

“Subcommittee” means one or more separate committees appointed by the Committee pursuant to Section 3.

“Subsidiary” means any corporation of which the Company owns directly or indirectly at least a majority of the outstanding shares of voting stock.

“Unit Restriction Period” means the period defined in Section 9.

“Unit Vesting Condition” means any condition to the vesting of Stock Units established by the Committee pursuant to Section 9.

“Vesting Condition” means any condition to the vesting of Retention Shares established by the Committee pursuant to Section 8.

### 3. ADMINISTRATION

**a. Composition of Committee.** This Plan shall be administered by the Compensation and Benefits Committee of the Board (the “Committee”), as appointed from time to time by the Board. The Board shall fill vacancies on, and from time to time may remove or add members to, the Committee. The Committee shall act pursuant to a majority vote or unanimous written consent. The Board, in its sole discretion, may exercise any authority of the Committee under this Plan in lieu of the Committee’s exercise thereof and in such instances references herein to the Committee shall refer to the Board. The Committee shall consist of two or more directors each of whom is a “non-employee director” (as such term is defined in Rule 16b-3 promulgated under the Act, as such Rule may be amended from time to time) and an “outside director” (as such term is defined under Section 162(m) of the Code). The Committee may designate the senior human resources officer (or such other officer with similar authority), or one of more additional officers or employees of the Company or any Subsidiary or Affiliate, and/or one or more agents to assist the Committee in the administration of the Plan, and may grant authority to such persons to execute agreements or other documents evidencing Awards or Achievement Award Shares made under this Plan or other documents entered into under this Plan on behalf of the Committee or the Company.

**b. Powers of the Committee.** Subject to the express provisions and limitations set forth in this Plan, the Committee shall be authorized and empowered to do all things necessary or desirable, in its sole discretion, in connection with the administration of this Plan, including, without limitation, the following:

(i) to prescribe, amend and rescind rules and regulations relating to this Plan and to define terms not otherwise defined herein;

(ii) to determine which persons are Participants, to which of such Participants, if any, Awards shall be granted hereunder and the timing of any such Awards, and to grant Awards;

(iii) to grant Awards to Participants and determine the terms and conditions thereof, including the number of Shares subject to Awards and the exercise or purchase price of such Shares and the circumstances under which Awards become exercisable or vested or are forfeited or expire, which terms may

but need not be conditioned upon the passage of time, continued employment, the satisfaction of performance criteria, the occurrence of certain events (including events which the Board or the Committee determine constitute a Change in Control), or other factors;

(iv) to establish and verify the extent of satisfaction of any performance goals or other conditions applicable to the grant, issuance, exercisability, vesting and/or ability to retain any Award;

(v) to prescribe and amend the terms of the agreements or other documents evidencing Awards made under this Plan (which need not be identical) and the terms of or form of any document or notice required to be delivered to the Company by Participants under this Plan;

(vi) to determine whether, and the extent to which, adjustments are required pursuant to Section 14;

(vii) to interpret and construe this Plan, any rules and regulations under this Plan and the terms and conditions of any Award granted hereunder, and to make exceptions to any such provisions in good faith and for the benefit of the Company;

(viii) to make all other determinations deemed necessary or advisable for the administration of this Plan; and

(ix) Notwithstanding anything in this Plan to the contrary, with respect to any Award that is "deferred compensation" under Code section 409A, the Committee shall exercise its discretion in a manner that causes such Awards to be compliant with the requirements of such Code section.

**c. Determinations of the Committee.** All decisions, determinations and interpretations by the Committee regarding this Plan shall be final and binding on all Participants and Beneficiaries. The Committee shall consider such factors as it deems relevant to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any director, officer or employee of the Company and such attorneys, consultants and accountants as it may select.

**d. Delegations to Subcommittees.** The Committee may delegate to one or more separate committees (any such committee a "Subcommittee") composed of one or more directors of the Company (who may but need not be members of the Committee) the ability to grant Awards and take the other actions described in Section 3(b) with respect to non-executive employees, and such actions shall be treated for purposes of Section 3(c) as if taken by the Committee.

#### **4. ELIGIBILITY**

To be eligible for selection by the Committee to participate in the Plan an individual must be an employee of the Company or a Subsidiary. Directors who are not



full-time salaried employees shall not be eligible. The Committee may grant Awards of Options, Stock Appreciation Rights, Retention Shares, Stock Units or Incentive Bonuses to eligible employees.

## 5. STOCK SUBJECT TO THIS PLAN

a. **Aggregate Limits.** The aggregate number of Shares of the Company's Common Stock that shall be available for grant under this Plan shall be 21,000,000, plus any Shares subject to awards made under Prior Plans that are outstanding on the effective date of this Plan and become available pursuant to Section 5(c). Any Shares granted as Options or Stock Appreciation Rights shall be counted against this limit as one (1) Share for every one (1) Share granted. Any Shares granted as Awards other than Options or Stock Appreciation Rights shall be counted against this limit as one and four-tenths (1.4) Shares for every one (1) Share granted. The aggregate number of Shares available for grant under this Plan and the number of Shares subject to outstanding Awards shall be subject to adjustment as provided in Section 13. In addition, the aggregate number of Shares available for grant under this Plan shall not be reduced by Shares subject to Awards granted upon the assumption of or in substitution for awards granted by a business or entity that is acquired by, or whose assets are acquired by, the Company. The Shares issued pursuant to Awards granted under this Plan may be Shares that either were reacquired by the Company, including Shares purchased in the open market, or authorized but unissued Shares.

b. **Tax Code Limits.** The aggregate number of Shares that may be granted as Options or Stock Appreciation Rights under this Plan during any consecutive 36-month period to any one Participant shall not exceed 3,000,000. The aggregate number of Shares that may be granted as Retention Shares or Stock Units under this Plan during any consecutive 36-month period to any one Participant shall not exceed 750,000. Notwithstanding anything to the contrary in this Plan, the foregoing limitations shall be subject to adjustment under Section 14, but only to the extent that such adjustment will not affect the status of any Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code. The foregoing limitations shall not apply to the extent that they are no longer required in order for compensation in connection with Awards under this Plan to be treated as "performance-based compensation" under Section 162(m) of the Code.

c. **Share Add-Backs.** For purposes of this Section 5, the aggregate number of Shares available for Awards under this Plan at any time shall not be reduced by (i) Shares subject to Awards that have been canceled, expired, forfeited or settled in cash, (ii) Shares subject to Awards that have been retained by the Company in payment or satisfaction of the purchase price or tax withholding obligation of an Award, or (iii) Shares subject to Awards that otherwise do not result in the issuance of Shares in connection with payment or settlement of an Award. Any Shares that again become available for grant pursuant to clauses (i) through (iii) of this Section 5(c) shall be added back as one (1) Share if such Shares were subject to Options or Stock Appreciation Rights and as one and four-tenths (1.4) Shares if such Shares were subject to Awards other than Options and Stock Appreciation Rights. In addition, Shares that have been

delivered (either actually or constructively by attestation) to the Company in payment or satisfaction of the purchase price or tax withholding obligation of an Award or an award under any of the Prior Plans and Shares repurchased in the open market with Option Proceeds from Awards or awards under any of the Prior Plans shall be available for Awards under this Plan; provided, however, that the increase in the aggregate number of Shares available for grant pursuant to the repurchase of Shares with Option Proceeds shall not be greater than the amount of such proceeds divided by the Fair Market Value of a Share on the date of exercise of the option giving rise to such proceeds. Shares subject to awards made under Prior Plans that do not result in the issuance of Shares for the reasons listed in clauses (i) through (iii) of this Section 5(c) shall be available for grant under this Plan. Each Share that again becomes available for grant in connection with awards under Prior Plans shall be added back as one (1) Share.

## 6. TERMS AND CONDITIONS OF OPTIONS

The Committee may grant an Option or provide for the grant of an Option, either from time to time in the discretion of the Committee or automatically upon the occurrence of specified events, including, without limitation, the achievement of performance goals, the satisfaction of an event or condition within the control of the recipient of the Award or within the control of others. All Options under the Plan shall be granted subject to the following terms and conditions:

**a. Exercise Price.** The exercise price per Share with respect to each Option shall be determined by the Committee but shall not be less than 100% of the Fair Market Value of the Common Stock on the date the Option is granted, provided, however, that the exercise price per share with respect to an Option that is granted in connection with a merger, stock exchange, or other acquisition as a substitute or replacement award for options held by optionees of the acquired entity may be less than 100% of Fair Market Value on the date the Option is granted as long as it is equal to or greater than the fair market value of the substitute or replacement award at its date of grant.

**b. Duration.** The Committee shall establish the term of an Option, provided that in no event shall any Option be exercisable subsequent to the tenth anniversary of the date on which it is granted.

**c. Exercise.** Except as provided in Section 6(g), the Shares covered by an Option may not be purchased prior to the first anniversary of the date on which the Option is awarded, or such longer period or periods, and subject to such conditions, as the Committee may determine, but thereafter may be purchased at one time or in such installments over the balance of the option period as may be provided in the Option Document. Any Shares not purchased on the applicable installment date may, unless the Committee shall have determined otherwise, be purchased thereafter at any time prior to the final expiration of the Option. To the extent that the right to purchase Shares has accrued thereunder, Options may be exercised from time to time by notice to the

Company stating the number of Shares with respect to which the Option is being exercised.

**d. Payment.** Except as set forth herein, Shares purchased under Options shall, at the time of purchase, be paid for in full in cash. All, or any portion, of the option price may, at the discretion of the Committee, be paid (i) under an arrangement with the Stock Administrator where payment is made pursuant to an irrevocable direction to the Stock Administrator to deliver all or part of the proceeds from the sale of Shares issuable under the Option to the Company or (ii) by the surrender (either actually or constructively by attestation) to the Company, at the time of exercise, of Shares of previously acquired Common Stock owned by the Participant, to the extent that such payment does not require the surrender of a fractional share of such previously acquired Common Stock or (iii) by authorizing the Company to withhold Common Stock otherwise issuable on exercise of the Option. Such Shares previously acquired and used to pay the option price shall be valued at Fair Market Value on the date the Option is exercised or as otherwise determined in accordance with the procedures to be established by the Committee. A Participant shall have none of the rights of a shareholder until the Shares are issued to him or her.

**e. Restrictions.** The Committee shall determine, with respect to each Option, the nature and extent of the restrictions, if any, to be imposed on the Shares that may be purchased thereunder. Without limiting the generality of the foregoing, the Committee may impose conditions restricting absolutely or conditionally the transferability of Shares acquired through the exercise of Options for such periods, and subject to such conditions, including continued employment of the Participant by the Company or a Subsidiary, as the Committee may determine.

**f. Non-Transferability of Options.** During a Participant's lifetime, Options may be exercised only by the Participant and shall not be transferable, except for exercise by the Participant's Beneficiaries following a Participant's death or as otherwise authorized by the Committee.

**g. Termination of Employment.** Unless the Committee shall determine otherwise, upon the termination of a Participant's employment for any reason and except as provided in clause (ii), (iii) or (vi) below, Options shall expire immediately as to those Shares for which they were not then exercisable, and as to the remaining Shares for which the Options were exercisable at the time of such termination of employment, such Options shall expire on the earlier of the expiration of the term of the Options or according to the following schedule:

(i) **Retirement.** If a Participant ceases to be an employee of the Company or a Subsidiary by reason of retirement under the provisions of the Company's or a Subsidiary's pension plan, the Options shall expire, unless exercised, five (5) years after such termination of employment.

