UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2011

OR

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

For the transition period from __________ to __________

Commission File Number 1-6075

UNION PACIFIC CORPORATION

(Exact name of registrant as specified in its charter)

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

1400 DOUGLAS STREET, OMAHA, NEBRASKA
(Address of principal executive offices)

68179
(Zip Code)

(402) 544-5000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
Common Stock (Par Value $2.50 per share)	**New York Stock Exchange, Inc.**

- Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☑ Yes ☐ No

- Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

☐ Yes ☑ No

- 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 Website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

- 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 June 30, 2011, the aggregate market value of the registrant's Common Stock held by non-affiliates (using the New York Stock Exchange closing price) was $50.7 billion.

The number of shares outstanding of the registrant's Common Stock as of January 27, 2012 was 480,067,865.

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Documents Incorporated by Reference – Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 10, 2012, are incorporated by reference into Part III of this report. The registrant's Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

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February 3, 2012

Fellow Shareholders:

Our 2011 results demonstrated the capabilities of the men and women of Union Pacific and the strength of our unique and diverse franchise, contributing to the safest and most profitable year in Union Pacific's 150-year history. Both top and bottom line results achieved historic milestones and generated record earnings of $6.72 per share and a return on invested capital of 12.4 percent. We rewarded shareholders with improved financial returns, including a 58 percent increase in the quarterly dividend per share and more than $1.4 billion in share repurchases. UP's stock price reached new highs in 2011, increasing 14 percent and outpacing the S&P 500 by 14 points as well.

We accomplished this while overcoming many challenges: global financial market turmoil, ongoing economic uncertainty, historic flooding in the Midwest and extreme drought conditions in the South. Despite these challenges, we maintained efficient network operations, met our customer commitments, and continued operating a safe and productive railroad.

As volumes increased, we maintained excellent customer service and achieved many new safety records. With Total Safety Culture flourishing across our company, employee injuries hit a record low in 2011, capping a decade of significant improvement. Customers also rewarded us with record satisfaction ratings, clearly valuing our service offerings and the efficiencies we provide as part of their total supply chain.

Capital investments play a critical role in meeting the long-term demand for transportation. In 2011, we invested a record $3.2 billion across our network. Over half was spent on replacing and hardening our infrastructure to further enhance safety and reliability. The balance was invested to support business growth. Projects large and small, in all regions where we operate, will enable us to serve our customers well in the years ahead. This level of investment is supported by the strong financial returns we generated in 2011.

Public officials are increasingly aware that a healthy, efficient rail network is critical to our country's growing need for a strong transportation infrastructure. With public spending for infrastructure under pressure, the investments we are making will help our customers and our country compete in an increasingly global economy. We work hard to make sure that policy makers and regulators understand the relationship between financial results and investment so that new regulation does not hinder future opportunity for our customers.

As we focus our efforts on 2012 and beyond, we see continued prospects for growth from our existing customers, along with new, emerging market opportunities. Union Pacific plays a vital role in the global supply chain. International trade currently represents one third of our revenue base, and it is growing. An increasing U.S. population base will stimulate long-term demand for most of the goods we carry. As the only railroad to serve all six major gateways to Mexico, we are in an excellent position to benefit from expanding U.S. trade with Mexico.

With the development of new and improved horizontal drilling techniques, the U.S. has seen a dramatic expansion of drilling activity for crude oil and natural gas at various shale formations around the country. We're extending our "energy reach" by providing an efficient rail-based supply chain to support the ongoing expansion of this business.

Last year was a historic milestone that set the stage for 2012, which marks 150 years of history for Union Pacific. The generations who came before us helped build a nation, and today Union Pacific continues to play a critical role in helping our country grow and prosper. We're making significant capital investments, generating increasing financial returns, providing fuel efficient and environmentally responsible transportation, and creating solid, well-paying jobs. The bar has been raised for Union Pacific in 2012 and our prospects have never been better. We pay tribute to our 45,000 employees, whose innovation and teamwork will move us forward to even greater accomplishments in 2012.

Chairman, President and
Chief Executive Officer

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DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Andrew H. Card, Jr.
Acting Dean
The Bush School of
Government & Public Service,
Texas A&M University
Board Committees: Audit, Finance

Erroll B. Davis, Jr.
Superintendent
Atlanta Public Schools
Board Committees: Compensation and Benefits (Chair), Corporate Governance and Nominating

Thomas J. Donohue
President and
Chief Executive Officer
U.S. Chamber of Commerce
Board Committees: Compensation and Benefits, Corporate Governance and Nominating

Archie W. Dunham
Retired Chairman
ConocoPhillips
Board Committees: Corporate Governance and Nominating, Finance

Judith Richards Hope
Distinguished Visitor from Practice
and Professor of Law
Georgetown University Law Center
Board Committees: Audit (Chair), Finance

Charles C. Krulak
General, USMC, Ret.
President
Birmingham–Southern College
Board Committees: Audit, Finance

Michael R. McCarthy
Chairman
McCarthy Group, LLC
Board Committees: Audit, Finance

Michael W. McConnell
General Partner
Brown Brothers Harriman & Co.
Board Committees: Audit, Finance (Chair)

Thomas F. McLarty III
President
McLarty Associates
Board Committees: Compensation and Benefits, Corporate Governance and Nominating

Steven R. Rogel
Retired Chairman
Weyerhaeuser Company
Lead Independent Director
Board Committees: Compensation and Benefits, Corporate Governance and Nominating (Chair)

Jose H. Villarreal
Advisor
Akin, Gump, Strauss, Hauer & Feld, LLP
Board Committees: Compensation and Benefits, Corporate Governance and Nominating

James R. Young
Chairman, President and
Chief Executive Officer
Union Pacific Corporation and
Union Pacific Railroad Company

SENIOR MANAGEMENT

James R. Young
Chairman, President and
Chief Executive Officer
Union Pacific Corporation and
Union Pacific Railroad Company

Charles R. Eisele
Senior Vice President–Strategic Planning
Union Pacific Corporation

Lance M. Fritz
Executive Vice President–Operations
Union Pacific Railroad Company

J. Michael Hemmer
Senior Vice President–Law
and General Counsel
Union Pacific Corporation

Mary Sanders Jones
Vice President and Treasurer
Union Pacific Corporation

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

John J. Koraleski
Executive Vice President–
Marketing and Sales
Union Pacific Railroad Company

D. Lynn Kelley
Vice President–Continuous
Improvement
Union Pacific Railroad Company

Joseph E. O'Connor, Jr.
Vice President–Purchasing
Union Pacific Railroad Company

Patrick J. O'Malley
Vice President–Taxes and General Tax
Counsel
Union Pacific Corporation

Michael A. Rock
Vice President–External Relations
Union Pacific Corporation

Barbara W. Schaefer
Senior Vice President–Human Resources
and Secretary
Union Pacific Corporation

Lynden L. Tennison
Senior Vice President and
Chief Information Officer
Union Pacific Corporation

Jeffrey P. Totusek
Vice President and Controller
Union Pacific Corporation

Robert W. Turner
Senior Vice President–
Corporate Relations
Union Pacific Corporation

William R. Turner
Vice President–Labor Relations
Union Pacific Railroad Company

PART I

Item 1. Business

GENERAL

Union Pacific Corporation owns one of America's leading transportation companies. Its principal operating company, Union Pacific Railroad Company, links 23 states in the western two-thirds of the country. Union Pacific Railroad Company serves many of the fastest-growing U.S. population centers, providing a fuel-efficient, environmentally responsible and safe mode of freight transportation. Union Pacific Railroad Company's diversified business mix includes Agricultural Products, Automotive, Chemicals, Energy, Industrial Products and Intermodal. Union Pacific Railroad Company emphasizes excellent customer service and offers competitive routes from all major West Coast and Gulf Coast ports to eastern gateways. Union Pacific Railroad Company connects with Canada's rail systems and is the only railroad serving all six major gateways to Mexico, making it North America's premier rail franchise.

Union Pacific Corporation was incorporated in Utah in 1969 and maintains its principal executive offices at 1400 Douglas Street, Omaha, NE 68179. The telephone number at that address is (402) 544-5000. The common stock of Union Pacific Corporation is listed on the New York Stock Exchange (NYSE) under the symbol "UNP".

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".

Available Information – Our Internet website is 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. 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 NYSE 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.

We have included the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) certifications regarding our public disclosure required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31(a) and (b) to this report.

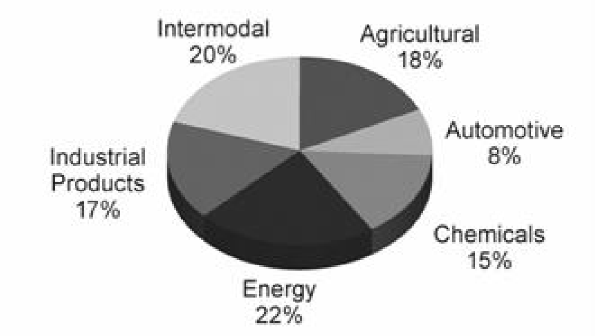
References to our website address in this report, including references in Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7, are provided as a convenience and do not constitute, and should not be deemed, an incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this report.

OPERATIONS

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable operating segment. Although revenue is analyzed by commodity group, we analyze the net financial results of the Railroad as one segment due to the integrated nature of our rail network. Additional information regarding our business and operations, including revenue and financial information and data and other information regarding environmental matters, is presented in Risk Factors, Item 1A; Legal Proceedings, Item 3; Selected Financial Data, Item 6; Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7; and the Financial Statements and Supplementary Data, Item 8 (which include information regarding revenues, statements of income, and total assets).

Operations – UPRR is a Class I railroad operating in the U.S. We have 31,898 route miles, linking Pacific Coast and Gulf Coast ports with the Midwest and eastern U.S. gateways and providing several corridors to key Mexican gateways. We serve the western two-thirds of the country and maintain coordinated schedules with other rail carriers to move freight to and from the Atlantic Coast, the Pacific Coast, the Southeast, the Southwest, Canada, and Mexico. Export and import traffic moves through Gulf Coast and Pacific Coast ports and across the Mexican and Canadian borders. Our freight traffic consists of bulk, manifest, and premium business. Bulk traffic is primarily coal, grain, rock, or soda ash in unit trains – trains transporting a single commodity from one source to one destination. Manifest traffic is individual carload or less than train-load business, including commodities such as lumber, steel, paper, food and chemicals. The transportation of finished vehicles, intermodal containers and truck trailers is part of our premium business. In 2011, we generated freight revenues totaling $18.5 billion from the following six commodity groups:

2011 Freight Revenue



Agricultural – Transportation of grains, commodities produced from these grains, and food and beverage products generated 18% of the Railroad's 2011 freight revenue. The Company accesses most major grain markets, linking the Midwest and western producing areas to export terminals in the Pacific Northwest and Gulf Coast ports, as well as Mexico. We also serve significant domestic markets, including grain processors, animal feeders and ethanol producers in the Midwest, West, South and Rocky Mountain states. Unit trains, which transport a single commodity between producers and export terminals or domestic markets, represent nearly 40% of agricultural shipments.

Automotive – We are the largest automotive carrier west of the Mississippi River and operate or access over 40 vehicle distribution centers. The Railroad's extensive franchise serves vehicle assembly plants and connects to West Coast ports and the Port of Houston to accommodate both import and export shipments. In addition to transporting finished vehicles, UP provides expedited handling of automotive parts in both boxcars and intermodal containers destined for Mexico, the U.S. and Canada. The automotive group generated 8% of Union Pacific's freight revenue in 2011. Finished vehicles accounted for 78% of this revenue, with transportation of automotive parts and materials providing the remaining 22%.

Chemicals – Transporting chemicals generated 15% of our freight revenue in 2011. The Railroad's unique franchise serves the chemical producing areas along the Gulf Coast, where roughly two-thirds of the Company's chemical business originates, terminates or travels. Our chemical franchise also accesses chemical producers in the Rocky Mountains and on the West Coast. The Company's chemical shipments include three broad categories: Petrochemicals, Fertilizer and Soda Ash. Petrochemicals include industrial chemicals, plastics, petroleum products, including crude oil from North Dakota, and liquid petroleum gases. These products move primarily to and from the Gulf Coast region. Fertilizer movements originate in the Gulf Coast region, the western part of the U.S. and Canada for delivery to major agricultural users in the Midwest, western U.S. and abroad. Soda ash originates in southwestern Wyoming and California, destined for chemical and glass producing markets in North America and abroad.

Energy – Coal and petroleum coke transportation accounted for the largest share of our freight revenue, 22% in 2011. The Railroad's network supports the transportation of coal and petroleum coke to utilities and industrial facilities throughout the U.S. Through interchange gateways and ports, UP's reach extends to eastern U.S. utilities, Mexico, Europe and Asia. Water terminals allow the Railroad to move western U.S. coal east via the Mississippi and Ohio Rivers, as well as the Great Lakes. Export coal moves through West Coast ports to Asia and through Mississippi River and Gulf Coast terminals to Europe. Coal traffic originating in the Southern Powder River Basin (SPRB) area of Wyoming is the largest segment of UP's energy business.

Industrial Products – Our extensive network facilitates the movement of numerous commodities between thousands of origin and destination points throughout North America. The Industrial Products commodity group consists of several categories, including construction products, metals, minerals, paper, consumer goods, lumber and other miscellaneous products. In 2011, this group generated 17% of Union Pacific's total freight revenue. Commercial and highway construction drives shipments of steel and construction products, consisting of rock, cement and roofing materials. Industrial manufacturing plants receive nonferrous metals and industrial minerals. Paper and consumer goods, including furniture and appliances, move to major metropolitan areas for consumers. Lumber shipments originate primarily in the pacific northwest and Canada and move throughout the U.S. for use in new home construction and repair and remodeling.

Intermodal – Our Intermodal business includes two shipment categories: international and domestic. International business consists of imported and exported container traffic that mainly passes through West Coast ports served by UP's extensive terminal network. Domestic business includes container and trailer traffic picked up and delivered within North America for intermodal marketing companies (primarily shipper agents and logistics companies), as well as truckload carriers. Less-than-truckload and package carriers with time-sensitive business requirements are also an important part of these domestic shipments. Together, international and domestic business generated 20% of UP's 2011 freight revenue.

Seasonality – Some of the commodities we carry have peak shipping seasons, reflecting either or both the nature of the commodity, such as certain agricultural and food products that have specific growing and harvesting seasons, and the demand cycle for the commodity, such as intermodal traffic, which generally has a peak shipping season during the third quarter to meet holiday-related demand for consumer goods during the fourth quarter. The peak shipping seasons for these commodities can vary considerably from year to year depending upon various factors, including the strength of domestic and international economies and currencies and the strength of harvests and market prices for agricultural products. In response to an annual request delivered by the Surface Transportation Board (STB) of the U.S. Department of Transportation (DOT) to all of the Class I railroads operating in the U.S., we issue a publicly available letter during the third quarter detailing our plans for handling traffic during the third and fourth quarters and providing other information requested by the STB.

Working Capital – At December 31, 2011 and 2010, we had a working capital surplus. This reflects a strong cash position, which provides enhanced liquidity in an uncertain economic environment. In addition, we believe we have adequate access to capital markets to meet cash requirements, and we have sufficient financial capacity to satisfy our current liabilities.

Competition – We are subject to competition from other railroads, motor carriers, ship and barge operators, and pipelines. Our main rail competitor is Burlington Northern Santa Fe Corporation. Its rail subsidiary, BNSF Railway Company (BNSF), operates parallel routes in many of our main traffic corridors. In addition, we operate in corridors served by other railroads and motor carriers. Motor carrier competition exists for five of our six commodity groups (excluding energy). Because of the proximity of our routes to major inland and Gulf Coast waterways, barges can be particularly competitive, especially for grain and bulk commodities. In addition to price competition, we face competition with respect to transit times and quality and reliability of service. While we must build or acquire and maintain our rail system, trucks and barges are able to use public rights-of-way maintained by public entities. Any future improvements or expenditures materially increasing the quality or reducing the costs of these alternative modes of transportation, or legislation releasing motor carriers from their size or weight limitations, could have a material adverse effect on our business.

Key Suppliers – We depend on two key domestic suppliers of high horsepower locomotives. Due to the capital intensive nature of the locomotive manufacturing business and sophistication of this equipment, potential new suppliers face high barriers to entry in this industry. Therefore, if one of these domestic suppliers discontinues manufacturing locomotives for any reason, including insolvency or bankruptcy, we could experience a significant cost increase and risk reduced availability of the locomotives that are necessary to our operations. Additionally, for a high percentage of our rail purchases, we utilize two suppliers (one domestic and one international) that meet our specifications. Rail is critical for both maintenance of our network and replacement and improvement or expansion of our network and facilities. Rail manufacturing also has high barriers to entry, and, if one of those suppliers discontinues operations for any reason, including insolvency or bankruptcy, we could experience cost increases and difficulty obtaining rail.

Employees – Approximately 86% of our 44,861 full-time-equivalent employees are represented by 14 major rail unions. In January 2010, the nation's largest freight railroads began the current round of negotiations with the labor unions. Generally, contract negotiations with the various unions take place over an extended period of time. This round of negotiations was no exception. In September 2011, the rail industry reached agreements with the United Transportation Union. On November 5, 2011, a Presidential Emergency Board (PEB) appointed by President Obama issued recommendations to resolve the disputes between the U.S. railroads and 11 unions that had not yet reached agreements. Since then, ten unions reached agreements with the railroads, all of them generally patterned on the recommendations of the PEB, and the unions subsequently ratified these agreements. The railroad industry reached a tentative agreement with the Brotherhood of Maintenance of Way Employees (BMWE) on February 2, 2012, eliminating the immediate threat of a national rail strike. The BMWE now will commence ratification of this tentative agreement by its members.

Railroad Security – Operating a safe and secure railroad is first among our critical priorities and is a primary responsibility of all our employees. This emphasis helps us protect the public, our employees, our customers, and operations across our rail network. Our security efforts rely upon a wide variety of measures including employee training, cooperation with our customers, training of emergency responders, and partnerships with numerous federal, state, and local government agencies. While federal law requires us to protect the confidentiality of our security plans designed to safeguard against terrorism and other security incidents, the following provides a general overview of our security initiatives.

UPRR Security Measures – We maintain a comprehensive security plan designed to both deter and to respond to any potential or actual threats as they arise. The plan includes four levels of alert status, each with its own set of countermeasures. We employ our own police force, consisting of more than 215 commissioned and highly-trained officers. Our employees also undergo recurrent security and preparedness training, as well as federally-mandated hazardous materials and security training. We regularly review the sufficiency of our employee training programs to identify ways to increase preparedness and to improve security. We maintain the capability to move critical operations to back-up facilities in different locations.

We have an emergency response management center, which operates 24 hours a day. The center receives reports of emergencies, dangerous or potentially dangerous conditions, and other safety and security issues from our employees, the public, and law enforcement and other government officials. In cooperation with government officials, we monitor both threats and public events, and, as necessary, we may alter rail traffic flow at times of concern to minimize risk to communities we serve and our operations. We comply with the hazardous materials routing rules and other requirements imposed by federal law. We also design our operating plan to expedite the movement of hazardous material shipments to minimize the time rail cars remain idle at yards and terminals located in or near major population centers. Additionally, in compliance with new Transportation Security Agency regulations that took effect on April 1, 2009, we deployed new information systems and instructed employees in tracking and documenting the handoff of Rail Security Sensitive Material with customers and interchange partners.

We also have established a number of our own innovative safety and security-oriented initiatives ranging from various investments in technology to The Officer on the Train program, which provides local law enforcement officers with the opportunity to ride with train crews to enhance their understanding of railroad operations and risks. Our staff of information security professionals continually assesses cyber security risks and implements mitigation programs that evolve with the changing technology threat environment.

Cooperation with Federal, State, and Local Government Agencies – We work closely on physical and cyber security initiatives with government agencies ranging from the DOT and the Department of Homeland Security (DHS) to local police departments, fire departments, and other first responders. In conjunction with DOT, DHS, and other railroads, we sponsor Operation Respond, which provides first responders with secure links to electronic railroad resources, including mapping systems, shipment records, and other essential information required by emergency personnel to respond to accidents and other situations. We also participate in the National Joint Terrorism Task Force, a multi-agency effort established by the U.S. Department of Justice and the Federal Bureau of Investigation to combat and prevent terrorism.

We work with the Coast Guard, U.S. Customs and Border Protection (CBP), and the Military Transport Management Command to monitor shipments entering the UPRR rail network at U.S. border crossings and ports. We were the first railroad in the U.S. to be named a partner in CBP's Customs-Trade Partnership Against Terrorism, a partnership designed to develop, enhance, and maintain effective security processes throughout the global supply chain.

Cooperation with Customers and Trade Associations – Along with other railroads, we work with the American Chemistry Council to train more than 200,000 emergency responders each year. We work closely with our chemical shippers to establish plant security plans, and we continue to take steps to more closely monitor and track hazardous materials shipments. In cooperation with the Federal Railroad Administration (FRA) and other railroads, we are also working to develop additional improvements to tank car design that will further limit the risk of releases of hazardous materials.

GOVERNMENTAL AND ENVIRONMENTAL REGULATION

Governmental Regulation – Our operations are subject to a variety of federal, state, and local regulations, generally applicable to all businesses. (See also the discussion of certain regulatory proceedings in Legal Proceedings, Item 3.)

The operations of the Railroad are also subject to the regulatory jurisdiction of the STB. The STB has jurisdiction over rates charged on certain regulated rail traffic; common carrier service of regulated traffic; freight car compensation; transfer, extension, or abandonment of rail lines; and acquisition of control of rail common carriers. The STB launched wide-ranging proceedings to explore whether to expand rail regulation, and we actively participated. The STB has not yet taken further action and denied a petition seeking one form of "access" regulation. Additionally, several bills were introduced in the U.S. Senate in early 2011 that would expand the regulatory authority of the STB and could include new antitrust provisions. We continue to monitor these proposed bills.

The operations of the Railroad also are subject to the regulations of the FRA and other federal and state agencies. On January 12, 2010, the FRA issued final rules governing installation of Positive Train Control (PTC) by the end of 2015. Although still under development, PTC is a collision avoidance technology intended to override locomotive controls and stop a train before an accident. The FRA acknowledged that projected costs will exceed projected benefits by a ratio of about 22 to one, and we estimate that our costs will be higher than the FRA assumed. Congress has directed the FRA to provide an early report by March 1, 2012, on the status of PTC implementation, which is in advance of a detailed report due by the end of 2012. Through 2011, we have invested nearly $400 million in the development of PTC.

DOT, the Occupational Safety and Health Administration, and DHS, along with other federal agencies, have jurisdiction over certain aspects of safety, movement of hazardous materials and hazardous waste, emissions requirements, and equipment standards. The Rail Safety Improvement Act of 2008, among other things, revised hours of service rules for train and certain other railroad employees, mandated implementation of PTC, imposed passenger service requirements, addressed safety at rail crossings, increased the number of safety related employees of the FRA, and increased fines that may be levied against railroads for safety violations. Additionally, various state and local agencies have jurisdiction over disposal of hazardous waste and seek to regulate movement of hazardous materials in ways not preempted by federal law.

Environmental Regulation – We are subject to extensive federal and state environmental statutes and regulations pertaining to public health and the environment. The statutes and regulations are administered and monitored by the Environmental Protection Agency (EPA) and by various state environmental agencies. The primary laws affecting our operations are the Resource Conservation and Recovery Act, regulating the management and disposal of solid and hazardous wastes; the Comprehensive Environmental Response, Compensation, and Liability Act, regulating the cleanup of contaminated properties; the Clean Air Act, regulating air emissions; and the Clean Water Act, regulating waste water discharges.

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 and Note 17 to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data.

Item 1A. Risk Factors

The information set forth in this Item 1A should be read in conjunction with the rest of the information included in this report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7, and Financial Statements and Supplementary Data, Item 8.