(ii) **Death or Disability.** If (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of the holding period required by

Section 6(c) by reason of death or disability under the provisions of the Company's or a Subsidiary's long-term disability plan, and (B) upon such termination all conditions to exercisability of the Options required pursuant to Section 6(c) other than such holding period have been satisfied, the holding period required pursuant to Section 6(c) shall automatically be deemed to have been satisfied, and the Options shall expire, unless exercised by the Participant, or if such termination was as a result of Participant's death, by Participant's legal representatives or heirs, five (5) years after such termination of employment.

(iii) **Disposition of Business**. Subject to Section 6(g)(vi) with respect to a Change in Control of the Company, in the case of a termination that is deemed to occur upon the disposition by the Company or any of its Subsidiaries of all or a part of its interest in, or the discontinuance of a business of, a Subsidiary, division or other business unit, (A) if an Option is unexercisable because the holding period or other conditions required by Section 6(c) have not been satisfied in accordance with their original schedule, such Option shall not be forfeited automatically, but the holding period or other conditions required by Section 6(c) shall continue in accordance with their original schedule and the Option shall expire, unless exercised, five (5) years after the date of such termination and (B) if an Option is exercisable, the exercise period of the Option shall expire, unless exercised, five (5) years after the date of such termination;

(iv) **Force Reduction Program**. Subject to Section 6(g)(vi), in the case of a termination (other than retirement) resulting from a force reduction program instituted by the Company or any of its Subsidiaries, the Option shall expire, unless exercised, three (3) years from the date of termination.

(v) **Gross Misconduct**. Options shall expire upon receipt by the Participant of the notice of termination if he or she is terminated for deliberate, willful or gross misconduct as determined by the Company.

(vi) **Change in Control**. Notwithstanding anything to the contrary in this Section 6(g), unless the Committee shall expressly provide otherwise in the Option Document at the time of grant, in the event a Participant's employment is involuntarily terminated by the Company or any of its Subsidiaries (other than termination as a result of disability or gross misconduct, but including a termination described in subsection (iii) and (iv) above) within (2) years following a Change in Control, any holding period or other condition required pursuant to Section 6(c) shall automatically be deemed to have been satisfied, the Options shall become fully vested and exercisable, and the Options shall remain exercisable for a period of three (3) years following such termination (or five (5) years following such termination in the case of a termination described in Subsection (i), (ii) or (iii) above) but in no event after the expiration of the term of the Option.

(vii) **All Other Terminations**. Options shall expire, unless exercised, three (3) months after the date of such termination.

**h. Option Document.** Each Option Document shall contain provisions regarding (i) the number of Shares that may be issued upon exercise of the Option, (ii) the purchase price of the Shares and the means of payment for the Shares, (iii) the term of the Option, (iv) such terms and conditions on the vesting and/or exercisability of an Option, (v) restrictions on the transfer of the Option and forfeiture provisions and (vi) such further terms and conditions, in each case not inconsistent with this Plan as may be determined from time to time by the Committee.

**i. No Option Repricing.** Without the approval of shareholders, the Company shall not reprice any Options, except for adjustments under Section 14 as determined by the Committee. For purposes of this Plan, the term “reprice” shall mean lowering the exercise price of previously awarded Options within the meaning of Item 402(i) under Securities and Exchange Commission Regulation S-K, and shall also include any transactions deemed “repricings” under the relevant rules of the New York Stock Exchange. Notwithstanding the foregoing, in no event shall the Company take action to reprice any Option which constitutes (i) a modification of a stock right within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(B) so as to constitute the grant of a new stock right, (ii) an extension of a stock right, including the addition of a feature for the deferral of compensation within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(C), or (iii) an impermissible acceleration of a payment date or a subsequent deferral of a stock right subject to Code Section 409A within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(E).

## **7. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS**

A “Stock Appreciation Right” means a right that entitles the Participant to receive, in cash or Shares (as determined by the Committee), value equal to or otherwise based on the excess of, (i) the Fair Market Value of a specified number of Shares at the time of exercise over (ii) the exercise price of the right, as established by the Committee on the date of grant. Stock Appreciation Rights may be granted to Participants either alone (“freestanding”) or in addition to or in tandem with other Awards granted under the Plan and may, but need not, relate to a specific Option granted under Section 6. The provisions of Stock Appreciation Rights need not be the same with respect to each grant or each recipient. Any Stock Appreciation Right granted in tandem with an Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. All Stock Appreciation Rights under the Plan shall be granted subject to the same terms and conditions applicable to Options as set forth in Section 6, including without limitation the terms and conditions set forth in Sections 6(a), 6(b) and 6(c) relating to option price, duration and exercise conditions; provided, however, that Stock Appreciation Rights granted in tandem with a previously granted Option shall have the terms and conditions of such Option. Subject to the provisions of Section 6, the Committee may impose such other conditions or restrictions on any Stock Appreciation Right as it shall deem appropriate. Stock Appreciation Rights may be settled in Shares or cash as determined by the Committee.

## 8. TERMS AND CONDITIONS OF AWARDS OF RETENTION SHARES

a. **General.** Retention Shares may be granted to reward the attainment of individual, Company or Subsidiary goals, or to attract or retain officers or other employees of the Company or any Subsidiary, and shall be granted subject to the attainment of performance goals unless the Committee shall determine otherwise. The Committee may specify that the grant, vesting or retention of any or all Retention Shares is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code, provided that the performance criteria for the grant, vesting or retention of any such Retention Shares shall be a measure based on one or more Qualifying Performance Criteria selected by the Committee and specified at the time the Retention Shares are granted. The Committee shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any Retention Shares that are intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code.

b. **Restrictions.**

(i) **Restriction Period and Vesting Conditions.** With respect to each grant of Retention Shares under the Plan, the Committee shall determine the period or periods, including any conditions for determining such period or periods, during which the restrictions set forth in Section 8(b) shall apply, provided that in no event, other than as provided in Section 8(c), shall such restrictions terminate prior to three (3) years after the date of grant (the “Restriction Period”), and the Committee may also specify any other terms or conditions, including the attainment of performance goals, to the right of the Participant to receive such Retention Shares (“Vesting Conditions”). Subject to Section 8(c) and any such Vesting Condition, a grant of Retention Shares shall be effective for the Restriction Period and may not be revoked; provided, however, in the event of a Change in Control of the Company (i) with respect to Retention Shares (other than Retention Shares granted pursuant to any future long term incentive plan (“LTP”)), the Restriction Period shall end with respect to that number of such Retention Shares calculated by multiplying the total number of such Retention Shares by the fraction obtained by dividing the number of full months from the commencement of such Restriction Period through the date of such Change in Control by the total number of months contained in such Restriction Period (determined without regard to this proviso), and (ii) any Retention Shares granted to such Participant pursuant to an LTP shall be subject to the terms of the applicable agreement issued under an LTP. In the event a payment becomes due, the Committee may, in its sole discretion, elect to make such payment either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

(ii) **Rights in Retention Shares.** At the time of grant of Retention Shares to a Participant, an electronic account representing the number of Shares

granted shall be registered in the Participant's name but shall be held by the Company for his or her account. The Participant shall have the entire beneficial ownership interest in, and all rights and privileges of a shareholder as to, such Retention Shares, including the right to vote such Retention Shares and, unless the Committee shall determine otherwise, the right to receive dividends thereon, subject to the following restrictions, except as provided by Sections 8(b) and 8(c): (A) the Participant shall not be entitled to delivery of the Shares until the expiration of the Restriction Period and the satisfaction of any Vesting Conditions; (B) none of the Retention Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restriction Period or prior to the satisfaction of any Vesting Conditions; and (C) all of the Retention Shares shall be forfeited and all rights of the Participant to such Retention Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company or a Subsidiary for the entire Restriction Period and any applicable Vesting Conditions have been satisfied. Any Shares or other securities or property received as a result of a transaction listed in Section 14 shall be subject to the same restrictions as such Retention Shares unless the Committee shall determine otherwise.

If the grant of Retention Shares includes a right to receive dividends, the payment of dividends with respect to Retention Shares shall be made, on and after the date of grant without regard to whether the Participant has satisfied the Restriction Period and Vesting Condition requirements, and shall be paid (prior to vesting and delivery of the Retention Shares) within thirty (30) days of the date such dividends are declared.

**c. Termination of Employment.** Unless the Committee shall determine otherwise, upon the termination of a Participant's employment, Retention Shares shall be treated as provided below:

(i) **Retirement.** If (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period, by reason of retirement under the provisions of the Company's or a Subsidiary's pension plan at or after actual age 65, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest and all restrictions applicable to such Retention Shares shall lapse. The Shares shall be delivered to the Participant in accordance with the provisions of Section 8(d).

(ii) **Death or Disability.** If (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period by reason of death or disability under the provisions of the Company's or a Subsidiary's long-term disability plan, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest for the Participant or in his or her Beneficiary, as the case may be, and all restrictions applicable to such Retention Shares shall lapse. The Shares shall be delivered to the Participant's Beneficiary in accordance with the provisions of Section 8(d).

(iii) **Vesting Conditions.** If a Participant ceases to be an employee of the Company or a Subsidiary for any reason prior to the satisfaction of any Vesting Conditions (other than as a result of a Change in Control as described in subsection (iv) below), the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 8(b) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant whose employment has so terminated to retain any or all of the Retention Shares then subject to the restrictions of Section 8(b) and all restrictions applicable to such Retention Shares shall lapse. The Shares shall be delivered to the Participant in accordance with the provisions of Section 8(d).

(iv) **Change in Control.** Notwithstanding anything to the contrary in this Section 8(c), unless the Committee shall expressly provide otherwise in the document(s) evidencing Retention Shares at the time of grant, in the event a Participant's employment is involuntarily terminated by the Company or any of its Subsidiaries (other than a termination as a result of gross misconduct, but including a termination described in subsection (i) and (ii) above) within two (2) years following a Change in Control, the remaining restrictions with respect to Retention Shares, Original Retention Shares and Premium Retention Shares, including any remaining Restriction Period, or Vesting Conditions, shall lapse and the Committee may, in its sole discretion, elect to satisfy its obligations either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

(v) **All Other Terminations.** If a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period for any reason other than death, disability or retirement at or after actual age 65 as provided in Section 8(c)(i) and (ii) or a termination pursuant to Section 8(c)(iv), the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 8(b) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant whose employment has so terminated to retain any or all of the Retention Shares to the extent that the Restriction Period set forth in Section 8(b) has been satisfied and all Vesting Conditions applicable to such Retention Shares shall lapse the Shares shall be delivered to the Participant in accordance with the provisions of Section 8(d).

**d. Payment of Retention Shares.** At the end of the Restriction Period and after all Vesting Conditions have been satisfied, or at such earlier time as provided for in Section 8(c), all restrictions applicable to the Retention Shares shall lapse, and the Shares equal to the number of Retention Shares, free of all restrictions, shall be delivered to the Participant or his or her Beneficiary, as the case may be, within thirty (30) days of the date all such restrictions applicable to the Retention Shares lapsed.



## 9. STOCK UNITS

a. **Grant of Stock Units.** The Committee may also grant Awards of Stock Units under the Plan. With respect to each grant of Stock Units, the Committee shall determine the period or periods, including any conditions for determining such period or periods, during which any restrictions on vesting shall apply, provided that in no event, except as otherwise provided in Sections 9(c), 9(d) or 9(e), shall such period or periods be less than three (3) years (the "Unit Restriction Period"). The Committee may also make any Award of Stock Units subject to the satisfaction of other conditions, including the attainment of performance goals, or contingencies ("Unit Vesting Condition"), in order for a Participant to receive payment of such Stock Unit Award, which shall be established by the Committee at the time of the Stock Unit Award. The Committee may specify that the grant, vesting or retention of any or all Stock Units is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code, provided that the performance criteria for the grant, vesting or retention of any such Stock Units shall be a measure based on one or more Qualifying Performance Criteria selected by the Committee and specified at the time the Stock Units are granted. The Committee shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any Stock Units that are intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code. Awards of Stock Units shall be payable in Shares or cash as determined by the Committee. For any Stock Unit Award which is intended to satisfy the requirements for "performance-based compensation" under section 162(m) of the Code, no such Award shall be considered vested unless and until the Qualifying Performance Criteria and Unit Restriction Period (as may be modified in Subsections 9(c), (d) or (e)) have been satisfied.

(i) **Affect of Unit Restriction Period.** Except as provided by Section 9(c), (d) or (e), (A) the Participant shall not be entitled to payment of the Stock Units until the expiration of the Unit Restriction Period and the satisfaction of any Unit Vesting Conditions; (B) none of the Stock Units may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Unit Restriction Period or prior to the satisfaction of any Unit Vesting Conditions; and (C) all of the Stock Units shall be forfeited and all rights of the Participant to such Stock Units shall terminate without future obligation on the part of the Company or a Subsidiary unless the Participant remains in the continuous employment of the Company or a Subsidiary for the entire Unit Restriction Period and any applicable Unit Vesting Conditions have been satisfied. If the number of a Participant's Stock Units are adjusted as the result of a transaction listed in Section 14, such adjusted Stock Units shall be subject to the same restrictions as had applied prior to such adjustment, unless the Committee shall determine otherwise consistent with the requirements of that Section.

(ii) **Dividend Equivalents.** If the award of Stock Units includes a right to receive dividend equivalents, the payment of such dividend equivalents shall be as provided for in the agreement describing the Stock Unit Award, subject to Section 12 hereof; provided that such right to receive dividend equivalents conforms to the requirements of Section 409A of the Code and the regulations thereunder, and shall be deemed modified to the extent necessary to conform to such requirements.

**b. Deferral.** A Participant may elect to defer receipt of payment of an Award of Stock Units pursuant to the terms of the Deferred Compensation Plan of Union Pacific Corporation with respect to the SIP.

**c. Separation from Service.** Unless the Committee provides otherwise at the time an Award of Stock Units to a Participant is made, Stock Units shall be treated as provided below:

(i) **Death or Disability.**

(A) If a Participant has a Separation from Service prior to the end of a Unit Restriction Period by reason of death and all Unit Vesting Conditions have been satisfied, the Stock Units granted to such Participant shall immediately vest in his or her Beneficiary, and all restrictions applicable to such Stock Units shall lapse. The Stock Unit Award shall be paid to the Participant's Beneficiary within thirty (30) days of the Participant's death.

(B) If a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Unit Restriction Period by reason of disability under the provisions of the Company's or a Subsidiary's long-term disability plan, and all Unit Vesting Conditions have been satisfied, the Stock Units granted to such Participant shall immediately vest for the Participant and all restrictions applicable to such Stock Units shall lapse and, in the event such Participant did not make a deferral election with respect to such Stock Unit, it shall be paid as follows:

(1) in the event the Participant has not attained Retirement Status before qualifying for long-term disability benefits under the Company's or a Subsidiary's long-term disability plan, then such Stock Unit shall be paid to the Participant within thirty (30) days of such Participant's qualifying for long-term disability under the Company's or Subsidiary's long-term disability plan; and

(2) in the event the Participant has attained Retirement Status before qualifying for long-term disability benefits under the Company's or a Subsidiary's long-term disability plan: (X) if such Stock Unit is nonetheless "deferred compensation" under Code Section 409A, then such Stock Unit shall be paid in accordance with Subsection 9(f)(iii); or (Y) if such Stock

Unit is not "deferred compensation" under Code Section 409A, such Stock Unit shall be paid to the Participant within thirty (30) days of such Participant's qualifying for long-term disability under the Company's or Subsidiary's long-term disability plan.

(ii) **Unit Vesting Conditions.** If a Participant has a Separation from Service with the Company or a Subsidiary for any reason prior to the satisfaction of any Unit Vesting Conditions (other than as a result of a Change in Control as described in subsection (d)(ii) below), the Participant shall immediately forfeit all Stock Units then subject to the restrictions of Subsection 9(a) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant who has had a Separation from Service to retain any or all of the Stock Units then subject to the restrictions of Subsection 9(a) and all restrictions applicable to such Stock Units shall lapse. The Stock Unit Award shall be paid in accordance with provisions of Subsection 9(f).

(iii) **All Other Separations from Service.** If a Participant has a Separation from Service prior to the end of a Unit Restriction Period for any reason other than (A) a Separation from Service after attaining Retirement Status described in subsection 9(e) below, (B) a Separation from Service described in subsection (c)(i) above, or (C) a Separation from Service pursuant to Section 9(d)(ii), the Participant shall immediately forfeit all Stock Units then subject to the restrictions of Section 9(a) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant who has a Separation from Service to retain any or all of the Stock Units to the extent that the Unit Restriction Period set forth in Section 9(a) has been satisfied and all Unit Vesting Conditions applicable to such Stock Units shall lapse. The Stock Unit Award shall be paid in accordance with provisions of Subsection 9(f).

**d. Change in Control.**

(i) In the event of a Change in Control of the Company (i) with respect to Stock Units (other than Stock Units granted pursuant to any current or future long term incentive plan ("LTP")), the Unit Restriction Period shall end with respect to that number of such Stock Units calculated by multiplying the total number of such Stock Units by the fraction obtained by dividing the number of full months from the commencement of such Unit Restriction Period through the date of such Change in Control by the total number of months contained in such Unit Restriction Period (determined without regard to this proviso), and (ii) any Stock Units granted to such Participant pursuant to an LTP shall be subject to the terms of the applicable agreement issued under an LTP. In the event a Stock Unit becomes payable under this subparagraph (d)(i) and the Participant did not make

a deferral election with respect to such Stock Unit, such Stock Unit shall be paid as follows:

(A) in the event the Participant has not attained Retirement Status before the date on which the Change in Control occurs, then such Stock Unit shall be paid to the Participant within thirty (30) days of the date on which the Change in Control occurs; and

(B) in the event the Participant has attained Retirement Status before the date on which the Change in Control occurs: (X) if such Stock Unit is nonetheless "deferred compensation" under Code Section 409A, then such Stock Unit Award shall be paid in accordance with Subsection 9(f)(iii); or (Y) if such Stock Unit is not "deferred compensation" under Code Section 409A, then such Stock Unit shall be paid to the Participant within thirty (30) days of the date on which the Change in Control occurs.

The Committee may, in its sole discretion, elect to make such payment either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

(ii) Notwithstanding anything to the contrary in Section 9(c), unless the Committee shall expressly provide otherwise in the document(s) evidencing Stock Unit Awards at the time of grant, in the event a Participant has an involuntary Separation from Service from the Company or any of its Subsidiaries (other than a Separation from Service as a result of gross misconduct, but including a Separation from Service after attaining Retirement Status described in subsection 9(e) below and a Separation from Service described in subsection (c)(i) above) within two (2) years following a Change in Control, the remaining restrictions with respect to Stock Units, including any remaining Unit Restriction Period, or Unit Vesting Conditions, shall lapse. Unless the Participant made a deferral election with respect to such Stock Units, the Stock Units shall be paid within thirty (30) days of the Participant's Separation from Service, subject to Subsection 9(f)(iv). The Committee may, in its sole discretion, elect to satisfy its obligations either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

**e. Attainment of Retirement Status.** Unless the Committee provides otherwise at the time an Award of Stock Units to a Participant is made:

(i) In the event a Participant attains Age 65 Retirement Status while in the employ of the Company or a Subsidiary, the Unit Restriction Period with respect to the applicable Stock Units granted to such Participant shall be deemed satisfied on the date Age 65 Retirement Status is attained.

(ii) In the event a Participant attains 60/10 Retirement Status while in the employ of the Company or a Subsidiary, the Unit Restriction Period with

respect to the applicable Stock Unit grant shall be deemed satisfied as provided in accordance with the terms of the 2006 Stock Unit Agreement and 2006 Long Term Plan Stock Unit Agreement, each dated January 26, 2006, as amended from time to time and/or the 2007 Stock Unit Agreement and 2007 Long Term Plan Stock Unit Agreement, each dated January 30, 2007 as amended from time to time, as applicable.

(iii) Assuming and to the extent that any Unit Vesting Conditions have been satisfied, payment of the Stock Units for which Retirement Status has been attained in accordance with subparagraphs 9(e)(i) or 9(e)(ii) shall be made in accordance with Subsection 9(f).

**f. Payment.** Except as otherwise provided in Subsections 9(c) or 9(d), payment of Stock Unit Awards shall be made as follows:

(i) **Payment if Stock Unit Award Not Deferred Compensation.** If the Participant has not elected to defer payment of a Stock Unit Award and the Stock Unit Award is not otherwise "deferred compensation" under Code Section 409A ("Non-409A Stock Unit Award"):

(A) the Non-409A Stock Unit Award will be paid as soon as practicable following the date the Unit Restriction Period has been satisfied and all Unit Vesting Conditions have been satisfied, but in no event later than two and one-half (2 1/2) months following the end of the calendar year that includes the date that all such restrictions applicable to the Non-409A Stock Unit Award lapsed.

(B) Notwithstanding the foregoing, if the Participant has attained Retirement Status during the Unit Restriction Period for such Non-409A Stock Unit Award, but remains employed, the Stock Unit Award shall, assuming all Unit Vesting Conditions have been satisfied, be paid within thirty (30) days of the earlier of (A) the Participant's Separation from Service or (B) the date the Unit Restriction Period would have otherwise ended, but for the application of the special rules in Subsection 9(e).

(ii) **Payment if deferred.** If the Participant has elected to defer payment of the Stock Unit Award, then the Award will (provided the Unit Restriction Period has been satisfied and all Unit Vesting Conditions have been satisfied) be paid in accordance with the Participant's deferral consistent with the terms of the Deferred Compensation Plan of Union Pacific Corporation.

(iii) **Payment if Stock Unit Award Is Deferred Compensation.** If the Participant has not made a deferral election with respect to a Stock Unit Award but such Stock Unit Award is nevertheless "deferred compensation" under Code Section 409A and assuming the Unit Restriction Period has been satisfied and all Unit Vesting Conditions have been satisfied, such Stock Unit Award shall be paid within thirty (30) days of the earlier of (A) the Participant's Separation from Service or (B) the date the Unit Restriction Period would have otherwise ended

but for the application of the special rules in Subsections 9(c), 9(d) or 9(e), as applicable, subject to the Specified Employee Restriction described in Section 9(f)(iv).

(iv) **Specified Employee Restriction.** Notwithstanding anything in this Plan to the contrary, no payment of a Stock Unit that is “deferred compensation” under Code Section 409A triggered by Separation from Service shall be made to a “specified employee” (as determined in accordance with a uniform policy adopted by the Company with respect to all arrangements subject to Section 409A of the Code maintained by the Company and its Affiliated Companies) until six (6) months plus one day following such specified employee’s Separation from Service (the “Specified Employee Restriction”); provided, however, in the event of the specified employee’s death before the date a Stock Unit Award payable under this Section 9 is paid, this provision shall not prevent payment of such Stock Unit Award at the time otherwise prescribed in this Section 9.