We Must Manage Fluctuating Demand for Our Services and Network Capacity – If there is significant demand for our services that exceeds the designed capacity of our network, we may experience network difficulties, including congestion and reduced velocity, that could compromise the level of service we provide to our customers. This level of demand may also compound the impact of weather and weather-related events on our operations and velocity. Although we continue to improve our transportation plan, add capacity, and improve operations at our yards and other facilities, we cannot be sure that these measures will fully or adequately address any service shortcomings resulting from demand exceeding our planned capacity. We may experience other operational or service difficulties related to network capacity, dramatic and unplanned increases or decreases of demand for rail service with respect to one or more of our commodity groups, or other events that could have a negative impact on our operational efficiency, any of which could have a material adverse effect on our results of operations, financial condition, and liquidity. In the event that we experience significant reductions of demand for rail services with respect to one or more of our commodity groups, we may experience increased costs associated with resizing our operations, including higher unit operating costs and costs for the storage of locomotives, rail cars, and other equipment; work-force adjustments; and other related activities, which could have a material adverse effect on our results of operations, financial condition, and liquidity.

We Are Subject to Significant Governmental Regulation – We are subject to governmental regulation by a significant number of federal, state, and local authorities covering a variety of health, safety, labor, environmental, economic (as discussed below), and other matters. Many laws and regulations require us to obtain and maintain various licenses, permits, and other authorizations, and we cannot guarantee that we will continue to be able to do so. Our failure to comply with applicable laws and regulations could have a material adverse effect on us. Governments or regulators may change the legislative or regulatory frameworks within which we operate without providing us any recourse to address any adverse effects on our business, including, without limitation, regulatory determinations or rules regarding dispute resolution, business relationships with other railroads, calculation of our cost of capital or other inputs relevant to computing our revenue adequacy, the prices we charge, and costs and expenses. Significant legislative activity in Congress or regulatory activity by the STB could expand regulation of railroad operations and prices for rail services, which could reduce capital spending on our rail network, facilities and equipment and have a material adverse effect on our results of operations, financial condition, and liquidity. As part of the Rail Safety Improvement Act of 2008, railroad carriers must implement PTC by the end of 2015, which could have a material adverse effect on our ability to make other capital investments. One or more consolidations of Class I railroads could also lead to increased regulation of the rail industry.

We Are Required to Transport Hazardous Materials – Federal laws require railroads, including us, to transport certain hazardous materials regardless of risk or potential exposure to loss. Any rail accident or other incident or accident on our network, at our facilities, or at the facilities of our customers involving the release of hazardous materials, including toxic inhalation hazard (or TIH) materials such as chlorine, could involve significant costs and claims for personal injury, property damage, and environmental penalties and remediation, which could have a material adverse effect on our results of operations, financial condition, and liquidity.

We May Be Affected by General Economic Conditions – Prolonged severe adverse domestic and global economic conditions or disruptions of financial and credit markets, including the availability of short- and long-term debt financing, may affect the producers and consumers of the commodities we carry and may have a material adverse effect on our access to liquidity and our results of operations and financial condition.

We Face Competition from Other Railroads and Other Transportation Providers – We face competition from other railroads, motor carriers, ships, barges, and pipelines. In addition to price competition, we face competition with respect to transit times and quality and reliability of service. While we must build or acquire and maintain our rail system, trucks and barges are able to use public rights-of-way maintained by public entities. Any future improvements or expenditures materially increasing the quality or reducing the cost of alternative modes of transportation, or legislation releasing motor carriers from their size or weight limitations, could have a material adverse effect on our results of operations, financial condition, and liquidity. Additionally, any future consolidation of the rail industry could materially affect the competitive environment in which we operate.

We Rely on Technology and Technology Improvements in Our Business Operations – We rely on information technology in all aspects of our business. If we do not have sufficient capital to acquire new technology or if we are unable to develop or implement new technology such as PTC or the latest version of our transportation control systems, we may suffer a competitive disadvantage within the rail industry and with companies providing other modes of transportation service, which could have a material adverse effect on our results of operations, financial condition, and liquidity. Additionally, if a cyber attack or other event causes significant disruption or failure of one or more of our information technology systems, including computer hardware, software, and communications equipment, we could suffer a significant service interruption, safety failure, security breach, or other operational difficulties, which could have a material adverse impact on our results of operations, financial condition, and liquidity.

Strikes or Work Stoppages Could Adversely Affect Our Operations as the Majority of Our Employees Belong to Labor Unions and Labor Agreements – The U.S. Class I railroads are party to collective bargaining agreements with various labor unions. Disputes with regard to the terms of these agreements or our potential inability to negotiate acceptable contracts with these unions could result in, among other things, strikes, work stoppages, slowdowns, or lockouts, which could cause a significant disruption of our operations and have a material adverse effect on our results of operations, financial condition, and liquidity. Additionally, future national labor agreements, or renegotiation of labor agreements or provisions of labor agreements, could compromise our service reliability or significantly increase our costs for health care, wages, and other benefits, which could have a material adverse impact on our results of operations, financial condition, and liquidity.

Severe Weather Could Result in Significant Business Interruptions and Expenditures – As a railroad with a vast network, we are exposed to severe weather conditions and other natural phenomena, including earthquakes, hurricanes, fires, floods, mudslides or landslides, extreme temperatures, and significant precipitation that may cause business interruptions, including line outages on our rail network, that can adversely affect our entire rail network and result in increased costs, increased liabilities, and decreased revenue, which could have a material adverse effect on our results of operations, financial condition, and liquidity.

We May Be Subject to Various Claims and Lawsuits That Could Result in Significant Expenditures – As a railroad with operations in densely populated urban areas and other cities and a vast rail network, we are exposed to the potential for various claims and litigation related to labor and employment, personal injury, property damage, environmental liability, and other matters. Any material changes to litigation trends or a catastrophic rail accident or series of accidents involving any or all of property damage, personal injury, and environmental liability could have a material adverse effect on our results of operations, financial condition, and liquidity.

We Are Subject to Significant Environmental Laws and Regulations – Due to the nature of the railroad business, our operations are subject to extensive federal, state, and local environmental laws and regulations concerning, among other things, emissions to the air; discharges to waters; handling, storage, transportation, and disposal of waste and other materials; and hazardous material or petroleum releases. We generate and transport hazardous and non-hazardous waste in our operations, and we did so in our former operations. Environmental liability can extend to previously owned or operated properties, leased properties, and properties owned by third parties, as well as to properties we currently own. Environmental liabilities have arisen and may also arise from claims asserted by adjacent landowners or other third parties in toxic tort litigation. We have been and may be subject to allegations or findings that we have violated, or are strictly liable under, these laws or regulations. We could incur significant costs as a result of any of the foregoing, and we may be required to incur significant expenses to investigate and remediate known, unknown, or future environmental contamination, which could have a material adverse effect on our results of operations, financial condition, and liquidity.

We May Be Affected by Climate Change and Market or Regulatory Responses to Climate Change – Climate change, including the impact of global warming, could have a material adverse effect on our results of operations, financial condition, and liquidity. Restrictions, caps, taxes, or other controls on emissions of greenhouse gasses, including diesel exhaust, could significantly increase our operating costs. Restrictions on emissions could also affect our customers that (a) use commodities that we carry to produce energy, (b) use significant amounts of energy in producing or delivering the commodities we carry, or (c) manufacture or produce goods that consume significant amounts of energy or burn fossil fuels, including chemical producers, farmers and food producers, and automakers and other manufacturers. Significant cost increases, government regulation, or changes of consumer preferences for goods or services relating to alternative sources of energy or emissions reductions could materially affect the markets for the commodities we carry, which in turn could have a material adverse effect on our results of operations, financial condition, and liquidity. Government incentives encouraging the use of alternative sources of energy could also affect certain of our customers and the markets for certain of the commodities we carry in an unpredictable manner that could alter our traffic patterns, including, for example, the impacts of ethanol incentives on farming and ethanol producers. Finally, we could face increased costs related to defending and resolving legal claims and other litigation related to climate change and the alleged impact of our operations on climate change. Any of these factors, individually or in operation with one or more of the other factors, or other unforeseen impacts of climate change could reduce the amount of traffic we handle and have a material adverse effect on our results of operations, financial condition, and liquidity.

The Availability of Qualified Personnel Could Adversely Affect Our Operations – Changes in demographics, training requirements, and the availability of qualified personnel could negatively affect our ability to meet demand for rail service. Unpredictable increases in demand for rail services and a lack of network fluidity may exacerbate such risks, which could have a negative impact on our operational efficiency and otherwise have a material adverse effect on our results of operations, financial condition, and liquidity.

Rising or Elevated Fuel Costs and Whether We Are Able to Mitigate These Costs with Fuel Surcharges Could Materially and Adversely Affect Our Business – Fuel costs constitute a significant portion of our transportation expenses. Diesel fuel prices are subject to dramatic fluctuations, and significant price increases could have a material adverse effect on our operating results. Although we currently are able to recover a significant amount of our increased fuel expenses through revenue from fuel surcharges, we cannot be certain that we will always be able to mitigate rising or elevated fuel costs through surcharges. Future market conditions or legislative or regulatory activities could adversely affect our ability to apply fuel surcharges or adequately recover increased fuel costs through fuel surcharges. International, political, and economic circumstances affect fuel prices and supplies. Weather can also affect fuel supplies and limit domestic refining capacity. If a fuel supply shortage were to arise, higher fuel prices could, despite our fuel surcharge programs, have a material adverse effect on our results of operations, financial condition, and liquidity.

We Utilize Capital Markets – Due to the significant capital expenditures required to operate and maintain a safe and efficient railroad, we rely on the capital markets to provide some of our capital requirements. We utilize long-term debt instruments, bank financing and commercial paper from time-to-time, and we pledge certain of our receivables. Significant instability or disruptions of the capital markets, including the credit markets, or deterioration of our financial condition due to internal or external factors could restrict or prohibit our access to, and significantly increase the cost of, commercial paper and other financing sources, including bank credit facilities and the issuance of long-term debt, including corporate bonds. A deterioration of our financial condition could result in a reduction of our credit rating to below investment grade, which could prohibit or restrict us from utilizing our current receivables securitization facility or accessing external sources of short- and long-term debt financing and significantly increase the costs associated with utilizing the receivables securitization facility and issuing both commercial paper and long-term debt.

We Are Subject to Legislative, Regulatory, and Legal Developments Involving Taxes – Taxes are a significant part of our expenses. We are subject to U.S. federal, state, and foreign income, payroll, property, sales and use, fuel, and other types of taxes. Changes in tax rates, enactment of new tax laws, revisions of tax regulations, and claims or litigation with taxing authorities could result in substantially higher taxes and, therefore, could have a material adverse effect on our results of operations, financial condition, and liquidity.

We Are Dependent on Certain Key Suppliers of Locomotives and Rail – Due to the capital intensive nature and sophistication of locomotive equipment, potential new suppliers face high barriers to entry. Therefore, if one of the domestic suppliers of high horsepower locomotives discontinues manufacturing locomotives for any reason, including bankruptcy or insolvency, we could experience significant cost increases and reduced availability of the locomotives that are necessary for our operations. Additionally, for a high percentage of our rail purchases, we utilize two suppliers (one domestic and one international) that meet our specifications. Rail is critical to our operations for rail replacement programs, maintenance, and for adding additional network capacity, new rail and storage yards, and expansions of existing facilities. This industry similarly has high barriers to entry, and if one of these suppliers discontinues operations for any reason, including bankruptcy or insolvency, we could experience both significant cost increases for rail purchases and difficulty obtaining sufficient rail for maintenance and other projects.

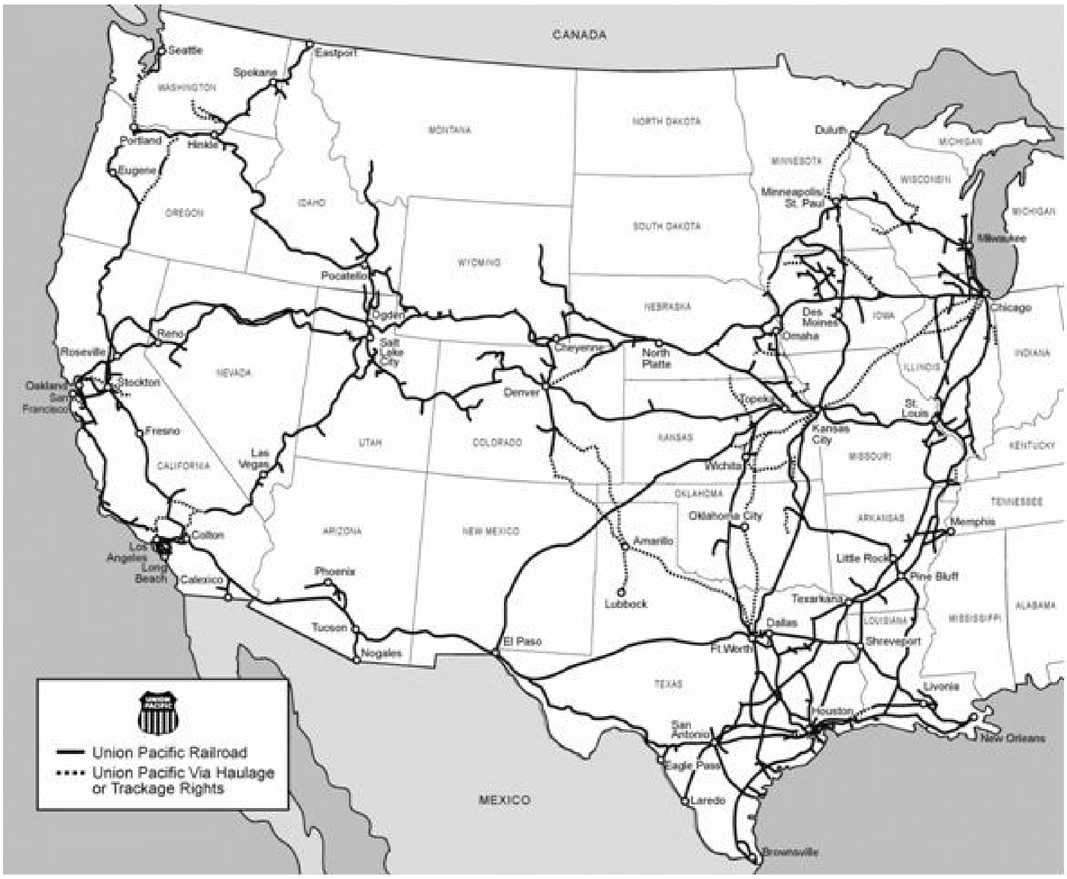
We May Be Affected by Acts of Terrorism, War, or Risk of War – Our rail lines, facilities, and equipment, including rail cars carrying hazardous materials, could be direct targets or indirect casualties of terrorist attacks. Terrorist attacks, or other similar events, any government response thereto, and war or risk of war may adversely affect our results of operations, financial condition, and liquidity. In addition, insurance premiums for some or all of our current coverages could increase dramatically, or certain coverages may not be available to us in the future.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We employ a variety of assets in the management and operation of our rail business. Our rail network covers 23 states in the western two-thirds of the U.S.



TRACK

Our rail network includes 31,898 route miles. We own 26,027 miles and operate on the remainder pursuant to trackage rights or leases. The following table describes track miles at December 31, 2011 and 2010.

	2011	*2010*
Route	**31,898**	31,953
Other main line	**6,644**	6,596
Passing lines and turnouts	**3,112**	3,118
Switching and classification yard lines	**8,999**	9,006
Total miles	**50,653**	50,673

HEADQUARTERS BUILDING

We maintain our headquarters in Omaha, Nebraska. The facility has 1.2 million square feet of space for approximately 4,000 employees and is subject to a financing arrangement.

HARRIMAN DISPATCHING CENTER

The Harriman Dispatching Center (HDC), located in Omaha, Nebraska, is our primary dispatching facility. It is linked to regional dispatching and locomotive management facilities at various locations along our network. HDC employees coordinate moves of locomotives and trains, manage traffic and train crews on our network, and coordinate interchanges with other railroads. Over 900 employees currently work on-site in the facility. In the event of a disruption of operations at HDC due to a cyber attack, flooding or severe weather or other event, we maintain the capability to conduct critical operations at back-up facilities in different locations.

RAIL FACILITIES

In addition to our track structure, we operate numerous facilities, including terminals for intermodal and other freight; rail yards for train-building (classification yards), switching, storage-in-transit (the temporary storage of customer goods in rail cars prior to shipment) and other activities; offices to administer and manage our operations; dispatching centers to direct traffic on our rail network; crew quarters to house train crews along our network; and shops and other facilities for fueling, maintenance, and repair of locomotives and repair and maintenance of rail cars and other equipment. The following tables include the major yards and terminals on our system:

		Avg. Daily Car Volume
Top 10 Classification Yards	***2011***	*2010*
North Platte, Nebraska	**2,200**	2,100
North Little Rock, Arkansas	**1,600**	1,500
Englewood (Houston), Texas	**1,400**	1,400
Proviso (Chicago), Illinois	**1,400**	1,300
Fort Worth, Texas	**1,300**	1,200
Livonia, Louisiana	**1,300**	1,200
Pine Bluff, Arkansas	**1,200**	1,100
Roseville, California	**1,200**	1,100
West Colton, California	**1,100**	1,100
Neff (Kansas City), Missouri	**1,000**	900

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Top 10 Intermodal Terminals	***2011***	*Annual Lifts 2010*
ICTF (Los Angeles), California	**432,000**	450,000
East Los Angeles, California	**428,000**	429,000
Joliet (Global 4), Illinois [a]	**298,000**	118,000
Global I (Chicago), Illinois	**295,000**	317,000
Marion (Memphis), Tennessee	**283,000**	292,000
Yard Center (Chicago), Illinois	**277,000**	241,000
Global II (Chicago), Illinois	**273,000**	342,000
Dallas, Texas	**261,000**	280,000
Mesquite, Texas	**232,000**	215,000
LATC (Los Angeles), California	**226,000**	224,000

[a] New terminal completed in August 2010 with an annual capacity of 500,000 intermodal containers.

RAIL EQUIPMENT

Our equipment includes owned and leased locomotives and rail cars; heavy maintenance equipment and machinery; other equipment and tools in our shops, offices, and facilities; and vehicles for maintenance, transportation of crews, and other activities. As of December 31, 2011, we owned or leased the following units of equipment:

Locomotives	*Owned*	*Leased*	*Total*	*Average Age (yrs.)*
Multiple purpose	5,082	2,550	7,632	16.8
Switching	401	25	426	32.0
Other	92	63	155	31.7
Total locomotives	5,575	2,638	8,213	N/A

Freight cars	*Owned*	*Leased*	*Total*	*Average Age (yrs.)*
Covered hoppers	12,672	17,823	30,495	26.6
Open hoppers	10,429	3,983	14,412	31.5
Gondolas	6,487	5,074	11,561	27.2
Boxcars	5,303	1,737	7,040	28.9
Refrigerated cars	2,494	4,302	6,796	23.6
Flat cars	2,764	914	3,678	34.1
Other	104	459	563	N/A
Total freight cars	40,253	34,292	74,545	N/A

Highway revenue equipment	*Owned*	*Leased*	*Total*	*Average Age (yrs.)*
Containers	17,231	37,059	54,290	5.7
Chassis	9,247	27,931	37,178	6.7
Total highway revenue equipment	26,478	64,990	91,468	N/A

CAPITAL EXPENDITURES

Our rail network requires significant annual capital investments for replacement, improvement, and expansion. These investments enhance safety, support the transportation needs of our customers, and improve our operational efficiency. Additionally, we add new locomotives and freight cars to our fleet to replace older, less efficient equipment, to support growth and customer demand, and to reduce our impact on the environment through the acquisition of more fuel efficient and low-emission locomotives.

2011 Capital Expenditures – During 2011, we made capital investments totaling $3.2 billion, nearly all of which was cash spending. (See the capital expenditures table in Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Financial Condition, Item 7.)

2012 Capital Expenditures – In 2012, we expect to make capital investments of approximately $3.6 billion, including expenditures for PTC of approximately $335 million. We may revise our 2012 capital plan if business conditions warrant or if new laws or regulations affect our ability to generate sufficient returns on these investments. (See discussion of our 2012 capital plan in Management's Discussion and Analysis of Financial Condition and Results of Operations – 2012 Outlook, Item 7.)

OTHER

Equipment Encumbrance – Equipment with a carrying value of approximately $2.9 billion and $3.2 billion at December 31, 2011 and 2010, respectively, served as collateral for capital leases and other types of equipment obligations in accordance with the secured financing arrangements utilized to acquire such railroad equipment.

As a result of the merger of Missouri Pacific Railroad Company (MPRR) with and into UPRR on January 1, 1997, and pursuant to the underlying indentures for the MPRR mortgage bonds, UPRR must maintain the same value of assets after the merger in order to comply with the security requirements of the mortgage bonds. As of the merger date, the value of the MPRR assets that secured the mortgage bonds was approximately $6.0 billion. In accordance with the terms of the indentures, this collateral value must be maintained during the entire term of the mortgage bonds irrespective of the outstanding balance of such bonds.

Environmental Matters – Certain of our properties are subject to federal, state, and local laws and regulations governing the protection of the environment. (See discussion of environmental issues in Business – Governmental and Environmental Regulation, Item 1, and Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Environmental, Item 7.)

Item 3. 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

As we reported in our Annual Report on Form 10-K for 2005, the Illinois Attorney General's office filed a complaint against the Railroad in the Circuit Court for the Twentieth Judicial Circuit (St. Clair County) for injunctive and other relief on November 28, 2005, alleging a diesel fuel spill from an above-ground storage tank in a rail yard in Dupo, St. Clair County, Illinois. The State of Illinois seeks to enjoin UPRR from further violations and a monetary penalty. Union Pacific settled this matter by paying the State of Illinois $34,000.

As we reported in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, we received notices from EPA Region 8 and U.S. Department of Justice (DOJ) alleging that we may be liable under federal environmental laws for violating the Clean Water Act and the Oil Pollution Prevention Act relating to derailments and spills and UPRR's Spill Prevention Countermeasure and Control Plans and its Stormwater Pollution Prevention Plans in Colorado, Utah, and Wyoming. We cannot predict the ultimate impact of these proceedings because we are continuing to investigate and negotiate with the EPA Region 8 and DOJ. The amount of the proposed penalty, although uncertain, could exceed $100,000.

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.

OTHER MATTERS

Antitrust Litigation – As we reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, 20 small rail shippers (many of whom are represented by the same law firms) filed virtually identical antitrust lawsuits in various federal district courts against the Railroad 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, and the additional plaintiffs filed claims in district courts in various states, including Florida, Illinois, Alabama, Pennsylvania, and the District of Columbia. These suits allege that the named railroads engaged in price-fixing by establishing common fuel surcharges for certain rail traffic.

We received additional complaints following the initial claim, increasing the total number of complaints to 30. 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 seeking 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. Subsequently, the direct purchaser plaintiffs and the indirect purchaser plaintiffs filed Consolidated Amended Class Action Complaints against UPRR and three other Class I railroads.

One additional shipper filed a separate antitrust suit during 2008. Subsequently, the shipper voluntarily dismissed the action without prejudice.

On October 10, 2008, Judge Friedman heard oral arguments with respect to the defendant railroads' motions to dismiss. In a ruling on November 7, 2008, Judge Friedman denied the motion with respect to the direct purchasers' complaint, and pretrial proceedings are underway in that case, the status of which is described below. On December 31, 2008, Judge Friedman dismissed the complaints of the indirect purchasers based upon state antitrust, consumer protection, and unjust enrichment laws. He also ruled, however, that these plaintiffs could proceed with their claim for injunctive relief under the federal antitrust laws, which is identical to a claim by the direct purchaser plaintiffs. The indirect purchasers appealed Judge Friedman's ruling to the U.S. Court of Appeals for the District of Columbia. 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. On December 13, 2010, the U.S. Supreme Court denied the indirect purchaser plaintiffs' Petition for Certiorari.

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. The Supreme Court issued its decision on June 20, 2011, and Judge Friedman required the parties to confer on the impact of the Wal-Mart decision. Plaintiffs and the defendant railroads filed briefs in August and early September stating their views on the impact of the Wal-Mart case on class certification in the fuel surcharge litigation. The decision from Judge Friedman regarding class certification is still pending.

As we reported in our Current Report on Form 8-K, filed on June 10, 2011, the Railroad received a copy of 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 includes 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. The parties filed briefs and answers regarding the motions to dismiss the action filed by the defendant railroads, and the court's decision regarding this motion is pending.

We deny the allegations that our fuel surcharge programs violate the antitrust laws or any other laws and deny the other allegations in the Oxbow complaint. 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.

U.S. Customs and Border Protection (CBP) Dispute and Litigation – As we reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, CBP directed its field offices to issue penalties against the Railroad beginning in December 2007 for discoveries of illegal drugs in freight cars crossing the border from Mexico. The freight cars were in trains delivered by Mexican railroads directly to CBP; the Railroad received the trains only after CBP inspected them. Additionally, CBP asserted or reinstated previously asserted penalties that had been held in abeyance while the Railroad and CBP pursued a collective plan to address drug smuggling. In some instances, CBP seized freight cars in which drugs were found. The parties resolved their dispute over the seized freight cars, which were released by CBP for a payment by the Railroad of $40,000. The total amount of fines for drug seizures asserted by CBP prior to June 1, 2011, exceeded $500 million.

On July 22, 2011, the Railroad and the Acting Commissioner of CBP signed an agreement under which the Railroad does not pay any fines but commits to participate in, and provide $50 million to fund, a major initiative to enhance border and supply chain security for rail shipments transiting the border with Mexico. CBP will reduce all fines asserted prior to June 1, 2011 (other than those involved in the Nebraska litigation discussed below) to zero on a pro rata basis as the Railroad makes expenditures of its $50 million commitment. Under the agreement, CBP also agrees that it will not assert penalties for drugs found on or after June 1, 2011, for a period of five years unless the Railroad fails to carry out the agreement or the Railroad or its personnel have specified degrees of involvement in drug smuggling. The agreement does not compromise the position of either party regarding the validity of the fines. CBP maintains its position that the fines were required by law, while the Railroad maintains its position that it has complied with all laws.

As previously reported in our disclosures regarding the CBP dispute and litigation, the Railroad filed a complaint in the U.S. District Court for the District of Nebraska on July 31, 2008, asking the court to enter (1) a judgment declaring that CBP's penalties and seizures are invalid and unenforceable and (2) preliminary and permanent injunctions prohibiting CBP from enforcing penalties and holding seized freight cars and directing CBP to refrain from asserting additional penalties and from making future equipment seizures. On December 19, 2011, the District Court ruled in favor of the Railroad, finding that the CBP acted outside of its authority in assessing the penalties. The court also entered a permanent injunction that enjoins CBP from taking any action against the Railroad for seizures of drugs found on railcars entering the U.S. from Mexico over which the Railroad has no control. The amount of fines involved in the Nebraska litigation, approximately $38 million, is not material to the Railroad. Therefore, the resolution of this matter will not have a material adverse effect on any of our results of operations, financial condition, and liquidity.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant and Principal Executive Officers of Subsidiaries

The Board of Directors typically elects and designates our executive officers on an annual basis at the board meeting held in conjunction with the Annual Meeting of Shareholders, and they hold office until their successors are elected. Executive officers also may be elected and designated throughout the year, as the Board of Directors considers appropriate. There are no family relationships among the officers, nor any arrangement or understanding between any officer and any other person pursuant to which the officer was selected. The following table sets forth certain information current as of February 3, 2012, relating to the executive officers.

Name	Position	Age	Business Experience During Past Five Years
James R. Young	Chairman, President and Chief Executive Officer of UPC and the Railroad	59	[1]
Robert M. Knight, Jr.	Executive Vice President – Finance and Chief Financial Officer of UPC and the Railroad	54	Current Position
J. Michael Hemmer	Senior Vice President – Law and General Counsel of UPC and the Railroad	62	Current Position
Barbara W. Schaefer	Senior Vice President – Human Resources and Secretary of UPC and the Railroad	58	Current Position
Jeffrey P. Totusek	Vice President and Controller of UPC and Chief Accounting Officer and Controller of the Railroad	53	[2]
Lance M. Fritz	Executive Vice President – Operations of the Railroad	49	[3]
John J. Koraleski	Executive Vice President – Marketing and Sales of the Railroad	61	Current Position

[1] Mr. Young was elected Chief Executive Officer and President of UPC and the Railroad effective January 1, 2006. He was elected to the additional position of Chairman effective February 1, 2007.

[2] Mr. Totusek was elected to his current position effective January 1, 2008. He previously was Assistant Vice President – Financial Analysis of the Railroad.

[3] Mr. Fritz was elected to his current position effective September 1, 2010. He previously was Vice President – Operations of the Railroad, effective January 1, 2010. Mr. Fritz previously served as Vice President – Labor Relations effective March 1, 2008, Regional Vice President – South, effective July 1, 2006, and Regional Vice President – North, effective April 1, 2005.

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PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol "UNP". The following table presents the dividends declared and the high and low closing prices of our common stock for each of the indicated quarters.

2011 - Dollars Per Share	*Q1*	*Q2*	*Q3*	*Q4*
Dividends	$ 0.38	$ 0.475	$ 0.475	$ 0.60
Common stock price:				
High	99.50	105.60	107.89	106.60
Low	90.66	92.80	79.58	77.73

2010 - Dollars Per Share	*Q1*	*Q2*	*Q3*	*Q4*
Dividends	$ 0.27	$ 0.33	$ 0.33	$ 0.38
Common stock price:				
High	74.35	78.61	83.08	95.78
Low	60.41	65.99	66.84	79.32

At January 27, 2012, there were 480,067,865 shares of common stock outstanding and 33,061 common shareholders of record. On that date, the closing price of the common stock on the NYSE was $114.90. We have paid dividends to our common shareholders during each of the past 112 years. We declared dividends totaling $938 million in 2011 and $653 million in 2010. On May 5, 2011, we increased the quarterly dividend to $0.475 per share, payable beginning on July 1, 2011, to shareholders of record on May 31, 2011. On November 17, 2011, we again increased the quarterly dividend to $0.60 per share, payable beginning January 2, 2012 to shareholders of record on November 30, 2011. We are subject to certain restrictions regarding retained earnings with respect to the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends increased to $13.8 billion at December 31, 2011, from $12.9 billion at December 31, 2010. (See discussion of this restriction in Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources, Item 7.) We do not believe the restriction on retained earnings will affect our ability to pay dividends, and we currently expect to pay dividends in 2012.

Comparison Over One- and Three-Year Periods – The following table presents the cumulative total shareholder returns, assuming reinvestment of dividends, over one- and three-year periods for the Corporation (UNP), a peer group index (comprised of CSX Corporation and Norfolk Southern Corporation), the Dow Jones Transportation Index (DJ Trans), and the Standard & Poor's 500 Stock Index (S&P 500).

Period	*UNP*	*Peer Group*	*DJ Trans*	*S&P 500*
1 Year (2011)	16.6%	9.0%	0.0%	2.1%
3 Year (2009-2011)	135.1	84.7	50.3	48.6

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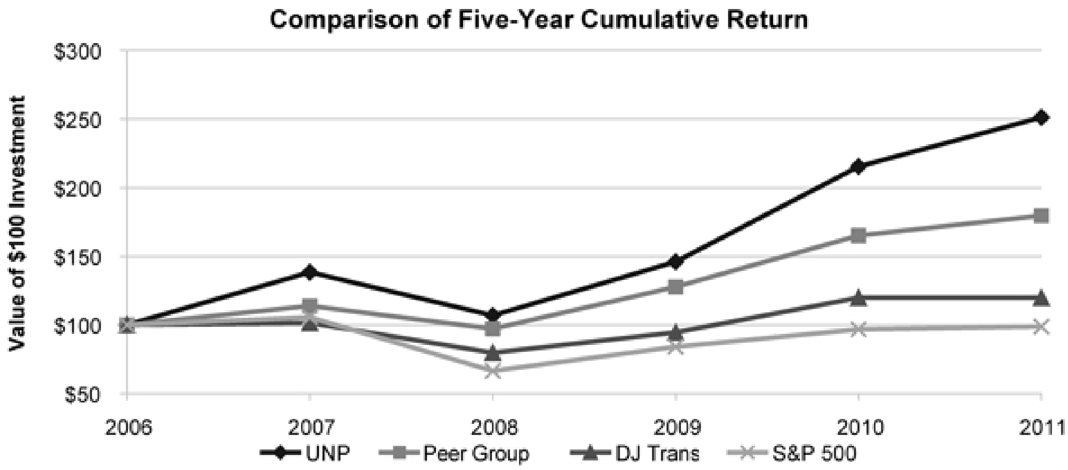
Five-Year Performance Comparison – The following graph provides an indicator of cumulative total shareholder returns for the Corporation as compared to the peer group index (described above), the DJ Trans, and the S&P 500. The graph assumes that $100 was invested in the common stock of Union Pacific Corporation and each index on December 31, 2006 and that all dividends were reinvested.



Purchases of Equity Securities – During 2011, we repurchased 15,340,810 shares of our common stock at an average price of $96.08. The following table presents common stock repurchases during each month for the fourth quarter of 2011:

Period	*Total Number of Shares Purchased [a]*	*Average Price Paid Per Share*	*Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program [b]*	*Maximum Number of Shares That May Yet Be Purchased Under the Plan or Program [b]*
Oct. 1 through Oct. 31	379,488	87.46	371,639	31,370,427
Nov. 1 through Nov. 30	1,748,964	98.41	1,733,877	29,636,550
Dec. 1 through Dec. 31	1,787,343	100.26	1,780,142	27,856,408
Total	3,915,795	$ 98.19	3,885,658	N/A

[a] *Total number of shares purchased during the quarter includes approximately 30,137 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.*

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Item 6. Selected Financial Data

The following table presents as of, and for the years ended, December 31, our selected financial data for each of the last five years. The selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7, and with the Financial Statements and Supplementary Data, Item 8. The information below is not necessarily indicative of future financial condition or results of operations.

Millions, Except per Share Amounts, Carloads, Employee Statistics, and Ratios	***2011***	*2010*	*2009*	*2008*	*2007*
For the Year Ended December 31					
Operating revenues [a]	**$ 19,557**	$ 16,965	$ 14,143	$ 17,970	$ 16,283
Operating income	**5,724**	4,981	3,379	4,070	3,364
Net income	**3,292**	2,780	1,890	2,335	1,848
Earnings per share - basic [b]	**6.78**	5.58	3.76	4.57	3.47
Earnings per share - diluted [b]	**6.72**	5.53	3.74	4.53	3.44
Dividends declared per share [b]	**1.93**	1.31	1.08	0.98	0.745
Cash provided by operating activities	**5,873**	4,105	3,204	4,044	3,248
Cash used in investing activities	**(3,119)**	(2,488)	(2,145)	(2,738)	(2,397)
Cash used in financing activities	**(2,623)**	(2,381)	(458)	(935)	(800)
Cash used for common share repurchases	**(1,418)**	(1,249)	-	(1,609)	(1,375)
At December 31					
Total assets	**$ 45,096**	$ 43,088	$ 42,184	$ 39,509	$ 37,825
Long-term obligations	**23,201**	22,373	22,701	21,314	19,328
Debt due after one year	**8,697**	9,003	9,636	8,607	7,543
Common shareholders' equity	**18,578**	17,763	16,801	15,315	15,456
Equity per common share [c]	**38.71**	36.14	33.27	30.43	29.62
Additional Data					
Freight revenues [a]	**$ 18,508**	$ 16,069	$ 13,373	$ 17,118	$ 15,486
Revenue carloads (units) (000)	**9,072**	8,815	7,786	9,261	9,733
Operating margin (%) [d]	**29.3**	29.4	23.9	22.6	20.7
Operating ratio (%) [d]	**70.7**	70.6	76.1	77.4	79.3
Average employees (000)	**44.9**	42.9	43.5	48.2	50.1
Operating revenues per employee (000)	**$ 435.6**	$ 395.5	$ 325.1	$ 372.8	$ 325.0
Financial Ratios (%)					
Debt to capital [e]	**32.4**	34.2	37.0	36.8	33.2
Return on average common shareholders' equity [f]	**18.1**	16.1	11.8	15.2	12.1

[a] Includes fuel surcharge revenue of $2,243 million, $1,237 million, $605 million, $2,323 million, and $1,478 million for 2011, 2010, 2009, 2008, and 2007, respectively, which partially offsets increased operating expenses for fuel. Fuel surcharge revenue is not comparable from year to year due to implementation of new mileage-based fuel surcharge programs in each respective year. (See further discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Operating Revenues, Item 7.)

[b] Earnings per share and dividends have been restated to reflect the May 28, 2008 stock split.

[c] Equity per common share is calculated as follows: common shareholders' equity divided by common shares issued less treasury shares outstanding. Shares have been adjusted to reflect the May 28, 2008 stock split.

[d] Operating margin is defined as operating income divided by operating revenues. Operating ratio is defined as operating expenses divided by operating revenues.

[e] Debt to capital is determined as follows: total debt divided by total debt plus common shareholders' equity.

[f] Return on average common shareholders' equity is determined as follows: Net income divided by average common shareholders' equity.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements and applicable notes to the Financial Statements and Supplementary Data, Item 8, and other information in this report, including Risk Factors set forth in Item 1A and Critical Accounting Policies and Cautionary Information at the end of this Item 7.

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.

EXECUTIVE SUMMARY

2011 Results

- **Safety** – We continued improving safety in 2011 and set records in nearly all of our safety metrics. The employee injury incident rate per 200,000 man-hours declined 12% from 2010. These results reflect our continuing implementation of Total Safety Culture (TSC), an employee engagement initiative designed to establish, maintain, reinforce and promote safety practices among co-workers, along with increased risk identification, coaching and enhanced training. Our use of laser, ultrasound and acoustic vibration monitoring to identify potential wheel and axle failures before they occur reduced our equipment incident rate to 9.89 per million train miles, another best ever result. With respect to public safety, we closed 269 grade crossings in 2011 to reduce our exposure to incidents and continued using video cameras on our locomotives to assist in reviewing grade crossing incidents. We now have camera-equipped locomotives in the lead position on over 97% of our through-freight trains. During 2011, the rate of grade crossing incidents per million train miles decreased 9% from 2010, matching our record low for this measure. Overall, our 2011 safety results reflect our continued focus on the safety of our employees, our customers and the public.

- **Financial Performance** – In 2011, we continued our record-setting trend by generating operating income of $5.7 billion, a 15% increase over 2010. Improved pricing and 3% volume growth, partially offset by inflation and weather-related costs, drove this increase. Our operating ratio for 2011 was 70.7%, only slightly behind last year's record of 70.6%. Net income of $3.3 billion surpassed our previous milestone set in 2010, translating into earnings of $6.72 per diluted share for 2011.

- **Freight Revenues** – Our freight revenues grew 15% year-over-year to $18.5 billion. Freight revenues for all six commodity groups increased while volume increased in all groups except intermodal, which declined 2%. Overall, volume increased 3% in 2011, with particularly strong growth in chemicals, industrial products, and automotive shipments. Higher fuel surcharges (due to higher fuel prices, volume growth, and new fuel surcharge provisions in renegotiated contracts) and core pricing gains also drove the growth in freight revenue in 2011 compared to 2010.

- **Network Operations** – Weather impacted our operations more significantly in 2011 than 2010, including blizzards affecting the Southwest and Midwest, particularly the Chicago area, historic Midwestern floods and severe heat and drought in our Southern Region. We deployed resources to address these adverse conditions and maintained reliable network operations. As reported to the Association of American Railroads (AAR), average train speed decreased 2% in 2011 compared to 2010, reflecting the weather challenges, in addition to increased carloadings and changes in traffic mix. Average terminal dwell time increased 3% due to the same factors that affected train speed along with a more active track replacement program, which can adversely affect operations. Average rail car inventory decreased slightly, despite a 3% increase in volume, reflecting our efforts to adjust our freight car fleet to match operating performance and demand. Despite these operating challenges, we established a new record in our customer satisfaction index in 2011, an indication that our ongoing efforts to improve operations translated into value for our customers.

- **Fuel Prices** – The 2011 barrel price averaged almost 20% higher than 2010, peaking in April, as the global economy strengthened and the U.S. dollar weakened. Our average diesel fuel price per gallon rose 21% from January to December of 2011, due to higher prices for crude oil and conversion spreads. Compared to 2010, our price per gallon of diesel fuel consumed increased 36%, driving operating expenses up $922 million (excluding any impact from year-over-year volume), which accounted for almost half of the total increase in operating cost. Higher traffic volume accounted for nearly all of the remaining increase in fuel expense, reflecting a relatively flat year-over-year fuel consumption rate.

- **Free Cash Flow** – Cash generated by operating activities totaled $5.9 billion, yielding record free cash flow of $1.9 billion in 2011. Free cash flow is defined as cash provided by operating activities (adjusted for the reclassification of our receivables securitization facility), less cash used in investing activities and dividends paid.

  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. We believe free cash flow is important 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):

Millions	***2011***	*2010*	*2009*
Cash provided by operating activities	**$ 5,873**	$ 4,105	$ 3,204
Receivables securitization facility [a]	**-**	400	184
Cash provided by operating activities adjusted for the receivables securitization facility	**5,873**	4,505	3,388
Cash used in investing activities	**(3,119)**	(2,488)	(2,145)
Dividends paid	**(837)**	(602)	(544)
Free cash flow	**$ 1,917**	$ 1,415	$ 699

[a] Effective January 1, 2010, a new accounting standard required us to account for receivables transferred under our receivables securitization facility as secured borrowings in our Consolidated Statements of Financial Position and as financing activities in our Consolidated Statements of Cash Flows. The receivables securitization facility is included in our free cash flow calculation to adjust cash provided by operating activities as though our receivables securitization facility had been accounted for under the new accounting standard for all periods presented.

2012 Outlook

- **Safety** – Operating a safe railroad benefits our employees, our customers, our shareholders, and the communities we serve. We will continue using a multi-faceted approach to safety, utilizing technology, risk assessment, quality control, training and employee engagement and targeted capital investments. We will continue using and expanding the application of TSC throughout our operations. This process allows us to identify and implement best practices for employee and operational safety. Derailment prevention and the reduction of grade crossing incidents are critical aspects of our safety programs. We will continue our efforts to increase rail detection; maintain and close crossings; install video cameras on locomotives; and educate the public and law enforcement agencies about crossing safety through a combination of our own programs (including risk assessment strategies), various industry programs and local community activities.

- **Transportation Plan** – To build upon our success in recent years, we will continue evaluating traffic flows and network logistic patterns, which can be quite dynamic, to identify additional opportunities to simplify operations, remove network variability, and improve network efficiency and asset utilization. We plan to adjust manpower and our locomotive and rail car fleets to meet customer needs and put us in a position to handle demand changes. We also will continue utilizing industrial engineering techniques to improve productivity and network fluidity.

- **Fuel Prices** – Uncertainty about the economy makes projections of fuel prices difficult. We again could see volatile fuel prices during the year, as they are sensitive to global and U.S. domestic demand, refining capacity, geopolitical events, weather conditions and other factors. To reduce the impact of fuel price on earnings, we will continue to seek recovery from our customers through our fuel surcharge programs and expand our fuel conservation efforts.

- **Capital Plan** – In 2012, we plan to make total capital investments of approximately $3.6 billion, including expenditures for Positive Train Control (PTC), which may be revised if business conditions warrant or if new laws or regulations affect our ability to generate sufficient returns on these investments. (See further discussion in this Item 7 under Liquidity and Capital Resources – Capital Plan.)

- **Positive Train Control** – In response to a legislative mandate to implement PTC by the end of 2015, we expect to spend approximately $335 million during 2012 on developing and deploying PTC. We currently estimate that PTC in accordance with implementing rules issued by the Federal Rail Administration (FRA) will cost us approximately $2 billion by the end of 2015. This includes costs for installing the new system along our tracks, upgrading locomotives to work with the new system, and adding digital data communication equipment so all the parts of the system can communicate with each other. During 2012, we plan to continue testing the technology to evaluate its effectiveness.

- **Financial Expectations** – We are cautious about the economic environment but anticipate slow but steady volume growth that will exceed 2011 levels. Coupled with price, on-going network improvements and operational productivity initiatives, we expect earnings that exceed 2011 earnings.

RESULTS OF OPERATIONS

Operating Revenues

Millions		***2011***		*2010*		*2009*	***% Change 2011 v 2010***	*% Change 2010 v 2009*
Freight revenues	**$**	**18,508**	$	16,069	$	13,373	**15%**	20%
Other revenues		**1,049**		896		770	**17**	16
Total	**$**	**19,557**	$	16,965	$	14,143	**15%**	20%

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 all six commodity groups increased during 2011 compared to 2010, while volume increased in all except intermodal. Increased demand in many market sectors, with particularly strong growth in chemical, industrial products, and automotive shipments for the year, generated the increases. ARC increased 12%, driven by higher fuel cost recoveries and core pricing gains. Fuel cost recoveries include fuel surcharge revenue and the impact of resetting the base fuel price for certain traffic, which is described below in more detail. Higher fuel prices, volume growth, and new fuel surcharge provisions in renegotiated contracts all combined to increase revenues from fuel surcharges.

Freight revenues and volume levels for all six commodity groups increased during 2010 as a result of economic improvement in many market sectors. We experienced particularly strong volume growth in automotive, intermodal, and industrial products shipments. Core pricing gains and higher fuel surcharges also increased freight revenues and drove a 6% improvement in ARC.

Our fuel surcharge programs (excluding index-based contract escalators that contain some provision for fuel) generated freight revenues of $2.2 billion, $1.2 billion, and $605 million in 2011, 2010, and 2009, respectively. Higher fuel prices, volume growth, and new fuel surcharge provisions in contracts renegotiated during the year increased fuel surcharge amounts in 2011 and 2010. Furthermore, for certain periods during 2009, fuel prices dropped below the base at which our mileage-based fuel surcharge begins, which resulted in no fuel surcharge recovery for associated shipments during those periods. Additionally, fuel surcharge revenue is not entirely comparable to prior periods as we continue to convert portions of our non-regulated traffic to mileage-based fuel surcharge programs.

In 2011, other revenues increased from 2010 due primarily to higher revenues at our subsidiaries that broker intermodal and automotive services.

In 2010, other revenues increased from 2009 due primarily to higher revenues at our subsidiaries that broker intermodal and automotive services. Assessorial revenues also increased in 2010 reflecting higher volume levels during the year.