## 10. TERMS AND CONDITIONS OF INCENTIVE BONUSES

Each Incentive Bonus Award will confer upon the Participant the opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a performance period established by the Committee.

a. **Incentive Bonus Document.** Each Incentive Bonus Document shall contain provisions regarding (i) the target and maximum amount payable to the Participant as an Incentive Bonus, (ii) the performance criteria and level of achievement versus these criteria that shall determine the amount of such payment, (iii) the term of the performance period as to which performance shall be measured for determining the amount of any payment, (iv) the timing of any payment earned by virtue of performance, (v) restrictions on the alienation or transfer of the Incentive Bonus prior to actual payment, (vi) forfeiture provisions and (vii) such further terms and conditions, in each case not inconsistent with this Plan, as may be determined from time to time by the Committee.

b. **Performance Criteria.** The Committee shall establish the performance criteria and level of achievement versus these criteria that shall determine the target and maximum amount payable under an Incentive Bonus Award, which criteria may be based on financial performance and/or personal performance evaluations. The maximum amount payable as an Incentive Bonus may be a multiple of the target amount payable. The maximum amount payable as an Incentive Bonus under this Plan during any calendar year to any one Participant shall not exceed \$10 million unless such limitation is no longer required under Section 162(m) of the Code. The Committee may specify the percentage of the target Incentive Bonus that is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code, provided that the performance criteria for any portion of an Incentive Bonus that is intended by the Committee to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code shall be a measure based on one or

more Qualifying Performance Criteria selected by the Committee and specified at the time the Incentive Bonus Award is granted. The Committee shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any Incentive Bonus that is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code.

**c. Timing and Form of Payment.** The Committee shall determine the timing of payment of any Incentive Bonus; provided, however, that Incentive Bonuses shall be paid to the Participant as soon as practicable following the satisfaction of the performance criteria (including the satisfaction of any Qualifying Performance Criteria as certified by the Committee) and/or performance period as set forth in the Incentive Bonus Document (the “Performance End Date”), but in no event later than two and one-half (2 1/2) months following the end of the calendar year that includes the Performance End Date. An Incentive Bonus may be payable in Shares or in cash. Any Incentive Bonus that is paid in cash shall not affect the number of Shares otherwise available for issuance under this Plan.

(i) **Deferrals.** A Participant may elect to defer receipt of payment of all or part of any Incentive Bonus pursuant to the terms of the Deferred Compensation Plan of Union Pacific Compensation with respect to the SIP.

**d. Discretionary Adjustments.** Notwithstanding satisfaction of any performance goals, the amount paid under an Incentive Bonus Award on account of either financial performance or personal performance evaluations may be reduced by the Committee on the basis of such further considerations as the Committee shall determine.

## **11. ACHIEVEMENT AWARD SHARES**

The Committee may, in its sole discretion, grant Achievement Award Shares to employees who are non-executive employees to reward specific and unique achievements that exceed normal job expectations. Subject to Section 4, the Committee may determine and designate from time to time those non-executive employees who will be granted Achievement Award Shares. Shares granted under this Section 11 shall not be subject to a vesting or holding period, unless the Committee provides otherwise at the time of grant. The total number of Shares to be awarded under this Section 11 shall not exceed 200,000 Shares, and in any calendar year no employee may be granted more than 50 Shares (or such other number as the Committee may determine).

## 12. DIVIDENDS AND DIVIDEND EQUIVALENTS

Any Award, other than an Option or Stock Appreciation Right, may provide the Participant with the right to receive dividend payments or dividend equivalent payments on the Common Stock subject to the Award, whether or not such Award has been exercised or is vested. Except as described in subsection (a), such payments shall be made in cash or Shares on the payment date established by the Board for the underlying dividends. Such payments may be subject to such conditions and contingencies as the Committee may establish, provided however, that such payments shall in all events satisfy the "short-term deferral" exception to Code Section 409A described in Treas. Reg. § 1.409A-(a)(4).

**a. If Stock Units are Deferred.** Notwithstanding the foregoing, if a Participant elects to defer receipt of payment of an Award of Stock Units pursuant to the terms of the Deferred Compensation Plan of Union Pacific Corporation (the "Deferred Compensation Plan"), dividend equivalents with respect to such deferred Stock Unit Award which relate to dividends paid on and after the date of the deferral of such Stock Unit Award (i.e., the date that the Stock Unit Award would have been payable to the Participant under this Plan had such amount not been deferred under the Deferred Compensation Plan) shall be reinvested as part of the Award Account under the Deferred Compensation Plan, and shall be deferred for payment at the same time as the Award Account is paid under the terms of the Deferred Compensation Plan.

## 13. REGULATORY APPROVALS AND LISTING

The Company shall not be required to issue to a Participant or a Beneficiary, as the case may be, any certificate for any Shares upon exercise of an Option or Stock Appreciation Right or for any Retention Shares granted under this Plan or to make any payment with respect to any Incentive Bonus or Stock Unit granted under this Plan prior to (a) the obtaining of any approval from any governmental agency which the Company, in its sole discretion, shall determine to be necessary or advisable, (b) the admission of such Shares to listing on any stock exchange on which the Common Stock may then be listed, and (c) the completion of any registration or other qualification of such Shares under any state or federal law or rulings or regulations of any governmental body which the Company, in its sole discretion, shall determine to be necessary or advisable.

## 14. CHANGES IN CAPITAL STRUCTURE

**a. Corporate Actions Unimpaired.** The existence of outstanding Awards (including any Options) shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, exchanges, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of Shares or other securities or subscription rights thereto, or any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Shares or other securities of the Company or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act



or proceeding, whether of a similar character or otherwise. Further, except as expressly provided herein or by the Committee, (i) the issuance by the Company of shares of stock or any class of securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, (ii) the payment of a dividend in property other than Shares, or (iii) the occurrence of any similar transaction, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to Options or other Awards theretofore granted or the purchase price per Share, unless the Committee shall determine, in its sole discretion, that an adjustment is necessary to provide equitable treatment to a Participant.

**b. Adjustments Upon Certain Events.** If the outstanding Shares or other securities of the Company, or both, for which the Award is then exercisable or as to which the Award is to be settled shall at any time be changed or exchanged by declaration of a stock dividend, stock split, combination of shares, extraordinary dividend of cash and/or assets, recapitalization, or reorganization, the Committee may, and if such event occurs after a Change of Control, the Committee shall, appropriately and equitably adjust the number and kind of Shares or other securities which are subject to this Plan or subject to any Awards theretofore granted, and the exercise or settlement prices of such Awards, so as to maintain the proportionate number of Shares or other securities without changing the aggregate exercise or settlement price. The Committee's adjustment shall be effective and binding for all purposes of this Plan, provided that no such adjustment shall constitute (i) a modification of a stock right within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(B) so as to constitute the grant of a new stock right, (ii) an extension of a stock right, including the addition of any feature for the deferral of compensation within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(C), or (iii) an impermissible acceleration of a payment date or a subsequent deferral of a stock right subject to Code Section 409A within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(E). Furthermore, no adjustment as the result of a change in capitalization shall cause the exercise price to be less than the Fair Market Value of such shares (as adjusted to reflect the change in capitalization) on the date of grant, and any adjustment as the result of the substitution of a new stock right or the assumption of an outstanding stock right pursuant to a corporate transaction shall satisfy the conditions described in Treas. Reg. Section 1.409A-1(b)(5)(v)(D).

## **15. QUALIFYING PERFORMANCE CRITERIA**

For purposes of this Plan, the term "Qualifying Performance Criteria" shall mean any one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee in the Award: (a) cash flow (before or after dividends), (b) earnings per share (including earnings before interest, taxes,

depreciation and amortization), (c) stock price, (d) return on equity, (e) total shareholder return, (f) return on capital (including return on total capital or return on invested capital), (g) return on assets or net assets, (h) market capitalization, (i) total enterprise value (market capitalization plus debt), (j) economic value added, (k) debt leverage (debt to capital), (l) revenue, (m) income or net income, (n) operating income, (o) operating profit or net operating profit, (p) operating margin or profit margin, (q) return on operating revenue, (r) cash from operations, (s) operating ratio, (t) commodity or operating revenue, (u) market share, (v) customer service index, (w) service delivery index, (x) productivity and (y) safety. To the extent consistent with Section 162(m) of the Code, the Committee may appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude any of the following events that occurs during a performance period: (z) asset write-downs, (aa) litigation, claims, judgments or settlements, (bb) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (cc) accruals for reorganization and restructuring programs and (dd) any extraordinary, unusual or non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to shareholders for the applicable year.

## **16. TANDEM STOCK OR CASH RIGHTS**

Either at the time an Award is granted or by subsequent action, the Committee may, but need not, provide that an Award shall contain as a term thereof, a right, either in tandem with the other rights under the Award or as an alternative thereto, of the Participant to receive, without payment to the Company, a number of Shares, cash or a combination thereof, the amount of which is determined by reference to the value of the Award; provided, however, that no such tandem stock or cash rights shall be made in connection with an Option or Stock Appreciation Right.

## **17. TAXES**

**a. Withholding Requirements.** The Committee may make such provisions or impose such conditions as it may deem appropriate for the withholding or payment by a Participant or Beneficiary of any taxes that the Committee determines are required in connection with the grant, vesting, exercise, payment or settlement of any Award under this Plan, and a Participant's or Beneficiary's rights in any Award and in any Shares or other benefits thereunder shall be subject to satisfaction of such conditions.

**b. Payment of Withholding Taxes.** Notwithstanding the terms of Section 17(a), the Committee may provide in the agreement or other document evidencing an Award or otherwise that all or any portion of the taxes required to be withheld or, if and to the extent permitted by the Committee, desired to be paid by the Participant, in connection with the exercise, vesting, settlement or transfer of any Award may be paid by withholding Shares otherwise issuable or subject to such Award, or by the Participant's delivering previously acquired Shares (either actually or constructively by attestation), in each case having a Fair Market Value equal to the amount required or elected to be withheld or paid, or by the Stock Administrator paying such amount

pursuant to an irrevocable commitment by the Stock Administrator to deliver to the Company proceeds from the sale of the Shares issuable under the Award. Any such election is subject to such conditions or procedures as may be established by the Committee and may be subject to approval by the Committee.

## **18. TRANSFERABILITY**

Unless the agreement or other document evidencing an Award (or an amendment thereto authorized by the Committee) expressly states that the Award is transferable as provided hereunder, no Award granted under this Plan, nor any interest in such Award, may be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner prior to the vesting or lapse of any and all restrictions applicable thereto, other than by will or the laws of descent and distribution. Further, any Stock Units deferred under Section 9, or Incentive Bonuses deferred under Section 10(c) shall not be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner.

## **19. TERM OF THIS PLAN**

No Awards shall be granted pursuant to the Plan after April 16, 2014, but any Award theretofore granted may extend beyond that date and the terms and conditions of this Plan shall continue to apply thereto.

## **20. TERMINATION OR AMENDMENT OF THIS PLAN**

The Board may amend, alter or discontinue the Plan and the Board or the Committee may to the extent permitted by the Plan amend any agreement or other document evidencing an Award made under this Plan but, except as provided pursuant to the anti-dilution adjustment provisions of Section 14(b), no such amendment shall, without the approval of the shareholders of the Company:

- (a) increase the maximum number of Shares for which Awards may be granted under this Plan;
- (b) reduce the price at which Options may be granted below the price provided for in Section 6(a);
- (c) reduce the option price of outstanding Options;
- (d) extend the term of this Plan;
- (e) change the class of persons eligible to be Participants;
- (f) add a new type of award to this Plan; or
- (g) increase the individual maximum limits in Sections 5(b) and 10(b).