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

Freight Revenues *Millions*	***2011***	*2010*	*2009*	***% Change 2011 v 2010***	*% Change 2010 v 2009*
Agricultural	**$ 3,324**	$ 3,018	$ 2,666	**10%**	13%
Automotive	**1,510**	1,271	854	**19**	49
Chemicals	**2,815**	2,425	2,102	**16**	15
Energy	**4,084**	3,489	3,118	**17**	12
Industrial Products	**3,166**	2,639	2,147	**20**	23
Intermodal	**3,609**	3,227	2,486	**12**	30
Total	**$ 18,508**	$ 16,069	$ 13,373	**15%**	20%

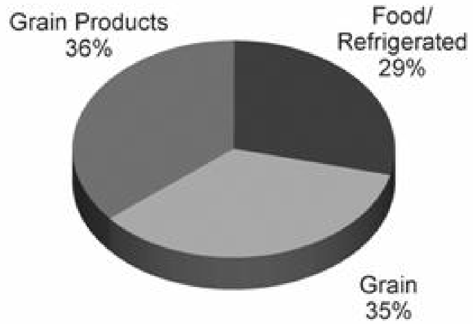
Revenue Carloads *Thousands*	***2011***	*2010*	*2009*	***% Change 2011 v 2010***	*% Change 2010 v 2009*
Agricultural	**934**	918	865	**2%**	6%
Automotive	**653**	611	465	**7**	31
Chemicals	**921**	844	761	**9**	11
Energy	**2,164**	2,056	2,021	**5**	2
Industrial Products	**1,146**	1,073	899	**7**	19
Intermodal [a]	**3,254**	3,313	2,775	**(2)**	19
Total	**9,072**	8,815	7,786	**3%**	13%

Average Revenue per Car	***2011***	*2010*	*2009*	***% Change 2011 v 2010***	*% Change 2010 v 2009*
Agricultural	**$ 3,561**	$ 3,286	$ 3,080	**8%**	7%
Automotive	**2,311**	2,082	1,838	**11**	13
Chemicals	**3,055**	2,874	2,761	**6**	4
Energy	**1,888**	1,697	1,543	**11**	10
Industrial Products	**2,762**	2,461	2,388	**12**	3
Intermodal [a]	**1,109**	974	896	**14**	9
Average	**$ 2,040**	$ 1,823	$ 1,718	**12%**	6%

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

Agricultural Products – Fuel surcharges, price improvements and modest volume growth increased agricultural freight revenue in 2011 versus 2010. The federal mandate for higher levels of ethanol in the nation's fuel supply and new business increased shipments of ethanol by 10% in 2011 versus 2010. Strong export demand for U.S. wheat via Gulf ports in the first half of 2011 was the primary driver of a 6% increase in wheat and food grains shipments for 2011 compared to 2010, despite a 19% decrease in shipments in the second half of 2011 when U.S. grain exports declined. Poor wheat production in some foreign markets drove the export demand during the first six months of the year.

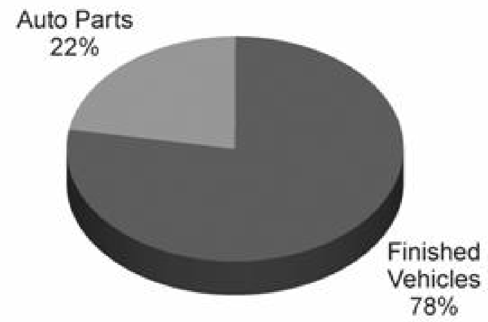
2011 Agricultural Revenue



Higher volume, fuel surcharges, and price improvements increased agricultural freight revenue in 2010 versus 2009. Increased shipments from the Midwest to export ports in the Pacific Northwest combined with heightened demand in Mexico drove higher corn and feed grain shipments in 2010. Increased corn and feed grain shipments into ethanol plants in California and Idaho and continued growth in ethanol shipments also contributed to this increase. In 2009, some ethanol plants temporarily ceased operations due to lower ethanol margins, which contributed to the favorable year-over-year comparison. In addition, strong export demand for U.S. wheat via the Gulf ports increased shipments of wheat and food grains compared to 2009. Declines in domestic wheat and food shipments partially offset the growth in export shipments. New business in feed and animal protein shipments also increased agricultural shipments in 2010 compared to 2009.

Automotive – Higher volume, core pricing gains and fuel surcharges improved automotive freight revenue from 2010 levels. Although higher production and sales levels during 2011 contributed to volume growth, the disaster in Japan partially offset the increase in shipments. The disruption caused by this event reduced parts shipments in the second quarter and shipments of international vehicles in the second and third quarters. Finished autos shipments were up 7% in 2011 from 2010, aided by a 14% increase in the fourth quarter as the U.S. light-vehicle sales rate was the highest since the second quarter of 2008.

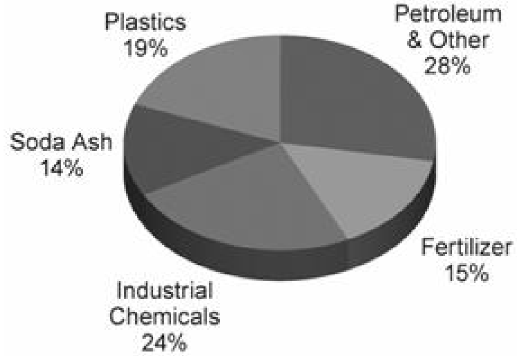
2011 Automotive Revenue



Increases of 37% and 24% in shipments of finished vehicles and automotive parts in 2010, respectively, combined with core pricing gains and fuel surcharges, improved automotive freight revenue from relatively weak 2009 levels. Economic conditions in 2009 led to poor auto sales and reduced vehicle production, which in turn reduced shipments of finished vehicles and parts during the year.

Chemicals – Volume gains, fuel surcharges and price improvements increased freight revenue from chemicals in 2011 versus 2010. In mid-2010, we began moving crude oil shipments from the Bakken formation in North Dakota to facilities in Louisiana. This new business, along with shipments from the Eagle Ford shale formation in south Texas, contributed to a 37% increase in shipments of petroleum products during 2011. Strong domestic demand and robust spring planting increased fertilizer shipments by 9% versus 2010. Additionally, improving market conditions increased demand for industrial chemicals during 2011, driving volume levels up versus 2010.

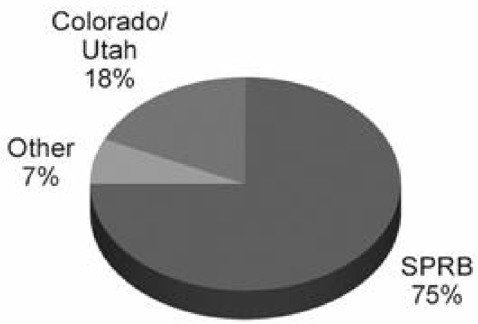
2011 Chemicals Revenue



Higher volume, price improvements, and fuel surcharges increased freight revenue from chemicals in 2010 versus 2009. Reduced inventories and purchases delayed from 2009 increased fertilizer shipments by 30% in 2010. A modest rebound in market conditions and more normalized inventory levels increased demand for industrial chemicals during the year, driving volume levels up 8% versus 2009. In addition, shipments of soda ash increased 12% as continued strong export demand outpaced weak 2009 export demand.

Energy – Core pricing gains, higher fuel surcharges, and increased volume grew energy freight revenue from 2010 levels. Shipments of coal from the Southern Powder River Basin (SPRB) were up 5% in 2011 compared to 2010, reflecting new business to Wisconsin facilities and the start-up of a new power plant near Waco, Texas. Completion of a year-long equipment relocation process at one of the mines in the third quarter of 2011 and minimal production problems elsewhere improved shipments from Colorado and Utah by 3% in 2011 versus 2010. These gains, along with increased exports to Europe and Asia, offset first half production problems and weak demand from eastern coal utilities.

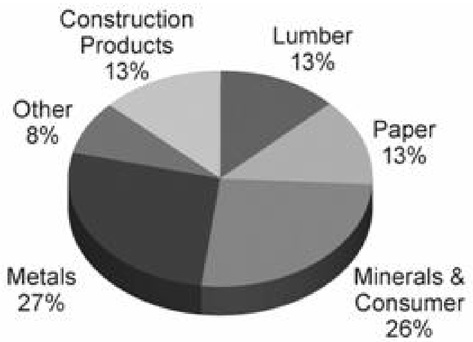
2011 Energy Revenue



Core pricing gains, higher fuel surcharges and modest volume growth increased freight revenue from energy shipments in 2010 compared to 2009. Shipments from the SPRB were up 4%, driven by higher demand resulting from improved economic conditions, warmer summer weather, and more efficient deliveries (higher tons per car and increased train size). Higher inventory levels carried over from 2009 partially offset this demand increase. Shipments from Colorado and Utah mines were down 8% in 2010 versus 2009 due to mine production interruptions and increased competition from other low cost fuel options (natural gas and eastern coal), weaker demand from our industrial customers, and high inventories at some utility customer locations.

Industrial Products – Increased volume, fuel surcharges, and core pricing improvement increased freight revenue from industrial products in 2011 versus 2010. Shipments of non-metallic minerals (primarily frac sand) grew in response to a dramatic rise in horizontal drilling activity for natural gas and oil, while steel shipments increased due to higher demand for steel coils and plate for automotive and pipe production. In addition, an increase in iron ore export business to China also drove volume growth. Conversely, lower commercial construction activity reduced stone, sand and gravel shipments in 2011 compared to 2010.

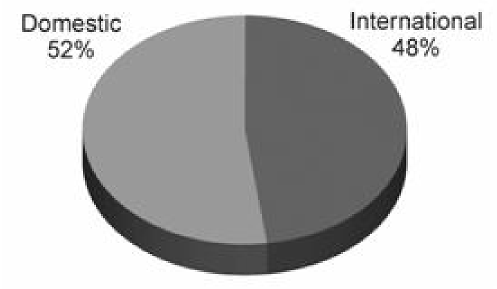
2011 Industrial Products Revenue



Volume gains, core pricing improvement, and higher fuel surcharges increased freight revenue from industrial products in 2010 versus 2009. A federal government remediation program involving removal of uranium mill tailings from a Moab, Utah, site drove an increase in short-haul hazardous waste shipments versus 2009. Shipments under this program began modestly during the second quarter of 2009. Steel shipments also increased due to improving economic conditions, while shipments of non-metallic minerals (primarily frac sand) grew in response to more drilling for natural gas. Stone, sand and gravel shipments grew in 2010 compared to 2009 as increased oil drilling more than offset the decline in commercial construction activity.

Intermodal – Fuel surcharge gains, including better contract provisions for fuel cost recovery, and pricing improvements, partially offset by lower volume, increased freight revenue from intermodal shipments in 2011 compared to 2010. Volume from international traffic decreased 5% in 2011 versus 2010, driven by softer economic conditions, reflected in a muted international peak shipping season, which usually starts in the third quarter, and the loss of a customer contract. Conversely, conversions from truck to rail and recovering consumer demand offset competition for domestic shipments, resulting in a 2% volume increase in domestic shipments during 2011.

2011 Intermodal Revenue



Increased volume, higher fuel surcharges (including new recovery provisions in contracts renegotiated in 2010), and pricing gains drove the increase in freight revenue from intermodal shipments in 2010 compared to 2009. Domestic and international traffic increased from 2009 levels, reflecting improvements in economic conditions. International volumes grew in response to continued inventory restocking and higher consumer demand. Domestic shipments increased as a result of conversions from truck to rail fueled by improved service. A new contract with Hub Group, Inc., which included additional shipments, was executed in the second quarter of 2009 and contributed to the increase in domestic shipments.

Mexico Business – Each of our commodity groups includes revenue from shipments to and from Mexico. Revenue from Mexico business increased 16% to $1.8 billion in 2011 versus 2010. Volume levels increased 9% in aggregate versus 2010, with particularly strong growth in automotive and industrial products. Energy was the one commodity group that declined as one of our customers conducted a supplier contract renewal during the year, shifting transportation modes from rail to truck during the process.

Revenue from Mexico business increased 30% in 2010 versus 2009 to $1.6 billion. Volume levels for all six commodity groups increased, up 25% in aggregate versus 2009, with particularly strong growth in automotive, industrial products, and intermodal shipments.

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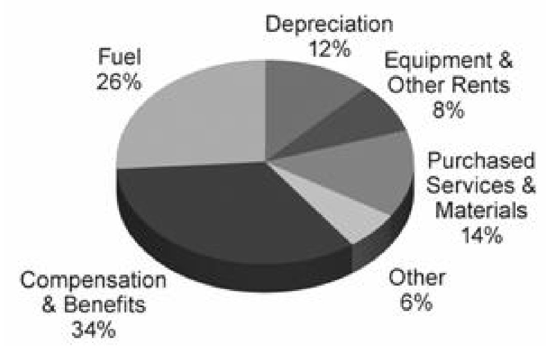
Operating Expenses

Millions		***2011***		*2010*		*2009*	***% Change 2011 v 2010***	*% Change 2010 v 2009*
Compensation and benefits	**$**	**4,681**	$	4,314	$	4,063	**9%**	6%
Fuel		**3,581**		2,486		1,763	**44**	41
Purchased services and materials		**2,005**		1,836		1,644	**9**	12
Depreciation		**1,617**		1,487		1,427	**9**	4
Equipment and other rents		**1,167**		1,142		1,180	**2**	(3)
Other		**782**		719		687	**9**	5
Total	**$**	**13,833**	$	11,984	$	10,764	**15%**	11%

Operating expenses increased $1.8 billion in 2011 versus 2010. Our fuel price per gallon rose 36% during 2011, accounting for $922 million of the increase. Wage and benefit inflation, volume-related costs, depreciation, and property taxes also contributed to higher expenses. Expenses increased $20 million for costs related to the flooding in the Midwest and $18 million due to the impact of severe heat and drought in the South, primarily Texas. Cost savings from productivity improvements and better resource utilization partially offset these increases. A $45 million one-time payment relating to a transaction with CSX Intermodal, Inc (CSXI) increased operating expenses during the first quarter of 2010, which favorably affects the comparison of operating expenses in 2011 to those in 2010.

2011 Operating Expenses



Operating expenses increased $1.2 billion in 2010 versus 2009. Our fuel price per gallon increased 31% during the year, accounting for $566 million of the increase. Wage and benefit inflation, depreciation, volume-related costs, and property taxes also contributed to higher expenses during 2010 compared to 2009. Cost savings from productivity improvements and better resource utilization 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. A combination of general wage and benefit inflation, volume-related expenses, higher training costs associated with new hires, additional crew costs due to speed restrictions caused by the Midwest flooding and heat and drought in the South, and higher pension expense drove the increase during 2011 compared to 2010.

General wage and benefit inflation increased costs by approximately $190 million in 2010 compared to 2009. Volume-related expenses and higher equity and incentive compensation also drove costs up during the year. Workforce levels declined 1% in 2010 compared to 2009 as network efficiencies and ongoing productivity initiatives enabled us to effectively handle the 13% increase in volume levels with fewer employees.

Fuel – Fuel includes locomotive fuel and gasoline for highway and non-highway vehicles and heavy equipment. Higher locomotive diesel fuel prices, which averaged $3.12 (including taxes and transportation costs) in 2011, compared to $2.29 per gallon in 2010, increased expenses by $922 million. In addition, higher gasoline prices for highway and non-highway vehicles also increased year-over-year. Volume, as measured by gross ton-miles, increased 5% in 2011 versus 2010, driving expense up by $122 million.

Higher diesel fuel prices, which averaged $2.29 per gallon (including taxes and transportation costs) in 2010 compared to $1.75 per gallon in 2009, increased expenses by $566 million. Volume, as measured by gross ton-miles, increased 10% in 2010 versus 2009, driving fuel expense up by $166 million. Conversely, the use of newer, more fuel efficient locomotives, our fuel conservation programs and efficient network operations drove a 3% improvement in our fuel consumption rate in 2010, resulting in $40 million of cost savings versus 2009 at the 2009 average fuel price.

Purchased Services and Materials – Expense for purchased services and materials includes the costs of services purchased from outside contractors and other service providers (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; transportation and lodging for train crew employees; trucking and contracting costs for intermodal containers; leased automobile maintenance expenses; and tools and supplies. Expenses for contract services increased $106 million in 2011 versus 2010, driven by volume-related external transportation services incurred by our subsidiaries, and various other types of contractual services, including flood-related repairs, mitigation and improvements. Volume-related crew transportation and lodging costs, as well as expenses associated with jointly owned operating facilities, also increased costs compared to 2010. In addition, an increase in locomotive maintenance materials used to prepare a portion of our locomotive fleet for return to active service due to increased volume and additional capacity for weather related issues and warranty expirations increased expenses in 2011.

A $148 million increase in costs for contract services drove the higher expenses in 2010 versus 2009. Volume-related trucking and lift costs for intermodal containers and crew transportation and lodging costs also increased costs from 2009. In addition, an increase in locomotive maintenance materials used to prepare a portion of our locomotive fleet for return to active service increased expenses during the year compared to 2009. Conversely, a decrease in freight car maintenance activity during 2010 drove lower freight car material costs, partially offsetting the cost increases versus 2009.

Depreciation – The majority of depreciation relates to road property, including rail, ties, ballast, and other track material. A higher depreciable asset base, reflecting ongoing capital spending, increased depreciation expense in 2011 compared to 2010. Higher depreciation rates for rail and other track material also contributed to the increase. The higher rates, which became effective January 1, 2011, resulted primarily from increased track usage (based on higher gross ton-miles in 2010).

A higher depreciable asset base, reflecting higher capital spending in recent years, increased depreciation expense in 2010 compared to 2009. Costs also increased $25 million in 2010 due to the restructuring of certain locomotive leases in the second quarter of 2009. Lower depreciation rates for rail and other track material partially offset the increases. The lower rates, which became effective January 1, 2010, resulted from reduced track usage (based on lower gross ton-miles in 2009).

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; and office and other rent expenses. Costs increased in 2011 versus 2010 as higher short-term freight car rental expense and container lease expense offset lower freight car and locomotive lease expense.

Short-term freight car rental expense increased in 2010 compared to 2009, reflecting increased shipments of finished vehicles and intermodal containers. Increased lease expenses for containers also drove the increase. Conversely, lower lease expense for freight cars and locomotives decreased costs compared to 2009. The restructuring of locomotive leases (completed in May 2009) also reduced lease expense by $36 million in 2010 compared to 2009.

Other – Other expenses include personal injury, freight and property damage, destruction of equipment, insurance, environmental, bad debt, state and local taxes, utilities, telephone and cellular, employee travel, computer software, and other general expenses. Higher property taxes, casualty costs associated with destroyed equipment, damaged freight and property and environmental costs increased other costs in 2011 compared to 2010. A one-time payment of $45 million in the first quarter of 2010 related to a transaction with CSXI and continued improvement in our safety performance and lower estimated liability for personal injury, which reduced our personal injury expense year-over-year, partially offset increases in other costs.

Other costs were higher in 2010 compared to 2009, driven by higher property taxes and the $45 million one-time payment in the first quarter of 2010 related to a transaction with CSXI. A $30 million payment in 2009 to Pacer International, Inc. and lower expenses for freight and property damages partially offset these increases in comparing 2009 with 2010. In addition, personal injury expense was lower in 2010 compared to 2009, reflecting continued improvement in our personal injury incident rate and lower settlement costs per claim. The change in asbestos-related claim expenses in 2010 versus 2009 offset the lower personal injury costs. As a result of our 2009 annual review of asbestos-related costs, we reduced expenses by $25 million, thus driving the unfavorable variance in 2010.

Non-Operating Items

Millions	***2011***	*2010*	*2009*	***% Change 2011 v 2010***	*% Change 2010 v 2009*
Other income	**$ 112**	$ 54	$ 195	**107%**	(72)%
Interest expense	**(572)**	(602)	(600)	**(5)**	-
Income taxes	**(1,972)**	(1,653)	(1,084)	**19%**	52%

Other Income – Other income increased in 2011 versus 2010 due to higher gains from real estate sales, lower environmental costs associated with non-operating properties and the comparative impact of premiums paid for early redemption of long-term debt in the first quarter of 2010.

Other income decreased in 2010 versus 2009 due to lower gains from real estate sales (the second quarter of 2009 included a $116 million pre-tax gain from a land sale to the Regional Transportation District in Colorado) and premiums paid for early debt redemption.

Interest Expense – Interest expense decreased in 2011 versus 2010 due to a lower weighted-average debt level of $9.2 billion versus $9.7 billion. The effective interest rate was 6.2% in both 2011 and 2010.

Interest expense was flat in 2010 compared to 2009 due to a modestly higher weighted-average debt level of $9.7 billion, compared to $9.6 billion in 2009, offset by a lower effective interest rate of 6.2% in 2010, compared to 6.3% in 2009.

Income Taxes – Higher pre-tax income increased income taxes in 2011 compared to 2010. Our effective tax rate remained relatively flat at 37.5% in 2011 compared to 37.3% in 2010.

Income taxes were higher in 2010 compared to 2009, primarily driven by higher pre-tax income. Our effective tax rate for the year was 37.3% compared to 36.4% in 2009.

OTHER OPERATING/PERFORMANCE AND FINANCIAL STATISTICS

We report key performance measures weekly to the Association of American Railroads (AAR), including carloads, average daily inventory of freight 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.

Operating/Performance Statistics

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

	2011	*2010*	*2009*	***% Change 2011 v 2010***	*% Change 2010 v 2009*
Average train speed (miles per hour)	**25.6**	26.2	27.3	**(2)%**	(4)%
Average terminal dwell time (hours)	**26.2**	25.4	24.8	**3 %**	2 %
Average rail car inventory (thousands)	**272.9**	274.4	283.1	**(1)%**	(3)%
Gross ton-miles (billions)	**978.2**	931.4	846.5	**5 %**	10 %
Revenue ton-miles (billions)	**544.4**	520.4	479.2	**5 %**	9 %
Operating ratio	**70.7**	70.6	76.1	**0.1 pt**	(5.5)pt
Employees (average)	**44,861**	42,884	43,531	**5 %**	(1)%
Customer satisfaction index	**92**	89	88	**3 pt**	1 pt

Average Train Speed – Average train speed is calculated by dividing train miles by hours operated on our main lines between terminals. The severe heat and drought in the South, combined with extreme winter weather in February and severe Midwest flooding, had a greater impact than weather events in 2010. These weather challenges, in addition to increased carloadings and traffic mix changes, drove the 2% decline in 2011 compared to 2010. Overall, we continued operating a fluid and efficient network during

2011, effectively handling the 3% increase in carloads. Maintenance activities and weather disruptions, combined with higher volume levels, led to a 4% decrease in average train speed in 2010 compared to a record set in 2009.

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 3% in 2011 compared to 2010. Additional volume, weather challenges, track replacement programs, and a shift of traffic mix to more manifest shipments, which require additional terminal processing, all contributed to the increase. Average terminal dwell time increased 2% in 2010 compared to 2009, driven in part by our network plan to increase the length of numerous trains to improve overall efficiency, which resulted in higher terminal dwell time for some cars.

Average Rail Car Inventory – Average rail car inventory is the daily average number of rail cars on our lines, including rail cars in storage. Lower average rail car inventory reduces congestion in our yards and sidings, which increases train speed, reduces average terminal dwell time, and improves rail car utilization. Average rail car inventory decreased slightly in 2011 compared to 2010, as we continued to adjust the size of our freight car fleet. Average rail car inventory decreased 3% in 2010 compared to 2009, while we handled a 13% increase in carloads during the period compared to 2009. We maintained more freight cars off-line and retired a number of old freight cars, which drove the decrease.

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 and revenue-ton-miles increased 5% in 2011 compared to 2010, driven by a 3% increase in carloads and mix changes to heavier commodity groups, notably a 5% increase in energy shipments. Gross and revenue-ton-miles increased 10% and 9%, respectively, in 2010 compared to 2009 due to a 13% increase in carloads. Commodity mix changes (notably automotive shipments) drove the variance in year-over-year growth 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 increased 0.1 points to 70.7% in 2011 versus 2010. Higher fuel prices, inflation and weather related costs, partially offset by core pricing gains and productivity initiatives, drove the increase. Our operating ratio improved 5.5 points to 70.6% in 2010 and 1.3 points to 76.1% in 2009. Efficiently leveraging volume increases, core pricing gains, and productivity initiatives drove the improvement in 2010 and more than offset the impact of higher fuel prices during the year.

Employees – Employee levels were up 5% in 2011 versus 2010, driven by a 3% increase in volume levels, a higher number of trainmen, engineers, and yard employees receiving training during the year, and increased work on capital projects. Employee levels were down 1% in 2010 compared to 2009 despite a 13% increase in volume levels. We leveraged the additional volumes through network efficiencies and other productivity initiatives. In addition, we successfully managed the growth of our full-time-equivalent train and engine force levels at a rate less than half of our carload growth in 2010. All other operating functions and support organizations reduced their full-time-equivalent force levels, benefiting from continued productivity initiatives.

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. We believe that improvement in survey results in 2011 generally reflects customer recognition of our service quality supported by our capital investment program.

Return on Average Common Shareholders' Equity

Millions, Except Percentages	***2011***	*2010*	*2009*
Net income	**$ 3,292**	$ 2,780	$ 1,890
Average equity	**$ 18,171**	$ 17,282	$ 16,058
Return on average common shareholders' equity	**18.1%**	16.1%	11.8%

Return on Invested Capital as Adjusted (ROIC)

Millions, Except Percentages		***2011***		*2010*		*2009*
Net income	**$**	**3,292**	$	2,780	$	1,890
Add: Interest expense		**572**		602		600
Add: Interest on present value of operating leases		**208**		222		232
Add: Receivable securitization fees		**-**		-		9
Less: Taxes on interest		**(293)**		(307)		(306)
Net operating profit after taxes as adjusted (a)	**$**	**3,779**	$	3,297	$	2,425
Average equity	**$**	**18,171**	$	17,282	$	16,058
Add: Average debt		**9,074**		9,545		9,388
Add: Average value of sold receivables		**-**		200		492
Add: Average present value of operating leases		**3,350**		3,574		3,681
Average invested capital as adjusted (b)	**$**	**30,595**	$	30,601	$	29,619
Return on invested capital as adjusted (a/b)		**12.4%**		10.8%		8.2%

ROIC is considered a non-GAAP financial measure 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 this measure is important in evaluating the efficiency and effectiveness of our long-term capital investments. In addition, we currently use ROIC as a performance criteria in determining certain elements of equity compensation for our executives. ROIC should be considered in addition to, rather than as a substitute for, other information provided in accordance with GAAP. The most comparable GAAP measure is Return on Average Common Shareholders' Equity. The tables above provide reconciliations from return on average common shareholders' equity to ROIC. Our 2011 ROIC improved 1.6 points compared to 2010, primarily as a result of higher earnings and lower debt levels.

Debt to Capital / Adjusted Debt to Capital

Millions, Except Percentages		***2011***		*2010*
Debt (a)	**$**	**8,906**	$	9,242
Equity		**18,578**		17,763
Capital (b)	**$**	**27,484**	$	27,005
Debt to capital (a/b)		**32.4%**		34.2%

Millions, Except Percentages		***2011***		*2010*
Debt	**$**	**8,906**	$	9,242
Net present value of operating leases		**3,224**		3,476
Unfunded pension and OPEB		**623**		421
Adjusted debt (a)	**$**	**12,753**	$	13,139
Equity		**18,578**		17,763
Adjusted capital (b)	**$**	**31,331**	$	30,902
Adjusted debt to capital (a/b)		**40.7%**		42.5%

Adjusted debt to capital is a non-GAAP financial measure under SEC Regulation G and Item 10 of SEC Regulation S-K. We believe this measure is important to management and investors in evaluating the total amount of leverage in our capital structure, including off-balance sheet lease obligations, which we generally incur in connection with financing the acquisition of locomotives and freight cars and certain facilities. Operating leases were discounted using 6.2% at December 31, 2011 and December 31, 2010. The discount rate reflects current interest rates and financing costs. 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 our 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. Our December 31, 2011 debt to capital ratios decreased as a result of a $336 million net decrease in debt from December 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2011, our principal sources of liquidity included cash, cash equivalents, our receivables securitization facility, and our revolving credit facility, as well as the availability of commercial paper and other sources of financing through the capital markets. We had $1.8 billion of committed credit available under our credit facility, with no borrowings outstanding as of December 31, 2011. We did not make any borrowings under this facility during 2011. The value of the outstanding undivided interest held by investors under the receivables securitization facility was $100 million as of December 31, 2011, and is included in our Consolidated Statements of Financial Position as debt due after one year. The receivables securitization facility obligates us to maintain an investment grade bond rating. If our bond rating were to deteriorate, it could have an adverse impact on our liquidity. Access to commercial paper as well as other capital market financings is dependent on market conditions. Deterioration of our operating results or financial condition due to internal or external factors could negatively impact our ability to access capital markets as a source of liquidity. Access to liquidity through the capital markets is also dependent on our financial stability. We expect that we will continue to have access to liquidity by issuing bonds to public or private investors based on our assessment of the current condition of the credit markets.

At December 31, 2011 and 2010, we had a working capital surplus. This reflects a strong cash position, which provides enhanced liquidity in an uncertain economic environment. In addition, we believe we have adequate access to capital markets to meet cash requirements, and we have sufficient financial capacity to satisfy our current liabilities.

Cash Flows *Millions*	***2011***	*2010*	*2009*
Cash provided by operating activities	**$ 5,873**	$ 4,105	$ 3,204
Cash used in investing activities	**(3,119)**	(2,488)	(2,145)
Cash used in financing activities	**(2,623)**	(2,381)	(458)
Net change in cash and cash equivalents	**$ 131**	$ (764)	$ 601

Operating Activities

Higher net income and lower cash income tax payments in 2011 increased cash provided by operating activities compared to 2010. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, enacted in December 2010, provided for 100% bonus depreciation for qualified investments made during 2011, and 50% bonus depreciation for qualified investments made during 2012. As a result of the Act, the Company deferred a substantial portion of its 2011 income tax expense. This deferral decreased 2011 income tax payments, thereby contributing to the positive operating cash flow. In future years, however, additional cash will be used to pay income taxes that were previously deferred. In addition, the adoption of a new accounting standard in January of 2010 changed the accounting treatment for our receivables securitization facility from a sale of undivided interests (recorded as an operating activity) to a secured borrowing (recorded as a financing activity), which decreased cash provided by operating activities by $400 million in 2010. Higher net income in 2010 increased cash provided by operating activities compared to 2009.

Investing Activities

Higher capital investments partially offset by higher proceeds from asset sales in 2011 drove the increase in cash used in investing activities compared to 2010. Higher capital investments and lower proceeds from asset sales in 2010 drove the increase in cash used in investing activities compared to 2009.

The tables below detail cash capital investments and track statistics for the years ended December 31, 2011, 2010, and 2009:

Millions	***2011***	*2010*	*2009*
Rail and other track material	**$ 697**	$ 626	$ 614
Ties	**403**	444	449
Ballast	**220**	190	208
Other [a]	**382**	365	338
Total road infrastructure replacements	**1,702**	1,625	1,609
Line expansion and other capacity projects	**311**	122	162
Commercial facilities	**111**	227	193
Total capacity and commercial facilities	**422**	349	355
Locomotives and freight cars	**675**	330	272
Positive train control	**229**	84	28
Technology and other	**148**	94	90
Total cash capital investments	**$ 3,176**	$ 2,482	$ 2,354

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

	2011	*2010*	*2009*
Track miles of rail replaced	**895**	795	841
Track miles of rail capacity expansion	**69**	46	62
New ties installed (thousands)	**3,785**	4,334	4,814
Miles of track surfaced	**11,284**	10,883	15,128

Capital Plan – In 2012, we expect our total capital investments to be approximately $3.6 billion, which may be revised if business conditions warrant or if new laws or regulations affect our ability to generate sufficient returns on these investments. We expect that over 50% of our 2012 capital investments will replace and improve existing capital assets. Major investment categories include replacing and improving track infrastructure; upgrading our locomotive, freight car and container fleet, including acquisition of 200 locomotives and 1,800 freight cars including large covered hoppers, gondolas, and small covered hoppers; improving technology, including investing in PTC; and other capital projects. Additionally, we will continue to increase our network and terminal capacity; for example, to balance terminal capacity with mainline capacity being added by our double-tracking project on the Sunset Corridor, we are constructing a rail facility at Santa Teresa, New Mexico, that initially will include a run-through and fueling facility and an intermodal ramp.

We expect to fund our 2012 cash capital investments by using some or all of the following: cash generated from operations, proceeds from the sale or lease of various operating and non-operating properties, proceeds from the issuance of long-term debt, and cash on hand. Our annual capital plan is a critical component of our long-term strategic plan, which we expect will enhance the long-term value of the Corporation for our shareholders by providing sufficient resources to (i) replace and improve our existing track infrastructure to provide safe and fluid operations, (ii) increase network efficiency by adding or improving facilities and track, and (iii) make investments that meet customer demand and take advantage of opportunities for long-term growth.

Financing Activities

Cash used in financing activities increased in 2011 versus 2010. Higher dividend payments in 2011 of $837 million compared to $602 million in 2010, reflecting our increased dividend rate and the repurchase of $1.4 billion of our common stock, a $169 million increase from 2010 repurchases, drove the increase. We used less cash to reduce outstanding debt in 2011, which partially offset this increase. Cash used in financing activities increased in 2010 versus 2009. During 2010, we repurchased $1.2 billion of shares under our common stock repurchase program, compared to no repurchases in 2009. Additionally, our net debt reduction in 2010 was $518 million compared to $28 million in 2009, which also contributed to the increase in cash used in financing activities in 2010.

Credit Facilities – During the second quarter of 2011, we replaced our $1.9 billion revolving credit facility, which was scheduled to expire in April 2012, with a new $1.8 billion facility that expires in May 2015 (the facility). The facility is based on substantially similar terms as those in the previous credit facility. On December 31, 2011, we had $1.8 billion of credit available under the facility, which is designated for general corporate purposes and supports the issuance of commercial paper. We did not draw on either facility during 2011. Commitment fees and interest rates payable under the facility are similar to fees and rates available to comparably rated, investment-grade borrowers. The facility allows for borrowings at floating rates based on London Interbank Offered Rates, plus a spread, depending upon our senior unsecured debt ratings. The facility requires the Corporation to maintain a debt-to-net-worth coverage ratio as a condition to making a borrowing. At December 31, 2011, and December 31, 2010 (and at all times during the year), 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 December 31, 2011, the debt-to-net-worth coverage ratio allowed us to carry up to $37.2 billion of debt (as defined in the facility), and we had $9.5 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 (including the Risk Factors in Item 1A of this report) 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 2011, we did not issue or repay any commercial paper and, at December 31, 2011 and 2010, we had no commercial paper outstanding. Our revolving credit facility supports outstanding commercial paper balances, which do not reduce the amount of borrowings available under the facility.

At December 31, 2011 and 2010, we reclassified as long-term debt approximately $100 million of debt due within one year that we intend to refinance. This reclassification reflected our ability and intent to refinance any short-term borrowings and certain current maturities of long-term debt on a long-term basis.

Ratio of Earnings to Fixed Charges

For each of the years ended December 31, 2011, 2010, and 2009, our ratio of earnings to fixed charges was 8.4, 6.9, and 4.9, respectively. The ratio of earnings to fixed charges was computed on a consolidated basis. Earnings represent income from continuing operations, less equity earnings net of distributions, plus fixed charges and income taxes. Fixed charges represent interest charges, amortization of debt discount, and the estimated amount representing the interest portion of rental charges. (See Exhibit 12 to this report for the calculation of the ratio of earnings to fixed charges.)

Common Shareholders' Equity

Dividend Restrictions – Our revolving credit facility includes a debt-to-net worth covenant (discussed in the Credit Facilities section above) that, under certain circumstances, restricts the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends was $13.8 billion and $12.9 billion at December 31, 2011 and 2010, respectively.

Share Repurchase Program – The shares repurchased in 2010 and the first quarter of 2011, shown in the table below, were repurchased under our repurchase program that expired on March 31, 2011. 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. The shares repurchased in the second, third, and fourth quarters of 2011, shown in the table below, were purchased under the new program. As of December 31, 2011, we repurchased a total of $5.7 billion of our common stock since the commencement of purchases under our repurchase programs.

	Number of Shares Purchased		*Average Price Paid*	
	2011	*2010*	***2011***	*2010*
First quarter	**2,636,178**	-	**$ 94.10**	$ -
Second quarter	**3,576,399**	6,496,400	**100.75**	71.74
Third quarter	**4,681,535**	7,643,400	**91.45**	73.19
Fourth quarter	**3,885,658**	2,500,596	**98.16**	89.39
Total	**14,779,770**	16,640,396	**$ 95.94**	$ 75.06
Remaining number of shares that may yet be repurchased				27,856,408

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.

Shelf Registration Statement and Significant New Borrowings – Under our 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.

During 2011, we issued the following unsecured, fixed-rate debt securities under our current shelf registration:

Date	*Description of Securities*
August 9, 2011	$500 million of 4.75% Notes due September 15, 2041

The net proceeds from the offering were used 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 December 31, 2011, we had remaining authority to issue up to $2.0 billion of debt securities under our shelf registration.

During the third quarter of 2011, we renegotiated and extended for three years on substantially similar terms a $100 million floating-rate term loan, which will mature on August 5, 2016.

Debt Exchange – On June 23, 2011, we exchanged $857 million of various outstanding notes and debentures due between 2013 and 2019 (Existing Notes) for $750 million of 4.163% notes (New Notes) due July 15, 2022, plus cash consideration of approximately $267 million and $17 million for accrued and unpaid interest on the Existing Notes. The cash consideration was recorded as an adjustment to the carrying value of debt, and the balance of the unamortized discount and issue costs from the Existing Notes is being amortized as an adjustment of interest expense over the term of the New Notes. No gain or loss was recognized as a result of the exchange. Costs related to the debt exchange that were payable to parties other than the debt holders totaled approximately $6 million and were included in interest expense during the year ended December 31, 2011.

The following table lists the outstanding notes and debentures that were exchanged:

Millions		*Principal amount exchanged*
7.875% Notes due 2019	$	196
5.450% Notes due 2013		50
5.125% Notes due 2014		45
5.375% Notes due 2014		55
5.700% Notes due 2018		277
5.750% Notes due 2017		178
7.000% Debentures due 2016		38
5.650% Notes due 2017		18
Total	$	857

On July 14, 2010, we exchanged $376 million of 7.875% notes due in 2019 (Existing Notes) for 5.78% notes (New Notes) due July 15, 2040, plus cash consideration of approximately $96 million and $15 million for accrued and unpaid interest on the Existing Notes. The cash consideration was recorded as an adjustment to the carrying value of debt, and the balance of the unamortized discount and issue costs from the Existing Notes is being amortized as an adjustment of interest expense over the term of the New Notes. There was no gain or loss recognized as a result of the exchange. Costs related to the debt exchange that were payable to parties other than the debtholders totaled approximately $2 million and were included in interest expense during the third quarter.

Debt Redemptions – On December 19, 2011, we redeemed the remaining $175 million of our 6.5% notes due April 15, 2012, and all $300 million of our outstanding 6.125% notes due January 15, 2012. The redemptions resulted in an early extinguishment charge of $5 million. On March 22, 2010, we redeemed $175 million of our 6.5% notes due April 15, 2012. The redemption resulted in an early extinguishment charge of $16 million in the first quarter of 2010. On November 1, 2010, we redeemed all $400 million of our outstanding 6.65% notes due January 15, 2011. The redemption resulted in a $5 million early extinguishment charge.

Receivables Securitization Facility – On January 1, 2010, we adopted Accounting Standards Update No. 2009-16, *Accounting for Transfers of Financial Assets* (ASU 2009-16). ASU 2009-16 limits the circumstances in which transferred financial assets can be derecognized and requires enhanced disclosures regarding transfers of financial assets and a transferor's continuing involvement with transferred financial assets. As a result, we no longer account for the value of the outstanding undivided interest held by investors under our receivables securitization facility as a sale. In addition, transfers of receivables occurring on or after January 1, 2010, are reflected as debt issued in our Consolidated Statements of Cash Flows and recognized as debt due after one year in our Consolidated Statements of Financial Position.

Under the receivables securitization facility, the Railroad sells most of its accounts receivable to Union Pacific Receivables, Inc. (UPRI), a bankruptcy-remote subsidiary. UPRI may subsequently transfer, without recourse on a 364-day revolving basis, an undivided interest in eligible accounts receivable to investors. The total capacity to transfer undivided interests to investors under the facility was $600 million at December 31, 2011 and 2010, respectively. The value of the outstanding undivided interest held by investors under the facility was $100 million at both December 31, 2011 and 2010. The value of the undivided interest held by investors was supported by $1.1 billion and $960 million of accounts receivable at December 31, 2011 and 2010, respectively. At December 31, 2011 and 2010, the value of the interest retained by UPRI was $1.1 billion and $960 million, respectively. This retained interest is included in accounts receivable, net in our Consolidated Statements of Financial Position.

The value of the outstanding undivided interest held by investors could fluctuate based upon the availability of eligible receivables and is directly affected by changing business volumes and credit risks, including default and dilution. If default or dilution ratios increase one percent, the value of the outstanding undivided interest held by investors would not change as of December 31, 2011. Should our credit rating fall below investment grade, the value of the outstanding undivided interest held by investors would be reduced, and, in certain cases, the investors would have the right to discontinue the facility.

The Railroad collected approximately $18.8 billion and $16.3 billion of receivables during the years ended December 31, 2011 and 2010, respectively. UPRI used certain of these proceeds to purchase new receivables under the facility.

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 unused commitment availability. The costs of the receivables securitization facility are included in interest expense and were $4 million and $6 million for 2011 and 2010, respectively. Prior to adoption of the new accounting standard, the costs of the receivables securitization facility were included in other income and were $9 million for 2009.

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 August 2011, the receivables securitization facility was renewed for an additional 364-day period at comparable terms and conditions.

Contractual Obligations and Commercial Commitments

As described in the notes to the Consolidated Financial Statements and as referenced in the tables below, we have contractual obligations and commercial commitments that may affect our financial condition. 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, other than the risks that we and other similarly situated companies face with respect to the condition of the capital markets (as described in Item 1A of Part II of this report), 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.

The following tables identify material obligations and commitments as of December 31, 2011:

Contractual Obligations		*Payments Due by December 31,*						
Millions	*Total*	*2012*	*2013*	*2014*	*2015*	*2016*	*After 2016*	*Other*
Debt [a]	$ 12,516	$ 538	$ 852	$ 887	$ 615	$ 652	$ 8,972	$ -
Operating leases [b]	4,528	525	489	415	372	347	2,380	-
Capital lease obligations [c]	2,559	297	269	276	276	262	1,179	-
Purchase obligations [d]	5,137	2,598	568	560	276	245	858	32
Other post retirement benefits [e]	249	26	26	26	26	26	119	-
Income tax contingencies [f]	107	31	-	-	-	-	-	76
Total contractual obligations	$ 25,096	$ 4,015	$ 2,204	$ 2,164	$ 1,565	$ 1,532	$ 13,508	$ 108

[a] *Excludes capital lease obligations of $1,874 million and unamortized discount of $364 million. Includes an interest component of $5,120 million.*

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

[c] *Represents total obligations, including interest component of $685 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 post retirement, medical, and life insurance payments and payments made under the unfunded pension plan for the next ten years. No amounts are included for funded pension obligations as no contributions are currently required.*

[f] *Future cash flows for income tax contingencies reflect the recorded liability for unrecognized tax benefits, including interest and penalties, as of December 31, 2011. Where we can reasonably estimate the years in which these liabilities may be settled, this is shown in the table. For amounts where we cannot reasonably estimate the year of settlement, they are reflected in the Other column.*

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Other Commercial Commitments *Millions*	*Total*	*Amount of Commitment Expiration per Period* *2012*	*2013*	*2014*	*2015*	*2016*	*After 2016*
Credit facilities [a]	$ 1,800	$ -	$ -	$ -	$ 1,800	$ -	$ -
Receivables securitization facility [b]	600	600	-	-	-	-	-
Guarantees [c]	325	18	8	214	12	13	60
Standby letters of credit [d]	24	24	-	-	-	-	-
Total commercial commitments	$ 2,749	$ 642	$ 8	$ 214	$ 1,812	$ 13	$ 60

[a] None of the credit facility was used as of December 31, 2011.

[b] $100 million of the receivables securitization facility was utilized at December 31, 2011, which is accounted for as debt. The full program matures in August 2012.

[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 December 31, 2011.

Off-Balance Sheet Arrangements

Guarantees – At December 31, 2011, we were contingently liable for $325 million in guarantees. We have recorded a liability of $3 million for the fair value of these obligations as of December 31, 2011 and 2010. 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.

OTHER MATTERS

Labor Agreements – In January 2010, the nation’s largest freight railroads began the current round of negotiations with the labor unions. Generally, contract negotiations with the various unions take place over an extended period of time. This round of negotiations was no exception. In September 2011, the rail industry reached agreements with the United Transportation Union. On November 5, 2011, a Presidential Emergency Board (PEB) appointed by President Obama issued recommendations to resolve the disputes between the U.S. railroads and 11 unions that had not yet reached agreements. Since then, ten unions reached agreements with the railroads, all of them generally patterned on the recommendations of the PEB, and the unions subsequently ratified these agreements. The railroad industry reached a tentative agreement with the Brotherhood of Maintenance of Way Employees (BMWE) on February 2, 2012, eliminating the immediate threat of a national rail strike. The BMWE now will commence ratification of this tentative agreement by its members.

Inflation – Long periods of inflation significantly increase asset replacement costs for capital-intensive companies. As a result, assuming that we replace all operating assets at current price levels, depreciation charges (on an inflation-adjusted basis) would be substantially greater than historically reported amounts.

Derivative Financial Instruments – We may use derivative financial instruments in limited instances 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 price movements.

Market and Credit Risk – We address market risk related to derivative financial instruments by selecting instruments with value fluctuations that highly correlate with the underlying hedged item. We manage credit risk related to derivative financial instruments, which is minimal, by requiring high credit standards for counterparties and periodic settlements. At December 31, 2011 and 2010, we were not required to provide collateral, nor had we received collateral, relating to our hedging activities.

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

Sensitivity Analyses – The sensitivity analyses that follow illustrate the economic effect that hypothetical changes in interest rates could have on our results of operations and financial condition. These hypothetical changes do not consider other factors that could impact actual results.

At December 31, 2011, we had variable-rate debt representing approximately 2.3% of our total debt. If variable interest rates average one percentage point higher in 2012 than our December 31, 2011 variable rate, which was approximately 1.2%, our interest expense would increase by approximately $2 million. This amount was determined by considering the impact of the hypothetical interest rate on the balances of our variable-rate debt at December 31, 2011.

Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical one percentage point decrease in interest rates as of December 31, 2011, and amounts to an increase of approximately $924 million to the fair value of our debt at December 31, 2011. We estimated the fair values of our fixed-rate debt by considering the impact of the hypothetical interest rates on quoted market prices and current borrowing rates.

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

Swaps allow us to convert debt from fixed rates to variable rates and thereby hedge the risk of changes in the debt's fair value attributable to the changes in interest rates. We account for swaps as fair value hedges using the short-cut method as allowed by the Derivatives and Hedging Topic of the FASB Accounting Standards Codification (ASC); therefore, we do not record any ineffectiveness within our Consolidated Financial Statements.

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 December 31, 2011 and 2010, we recorded reductions of $2 million and $3 million, respectively, as an accumulated other comprehensive loss that is being amortized on a straight-line basis through September 30, 2014. As of December 31, 2011 and 2010, we had no interest rate cash flow hedges outstanding.

Recently Issued Accounting Pronouncements – In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (ASU 2011-05). ASU 2011-05 will require companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The standard does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. This standard is effective for interim and annual periods beginning after December 15, 2011. Because this ASU impacts presentation only, it will have no effect on our financial condition, results of operations or cash flows.

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.