The Board may amend, alter or discontinue the Plan and the Board or the Committee may to the extent permitted by the Plan amend any agreement evidencing an Award made under this Plan, but no amendment or alteration shall be made which would impair the rights of any Participant, without such Participant's consent, under any Award theretofore granted, provided that no such consent shall be required if the Committee determines in its sole discretion and prior to the date of any Change in Control that such amendment or alteration either (i) is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation or to meet the requirements of any accounting standard, or (ii) is not reasonably likely to significantly diminish the benefits provided under such Award, or that any such diminishment has been adequately compensated.

## **21. LEAVE OF ABSENCE**

Except as is necessary to comply with Code Section 409A, unless the Committee shall determine otherwise, a leave of absence other than an Approved Leave of Absence shall be deemed a termination of employment for purposes of this Plan. An Approved Leave of Absence shall not be deemed a termination of employment for purposes of this Plan, but the period of such Approved Leave of Absence shall not be counted toward satisfaction of any Restriction Period or Unit Restriction Period or any holding period described in Section 6(c).

## **22. GENERAL PROVISIONS**

**a. Employment At Will.** Neither the Plan nor the grant of any Award nor any action by the Company, any Subsidiary or the Committee shall be held or construed to confer upon any person any right to be continued in the employ of the Company or a Subsidiary. The Company and each Subsidiary expressly reserve the right to discharge, without liability but subject to his or her rights under this Plan, any Participant whenever in the sole discretion of the Company or a Subsidiary, as the case may be, its interest may so require.

**b. Governing Law.** This Plan and any agreements or other documents hereunder shall be interpreted and construed in accordance with the laws of the State of Utah and applicable federal law. The Committee may provide that any dispute as to any Award shall be presented and determined in such forum as the Committee may specify, including through binding arbitration. Any reference in this Plan or in the agreement or other document evidencing any Award to a provision of law or to a rule or regulation shall be deemed to include any successor law, rule or regulation of similar effect or applicability.

**c. Resale or Transfer of Shares.** The Committee may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Shares received in connection with an Award, including without limitation (i) restrictions under an insider trading policy, (ii) restrictions designed to delay and/or coordinate the timing and manner of sales by the Participant and other

participants and (iii) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

### **23. NON-EXCLUSIVITY OF PLAN**

Neither the adoption of this Plan by the Board nor the submission of this Plan to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable, including without limitation, the granting of stock options, stock appreciation rights, restricted stock, stock units or incentive bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

### **24. COMPLIANCE WITH OTHER LAWS AND REGULATIONS**

This Plan, the grant and exercise of Awards thereunder, and the obligation of the Company to sell, issue or deliver Shares under such Awards, shall be subject to all applicable federal, state and local laws, rules and regulations and to such approvals by any governmental or regulatory agency as may be required. The Company shall not be required to register in a Participant's name or deliver any Shares prior to the completion of any registration or qualification of such Shares under any federal, state or local law or any ruling or regulation of any government body which the Committee shall determine to be necessary or advisable. This Plan is intended to constitute an unfunded arrangement for a select group of management and other key employees. No Option shall be exercisable unless a registration statement with respect to the Option is effective or the Company has determined that such registration is unnecessary. Unless the Awards and Shares covered by this Plan have been registered under the Securities Act of 1933, as amended, or the Company has determined that such registration is unnecessary, each person receiving an Award and/or Shares pursuant to any Award may be required by the Company to give a representation in writing that such person is acquiring such Shares for his or her own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof.

### **25. LIABILITY OF COMPANY**

The Company and any Affiliate which is in existence or hereafter comes into existence shall not be liable to a Participant or other persons as to: (a) the non-issuance or sale of Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder; and (b) any tax consequence expected, but not realized, by any Participant or other person due to the receipt, exercise or settlement of any Option or other Award granted hereunder.

### **26. EFFECTIVE DATE**

The Plan became effective on the Original Effective Date.

**UNION PACIFIC CORPORATION  
2001 STOCK INCENTIVE PLAN**

**Originally effective as of April 20, 2001  
Amended January 29, 2004 and March 1, 2013**

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**UNION PACIFIC CORPORATION  
2001 STOCK INCENTIVE PLAN**

**PURPOSE**

The purpose of the Union Pacific Corporation 2001 Stock Incentive Plan is to promote and closely align the interests of employees of Union Pacific Corporation and its shareholders by providing stock based compensation and other performance-based compensation. The Plan is intended to strengthen Union Pacific Corporation's ability to reward performance which enhances long term shareholder value; to increase employee stock ownership through performance-based compensation plans; and to strengthen the Company's ability to attract and retain an outstanding employee and executive team.

**DEFINITIONS**

The following terms shall have the following meanings:

"Act" means the Securities Exchange Act of 1934, as amended.

"Affiliate" shall have the meaning set forth in Rule 12b-2 under Section 12 of the Act.

"Approved Leave of Absence" means a leave of absence of definite length approved by the senior human resources officer (or such other officer with similar authority), or one of more additional officers or employees of the Company or any Subsidiary or Affiliate, to whom the Committee delegates such authority.

"Award" means an award of Options, Retention Shares, Stock Units or Incentive Bonuses pursuant to the Plan.

"Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Act.

"Beneficiary" means any person or persons designated in writing by a Participant to the Committee on a form prescribed by it for that purpose, which designation shall be revocable at any time by the Participant prior to his or her death, provided that, in the absence of such a designation or the failure of the person or persons so designated to survive the Participant, "Beneficiary" shall mean such Participant's estate; and further provided that no designation of Beneficiary shall be effective unless it is received by the Company before the Participant's death.

"Board" means the Board of Directors of the Company.

“Change in Control” means the occurrence of any one of the following:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company’s then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on February 22, 2001, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company’s shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) more than 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company’s then outstanding securities; or

(iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets, other than a sale or disposition by the Company of all or substantially all of the Company’s assets to an entity, more than 50% of the combined voting power of the voting securities of which is owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

“Code” means the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any successor statute.

“Committee” means the Committee designated by the Board to administer the Plan pursuant to Section 3.



“Common Stock” means the Common Stock, par value \$2.50 per share, of the Company.

“Company” means Union Pacific Corporation, a Utah corporation, or any successor corporation.

“Incentive Bonus” means a bonus opportunity awarded under Section 10 pursuant to which a Participant may become entitled to receive an amount, payable in cash or Shares, based on satisfaction of such performance criteria as are specified in the Incentive Bonus Document.

“Incentive Bonus Document” means the agreement or other document evidencing the Award of an Incentive Bonus.

“Option” means each non-qualified option and incentive stock option granted under the Plan.

“Option Document” means the agreement or other document evidencing the Award of an Option.

“Participant” means any employee of the Company or a Subsidiary (including directors who are also such employees) who is granted an Award under the Plan.

“Person” shall have the meaning given in Section 3(a)(9) of the Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

“Plan” means this Union Pacific Corporation 2001 Stock Incentive Plan, as amended from time to time.

“Qualifying Performance Criteria” means the criteria set forth in Section 14.

“Retention Shares” means Shares subject to an Award granted under Section 8 of the Plan.

“Restriction Period” means the period defined in Section 8(b).

“Shares” mean shares of the Company’s Common Stock.

“Stock Administrator” means the Company’s third party stock administrator or any other person or entity designated by the Committee to assist in the administration of this Plan.

“Stock Unit” means the right to receive in the future a share of Common Stock or, at the option of the Committee, the value of such Common Stock in cash.

“Subcommittee” means one or more separate committees appointed by the Committee pursuant to Section 3.

“Subsidiary” means any corporation of which the Company owns directly or indirectly at least a majority of the outstanding shares of voting stock.

“Unit Restriction Period” means the period defined in Section 9.

“Unit Vesting Condition” means any condition to the vesting of Stock Units established by the Committee pursuant to Section 9.

“Vesting Condition” means any condition to the vesting of Retention Shares established by the Committee pursuant to Section 8.

### 3. ADMINISTRATION

**a. Composition of Committee.** This Plan shall be administered by the Compensation and Benefits Committee of the Board (the “Committee”), as appointed from time to time by the Board. The Board shall fill vacancies on, and from time to time may remove or add members to, the Committee. The Committee shall act pursuant to a majority vote or unanimous written consent. The Board, in its sole discretion, may exercise any authority of the Committee under this Plan in lieu of the Committee’s exercise thereof and in such instances references herein to the Committee shall refer to the Board. Unless otherwise provided by the Board: (i) with respect to any Award for which such is necessary and desired for such Award to be exempted by Rule 16b-3 of the Act, the Committee shall consist of the Board or of two or more directors each of whom is a “non-employee director” (as such term is defined in Rule 16b-3 promulgated under the Act, as such Rule may be amended from time to time), (ii) with respect to any Award that is intended to qualify as “performance-based compensation” under Section 162(m) of the Code, the Committee shall consist of two or more directors, each of whom is an “outside director” (as such term is defined under Section 162(m) of the Code), and (iii) with respect to any other Award, the Committee may appoint one or more separate committees (any such committee, a “Subcommittee”) composed of one or more directors of the Company (who may but need not be members of the Committee) and may delegate to any such Subcommittee(s) the authority to grant Awards under the Plan to Participants, to determine all terms of such Awards, and/or to administer the Plan or any aspect of the Plan. Any action by any such Subcommittee within the scope of such delegation shall be deemed for all purposes to have been taken by the Committee. The Committee may designate the senior human resources officer (or such other officer with similar authority), or one of more additional officers or employees of the Company or any Subsidiary or Affiliate, and/or one or more agents to assist the Committee in the administration of the Plan, and may grant authority to such persons to execute

agreements or other documents evidencing Awards made under this Plan or other documents entered into under this Plan on behalf of the Committee or the Company.

**b. Powers of the Committee.** Subject to the express provisions and limitations set forth in this Plan, the Committee shall be authorized and empowered to do all things necessary or desirable, in its sole discretion, in connection with the administration of this Plan, including, without limitation, the following:

(i) to prescribe, amend and rescind rules and regulations relating to this Plan and to define terms not otherwise defined herein;

(ii) to determine which persons are Participants, to which of such Participants, if any, Awards shall be granted hereunder and the timing of any such Awards, and to grant Awards;

(iii) to grant Awards to Participants and determine the terms and conditions thereof, including the number of Shares subject to Awards and the option or purchase price of such Shares and the circumstances under which Awards become exercisable or vested or are forfeited or expire, which terms may but need not be conditioned upon the passage of time, continued employment, the satisfaction of performance criteria, the occurrence of certain events (including events which the Board or the Committee determine constitute a Change in Control), or other factors;

(iv) to establish, verify the extent of satisfaction of, adjust, reduce or waive any performance goals or other conditions applicable to the grant, issuance, exercisability, vesting and/or ability to retain any Award;

(v) to prescribe and amend the terms of the agreements or other documents evidencing Awards made under this Plan (which need not be identical);

(vi) to determine whether, and the extent to which, adjustments are required pursuant to Section 13;

(vii) to interpret and construe this Plan, any rules and regulations under this Plan and the terms and conditions of any Award granted hereunder, and to make exceptions to any such provisions in good faith and for the benefit of the Company; and

(viii) to make all other determinations deemed necessary or advisable for the administration of this Plan.

**c. Determinations of the Committee.** All decisions, determinations and interpretations by the Committee regarding this Plan shall be final and binding on all Participants. The Committee shall consider such factors as it deems relevant to making such decisions, determinations and interpretations including, without limitation, the

recommendations or advice of any director, officer or employee of the Company and such attorneys, consultants and accountants as it may select.

**d. Delegations to Director.** The Committee may delegate to one or more directors the ability to grant Awards and take the other actions described in Section 3(b) with respect to non-executive employees, and such actions shall be treated for purposes of Section 3(c) as if taken by the Committee.

#### **4. ELIGIBILITY**

To be eligible for selection by the Committee to participate in the Plan an individual must be an employee of the Company or a Subsidiary. Directors who are not full-time salaried employees shall not be eligible. The Committee may grant Awards of Options, Retention Shares, Stock Units or Incentive Bonuses to eligible employees. In granting Awards, the Committee shall take into account the duties of the respective employees, their present and potential contributions to the success of the Company or a Subsidiary, and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan.

#### **5. STOCK SUBJECT TO THIS PLAN**

**a. Aggregate Limits.** The aggregate number of Shares of the Company's Common Stock issued pursuant to all Awards granted under this Plan shall not exceed 12,000,000. The aggregate number of Shares issued as Retention Shares, Stock Units or upon settlement of Incentive Bonuses shall not exceed twenty percent (20%) of the Shares available to be issued as Awards under this Plan. The aggregate number of Shares available for issuance under this Plan and the number of Shares subject to outstanding Options or other Awards shall be subject to adjustment as provided in Section 13. The Shares issued pursuant to this Plan may be Shares that either were reacquired by the Company, including Shares purchased in the open market, or authorized but unissued Shares.

**b. Tax Code Limits.** The aggregate number of Shares issuable under all Options granted under this Plan during any calendar year to any one Participant shall not exceed 1,000,000. The aggregate number of Shares issuable as Retention Shares or Stock Units granted under this Plan during any calendar year to any one Participant shall not exceed 250,000. Notwithstanding anything to the contrary in this Plan, the foregoing limitations shall be subject to adjustment under Section 13, but only to the extent that such adjustment will not affect the status of any Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code. The foregoing limitations shall not apply to the extent that they are no longer required in order for compensation in connection with Awards under this Plan to be treated as "performance-based compensation" under Section 162(m) of the Code.

**c. Issuance of Shares.** For purposes of this Section 5, the aggregate number of Shares issued under this Plan at any time shall equal only the number of

Shares actually issued upon exercise or settlement of an Award and shall not include Shares subject to Awards that have been canceled, expired or forfeited or Shares subject to Awards that have been delivered (either actually or constructively by attestation) to or retained by the Company in payment or satisfaction of the purchase price, option price or tax withholding obligation of an Award.

## 6. TERMS AND CONDITIONS OF NON-QUALIFIED OPTIONS

The Committee may grant a non-qualified option or provide for the grant of a non-qualified option, either from time to time in the discretion of the Committee or automatically upon the occurrence of specified events, including, without limitation, the achievement of performance goals, the satisfaction of an event or condition within the control of the recipient of the Award or within the control of others. All non-qualified options under the Plan shall be granted subject to the following terms and conditions:

**a. Option Price.** The option price per share with respect to each non-qualified option shall be determined by the Committee but shall not be less than 100% of the fair market value of the Common Stock on the date the option is granted, such fair market value to be determined in accordance with the procedures to be established by the Committee.

**b. Duration.** Non-qualified options shall be exercisable at such time or times and under such conditions as set forth in the Option Document, but in no event shall any non-qualified option be exercisable subsequent to the tenth anniversary of the date on which the non-qualified option is granted.

**c. Exercise.** Except as provided in Section 6(h), 6(i) or 7(b), the Shares covered by a non-qualified option may not be purchased prior to the first anniversary of the date on which the non-qualified option is awarded (unless the Committee shall determine otherwise), or such longer period or periods, and subject to such conditions, as the Committee may determine, but thereafter may be purchased at one time or in such installments over the balance of the option period as may be provided in the Option Document. Any Shares not purchased on the applicable installment date may, unless the Committee shall have determined otherwise, be purchased thereafter at any time prior to the final expiration of the non-qualified option. To the extent that the right to purchase Shares has accrued thereunder, non-qualified options may be exercised from time to time by notice to the Company stating the number of Shares with respect to which the non-qualified option is being exercised.

**d. Payment.** Shares purchased under non-qualified options shall, at the time of purchase, be paid for in full in cash. All, or any portion, of the option price may, at the discretion of the Committee, be paid (i) under an arrangement with the Stock Administrator where payment is made pursuant to an irrevocable direction to the Stock Administrator to deliver all or part of the proceeds from the sale of Shares issuable under the non-qualified option to the Company, (ii) by the surrender (constructively by attestation) to the Company, at the time of exercise, of shares of previously acquired

Common Stock owned by the Participant, to the extent that such payment does not require the surrender of a fractional share of such previously acquired Common Stock or (iii) by authorizing the Company to withhold Common Stock otherwise issuable on exercise of the non-qualified option. Such Shares previously acquired or Shares withheld to pay the option price shall be valued at fair market value on the date the non-qualified option is exercised or as otherwise determined in accordance with the procedures to be established by the Committee. A Participant shall have none of the rights of a shareholder until the Shares are issued to him or her.

**e. Restrictions.** The Committee shall determine, with respect to each non-qualified option, the nature and extent of the restrictions, if any, to be imposed on the Shares that may be purchased thereunder. Without limiting the generality of the foregoing, the Committee may impose conditions restricting absolutely or conditionally the transferability of Shares acquired through the exercise of non-qualified options for such periods, and subject to such conditions, including continued employment of the Participant by the Company or a Subsidiary, as the Committee may determine.

**f. Resale or Transfer of Shares.** The Committee may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Shares issued as a result of the exercise of a non-qualified option, including without limitation (i) restrictions under an insider trading policy, (ii) restrictions designed to delay and/or coordinate the timing and manner of sales by the Participant and other participants and (iii) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

**g. Non-Transferability of Options.** During a Participant's lifetime, non-qualified options may be exercised only by the Participant. Non-qualified options shall not be transferable, except for exercise by the Participant's legal representatives or heirs.

**h. Termination of Employment.** Unless the Committee provides otherwise, upon the termination of a Participant's employment for any reason other than death, except as provided below, non-qualified options shall expire immediately as to those Shares for which they were not then exercisable (provided that the Committee may determine that particular limitations and restrictions under this Plan shall not apply and the non-qualified options shall be treated as exercisable to a greater extent), and as to the remaining Shares for which the non-qualified options were exercisable at the time of such termination of employment, such non-qualified options shall expire on the earlier of the date the non-qualified options would have expired or according to the following schedule:

(i) **Retirement.** Non-qualified options shall expire, unless exercised, five (5) years after the Participant's retirement from the Company or any Subsidiary under the provisions of the Company's or a Subsidiary's pension plan.

(ii) **Disability.** Any holding period required by Section 6(c) shall automatically be deemed to be satisfied and the non-qualified options shall expire, unless exercised, five (5) years after the date the Participant is eligible to receive disability benefits under the provisions of the Company's or a Subsidiary's long-term disability plan.

(iii) **Disposition of Business.** Subject to Section 6(h)(vi), in the case of a termination that is deemed to occur upon the disposition by the Company or any of its Subsidiaries of all or a part of its interest in, or the discontinuance of a business of, a Subsidiary, division or other business unit, unvested non-qualified options shall not be forfeited automatically, but any holding period required by Section 6(c) shall be satisfied in accordance with its original schedule and the non-qualified option shall expire, unless exercised, five (5) years after the date of termination;

(iv) **Force Reduction Program.** Subject to Section 6(h)(vi), in the case of a termination (other than retirement) resulting from a force reduction program instituted by the Company or any of its Subsidiaries, the non-qualified option shall expire, unless exercised, three (3) years from the date of termination.

(v) **Gross Misconduct.** Non-qualified options shall expire upon receipt by the Participant of the notice of termination if he or she is terminated for deliberate, willful or gross misconduct as determined by the Company.

(vi) **Change in Control.** In the event a Participant's employment is involuntarily terminated by the Company or any of its Subsidiaries (other than termination as a result of disability or gross misconduct, but including a termination described in subsection (iii) and (iv) above) within two (2) years following a Change in Control, notwithstanding anything to the contrary in this Section 6(h), non-qualified options shall become fully vested and the non-qualified options shall remain exercisable for a period of three (3) years following such termination (or five (5) years following such termination in the case of a termination described in Subsection (i) or (iii) above) but in no event after the expiration of the original term of the non-qualified option.

(vii) **All Other Terminations.** Non-qualified options shall expire, unless exercised, three (3) months after the date of such termination.

i. **Death.** Unless the Committee shall determine otherwise, upon the death of a Participant during his or her period of employment, the non-qualified options shall be exercisable only as to those Shares which were subject to the exercise of such non-qualified options at the time of his or her death, provided that (i) any holding period required by Section 6(c) shall automatically be deemed to be satisfied and (ii) the Committee may determine that particular limitations and restrictions under this Plan shall not apply and the non-qualified options shall be treated as exercisable to a greater extent, and such non-qualified options shall expire, unless exercised by the Participant's legal representatives or heirs, five (5) years after the date of death (unless the

Committee shall provide for a shorter period at the time the non-qualified option is granted).

**j. Deferral.** The Committee may permit a Participant to elect to defer receipt of all or part of the Shares issuable upon the exercise of non-qualified options, pursuant to rules and regulations adopted by the Committee. The Committee may not permit the payment of cash in lieu of Shares upon payment of the deferred amount.

**k. Option Document.** Each Option Document shall contain provisions regarding (i) the number of Shares that may be issued upon exercise of the non-qualified option, (ii) the purchase price of the Shares and the means of payment for the Shares, (iii) the term of the non-qualified option, (iv) such terms and conditions on the vesting and/or exercisability of a non-qualified option as may be determined from time to time by the Committee, (v) restrictions on the transfer of the non-qualified option and forfeiture provisions and (vi) such further terms and conditions, in each case not inconsistent with this Plan as may be determined from time to time by the Committee.

**l. No Option Repricing.** Without the approval of shareholders, the Company shall not reprice any non-qualified options, except for adjustments under Section 13 as determined by the Committee. For purposes of this Plan, the term "reprice" shall mean lowering the option price of previously awarded non-qualified options within the meaning of Item 402(i) under Securities and Exchange Commission Regulation S-K.

**m. Maximum Duration.** In no event, however, shall any non-qualified option be exercisable pursuant to Sections 6(h) or (i) subsequent to the tenth anniversary of the date on which it is granted.

## **7. TERMS AND CONDITIONS OF INCENTIVE STOCK OPTIONS.**

**a. General.** The Committee may also grant incentive stock options as defined under Section 422 of the Code. Any Options intended to qualify as incentive stock options issued under this Plan shall be subject to the same terms and conditions as the non-qualified options granted under Section 6 of this Plan (except Section 6(j)), provided that (a) the aggregate fair market value (determined as of the date the incentive stock option is granted) of the Shares with respect to which incentive stock options are exercisable for the first time by such Participant during any calendar year, under this Plan or any other stock option plans adopted by the Company, its Subsidiaries or any predecessor companies thereof, shall not exceed \$100,000 and (b) the Option shall state that it will not qualify for tax treatment as an incentive stock option if it is exercised more than one (1) year after the Participant ceases to be employed because of a disability (as defined in Section 22(e)(3) of the Code) or three (3) months after the Participant ceases to be an employee of the Company or a Subsidiary other than as a result of death or disability. Upon the expiration of the one (1) year period following a disability or the three (3) month period following a termination described in Sections 6(h)(i), (iii), (iv) or (vi), any unexercised incentive stock options shall become



non-qualified options exercisable pursuant to Section 6. If any incentive stock options become exercisable in any year in excess of the \$100,000 limitation, incentive stock options representing such excess shall become non-qualified options exercisable pursuant to the terms of Section 6 and shall not be exercisable as incentive stock options.