Climate Change – Although climate change could have an adverse impact on our operations and financial performance in the future (see Risk Factors under Item 1A of this report), we are currently unable to predict the manner or severity of such impact. However, we continue to take steps and explore opportunities to reduce the impact of our operations on the environment, including investments in new technologies, using training programs to reduce fuel consumption, and changing our operations to increase fuel efficiency.

CRITICAL ACCOUNTING POLICIES

Our Consolidated Financial Statements have been prepared in accordance with GAAP. 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 we believe are 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. The following critical accounting policies are a subset of our significant accounting policies described in Note 2 to the Financial Statements and Supplementary Data, Item 8. These critical accounting policies affect significant areas of our financial statements and involve judgment and estimates. If these estimates differ significantly from actual results, the impact on our Consolidated Financial Statements may be material.

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 discounted to present value using applicable U.S. Treasury rates. Approximately 89% of the recorded liability related to asserted claims, and approximately 11% related to unasserted claims at December 31, 2011. 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 $368 million to $404 million. We record an accrual at the low end of the range as no amount of loss is more probable than any other. Our personal injury liability activity was as follows:

Millions	***2011***	*2010*	*2009*
Beginning balance	**$ 426**	$ 545	$ 621
Current year accruals	**118**	155	174
Changes in estimates for prior years	**(71)**	(101)	(95)
Payments	**(105)**	(173)	(155)
Ending balance at December 31	**$ 368**	$ 426	$ 545
Current portion, ending balance at December 31	**$ 103**	$ 140	$ 158

Our personal injury claims activity was as follows:

	2011	*2010*	*2009*
Open claims, beginning balance	**3,151**	3,500	4,079
New claims	**2,781**	2,843	3,012
Settled or dismissed claims	**(3,063)**	(3,192)	(3,591)
Open claims, ending balance at December 31	**2,869**	3,151	3,500

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 21% of the recorded liability related to asserted claims, and approximately 79% related to unasserted claims at December 31, 2011. Because of the uncertainty surrounding the ultimate outcome of asbestos-related claims, it is reasonably possible that future costs to settle these claims may range from approximately $147 million to $159 million. We record an accrual at the low end of the range as no amount of loss is more probable than any other. In conjunction with the liability update performed in 2011, we also reassessed estimated insurance recoveries. We have recognized an asset for estimated insurance recoveries at December 31, 2011 and 2010.

Our asbestos-related liability activity was as follows:

Millions	*2011*	*2010*	*2009*
Beginning balance	**$ 162**	$ 174	$ 213
Accruals/(credits)	**(5)**	(1)	(25)
Payments	**(10)**	(11)	(14)
Ending balance at December 31	**$ 147**	$ 162	$ 174
Current portion, ending balance at December 31	**$ 8**	$ 12	$ 13

Our asbestos-related claims activity was as follows:

	2011	*2010*	*2009*
Open claims, beginning balance	**1,437**	1,670	1,867
New claims	**235**	216	249
Settled or dismissed claims	**(381)**	(449)	(446)
Open claims, ending balance at December 31	**1,291**	1,437	1,670

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 to be filed each year, average settlement costs, and insurance coverage issues, could cause the actual costs and insurance recoveries to be higher or lower than the projected amounts. Estimates 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 – We are subject to federal, state, and local environmental laws and regulations. We identified 285 sites at which we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 32 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 the 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 we can reasonably estimate such costs. We do not discount our environmental liabilities when the timing of the anticipated cash payments is not fixed or readily determinable. At December 31, 2011, less than 1% of our environmental liability was discounted at 2.0%, while approximately 5% of our environmental liability was discounted at 2.8% at December 31, 2010. Our environmental liability activity was as follows:

Millions	***2011*** *[a]*	*2010*	*2009*
Beginning balance	**$ 213**	$ 217	$ 209
Accruals	**29**	57	49
Payments	**(70)**	(61)	(41)
Ending balance at December 31	**$ 172**	$ 213	$ 217
Current portion, ending balance at December 31	**$ 50**	$ 74	$ 82

[a] Payments include $25 million to resolve the Omaha Lead Site liability.

Our environmental site activity was as follows:

	2011	*2010*	*2009*
Open sites, beginning balance	**294**	307	339
New sites	**51**	44	49
Closed sites	**(60)**	(57)	(81)
Open sites, ending balance at December 31	**285**	294	307

The 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.

Property and Depreciation – Our railroad operations are highly capital intensive, and our large base of homogeneous, network-type assets turns over on a continuous basis. Each year we develop a capital program for the replacement of assets and for the acquisition or construction of assets that enable us to enhance our operations or provide new service offerings to customers. Assets purchased or constructed throughout the year are capitalized if they meet applicable minimum units of property criteria. Properties and equipment are carried at cost and are depreciated on a straight-line basis over their estimated service lives, which are measured in years, except for rail in high-density traffic corridors (i.e., all rail lines except for those subject to abandonment, yard and switching tracks, and electronic yards) for which lives are measured in millions of gross tons per mile of track. We use the group method of depreciation in which all items with similar characteristics, use, and expected lives are grouped together in asset classes, and are depreciated using composite depreciation rates. The group method of depreciation treats each asset class as a pool of resources, not as singular items. We currently have more than 60 depreciable asset classes, and we may increase or decrease the number of asset classes due to changes in technology, asset strategies, or other factors.

We determine the estimated service lives of depreciable railroad property by means of depreciation studies. We perform depreciation studies at least every three years for equipment and every six years for track assets (i.e., rail and other track material, ties, and ballast) and other road property. Our depreciation studies take into account the following factors:

- Statistical analysis of historical patterns of use and retirements of each of our asset classes;
- Evaluation of any expected changes in current operations and the outlook for continued use of the assets;
- Evaluation of technological advances and changes to maintenance practices; and
- Expected salvage to be received upon retirement.

For rail in high-density traffic corridors, we measure estimated service lives in millions of gross tons per mile of track. It has been our experience that the lives of rail in high-density traffic corridors are closely correlated to usage (i.e., the amount of weight carried over the rail). The service lives also vary based on rail weight, rail condition (e.g., new or secondhand), and rail type (e.g., straight or curve). Our depreciation studies for rail in high density traffic corridors consider each of these factors in determining the estimated service lives. For rail in high-density traffic corridors, we calculate depreciation rates annually by dividing the number of gross ton-miles carried over the rail (i.e., the weight of loaded and empty freight cars, locomotives and maintenance of way equipment transported over the rail) by the estimated service lives of the rail measured in millions of gross tons per mile. Rail in high-density traffic corridors accounts for approximately 70 percent of the historical cost of rail and other track material. Based on the number of gross ton-miles carried over our rail in high density traffic corridors during 2011, the estimated service lives of the majority of this rail ranged from approximately 15 years to approximately 30 years. For all other depreciable assets, we compute depreciation based on the estimated service lives of our assets as determined from the analysis of our depreciation studies. Changes in the estimated service lives of our assets and their related depreciation rates are implemented prospectively.

Estimated service lives of depreciable railroad property may vary over time due to changes in physical use, technology, asset strategies, and other factors that will have an impact on the retirement profiles of our assets. We are not aware of any specific factors that are reasonably likely to significantly change the estimated service lives of our assets. Actual use and retirement of our assets may vary from our current estimates, which would impact the amount of depreciation expense recognized in future periods.

Changes in estimated useful lives of our assets due to the results of our depreciation studies could significantly impact future periods' depreciation expense and have a material impact on our Consolidated Financial Statements. If the estimated useful lives of all depreciable assets were increased by one year, annual depreciation expense would decrease by approximately $50 million. If the estimated useful lives of all depreciable assets were decreased by one year, annual depreciation expense would increase by approximately $53 million. Our recent depreciation studies have resulted in changes in depreciation rates for some asset classes, but did not significantly affect our annual depreciation expense.

Under group depreciation, the historical cost (net of salvage) of depreciable property that is retired or replaced in the ordinary course of business is charged to accumulated depreciation and no gain or loss is recognized. The historical cost of certain track assets is estimated using (i) inflation indices published by the Bureau of Labor Statistics and (ii) the estimated useful lives of the assets as determined by our depreciation studies. The indices were selected because they closely correlate with the major costs of the properties comprising the applicable track asset classes. Because of the number of estimates inherent in the depreciation and retirement processes and because it is impossible to precisely estimate each of these variables until a group of property is completely retired, we continually monitor the estimated service lives of our assets and the accumulated depreciation associated with each asset class to ensure our depreciation rates are appropriate. In addition, we determine if the recorded amount of accumulated depreciation is deficient (or in excess) of the amount indicated by our depreciation studies. Any deficiency (or excess) is amortized as a component of depreciation expense over the remaining service lives of the applicable classes of assets.

For retirements of depreciable railroad properties that do not occur in the normal course of business, a gain or loss may be recognized if the retirement meets each of the following three conditions: (i) is unusual, (ii) is material in amount, and (iii) varies significantly from the retirement profile identified through our depreciation studies. During the last three fiscal years, no gains or losses were recognized due to the retirement of depreciable railroad properties. A gain or loss is recognized in other income when we sell land or dispose of assets that are not part of our railroad operations.

Income Taxes – We account for income taxes by recording taxes payable or refundable for the current year and deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. These expected future tax consequences are measured based on current tax law; the effects of future tax legislation are not anticipated. Future tax legislation, such as a change in the corporate tax rate, could have a material impact on our financial condition, results of operations, or liquidity. For example, a 1% increase in future income tax rates would increase our deferred tax liability by approximately $320 million.

When appropriate, we record a valuation allowance against deferred tax assets to reflect that these tax assets may not be realized. In determining whether a valuation allowance is appropriate, we consider whether it is more likely than not that all or some portion of our deferred tax assets will not be realized, based on management’s judgments using available evidence for purposes of estimating whether future taxable income will be sufficient to realize a deferred tax asset. In 2011 and 2010, there were no valuation allowances.

We recognize tax benefits that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for “unrecognized tax benefits” is recorded for any tax benefits claimed in our tax returns that do not meet these recognition and measurement standards.

Pension and Other Postretirement Benefits – We use an actuarial analysis to measure the liabilities and expenses associated with providing pension and medical and life insurance benefits (OPEB) to eligible employees. In order to use actuarial methods to value the liabilities and expenses, we must make several assumptions. The critical assumptions used to measure pension obligations and expenses are the discount rate and expected rate of return on pension assets. For OPEB, the critical assumptions are the discount rate and health care cost trend rate.

We evaluate our critical assumptions at least annually, and selected assumptions are based on the following factors:

- Discount rate is based on a Mercer yield curve of high quality corporate bonds (rated AA by a recognized rating agency) for which the timing and amount of cash flows matches our plans’ expected benefit payments.
- Expected return on plan assets is based on our asset allocation mix and our historical return, taking into consideration current and expected market conditions.
- Health care cost trend rate is based on our historical rates of inflation and expected market conditions.

The following tables present the key assumptions used to measure net periodic pension and OPEB cost/(benefit) for 2011 and the estimated impact on 2011 net periodic pension and OPEB cost/(benefit) relative to a change in those assumptions:

Assumptions	*Pension*	*OPEB*
Discount rate	5.35%	5.01%
Expected return on plan assets	7.50%	N/A
Compensation increase	4.48%	N/A
Health care cost trend rate:		
Pre-65 current	N/A	7.07%
Pre-65 level in 2028	N/A	4.50%

Sensitivities	*Increase in Expense*	
Millions	*Pension*	*OPEB*
0.25% decrease in discount rate	$ 7	$ -
0.25% increase in compensation scale	$ 3	N/A
0.25% decrease in expected return on plan assets	$ 6	N/A
1% increase in health care cost trend rate	N/A	$ 2

The following table presents the net periodic pension and OPEB cost/(benefit) for the years ended December 31:

Millions	*Est. 2012*	*2011*	*2010*	*2009*
Net periodic pension cost	$ 88	$ 78	$ 51	$ 54
Net periodic OPEB cost/(benefit)	11	(6)	(14)	(12)

Our net periodic pension cost is expected to increase to approximately $88 million in 2012 from $78 million in 2011. The increase is driven mainly by a decrease in the discount rate to 4.54%, Our net periodic OPEB expense is expected to increase to approximately $11 million in 2012 from $(6) million benefit in 2011. The increase in our net periodic OPEB cost is primarily driven by a decrease in the amortization of prior service credits from accumulated other comprehensive income.

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, (A) statements in the Chairman's letter preceding Part I; statements regarding planned capital expenditures under the caption "2012 Capital Expenditures" in Item 2 of Part I; statements regarding dividends in Item 5; and statements and information set forth under the captions "2012 Outlook" and "Liquidity and Capital Resources" in this Item 7, and (B) any other statements or information in this report (including information incorporated herein by reference) regarding: expectations as to financial performance, revenue growth and cost savings; 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; expectations as to operational or service performance or improvements; expectations as to the effectiveness of steps taken or to be taken to improve operations and/or service, including capital expenditures for infrastructure improvements and equipment acquisitions, any strategic business acquisitions, and modifications to our transportation plans (including statements set forth in Item 2 as to expectations related to our planned capital expenditures); expectations as to existing or proposed new products and services; expectations as to the impact of any new regulatory activities or legislation on our operations or financial results; 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 may be identified by their use of forward-looking terminology, such as "believes," "expects," "may," "should," "would," "will," "intends," "plans," "estimates," "anticipates," "projects" and similar words, phrases or expressions.

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 statements and information are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements and information. 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 this report could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in any forward-looking statements or information. To the extent circumstances require or we deem it otherwise necessary, we will update or amend these risk factors in a Form 10-Q, Form 8-K or subsequent Form 10-K. All forward-looking statements are qualified by, and should be read in conjunction with, these Risk Factors.

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 7A. Quantitative and Qualitative Disclosures about Market Risk

Information concerning market risk sensitive instruments is set forth under Management's Discussion and Analysis of Financial Condition and Results of Operations – Other Matters, Item 7.

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Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Union Pacific Corporation:

We have audited the accompanying consolidated statements of financial position of Union Pacific Corporation and Subsidiary Companies (the Corporation) as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Table of Contents at Part IV, Item 15. These financial statements and financial statement schedule are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Union Pacific Corporation and Subsidiary Companies as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Corporation's internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 3, 2012 expressed an unqualified opinion on the Corporation's internal control over financial reporting.

Deloitte & Touche LLP

Omaha, Nebraska
February 3, 2012

CONSOLIDATED STATEMENTS OF INCOME
Union Pacific Corporation and Subsidiary Companies

Millions, Except Per Share Amounts, for the Years Ended December 31,		***2011***		*2010*		*2009*
Operating revenues:						
Freight revenues	**$**	**18,508**	$	16,069	$	13,373
Other revenues		**1,049**		896		770
Total operating revenues		**19,557**		16,965		14,143
Operating expenses:						
Compensation and benefits		**4,681**		4,314		4,063
Fuel		**3,581**		2,486		1,763
Purchased services and materials		**2,005**		1,836		1,644
Depreciation		**1,617**		1,487		1,427
Equipment and other rents		**1,167**		1,142		1,180
Other		**782**		719		687
Total operating expenses		**13,833**		11,984		10,764
Operating income		**5,724**		4,981		3,379
Other income (Note 6)		**112**		54		195
Interest expense		**(572)**		(602)		(600)
Income before income taxes		**5,264**		4,433		2,974
Income taxes (Note 7)		**(1,972)**		(1,653)		(1,084)
Net income	**$**	**3,292**	$	2,780	$	1,890
Share and Per Share (Note 8):						
Earnings per share - basic	**$**	**6.78**	$	5.58	$	3.76
Earnings per share - diluted	**$**	**6.72**	$	5.53	$	3.74
Weighted average number of shares - basic		**485.7**		498.2		503.0
Weighted average number of shares - diluted		**489.8**		502.9		505.8
Dividends declared per share	**$**	**1.93**	$	1.31	$	1.08

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

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Union Pacific Corporation and Subsidiary Companies

Millions, Except Share and Per Share Amounts as of December 31,	*2011*	*2010*
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,217**	$ 1,086
Accounts receivable, net (Note 10)	**1,401**	1,184
Materials and supplies	**614**	534
Current deferred income taxes (Note 7)	**306**	261
Other current assets	**189**	367
Total current assets	**3,727**	3,432
Investments	**1,175**	1,137
Net properties (Note 11)	**39,934**	38,253
Other assets	**260**	266
Total assets	**$ 45,096**	$ 43,088
Liabilities and Common Shareholders' Equity		
Current liabilities:		
Accounts payable and other current liabilities (Note 12)	**$ 3,108**	$ 2,713
Debt due within one year (Note 14)	**209**	239
Total current liabilities	**3,317**	2,952
Debt due after one year (Note 14)	**8,697**	9,003
Deferred income taxes (Note 7)	**12,368**	11,557
Other long-term liabilities	**2,136**	1,813
Commitments and contingencies (Notes 16 and 17)		
Total liabilities	**26,518**	25,325
Common shareholders' equity:		
Common shares, $2.50 par value, 800,000,000 authorized; 554,270,763 and 553,931,181 issued; 479,929,530 and 491,565,880 outstanding, respectively	**1,386**	1,385
Paid-in-surplus	**4,031**	3,985
Retained earnings	**19,508**	17,154
Treasury stock	**(5,293)**	(4,027)
Accumulated other comprehensive loss (Note 9)	**(1,054)**	(734)
Total common shareholders' equity	**18,578**	17,763
Total liabilities and common shareholders' equity	**$ 45,096**	$ 43,088

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS
Union Pacific Corporation and Subsidiary Companies

Millions, for the Years Ended December 31,	*2011*	*2010*	*2009*
Operating Activities			
Net income	**$ 3,292**	$ 2,780	$ 1,890
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	**1,617**	1,487	1,427
Deferred income taxes and unrecognized tax benefits	**986**	672	718
Net gain on non-operating asset dispositions	**(43)**	(25)	(162)
Other operating activities, net	**(255)**	(458)	(376)
Changes in current assets and liabilities:			
Accounts receivable, net	**(217)**	(518)	(72)
Materials and supplies	**(80)**	(59)	(25)
Other current assets	**178**	(17)	(106)
Accounts payable and other current liabilities	**395**	243	(90)
Cash provided by operating activities	**5,873**	4,105	3,204
Investing Activities			
Capital investments	**(3,176)**	(2,482)	(2,354)
Proceeds from asset sales	**108**	67	187
Acquisition of equipment pending financing	**(85)**	-	(100)
Proceeds from sale of assets financed	**85**	-	100
Other investing activities, net	**(51)**	(73)	22
Cash used in investing activities	**(3,119)**	(2,488)	(2,145)
Financing Activities			
Common share repurchases (Note 18)	**(1,418)**	(1,249)	-
Dividends paid	**(837)**	(602)	(544)
Debt repaid	**(690)**	(1,412)	(871)
Debt issued	**486**	894	843
Debt exchange	**(272)**	(98)	-
Other financing activities, net	**108**	86	114
Cash used in financing activities	**(2,623)**	(2,381)	(458)
Net change in cash and cash equivalents	**131**	(764)	601
Cash and cash equivalents at beginning of year	**1,086**	1,850	1,249
Cash and cash equivalents at end of year	**$ 1,217**	$ 1,086	$ 1,850
Supplemental Cash Flow Information			
Non-cash investing and financing activities:			
Cash dividends declared but not yet paid	**$ 284**	$ 183	$ 132
Capital lease financings	**154**	-	842
Capital investments accrued but not yet paid	**147**	125	96
Settlement of current liabilities for debt	**-**	-	14
Cash paid during the year for:			
Interest, net of amounts capitalized	**$ (572)**	$ (614)	$ (578)
Income taxes, net of refunds	**(625)**	(936)	(452)

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

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CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDERS' EQUITY

Union Pacific Corporation and Subsidiary Companies

Millions	*Common Shares*	*Treasury Shares*	*Common Shares*	*Paid-in-Surplus*	*Retained Earnings*	*Treasury Stock*	*AOCI [a]*	*Total*
Balance at January 1, 2009	552.8	(49.6)	$ 1,382	$ 3,949	$ 13,681	$ (2,993)	$ (704)	$ 15,315
Comprehensive income:								
Net income			-	-	1,890	-	-	1,890
Other comp. income			-	-	-	-	50	50
Total comp. income (Note 9)								1,940
Conversion, stock option exercises, forfeitures, and other	0.7	1.1	2	19	-	69	-	90
Share repurchases (Note 18)	-	-	-	-	-	-	-	-
Cash dividends declared ($1.08 per share)	-	-	-	-	(544)	-	-	(544)
Balance at December 31, 2009	553.5	(48.5)	$ 1,384	$ 3,968	$ 15,027	$ (2,924)	$ (654)	$ 16,801
Comprehensive income:								
Net income			-	-	2,780	-	-	2,780
Other comp. loss			-	-	-	-	(80)	(80)
Total comp. income (Note 9)								2,700
Conversion, stock option exercises, forfeitures, and other	0.4	2.8	1	17	-	146	-	164
Share repurchases (Note 18)	-	(16.6)	-	-	-	(1,249)	-	(1,249)
Cash dividends declared ($1.31 per share)	-	-	-	-	(653)	-	-	(653)
Balance at December 31, 2010	553.9	(62.3)	$ 1,385	$ 3,985	$ 17,154	$ (4,027)	$ (734)	$ 17,763
Comprehensive income:								
Net income			-	-	3,292	-	-	3,292
Other comp. loss			-	-	-	-	(320)	(320)
Total comp. income (Note 9)								2,972
Conversion, stock option exercises, forfeitures, and other	0.4	2.7	1	46	-	152	-	199
Share repurchases (Note 18)	-	(14.8)	-	-	-	(1,418)	-	(1,418)
Cash dividends declared ($1.93 per share)	-	-	-	-	(938)	-	-	(938)
Balance at December 31, 2011	**554.3**	**(74.4)**	**$ 1,386**	**$ 4,031**	**$ 19,508**	**$ (5,293)**	**$ (1,054)**	**$ 18,578**

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Union Pacific Corporation and Subsidiary Companies

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. Nature of Operations

Operations and Segmentation – We are a Class I railroad that operates in the U.S. Our network includes 31,898 route miles, linking Pacific Coast and Gulf Coast ports with the Midwest and eastern U.S. gateways and providing several corridors to key Mexican gateways. We own 26,027 miles and operate on the remainder pursuant to trackage rights or leases. We serve the western two-thirds of the country and maintain coordinated schedules with other rail carriers for the handling of freight to and from the Atlantic Coast, the Pacific Coast, the Southeast, the Southwest, Canada, and Mexico. Export and import traffic is moved through Gulf Coast and Pacific Coast ports and across the Mexican and Canadian borders.

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

Millions	***2011***	*2010*	*2009*
Agricultural	**$ 3,324**	$ 3,018	$ 2,666
Automotive	**1,510**	1,271	854
Chemicals	**2,815**	2,425	2,102
Energy	**4,084**	3,489	3,118
Industrial Products	**3,166**	2,639	2,147
Intermodal	**3,609**	3,227	2,486
Total freight revenues	**$ 18,508**	$ 16,069	$ 13,373
Other revenues	**1,049**	896	770
Total operating revenues	**$ 19,557**	$ 16,965	$ 14,143

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.

Basis of Presentation – The Consolidated Financial Statements are presented in accordance with accounting principles generally accepted in the U.S. (GAAP) as codified in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Certain prior year amounts have been disaggregated to provide more detail and conform to the current period financial statement presentation.

2. Significant Accounting Policies

Principles of Consolidation – The Consolidated Financial Statements include the accounts of Union Pacific Corporation and all of its subsidiaries. Investments in affiliated companies (20% to 50% owned) are accounted for using the equity method of accounting. All intercompany transactions are eliminated. We currently have no less than majority-owned investments that require consolidation under variable interest entity requirements.

Cash and Cash Equivalents – Cash equivalents consist of investments with original maturities of three months or less.