**b. Death.** Unless the Committee shall determine otherwise, upon the death of a Participant during his or her period of employment, the incentive stock options shall be exercisable as incentive stock options only as to those Shares which were subject to the exercise of such incentive stock options at the time of death, provided that (i) any holding period required by Section 6(c) shall automatically be deemed to be satisfied, and (ii) the Committee may determine that particular limitations and restrictions under this Plan shall not apply and the incentive stock options shall be treated as exercisable to a greater extent, and such incentive stock options shall expire, unless exercised by the Participant's legal representatives or heirs, five (5) years after the date of death (unless the Committee shall provide for a shorter period at the time the incentive stock option is granted.)

**c. Option Document.** Each Option Document shall include the information described in Section 6(k). In addition, the Option Document shall contain such terms and conditions as may be necessary to comply, to the extent determined desirable by the Committee, with the applicable provisions of Section 422 of the Code.

**d. No Option Repricing.** Without the approval of shareholders, the Company shall not reprice any incentive stock options granted under this Section 7, except for adjustments under Section 13 as determined by the Committee.

**e. Maximum Duration.** In no event, however, shall any incentive stock option be exercisable pursuant to this Section 7 subsequent to the tenth anniversary of the date on which it was granted.

## **8. TERMS AND CONDITIONS OF AWARDS OF RETENTION SHARES**

**a. General.** Retention Shares may be granted to reward the attainment of individual, Company or Subsidiary goals, or to attract or retain officers or other employees of the Company or any Subsidiary, and shall be granted subject to the attainment of performance goals unless the Committee shall determine otherwise. The Committee may specify that the grant, vesting or retention of any or all Retention Shares is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code, provided that the performance criteria for the grant, vesting or retention of any such Retention Shares shall be a measure based on one or more Qualifying Performance Criteria selected by the Committee and specified at the time the Retention Shares are granted. The Committee shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any Retention Shares that are intended to satisfy the

requirements for “performance-based compensation” under Section 162(m) of the Code.

**b. Restrictions.**

**(i) Restriction Period and Vesting Conditions.** With respect to each grant of Retention Shares under the Plan, the Committee shall determine the period or periods, including any conditions for determining such period or periods, during which the restrictions set forth in Section 8(b) shall apply, provided that in no event, other than as provided in Section 8(c) or in the next sentence, shall such restrictions terminate prior to three (3) years after the date of grant (the “Restriction Period”), and the Committee may also specify any other terms or conditions to the right of the Participant to receive such Retention Shares (“Vesting Conditions”). The Committee may determine in its sole discretion to waive any or all of such restrictions prior to end of the Restriction Period or the satisfaction of any Vesting Condition. Subject to Section 8(c) and any such Vesting Condition, a grant of Retention Shares shall be effective for the Restriction Period and may not be revoked; provided, however, in the event of a Change in Control of the Company (i) with respect to Retention Shares (other than Retention Shares or Stock Units granted pursuant to the Executive Incentive Premium Exchange Program (“PEP”), the 2001 Long Term Plan (“2001 LTP”) or any future long term incentive plan (“LTP”)), the Restriction Period shall end with respect to that number of such Retention Shares calculated by multiplying the total number of such Retention Shares by the fraction obtained by dividing the number of full months from the commencement of such Restriction Period through the date of such Change in Control by the total number of months contained in such Restriction Period (determined without regard to this proviso), (ii) with respect to Retention Shares granted to such Participant pursuant to the PEP, the Restriction Period shall end with respect to that number of such Retention Shares equal to (x) that number of such Retention Shares with a fair market value (as of the date of grant) equal to the amount of incentive award such Participant elected to forego in exchange for such Retention Shares (the “Original Retention Shares”), and (y) that number of Retention Shares which the Participant received as a premium under the PEP (the “Premium Retention Shares”) calculated by multiplying the total number of such Premium Retention Shares by the fraction obtained by dividing the number of full months from the commencement of such Restriction Period through the date of such Change in Control by the total number of months contained in such Restriction Period, (iii) Retention Shares granted to such Participant pursuant to the 2001 LTP shall be subject to the terms of the applicable agreement issued under the 2001 LTP and (iv) any Retention Shares granted to such Participant pursuant to an LTP shall be subject to the terms of the applicable agreement issued under an LTP. In the event a payment becomes due, the Committee may, in its sole discretion, elect to make such payment either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

**(ii) Rights in Retention Shares.** At the time of grant of Retention Shares to a Participant, a certificate representing the number of Shares granted shall be registered in the Participant's name but shall be held by the Company for his or her account. The Participant shall have the entire beneficial ownership interest in, and all rights and privileges of a shareholder as to, such Retention Shares, including the right to vote such Retention Shares and, unless the Committee shall determine otherwise, the right to receive dividends thereon, subject to the following restrictions: (A) subject to Section 8(c), the Participant shall not be entitled to delivery of the stock certificate until the expiration of the Restriction Period and the satisfaction of any Vesting Conditions; (B) none of the Retention Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restriction Period or prior to the satisfaction of any Vesting Conditions; and (C) all of the Retention Shares shall be forfeited and all rights of the Participant to such Retention Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company or a Subsidiary for the entire Restriction Period, except as provided by Sections 8(a) and 8(c), and any applicable Vesting Conditions have been satisfied. Any Shares or other securities or property received as a result of a transaction listed in Section 13 shall be subject to the same restrictions as such Retention Shares unless the Committee shall determine otherwise.

**c. Termination of Employment.**

**(i) Disability and Retirement.** Unless the Committee shall determine otherwise, if (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period, by reason of disability under the provisions of the Company's or a Subsidiary's long-term disability plan or retirement under the provisions of the Company's or a Subsidiary's pension plan at actual age 65, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest and all restrictions applicable to such Retention Shares shall lapse. A certificate for such Shares shall be delivered to the Participant in accordance with the provisions of Section 8(d).

**(ii) Death.** Unless the Committee shall determine otherwise, if (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period by reason of death, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest in his or her Beneficiary, and all restrictions applicable to such Retention Shares shall lapse. A certificate for such Shares shall be delivered to the Participant's Beneficiary in accordance with the provisions of Section 8(d).

**(iii) Vesting Conditions.** Unless the Committee shall determine otherwise, if a Participant ceases to be an employee of the Company for any

reason prior to the satisfaction of any Vesting Conditions, the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 8(b) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant whose employment has so terminated to retain any or all of the Retention Shares then subject to the restrictions of Section 8(b) and all restrictions applicable to such Retention Shares shall lapse. A certificate for such Shares shall be delivered to the Participant in accordance with the provisions of Section 8(d).

**(iv) Change in Control.** In the event a Participant's employment is involuntarily terminated by the Company or any of its Subsidiaries (other than a termination as a result of death, disability, retirement or gross misconduct) within two (2) years following a Change in Control, the remaining restrictions with respect to Retention Shares, Original Retention Shares and Premium Retention Shares shall lapse and the Committee may, in its sole discretion, elect to satisfy its obligations either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

**(v) All Other Terminations.** If a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period for any reason other than death, disability or retirement as provided in Section 8(c)(i) and (ii) or a termination pursuant to Section 8(c)(iv), the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 8(b) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant whose employment has so terminated to retain any or all of the Retention Shares then subject to the restrictions of Section 8(b) and all restrictions applicable to such Retention Shares shall lapse. A certificate for such Shares shall be delivered to the Participant in accordance with the provisions of Section 8(d).

**d. Payment of Retention Shares.** At the end of the Restriction Period and after all Vesting Conditions have been satisfied, or at such earlier time as provided for in Section 8(c) or as the Committee, in its sole discretion, may otherwise determine, all restrictions applicable to the Retention Shares shall lapse, and a stock certificate for a number of Shares equal to the number of Retention Shares, free of all restrictions, shall be delivered to the Participant or his or her Beneficiary, as the case may be.

## **9. STOCK UNITS**

The Committee may also grant Awards of Stock Units under the Plan. The vesting of Awards of Stock Units shall be subject to the requirement that a Participant continue employment with the Company or a Subsidiary for a certain period of no less than three (3) years (the "Unit Restriction Period"), and may be subject to the satisfaction of other conditions or contingencies ("Unit Vesting Condition"), in order for a Participant to receive payment of such Stock Unit Award, as established by the

Committee at the time of the Stock Unit Award. The Committee may specify that the grant, vesting or retention of any or all Stock Units is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code, provided that the performance criteria for the grant, vesting or retention of any such Stock Units shall be a measure based on one or more Qualifying Performance Criteria selected by the Committee and specified at the time the Stock Units are granted. The Committee shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any Stock Units that are intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code. The Committee may determine in its sole discretion to waive any such requirement, condition or contingency. Awards of Stock Units shall be payable in Shares. The Committee may permit a Participant to elect to defer receipt of payment of all or part of any Award of Stock Units pursuant to rules and regulations adopted by the Committee. Unless the Committee provides otherwise at the time an Award of Stock Units to a Participant is made, the provisions of Sections 8(a) and 8(c) of this Plan relating to the vesting and forfeiture of Retention Shares upon termination of employment shall apply to any termination of employment by such Participant during the Unit Restriction Period or prior to the satisfaction of any Unit Vesting Condition for such Award.

## 10. TERMS AND CONDITIONS OF INCENTIVE BONUSES

Each Incentive Bonus Award will confer upon the Participant the opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a performance period established by the Committee.

**a. Incentive Bonus Document.** Each Incentive Bonus Document shall contain provisions regarding (i) the target and maximum amount payable to the Participant as an Incentive Bonus, (ii) the performance criteria and level of achievement versus these criteria that shall determine the amount of such payment, (iii) the term of the performance period as to which performance shall be measured for determining the amount of any payment, (iv) the timing of any payment earned by virtue of performance, (v) restrictions on the alienation or transfer of the Incentive Bonus prior to actual payment, (vi) forfeiture provisions and (vii) such further terms and conditions, in each case not inconsistent with this Plan, as may be determined from time to time by the Committee.

**b. Performance Criteria.** The Committee shall establish the performance criteria and level of achievement versus these criteria that shall determine the target and maximum amount payable under an Incentive Bonus Award, which criteria may be based on financial performance and/or personal performance evaluations. The maximum amount payable as an Incentive Bonus may be a multiple of the target amount payable. The maximum amount payable as an Incentive Bonus under this Plan during any calendar year to any one Participant shall not exceed \$15 million unless such limitation is no longer required under Section 162(m) of the Code. The Committee may specify the percentage of the target Incentive Bonus that is intended to satisfy the

requirements for “performance-based compensation” under Section 162(m) of the Code, provided that the performance criteria for any portion of an Incentive Bonus that is intended by the Committee to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code shall be a measure based on one or more Qualifying Performance Criteria selected by the Committee and specified at the time the Incentive Bonus Award is granted. The Committee shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any Incentive Bonus that is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code.

**c. Timing and Form of Payment.** The Committee shall determine the timing of payment of any Incentive Bonus. The Committee may provide for or, subject to such terms and conditions as the Committee may specify, may permit a Participant to elect for the payment of any Incentive Bonus to be deferred to a specified date or event. An Incentive Bonus may be payable in Shares or in cash. Any Incentive Bonus that is paid in cash shall not affect the number of Shares otherwise available for issuance under this Plan.

**d. Discretionary Adjustments.** Notwithstanding satisfaction of any performance goals, the amount paid under an Incentive Bonus Award on account of either financial performance or personal performance evaluations may be reduced by the Committee on the basis of such further considerations as the Committee shall determine.

## **11. DIVIDENDS AND DIVIDEND EQUIVALENTS**

Any Award may provide the Participant with the right to receive dividend payments or dividend equivalent payments on the Common Stock subject to the Award, whether or not such Award has been exercised or is vested. Such payments may be made in cash or may be credited to a Participant’s account and later settled in cash or Shares or a combination thereof, as determined by the Committee. Such payments and credits may be subject to such conditions and contingencies as the Committee may establish.

## **12. REGULATORY APPROVALS AND LISTING**

The Company shall not be required to issue to a Participant or a Beneficiary, as the case may be, any certificate for any Shares upon exercise of an Option or for any Retention Shares granted under this Plan or to make any payment with respect to any Incentive Bonus or Stock Unit granted under this Plan prior to (a) the obtaining of any approval from any governmental agency which the Company, in its sole discretion, shall determine to be necessary or advisable, (b) the admission of such Shares to listing on any stock exchange on which the Common Stock may then be listed, and (c) the completion of any registration or other qualification of such Shares under any state or federal law or rulings or regulations of any governmental body which the Company, in its sole discretion, shall determine to be necessary or advisable.

### 13. CHANGES IN CAPITAL STRUCTURE

a. **Corporate Actions Unimpaired.** The existence of outstanding Awards (including any Options) shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, exchanges, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of Shares or other securities or subscription rights thereto, or any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Shares or other securities of the Company or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. Further, except as expressly provided herein or by the Committee, (i) the issuance by the Company of shares of stock or any class of securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, (ii) the payment of a dividend in property other than Shares, or (iii) the occurrence of any similar transaction, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to Options or other Awards theretofore granted or the purchase price per Share, unless the Committee shall determine, in its sole discretion, that an adjustment is necessary to provide equitable treatment to a Participant.

b. **Adjustments Upon Certain Events.** If the outstanding Shares or other securities of the Company, or both, for which the Award is then exercisable or as to which the Award is to be settled shall at any time be changed or exchanged by declaration of a stock dividend, stock split, combination of shares, recapitalization, or reorganization, the Committee may, and if such event occurs after a Change of Control, the Committee shall, appropriately and equitably adjust the number and kind of Shares or other securities which are subject to this Plan or subject to any Awards theretofore granted, and the option or settlement prices of such Awards, so as to maintain the proportionate number of Shares or other securities without changing the aggregate option or settlement price, provided, however, that such adjustment shall be made so as to not affect the status of any Award intended to qualify as an incentive stock option under Section 422 of the Code or as "performance-based compensation" under Section 162(m) of the Code.

### 14. QUALIFYING PERFORMANCE CRITERIA

For purposes of this Plan, the term "Qualifying Performance Criteria" shall mean any one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group,

in each case as specified by the Committee in the Award: (a) cash flow (before or after dividends), (b) earnings per share (including earnings before interest, taxes, depreciation and amortization), (c) stock price, (d) return on equity, (e) total shareholder return, (f) return on capital (including return on total capital or return on invested capital), (g) return on assets or net assets, (h) market capitalization, (i) total enterprise value (market capitalization plus debt), (j) economic value added, (k) debt leverage (debt to capital), (l) revenue, (m) income or net income, (n) operating income, (o) operating profit or net operating profit, (p) operating margin or profit margin, (q) return on operating revenue, (r) cash from operations, (s) operating ratio, (t) commodity or operating revenue and (u) market share. To the extent consistent with Section 162(m) of the Code, the Committee may appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude any of the following events that occurs during a performance period: (v) asset write-downs, (w) litigation, claims, judgments or settlements, (x) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (y) accruals for reorganization and restructuring programs and (z) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to shareholders for the applicable year.

#### **15. TANDEM STOCK OR CASH RIGHTS**

Either at the time an Award is granted or by subsequent action, the Committee may, but need not, provide that an Award shall contain as a term thereof, a right, either in tandem with the other rights under the Award or as an alternative thereto, of the Participant to receive, without payment to the Company, a number of Shares, cash or a combination thereof, the amount of which is determined by reference to the value of the Award.

#### **16. TAXES**

**a. Withholding Requirements.** The Committee may make such provisions or impose such conditions as it may deem appropriate for the withholding or payment by a Participant or Beneficiary of any taxes that the Committee determines are required in connection with any Award granted under this Plan, and a Participant's or Beneficiary's rights in any Award are subject to satisfaction of such conditions.

**b. Payment of Withholding Taxes.** Notwithstanding the terms of Section 16(a), the Committee may provide in the agreement or other document evidencing an Award or otherwise that all or any portion of the taxes required to be withheld or, if permitted by the Committee, desired to be paid by the Participant, in connection with the exercise, vesting, settlement or transfer of any Award shall be paid or, at the election of the Participant, may be paid by withholding Shares otherwise issuable or subject to such Award, or by the Participant's delivering previously owned Shares, in each case having a fair market value equal to the amount required or elected to be withheld or paid, or by the Stock Administrator paying such amount pursuant to an irrevocable commitment by the Stock Administrator to deliver to the Company proceeds from the



sale of the Shares issuable under the Award. Any such election is subject to such conditions or procedures as may be established by the Committee and may be subject to approval by the Committee.

#### **17. TRANSFERABILITY**

Unless the agreement or other document evidencing an Award (or an amendment thereto authorized by the Committee) expressly states that the Award is transferable as provided hereunder, no Award granted under this Plan, nor any interest in such Award, may be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner prior to the vesting or lapse of any and all restrictions applicable thereto, other than by will or the laws of descent and distribution.

#### **18. TERM OF THIS PLAN**

No Options, Retention Shares, Stock Units or Incentive Bonuses shall be granted pursuant to the Plan after April 20, 2011, but grants of Options, Retention Shares, Stock Units or Incentive Bonuses theretofore granted may extend beyond that date and the terms and conditions of this Plan shall continue to apply thereto.

#### **19. TERMINATION OR AMENDMENT OF THIS PLAN**

The Board or the Committee may amend, alter or discontinue this Plan or any agreement or other document evidencing an Award made under this Plan but, except as provided pursuant to the anti-dilution adjustment provisions of Section 13(b), no such amendment shall, without the approval of the shareholders of the Company:

- (a) increase the maximum number of Shares for which Awards may be granted under this Plan;
- (b) reduce the price at which Options may be granted below the price provided for in Section 6(a);
- (c) reduce the option price of outstanding Options;
- (d) extend the term of this Plan;
- (e) change the class of persons eligible to be Participants; or
- (f) increase the number or percentage of Shares that are eligible for non-Option Awards.

The Board or the Committee may amend, alter or discontinue the Plan or any agreement evidencing an Award made under this Plan, but no amendment or alteration shall be made which would impair the rights of any Participant, without such Participant's consent, under any Award theretofore granted, provided that no such consent shall be required if the Committee determines in its sole discretion and prior to

the date of any Change in Control that such amendment or alteration either (i) is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation or to meet the requirements of any accounting standard, or (ii) is not reasonably likely to significantly diminish the benefits provided under such Award, or that any such diminishment has been adequately compensated.

## **20. LEAVE OF ABSENCE**

Unless the Committee shall determine otherwise, a leave of absence other than an Approved Leave of Absence shall be deemed a termination of employment for purposes of this Plan. An Approved Leave of Absence shall not be deemed a termination of employment for purposes of this Plan, but the period of such Approved Leave of Absence shall not be counted toward satisfaction of any Restriction Period or Unit Restriction Period or any holding period described in Section 6(c).

## **21. GENERAL PROVISIONS**

**a. Employment At Will.** Neither the Plan nor the grant of any Award nor any action by the Company, any Subsidiary or the Committee shall be held or construed to confer upon any person any right to be continued in the employ of the Company or a Subsidiary. The Company and each Subsidiary expressly reserve the right to discharge, without liability but subject to his or her rights under this Plan, any Participant whenever in the sole discretion of the Company or a Subsidiary, as the case may be, its interest may so require.

**b. Governing Law.** This Plan and any agreements or other documents hereunder shall be interpreted and construed in accordance with the laws of the State of Utah and applicable federal law. The Committee may provide that any dispute as to any Award shall be presented and determined in such forum as the Committee may specify, including through binding arbitration. Any reference in this Plan or in the agreement or other document evidencing any Award to a provision of law or to a rule or regulation shall be deemed to include any successor law, rule or regulation of similar effect or applicability.

## **22. NON-EXCLUSIVITY OF PLAN**

Neither the adoption of this Plan by the Board nor the submission of this Plan to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable, including without limitation, the granting of stock options, restricted stock or stock units otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

## **23. COMPLIANCE WITH OTHER LAWS AND REGULATIONS**

This Plan, the grant and exercise of Awards thereunder, and the obligation of the Company to sell, issue or deliver Shares under such Awards, shall be subject to all

applicable federal, state and local laws, rules and regulations and to such approvals by any governmental or regulatory agency as may be required. The Company shall not be required to register in a Participant's name or deliver any Shares prior to the completion of any registration or qualification of such Shares under any federal, state or local law or any ruling or regulation of any government body which the Committee shall determine to be necessary or advisable. This Plan is intended to constitute an unfunded arrangement for a select group of management and other key employees. No Option shall be exercisable unless a registration statement with respect to the Option is effective or the Company has determined that such registration is unnecessary. Unless the Awards and Shares covered by this Plan have been registered under the Securities Act of 1933, as amended, or the Company has determined that such registration is unnecessary, each person receiving an Award and/or Shares pursuant to any Award may be required by the Company to give a representation in writing that such person is acquiring such Shares for his or her own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof.

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**24. LIABILITY OF COMPANY**

The Company and any Affiliate which is in existence or hereafter comes into existence shall not be liable to a Participant or other persons as to: (a) the non-issuance or sale of Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder; and (b) any tax consequence expected, but not realized, by any Participant or other person due to the receipt, exercise or settlement of any Option or other Award granted hereunder.

**25. EFFECTIVE DATE**

The Plan shall become effective upon approval of the shareholders of the Company.

**RATIO OF EARNINGS TO FIXED CHARGES (Unaudited)***Union Pacific Corporation and Subsidiary Companies*

<i>Millions, Except for Ratios for the Three Months Ended March 31,</i>	<b>2013</b>	<b>2012</b>
Fixed charges:		
Interest expense including		
amortization of debt discount	\$ 128	\$ 135
Portion of rentals representing an interest factor	30	48
<b>Total fixed charges</b>	<b>\$ 158</b>	<b>\$ 183</b>
Earnings available for fixed charges:		
Net income	\$ 957	\$ 863
Equity earnings net of distributions	(1)	(15)
Income taxes	588	528
Fixed charges	158	183
<b>Earnings available for fixed charges</b>	<b>\$ 1,702</b>	<b>\$ 1,559</b>
<b>Ratio of earnings to fixed charges</b>	<b>10.8</b>	<b>8.5</b>

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, John J. Koraleski, 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: April 18, 2013

/s/ John J. Koraleski  
John J. Koraleski  
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: April 18, 2013

/s/ Robert M. Knight, Jr.  
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 March 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, John J. Koraleski, 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/ John J. Koraleski  
John J. Koraleski  
President and  
Chief Executive Officer  
Union Pacific Corporation

April 18, 2013

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 March 31, 2013, 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

April 18, 2013

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.