Accounts Receivable – Accounts receivable includes receivables reduced by an allowance for doubtful accounts. The allowance is based upon historical losses, credit worthiness of customers, and current economic conditions. Receivables not expected to be collected in one year and the associated allowances are classified as other assets in our Consolidated Statements of Financial Position.

Investments – Investments represent our investments in affiliated companies (20% to 50% owned) that are accounted for under the equity method of accounting and investments in companies (less than 20% owned) accounted for under the cost method of accounting.

Materials and Supplies – Materials and supplies are carried at the lower of average cost or market.

Property and Depreciation – Properties and equipment are carried at cost and are depreciated on a straight-line basis over their estimated service lives, which are measured in years, except for rail in high-density traffic corridors (i.e., all rail lines except for those subject to abandonment, yard and switching tracks, and electronic yards), for which lives are measured in millions of gross tons per mile of track. We use the group method of depreciation in which all items with similar characteristics, use, and expected lives are grouped together in asset classes, and are depreciated using composite depreciation rates. The group method of depreciation treats each asset class as a pool of resources, not as singular items. We determine the estimated service lives of depreciable railroad assets by means of depreciation studies. Under the group method of depreciation, no gain or loss is recognized when depreciable property is retired or replaced in the ordinary course of business.

Impairment of Long-lived Assets – We review long-lived assets, including identifiable intangibles, for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment indicators are present and the estimated future undiscounted cash flows are less than the carrying value of the long-lived assets, the carrying value is reduced to the estimated fair value as measured by the discounted cash flows.

Revenue Recognition – We recognize freight revenues as freight moves from origin to destination. The allocation of revenue between reporting periods is based on the relative transit time in each reporting period with expenses recognized as incurred. Other revenues, which include revenues earned by our subsidiaries, revenues from our commuter rail operations, and accessorial revenue, are recognized as service is performed or contractual obligations are met. Customer incentives, which are primarily provided for shipping a specified cumulative volume or shipping to/from specific locations, are recorded as a reduction to operating revenues based on actual or projected future customer shipments.

Translation of Foreign Currency – Our portion of the assets and liabilities related to foreign investments are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the average rates of exchange prevailing during the year. Unrealized gains or losses are reflected within common shareholders’ equity as accumulated other comprehensive income or loss.

Fair Value Measurements – We use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. These levels include:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

We have applied fair value measurements to our pension plan assets.

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.

We measure and recognize compensation expense for all stock-based awards made to employees and directors, including stock options. Compensation expense is based on the calculated fair value of the awards as measured at the grant date and is expensed ratably over the service period of the awards (generally the vesting period). The fair value of retention awards is the closing stock price on the date of grant, while the fair value of stock options is determined by using the Black-Scholes option pricing model.

Earnings Per Share – Basic earnings per share are calculated on the weighted-average number of common shares outstanding during each period. Diluted earnings per share include shares issuable upon exercise of outstanding stock options and stock-based awards where the conversion of such instruments would be dilutive.

Income Taxes – We account for income taxes by recording taxes payable or refundable for the current year and deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. These expected future tax consequences are measured based on current tax law; the effects of future tax legislation are not anticipated. Future tax legislation, such as a change in the corporate tax rate, could have a material impact on our financial condition, results of operations, or liquidity.

When appropriate, we record a valuation allowance against deferred tax assets to reflect that these tax assets may not be realized. In determining whether a valuation allowance is appropriate, we consider whether it is more likely than not that all or some portion of our deferred tax assets will not be realized, based on management's judgments using available evidence for purposes of estimating whether future taxable income will be sufficient to realize a deferred tax asset.

We recognize tax benefits that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in our tax returns that do not meet these recognition and measurement standards.

Pension and Postretirement Benefits – We incur certain employment-related expenses associated with pensions and postretirement health benefits. In order to measure the expense associated with these benefits, we must make various assumptions including discount rates used to value certain liabilities, expected return on plan assets used to fund these expenses, compensation increases, employee turnover rates, anticipated mortality rates, and expected future health care costs. The assumptions used by us are based on our historical experience as well as current facts and circumstances. We use an actuarial analysis to measure the expense and liability associated with these benefits.

Personal Injury – The cost of injuries to employees and others on our property 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. Our personal injury liability is discounted to present value using applicable U.S. Treasury rates. Legal fees and incidental costs are expensed as incurred.

Asbestos – We estimate a liability for asserted and unasserted asbestos-related claims based on an assessment of the number and value of those claims. We use a statistical analysis to assist us in properly measuring our potential liability. Our liability for asbestos-related claims is not discounted to present value due to the uncertainty surrounding the timing of future payments. Legal fees and incidental costs are expensed as incurred.

Environmental – When environmental issues have been identified with respect to property currently or formerly owned, leased, or otherwise used in the conduct of our business, we and our consultants perform environmental assessments on such 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. Legal fees and incidental costs are expensed as incurred.

Use of Estimates – Our Consolidated Financial Statements include estimates and assumptions regarding certain assets, liabilities, revenue, and expenses and the disclosure of certain contingent assets and liabilities. Actual future results may differ from such estimates.

3. Recently Issued Accounting Pronouncements

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (ASU 2011-05). ASU 2011-05 will require companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The standard does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. This standard is effective for interim and annual periods beginning after December 15, 2011. Because this ASU impacts presentation only, it will have no effect on our financial condition, results of operations or cash flows.

4. Stock Options and Other Stock Plans

There are 7,140 restricted shares outstanding under the 1992 Restricted Stock Plan for Non-Employee Directors of Union Pacific Corporation. We no longer grant awards of restricted shares under this plan.

In April 2000, the shareholders approved the Union Pacific Corporation 2000 Directors Plan (Directors Plan) whereby 1,100,000 shares of our common stock were reserved for issuance to our non-employee directors. Under the Directors Plan, each non-employee director, upon his or her initial election to the Board of Directors, receives a grant of 2,000 retention shares or retention stock units. Prior to December 31, 2007, each non-employee director received annually an option to purchase at fair value a number of shares of our common stock, not to exceed 10,000 shares during any calendar year, determined by dividing 60,000 by 1/3 of the fair market value of one share of our common stock on the date of such Board of Directors meeting, with the resulting quotient rounded up or down to the nearest 50 shares. In September 2007, the Board of Directors eliminated the annual payment of options for 2008 and all future years. As of December 31, 2011, 18,000 restricted shares and 219,900 options were outstanding under the Directors Plan.

The Union Pacific Corporation 2001 Stock Incentive Plan (2001 Plan) was approved by the shareholders in April 2001. The 2001 Plan reserved 24,000,000 shares of our common stock for issuance to eligible employees of the Corporation and its subsidiaries in the form of non-qualified options, incentive stock options, retention shares, stock units, and incentive bonus awards. Non-employee directors were not eligible for awards under the 2001 Plan. As of December 31, 2011, 545,696 options were outstanding under the 2001 Plan. We no longer grant any stock options or other stock or unit awards under this plan.

The Union Pacific Corporation 2004 Stock Incentive Plan (2004 Plan) was approved by shareholders in April 2004. The 2004 Plan reserved 42,000,000 shares of our common stock for issuance, plus any shares subject to awards made under the 2001 Plan and the 1993 Plan that were outstanding on April 16, 2004, and became available for regrant pursuant to the terms of the 2004 Plan. Under the 2004 Plan, non-qualified options, stock appreciation rights, retention shares, stock units, and incentive bonus awards may be granted to eligible employees of the Corporation and its subsidiaries. Non-employee directors are not eligible for awards under the 2004 Plan. As of December 31, 2011, 6,276,021 options and 3,760,260 retention shares and stock units were outstanding under the 2004 Plan.

Pursuant to the above plans 32,374,343; 32,904,291; and 33,559,150 shares of our common stock were authorized and available for grant at December 31, 2011, 2010, and 2009, respectively.

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:

Millions	***2011***	*2010*	*2009*
Stock-based compensation, before tax:			
Stock options	**$ 18**	$ 17	$ 19
Retention awards	**64**	57	39
Total stock-based compensation, before tax	**$ 82**	$ 74	$ 58
Excess tax benefits from equity compensation plans	**$ 83**	$ 51	$ 10

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:

Weighted-Average Assumptions	***2011***	*2010*	*2009*
Risk-free interest rate	**2.3%**	2.4%	1.9%
Dividend yield	**1.6%**	1.8%	2.3%
Expected life (years)	**5.3**	5.4	5.1
Volatility	**35.9%**	35.2%	31.3%
Weighted-average grant-date fair value of options granted	**$ 28.45**	$ 18.26	$ 11.33

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 2011 is presented below:

	Shares (thous.)	*Weighted-Average Exercise Price*	*Weighted-Average Remaining Contractual Term*	*Aggregate Intrinsic Value (millions)*
Outstanding at January 1, 2011	9,815	$ 44.77	5.2 yrs.	$ 470
Granted	618	93.60		
Exercised	(3,340)	37.97	N/A	N/A
Forfeited or expired	(51)	61.00	N/A	N/A
Outstanding at December 31, 2011	7,042	$ 52.16	5.5 yrs.	$ 379
Vested or expected to vest at December 31, 2011	6,953	$ 51.96	5.5 yrs.	$ 374
Options exercisable at December 31, 2011	5,399	$ 47.16	4.7 yrs.	$ 317

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 December 31, 2011 are subject to performance or market-based vesting conditions.

At December 31, 2011, there was $16 million of unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted-average period of 0.7 years. Additional information regarding stock option exercises appears in the table below:

Millions	***2011***	*2010*	*2009*
Intrinsic value of stock options exercised	**$ 209**	$ 150	$ 29
Cash received from option exercises	**137**	114	39
Treasury shares repurchased for employee payroll taxes	**(53)**	(31)	(8)
Tax benefit realized from option exercises	**80**	57	11
Aggregate grant-date fair value of stock options vested	**19**	19	29

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 2011 were as follows:

	Shares (thous.)	*Weighted-Average Grant-Date Fair Value*
Nonvested at January 1, 2011	2,638	$ 54.01
Granted	528	93.68
Vested	(532)	48.69
Forfeited	(78)	57.72
Nonvested at December 31, 2011	2,556	$ 63.20

Retention awards are granted at no cost to the employee or non-employee director and vest over periods lasting up to four years. At December 31, 2011, there was $62 million of total unrecognized compensation expense related to nonvested retention awards, which is expected to be recognized over a weighted-average period of 1.5 years.

Performance Retention Awards – In February 2011, 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 2009 and February 2010, 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 2011 grant were as follows:

	2011
Dividend per share per quarter	$ 0.38
Risk-free interest rate at date of grant	1.2%

Changes in our performance retention awards during 2011 were as follows:

	Shares (thous.)	*Weighted-Average Grant-Date Fair Value*
Nonvested at January 1, 2011	1,151	$ 53.93
Granted	376	89.87
Vested	(195)	60.16
Forfeited	(128)	58.89
Nonvested at December 31, 2011	1,204	$ 63.62

At December 31, 2011, there was $29 million of total unrecognized compensation expense related to nonvested performance retention awards, which is expected to be recognized over a weighted-average period of 1.1 years. A portion of 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.

Plan Amendment

Effective January 1, 2010, Medicare-eligible retirees who are enrolled in the Union Pacific Retiree Medical Program received a contribution to a Health Reimbursement Account, which can be used to pay eligible out-of-pocket medical expenses.

Funded Status

We are required by GAAP to separately recognize the overfunded or underfunded status of our pension and OPEB plans as an asset or liability. The funded status represents the difference between the projected benefit obligation (PBO) and the fair value of the plan assets. Our non-qualified (supplemental) pension plan is unfunded by design. The PBO of the pension plans is the present value of benefits earned to date by plan participants, including the effect of assumed future compensation increases. The PBO of the OPEB plan is equal to the accumulated benefit obligation, as the present value of the OPEB liabilities is not affected by compensation increases. Plan assets are measured at fair value. We use a December 31 measurement date for plan assets and obligations for all our retirement plans.

Changes in our PBO and plan assets were as follows for the years ended December 31:

Funded Status	*Pension*		*OPEB*	
Millions	***2011***	*2010*	***2011***	*2010*
Projected Benefit Obligation				
Projected benefit obligation at beginning of year	**$ 2,759**	$ 2,448	**$ 318**	$ 314
Service cost	**40**	34	**2**	2
Interest cost	**145**	143	**15**	16
Plan amendments	**-**	-	**10**	(6)
Actuarial loss	**377**	281	**15**	16
Gross benefits paid	**(156)**	(147)	**(24)**	(24)
Projected benefit obligation at end of year	**$ 3,165**	$ 2,759	**$ 336**	$ 318
Plan Assets				
Fair value of plan assets at beginning of year	**$ 2,404**	$ 2,044	**$ -**	$ -
Actual return on plan assets	**42**	294	**-**	-
Voluntary funded pension plan contributions	**200**	200	**-**	-
Non-qualified plan benefit contributions	**15**	13	**24**	24
Gross benefits paid	**(156)**	(147)	**(24)**	(24)
Fair value of plan assets at end of year	**$ 2,505**	$ 2,404	**$ -**	$ -
Funded status at end of year	**$ (660)**	$ (355)	**$ (336)**	$ (318)

Amounts recognized in the statement of financial position as of December 31, 2011 and 2010 consist of:

	Pension		OPEB	
Millions	***2011***	*2010*	***2011***	*2010*
Noncurrent assets	**$ -**	$ 1	**$ -**	$ -
Current liabilities	**(15)**	(15)	**(26)**	(27)
Noncurrent liabilities	**(645)**	(341)	**(310)**	(291)
Net amounts recognized at end of year	**$ (660)**	$ (355)	**$ (336)**	$ (318)

Pre-tax amounts recognized in accumulated other comprehensive income/(loss) as of December 31, 2011 and 2010 consist of:

	2011			*2010*		
Millions	***Pension***	***OPEB***	***Total***	*Pension*	*OPEB*	*Total*
Prior service (cost)/credit	**$ (1)**	**$ 63**	**$ 62**	$ (3)	$ 106	$ 103
Net actuarial loss	**(1,503)**	**(146)**	**(1,649)**	(1,059)	(142)	(1,201)
Total	**$ (1,504)**	**$ (83)**	**$ (1,587)**	$ (1,062)	$ (36)	$ (1,098)

Other pre-tax changes recognized in other comprehensive income during 2011, 2010 and 2009 were as follows:

	Pension			*OPEB*		
Millions	***2011***	*2010*	*2009*	***2011***	*2010*	*2009*
Prior service cost/(credit)	**$ -**	$ -	$ -	**$ 10**	$ (6)	$ (78)
Net actuarial (gain)/loss	**515**	165	(51)	**14**	16	(21)
Amortization of:						
Prior service cost/(credit)	**(2)**	(3)	(5)	**34**	45	44
Actuarial loss	**(71)**	(49)	(30)	**(11)**	(13)	(12)
Total	**$ 442**	$ 113	$ (86)	**$ 47**	$ 42	$ (67)

Amounts included in accumulated other comprehensive income expected to be amortized into net periodic cost (benefit) during 2012:

Millions	*Pension*	*OPEB*	*Total*
Prior service cost/(benefit)	$ 1	$ (17)	$ (16)
Net actuarial loss	104	12	116
Total	$ 105	$ (5)	$ 100

Underfunded Accumulated Benefit Obligation – The accumulated benefit obligation (ABO) is the present value of benefits earned to date, assuming no future compensation growth. The underfunded accumulated benefit obligation represents the difference between the ABO and the fair value of plan assets. At December 31, 2011 and 2010, the non-qualified (supplemental) plan ABO was $284 million and $257 million, respectively. The PBO, ABO, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of the fair value of the plan assets were as follows for the years ended December 31:

Underfunded Accumulated Benefit Obligation		
Millions	***2011***	*2010*
Projected benefit obligation	**$ 3,165**	$ 2,741
Accumulated benefit obligation	**$ (3,050)**	$ (2,663)
Fair value of plan assets	**2,505**	2,385
Underfunded accumulated benefit obligation	**$ (545)**	$ (278)

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The ABO for all defined benefit pension plans was $3.0 billion and $2.7 billion at December 31, 2011 and 2010, respectively.

Assumptions – The weighted-average actuarial assumptions used to determine benefit obligations at December 31:

	Pension		*OPEB*	
Percentages	***2011***	*2010*	***2011***	*2010*
Discount rate	**4.54%**	5.35%	**4.36%**	5.01%
Compensation increase	**4.60%**	3.36%	**N/A**	N/A
Health care cost trend rate (employees under 65)	**N/A**	N/A	**6.91%**	7.07%
Ultimate health care cost trend rate	**N/A**	N/A	**4.50%**	4.50%
Year ultimate trend rate reached	**N/A**	N/A	**2028**	2028

Expense

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

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

	Pension			*OPEB*		
Millions	***2011***	*2010*	*2009*	***2011***	*2010*	*2009*
Net Periodic Benefit Cost:						
Service cost	**$ 40**	$ 34	$ 38	**$ 2**	$ 2	$ 2
Interest cost	**145**	143	140	**15**	16	18
Expected return on plan assets	**(180)**	(178)	(159)	**-**	-	-
Amortization of:						
Prior service cost/(credit)	**2**	3	5	**(34)**	(45)	(44)
Actuarial loss	**71**	49	30	**11**	13	12
Net periodic benefit cost/(benefit)	**$ 78**	$ 51	$ 54	**$ (6)**	$ (14)	$ (12)

Assumptions – The weighted-average actuarial assumptions used to determine expense were as follows for the years ended December 31:

	Pension			*OPEB*		
Percentages	***2011***	*2010*	*2009*	***2011***	*2010*	*2009*
Discount rate	**5.35%**	5.90%	6.25%	**5.01%**	5.55%	6.25%
Expected return on plan assets	**7.50%**	8.00%	8.00%	**N/A**	N/A	N/A
Compensation increase	**4.48%**	3.45%	3.50%	**N/A**	N/A	N/A
Health care cost trend rate (employees under 65)	**N/A**	N/A	N/A	**7.07%**	7.24%	7.50%
Health care cost trend rate (employees over 65)	**N/A**	N/A	N/A	**N/A**	N/A	9.10%
Ultimate health care cost trend rate	**N/A**	N/A	N/A	**4.50%**	4.50%	4.50%
Year ultimate trend reached	**N/A**	N/A	N/A	**2028**	2028	2028

The discount rate was based on a yield curve of high quality corporate bonds with cash flows matching our plans' expected benefit payments. The expected return on plan assets is based on our asset allocation mix and our historical return, taking into account current and expected market conditions. The actual return on pension plan assets, net of fees, was approximately 2% in 2011, 14% in 2010, and 23% in 2009.

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Assumed health care cost trend rates have a significant effect on the expense and liabilities reported for health care plans. The assumed health care cost trend rate is based on historical rates and expected market conditions. The 2012 assumed health care cost trend rate for employees under 65 is 6.91%. It is assumed the rate will decrease gradually to an ultimate rate of 4.5% in 2028 and will remain at that level. A one-percentage point change in the assumed health care cost trend rates would have the following effects on OPEB:

Millions	*One % pt. Increase*	*One % pt. Decrease*
Effect on total service and interest cost components	$ 1	$ (1)
Effect on accumulated benefit obligation	14	(12)

Cash Contributions

The following table details our cash contributions for the qualified pension plans and the benefit payments for the non-qualified (supplemental) pension and OPEB plans:

	Pension		
Millions	*Qualified*	*Non-qualified*	*OPEB*
2010	$ 200	13	24
2011	200	15	24

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. All contributions made to the qualified pension plans in 2011 were voluntary and were made with cash generated from operations.

The non-qualified pension and OPEB plans are not funded and are not subject to any minimum regulatory funding requirements. Benefit payments for each year represent supplemental pension payments and claims paid for medical and life insurance. We anticipate our 2012 supplemental pension and OPEB payments will be made from cash generated from operations.

Benefit Payments

The following table details expected benefit payments for the years 2012 through 2021:

Millions	*Pension*	*OPEB*
2012	$ 158	$ 26
2013	161	26
2014	166	26
2015	171	26
2016	176	26
Years 2017 - 2021	957	119

Asset Allocation Strategy

Our pension plan asset allocation at December 31, 2011 and 2010, and target allocation for 2012, are as follows:

	Target	*Percentage of Plan Assets December 31,*	
	Allocation 2012	***2011***	*2010*
Equity securities	47% to 63%	**58%**	60%
Debt securities	30% to 40%	**32**	31
Real estate	2% to 8%	**5**	4
Commodities	4% to 6%	**5**	5
Total		**100%**	100%

The investment strategy for pension plan assets is to maintain a broadly diversified portfolio designed to achieve our target average long-term rate of return of 7.5%. While we believe we can achieve a long-term average rate of return of 7.5%, we cannot be certain that the portfolio will perform to our expectations. Assets are strategically allocated among equity, debt, and other investments in order to achieve a diversification level that reduces fluctuations in investment returns. Asset allocation target ranges for equity, debt, and other portfolios are evaluated at least every three years with the assistance of an independent external consulting firm. Actual asset allocations are monitored monthly, and rebalancing actions are executed at least quarterly, if needed.

The pension plan investments are held in a Master Trust. The majority of pension plan assets are invested in equity securities because equity portfolios have historically provided higher returns than debt and other asset classes over extended time horizons and are expected to do so in the future. Correspondingly, equity investments also entail greater risks than other investments. Equity risks are balanced by investing a significant portion of the plans' assets in high quality debt securities. The average credit rating of the debt portfolio exceeded A+ as of December 31, 2011 and 2010. The debt portfolio is also broadly diversified and invested primarily in U.S. Treasury, mortgage, and corporate securities. The weighted-average maturity of the debt portfolio was 12 years at both December 31, 2011 and 2010.

The investment of pension plan assets in securities issued by Union Pacific is specifically prohibited by the plan for both the equity and debt portfolios, other than through index fund holdings.

Fair Value Measurements

The pension plan assets are valued at fair value. The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Temporary Cash Investments – These investments consist of U.S. dollars and foreign currencies held in master trust accounts at The Northern Trust Company. Foreign currencies held are reported in terms of U.S. dollars based on currency exchange rates readily available in active markets. These temporary cash investments are classified as Level 1 investments.

Registered Investment Companies – Registered Investment Companies are real estate investments, non-U.S. stock investments, and bond investments registered with the Securities and Exchange Commission. The real estate investments and non-U.S. stock investments are traded actively on public exchanges. The share prices for these investments are published at the close of each business day. Holdings of real estate investments and non-U.S. stock investments are classified as Level 1 investments. The bond investments are not traded publicly, but the underlying assets (stocks and bonds) held in these funds are traded on active markets and the prices for these assets are readily observable. Holdings in bond investments are classified as Level 2 investments.

Federal Government Securities – Federal Government Securities consist of bills, notes, bonds, and other fixed income securities issued directly by the U.S. Treasury or by government-sponsored enterprises. These assets are valued using a bid evaluation process with bid data provided by independent pricing sources. Federal Government Securities are classified as Level 2 investments.

Bonds & Debentures – Bonds and debentures consist of fixed income securities issued by U.S. and non-U.S. corporations as well as state and local governments. These assets are valued using a bid evaluation process with bid data provided by independent pricing sources. Corporate, state, and municipal bonds and debentures are classified as Level 2 investments.

Corporate Stock – This investment category consists of common and preferred stock issued by U.S. and non-U.S. corporations. Most common shares are traded actively on exchanges and price quotes for these shares are readily available. Common stock is classified as a Level 1 investment. Preferred shares included in this category are valued using a bid evaluation process with bid data provided by independent pricing sources. Preferred stock is classified as a Level 2 investment.

Venture Capital and Buyout Partnerships – This investment category is comprised of interests in limited partnerships that invest in privately-held companies. Due to the private nature of the partnership investments, pricing inputs are not readily observable. Asset valuations are developed by the general partners that manage the partnerships. These valuations are based on the application of public market multiples to private company cash flows, market transactions that provide valuation information for comparable companies, and other methods. Holdings of limited partnership interests are classified as Level 3 investments.

Real Estate Partnerships and Funds – Most of the real estate investments are partnership interests similar to those described in the Venture Capital and Buyout Partnerships category. This category also includes real estate investments held in less commonly used structures such as private real estate investment trusts and pooled separate accounts. Valuations for the holdings in this category are not based on readily observable inputs and are primarily derived from property appraisals. Interests in private real estate partnerships, investment funds and pooled separate accounts are classified as Level 3 investments.

Common Trust and Other Funds – Common trust funds are comprised of shares or units in commingled funds that are not publicly traded. The underlying assets in these funds (U.S. stock funds, non-U.S. stock funds, commodity funds, and short term investment funds) are publicly traded on exchanges and price quotes for the assets held by these funds are readily available. Holdings of common trust funds are classified as Level 2 investments.

This category also includes an investment in a limited liability company that invests in publicly-traded convertible securities. The limited liability company investment is a fund that invests in both long and short positions in convertible securities, stocks, and fixed income securities. The underlying securities held by the fund are traded actively on exchanges and price quotes for these investments are readily available. Interest in the limited liability company is classified as a Level 2 investment.

Other Investments – This category includes several miscellaneous assets such as commodity hedge fund investments. These investments have valuations that are based on observable inputs and are classified as Level 2 investments.

As of December 31, 2011, the pension plan assets measured at fair value on a recurring basis were as follows:

Millions	*Quoted Prices in Active Markets for Identical Inputs (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Total*
Plan assets:				
Temporary cash investments	$ 22	$ -	$ -	$ 22
Registered investment companies	8	280	-	288
U.S. government securities	-	155	-	155
Corporate bonds & debentures	-	343	-	343
Corporate stock	547	8	-	555
Venture capital and buyout partnerships	-	-	184	184
Real estate partnerships and funds	-	-	126	126
Common trust and other funds	-	815	-	815
Other investments	-	29	-	29
Total plan assets at fair value	$ 577	$ 1,630	$ 310	2,517
Other assets [a]				(12)
Total plan assets				$ 2,505

[a] *Other assets include accrued receivables and pending broker settlements.*

As of December 31, 2010, the pension plan assets measured at fair value on a recurring basis were as follows:

Millions	*Quoted Prices in Active Markets for Identical Inputs (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Total*
Plan assets:				
Temporary cash investments	$ 23	$ -	$ -	$ 23
Registered investment companies	9	259	-	268
U.S. government securities	-	142	-	142
Corporate bonds & debentures	-	311	-	311
Corporate stock	573	7	-	580
Venture capital and buyout partnerships	-	-	169	169
Real estate partnerships and funds	-	-	99	99
Common trust and other funds	-	776	-	776
Other investments	-	29	-	29
Total plan assets at fair value	$ 605	$ 1,524	$ 268	2,397
Other assets [a]				7
Total plan assets				$ 2,404

[a] Other assets include accrued receivables and pending broker settlements.

For the years ended December 31, 2011 and 2010, there were no significant transfers in or out of Levels 1, 2, or 3.

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3 investments) during 2011:

Millions	*Venture Capital and Buyout Partnerships*	*Real Estate Partnerships and Funds*	*Total*
Beginning balance - January 1, 2011	$ 169	$ 99	$ 268
Realized gain/(loss)	8	(1)	7
Unrealized gain	13	16	29
Purchases	22	27	49
Sales	(28)	(15)	(43)
Ending balance - December 31, 2011	$ 184	$ 126	$ 310

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3 investments) during 2010:

Millions	*Venture Capital and Buyout Partnerships*	*Real Estate Partnerships and Funds*	*Total*
Beginning balance - January 1, 2010	$ 142	$ 78	$ 220
Realized gain	3	1	4
Unrealized gain	21	10	31
Purchases	18	18	36
Sales	(15)	(8)	(23)
Ending balance - December 31, 2010	$ 169	$ 99	$ 268

Other Retirement Programs

401(k)/Thrift Plan – We provide a defined contribution plan (401(k)/thrift plan) to eligible non-union employees for whom we make matching contributions. We match 50 cents for each dollar contributed by employees up to the first six percent of compensation contributed. Our plan contributions were $14 million in 2011, $13 million in 2010 and $14 million in 2009.

Railroad Retirement System – All Railroad employees are covered by the Railroad Retirement System (the System). Contributions made to the System are expensed as incurred and amounted to approximately $600 million in 2011, $566 million in 2010, and $562 million in 2009.

Collective Bargaining Agreements – Under collective bargaining agreements, we participate in multi-employer benefit plans that provide certain postretirement health care and life insurance benefits for eligible union employees. Premiums paid under these plans are expensed as incurred and amounted to $66 million in 2011, $60 million in 2010, and $48 million in 2009.

6. Other Income

Other income included the following for the years ended December 31:

Millions	***2011***	*2010*	*2009*
Rental income	**$ 80**	$ 84	$ 73
Net gain on non-operating asset dispositions	**43**	25	162
Interest income	**3**	4	5
Early extinguishment of debt	**(5)**	(21)	-
Non-operating environmental costs and other	**(9)**	(38)	(45)
Total	**$ 112**	$ 54	$ 195

In June of 2009, we completed a $118 million sale of land to the Regional Transportation District (RTD) in Colorado, resulting in a $116 million pre-tax gain. The agreement with the RTD involved a 33-mile industrial lead track in Boulder, Colorado.

7. Income Taxes

Components of income tax expense were as follows for the years ended December 31:

Millions	***2011***	*2010*	*2009*
Current tax expense:			
Federal	**$ 862**	$ 862	$ 316
State	**124**	119	50
Total current tax expense	**986**	981	366
Deferred tax expense:			
Federal	**894**	550	650
State	**70**	97	30
Total deferred tax expense	**964**	647	680
Unrecognized tax benefits:			
Federal	**11**	26	39
State	**11**	(1)	(1)
Total unrecognized tax benefits expense/(benefits)	**22**	25	38
Total income tax expense	**$ 1,972**	$ 1,653	$ 1,084

For the years ended December 31, reconciliations between statutory and effective tax rates are as follows:

Tax Rate Percentages	***2011***	*2010*	*2009*
Federal statutory tax rate	**35.0%**	35.0%	35.0%
State statutory rates, net of federal benefits	**3.1**	3.1	3.2
Deferred tax adjustments	**(0.5)**	(0.3)	(0.8)
Tax credits	**(0.5)**	(0.7)	(0.8)
Other	**0.4**	0.2	(0.2)
Effective tax rate	**37.5%**	37.3%	36.4%

In February of 2011, Arizona enacted legislation that will decrease the state's corporate tax rate. This reduced our deferred tax expense by $14 million in the first quarter of 2011.

In February of 2009, California enacted legislation that changed how we determine the amount of income subject to California tax. This change reduced our 2009 deferred tax expense by $14 million.

Deferred tax assets and liabilities are recorded for the expected future tax consequences of events that are reported in different periods for financial reporting and income tax purposes. The majority of our deferred tax assets relate to deductions that already have been claimed for financial reporting purposes but not for tax purposes. The majority of our deferred tax liabilities relate to differences between the tax bases and financial reporting amounts of our land and depreciable property, due to accelerated tax depreciation (including bonus depreciation), revaluation of assets in purchase accounting transactions, and differences in capitalization methods.

Deferred income tax (liabilities)/assets were comprised of the following at December 31:

Millions	***2011***	*2010*
Deferred income tax liabilities:		
Property	**$ (13,312)**	$ (12,581)
Other	**(207)**	(178)
Total deferred income tax liabilities	**(13,519)**	(12,759)
Deferred income tax assets:		
Accrued casualty costs	**259**	300
Debt and leases	**365**	452
Retiree benefits	**342**	223
Credits	**197**	197
Other	**294**	291
Total deferred income tax asset	**$ 1,457**	$ 1,463
Net deferred income tax liability	**$ (12,062)**	$ (11,296)
Current portion of deferred taxes	**$ 306**	$ 261
Non-current portion of deferred taxes	**(12,368)**	(11,557)
Net deferred income tax liability	**$ (12,062)**	$ (11,296)

When appropriate, we record a valuation allowance against deferred tax assets to reflect that these tax assets may not be realized. In determining whether a valuation allowance is appropriate, we consider whether it is more likely than not that all or some portion of our deferred tax assets will not be realized based on management's judgments using available evidence for purposes of estimating whether future taxable income will be sufficient to realize a deferred tax asset. In 2011 and 2010, there were no valuation allowances.

Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. Unrecognized tax benefits are tax benefits claimed in our tax returns that do not meet these recognition and measurement standards.

A reconciliation of changes in unrecognized tax benefits liabilities/(assets) from the beginning to the end of the reporting period is as follows:

Millions	***2011***	*2010*	*2009*
Unrecognized tax benefits at January 1	**$ 86**	$ 61	$ 26
Increases for positions taken in current year	**9**	38	18
Increases for positions taken in prior years	**81**	11	50
Decreases for positions taken in prior years	**(30)**	(22)	(28)
Payments to and settlements with taxing authorities	**(27)**	(4)	(3)
Increases/(decreases) for interest and penalties	**(9)**	5	3
Lapse of statutes of limitations	**(3)**	(3)	(5)
Unrecognized tax benefits at December 31	**$ 107**	$ 86	$ 61

We recognize interest and penalties as part of income tax expense. Total accrued liabilities for interest and penalties were $10 million and $19 million at December 31, 2011 and 2010, respectively. Total interest and penalties recognized as part of income tax expense (benefit) were $10 million for 2011, $6 million for 2010, and $(11) million for 2009.

Internal Revenue Service (IRS) examinations have been completed and settled for all years prior to 1999, and the statute of limitations bars any additional tax assessments. Interest calculations may remain open for years prior to 1999. In the second quarter of 2011, the IRS completed its examination and issued a notice of deficiency for tax years 2007 and 2008. The IRS has now completed its examinations and issued notices of deficiency for tax years 1999 through 2008. We disagree with many of their proposed adjustments, and we are at IRS Appeals for these years. Additionally, several state tax authorities are examining our state income tax returns for years 2003 through 2008.

In the third quarter of 2011, we reached an agreement in principle with the IRS to resolve all of the issues related to tax years 1999 through 2004, except for calculations of interest. We anticipate signing a closing agreement with the IRS within the next 12 months. Once formalized, this agreement should result in an immaterial reduction of income tax expense. Based on this agreement in principle, we made a payment of $45 million, consisting of $27 million of tax and $18 million of interest, to partially cover the amounts due for these years.

We expect our unrecognized tax benefits to decrease significantly in the next 12 months. Of the $107 million balance at December 31, 2011, $31 million is classified as current in the Consolidated Statement of Financial Position, in anticipation of a settlement of the 1999-2004 tax years, as well as a reasonable possibility that some state tax disputes will be resolved in 2012.

The portion of our unrecognized tax benefits that relates to permanent changes in tax and interest would reduce our effective tax rate, if recognized. The remaining unrecognized tax benefits relate to tax positions for which only the timing of the benefit is uncertain. Recognition of the tax benefits with uncertain timing would reduce our effective tax rate only through a reduction of accrued interest and penalties. The unrecognized tax benefits that would reduce our effective tax rate are as follows:

Millions	***2011***	*2010*	*2009*
Unrecognized tax benefits that would reduce the effective tax rate	**$ 80**	$ 90	$ 86
Unrecognized tax benefits that would not reduce the effective tax rate	**27**	(4)	(25)
Total unrecognized tax benefits	**$ 107**	$ 86	$ 61

8. Earnings Per Share

The following table provides a reconciliation between basic and diluted earnings per share for the years ended December 31:

Millions, Except Per Share Amounts	***2011***	*2010*	*2009*
Net income	**$ 3,292**	$ 2,780	$ 1,890
Weighted-average number of shares outstanding:			
Basic	**485.7**	498.2	503.0
Dilutive effect of stock options	**2.6**	3.3	1.5
Dilutive effect of retention shares and units	**1.5**	1.4	1.3
Diluted	**489.8**	502.9	505.8
Earnings per share – basic	**$ 6.78**	$ 5.58	$ 3.76
Earnings per share – diluted	**$ 6.72**	$ 5.53	$ 3.74

Common stock options totaling 0.6 million, 0.3 million, and 4.6 million for 2011, 2010, and 2009, respectively, were excluded from the computation of diluted earnings per share because the exercise prices of these options exceeded the average market price of our common stock for the respective periods, and the effect of their inclusion would be anti-dilutive.

9. Comprehensive Income/(Loss)

Comprehensive income/(loss) was as follows:

Millions	***2011***	*2010*	*2009*
Net income	**$ 3,292**	$ 2,780	$ 1,890
Other comprehensive income/(loss):			
Defined benefit plans	**(301)**	(88)	44
Foreign currency translation	**(20)**	7	6
Derivatives	**1**	1	-
Total other comprehensive income/(loss) [a]	**(320)**	(80)	50
Total comprehensive income	**$ 2,972**	$ 2,700	$ 1,940

[a] Net of deferred taxes of $199 million, $57 million, and $(101) million during 2011, 2010, and 2009, respectively.

The after-tax components of accumulated other comprehensive loss were as follows:

Millions	***Dec. 31, 2011***	*Dec. 31, 2010*
Defined benefit plans	**$ (1,004)**	$ (703)
Foreign currency translation	**(48)**	(28)
Derivatives	**(2)**	(3)
Total	**$ (1,054)**	$ (734)

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 December 31, 2011 and 2010, our accounts receivable were reduced by $9 million and $5 million, respectively. Receivables not expected to be collected in one year and the associated allowances are classified as other assets in our Consolidated Statements of Financial Position. At December 31, 2011 and 2010, receivables classified as other assets were reduced by allowances of $41 million and $51 million, respectively.

Receivables Securitization Facility – On January 1, 2010, we adopted Accounting Standards Update No. 2009-16, *Accounting for Transfers of Financial Assets* (ASU 2009-16). ASU 2009-16 limits the circumstances in which transferred financial assets can be derecognized and requires enhanced disclosures regarding transfers of financial assets and a transferor's continuing involvement with transferred financial assets. As a result, we no longer account for the value of the outstanding undivided interest held by investors under our receivables securitization facility as a sale. In addition, transfers of receivables occurring on or after January 1, 2010, are reflected as debt issued in our Consolidated Statements of Cash Flows and recognized as debt due after one year in our Consolidated Statements of Financial Position.

Under the receivables securitization facility, the Railroad sells most of its accounts receivable to Union Pacific Receivables, Inc. (UPRI), a bankruptcy-remote subsidiary. UPRI may subsequently transfer, without recourse on a 364-day revolving basis, an undivided interest in eligible accounts receivable to investors. The total capacity to transfer undivided interests to investors under the facility was $600 million at December 31, 2011 and 2010, respectively. The value of the outstanding undivided interest held by investors under the facility was $100 million at both December 31, 2011 and 2010. The value of the undivided interest held by investors was supported by $1.1 billion and $960 million of accounts receivable at December 31, 2011 and 2010, respectively. At December 31, 2011 and 2010, the value of the interest retained by UPRI was $1.1 billion and $960 million, respectively. This retained interest is included in accounts receivable, net in our Consolidated Statements of Financial Position.

The value of the outstanding undivided interest held by investors could fluctuate based upon the availability of eligible receivables and is directly affected by changing business volumes and credit risks, including default and dilution. If default or dilution ratios increase one percent, the value of the outstanding undivided interest held by investors would not change as of December 31, 2011. Should our credit rating fall below investment grade, the value of the outstanding undivided interest held by investors would be reduced, and, in certain cases, the investors would have the right to discontinue the facility.

The Railroad collected approximately $18.8 billion and $16.3 billion of receivables during the years ended December 31, 2011 and 2010, respectively. UPRI used certain of these proceeds to purchase new receivables under the facility.

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 unused commitment availability. The costs of the receivables securitization facility are included in interest expense and were $4 million and $6 million for 2011 and 2010, respectively. Prior to adoption of the new accounting standard, the costs of the receivables securitization facility were included in other income and were $9 million for 2009.

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 August 2011, 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 composite depreciation rate for each category:

Millions, Except Percentages As of December 31, 2011	*Cost*	*Accumulated Depreciation*	*Net Book Value*	*Depreciation Rate for 2011*
Land	$ 5,098	$ N/A	$ 5,098	N/A
Road:				
Rail and other track material [a]	12,461	4,592	7,869	3.3%
Ties	7,987	2,028	5,959	2.9%
Ballast	4,178	1,008	3,170	3.0%
Other [b]	14,118	2,502	11,616	2.6%
Total road	38,744	10,130	28,614	2.9%
Equipment:				
Locomotives	6,502	3,003	3,499	5.7%
Freight cars	1,957	1,061	896	3.5%
Work equipment and other	529	57	472	6.5%
Total equipment	8,988	4,121	4,867	5.3%
Technology and other	610	259	351	12.3%
Construction in progress	1,004	-	1,004	N/A
Total	$ 54,444	$ 14,510	$ 39,934	N/A

Millions, Except Percentages As of December 31, 2010	*Cost*	*Accumulated Depreciation*	*Net Book Value*	*Depreciation Rate for 2010*
Land	$ 4,984	$ N/A	$ 4,984	N/A
Road:				
Rail and other track material [a]	11,992	4,458	7,534	3.1%
Ties	7,631	1,858	5,773	2.8%
Ballast	4,011	944	3,067	3.0%
Other [b]	13,634	2,376	11,258	2.5%
Total road	37,268	9,636	27,632	2.8%
Equipment:				
Locomotives	6,136	2,699	3,437	5.6%
Freight cars	1,886	1,040	846	3.6%
Work equipment and other	305	39	266	4.0%
Total equipment	8,327	3,778	4,549	5.1%
Technology and other	565	241	324	13.2%
Construction in progress	764	-	764	N/A
Total	$ 51,908	$ 13,655	$ 38,253	N/A

[a] Includes a weighted-average composite depreciation rate for rail in high-density traffic corridors as discussed below.

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

Property and Depreciation – Our railroad operations are highly capital intensive, and our large base of homogeneous, network-type assets turns over on a continuous basis. Each year we develop a capital program for the replacement of assets and for the acquisition or construction of assets that enable us to enhance our operations or provide new service offerings to customers. Assets purchased or constructed throughout the year are capitalized if they meet applicable minimum units of property criteria. Properties and equipment are carried at cost and are depreciated on a straight-line basis over their estimated service lives, which are measured in years, except for rail in high-density traffic corridors (i.e., all rail lines except for those subject to abandonment, yard and switching tracks, and electronic yards) for which lives are measured in millions of gross tons per mile of track. We use the group method of depreciation in which all items with similar characteristics, use, and expected lives are grouped together in asset classes, and are depreciated using composite depreciation rates. The group method of depreciation treats each asset class as a pool of resources, not as singular items. We currently have more than 60 depreciable asset classes, and we may increase or decrease the number of asset classes due to changes in technology, asset strategies, or other factors.

We determine the estimated service lives of depreciable railroad assets by means of depreciation studies. We perform depreciation studies at least every three years for equipment and every six years for track assets (i.e., rail and other track material, ties, and ballast) and other road property. Our depreciation studies take into account the following factors:

- Statistical analysis of historical patterns of use and retirements of each of our asset classes;
- Evaluation of any expected changes in current operations and the outlook for continued use of the assets;
- Evaluation of technological advances and changes to maintenance practices; and
- Expected salvage to be received upon retirement.

For rail in high-density traffic corridors, we measure estimated service lives in millions of gross tons per mile of track. It has been our experience that the lives of rail in high-density traffic corridors are closely correlated to usage (i.e., the amount of weight carried over the rail). The service lives also vary based on rail weight, rail condition (e.g., new or secondhand), and rail type (e.g., straight or curve). Our depreciation studies for rail in high density traffic corridors consider each of these factors in determining the estimated service lives. For rail in high-density traffic corridors, we calculate depreciation rates annually by dividing the number of gross ton-miles carried over the rail (i.e., the weight of loaded and empty freight cars, locomotives and maintenance of way equipment transported over the rail) by the estimated service lives of the rail measured in millions of gross tons per mile. For all other depreciable assets, we compute depreciation based on the estimated service lives of our assets as determined from the analysis of our depreciation studies. Changes in the estimated service lives of our assets and their related depreciation rates are implemented prospectively.

Under group depreciation, the historical cost (net of salvage) of depreciable property that is retired or replaced in the ordinary course of business is charged to accumulated depreciation and no gain or loss is recognized. The historical cost of certain track assets is estimated using (i) inflation indices published by the Bureau of Labor Statistics and (ii) the estimated useful lives of the assets as determined by our depreciation studies. The indices were selected because they closely correlate with the major costs of the properties comprising the applicable track asset classes. Because of the number of estimates inherent in the depreciation and retirement processes and because it is impossible to precisely estimate each of these variables until a group of property is completely retired, we continually monitor the estimated service lives of our assets and the accumulated depreciation associated with each asset class to ensure our depreciation rates are appropriate. In addition, we determine if the recorded amount of accumulated depreciation is deficient (or in excess) of the amount indicated by our depreciation studies. Any deficiency (or excess) is amortized as a component of depreciation expense over the remaining service lives of the applicable classes of assets.

For retirements of depreciable railroad properties that do not occur in the normal course of business, a gain or loss may be recognized if the retirement meets each of the following three conditions: (i) is unusual, (ii) is material in amount, and (iii) varies significantly from the retirement profile identified through our depreciation studies. A gain or loss is recognized in other income when we sell land or dispose of assets that are not part of our railroad operations.

When we purchase an asset, we capitalize all costs necessary to make the asset ready for its intended use. However, many of our assets are self-constructed. A large portion of our capital expenditures is for replacement of existing track assets and other road properties, which is typically performed by our employees, and for track line expansion and other capacity projects. Costs that are directly attributable to capital projects (including overhead costs) are capitalized. Direct costs that are capitalized as part of self-constructed assets include material, labor, and work equipment. Indirect costs are capitalized if they clearly relate to the construction of the asset.

General and administrative expenditures are expensed as incurred. Normal repairs and maintenance, including rail grinding, are also expensed as incurred, while costs incurred that extend the useful life of an asset, improve the safety of our operations or improve operating efficiency are capitalized. These costs are allocated using appropriate statistical bases. Total expense for repairs and maintenance incurred was $2.2 billion for 2011, $2.0 billion for 2010, and $1.9 billion for 2009.

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

12. Accounts Payable and Other Current Liabilities

Millions	***Dec. 31, 2011***	*Dec. 31, 2010*
Accounts payable	**$ 819**	$ 677
Income and other taxes	**482**	337
Accrued wages and vacation	**363**	357
Dividends payable	**284**	183
Accrued casualty costs	**249**	325
Interest payable	**197**	200
Equipment rents payable	**90**	86
Other	**624**	548
Total accounts payable and other current liabilities	**$ 3,108**	$ 2,713

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.

Market and Credit Risk – We address market risk related to derivative financial instruments by selecting instruments with value fluctuations that highly correlate with the underlying hedged item. We manage credit risk related to derivative financial instruments, which is minimal, by requiring high credit standards for counterparties and periodic settlements. At December 31, 2011 and 2010, we were not required to provide collateral, nor had we received collateral, relating to our hedging activities.

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

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

Swaps allow us to convert debt from fixed rates to variable rates and thereby hedge the risk of changes in the debt's fair value attributable to the changes in interest rates. We account for swaps as fair value hedges using the short-cut method; therefore, we do not record any ineffectiveness within our Consolidated Financial Statements.

On February 25, 2010, we elected to terminate an interest rate swap agreement with a notional amount of $250 million prior to the scheduled maturity and received cash of $20 million (which is comprised of $16 million for the fair value of the swap that was terminated and $4 million of accrued but unpaid interest receivable). We designated the swap agreement as a fair value hedge, and as such the unamortized adjustment to debt for the change in fair value of the swap remains classified as debt due after one year in our Consolidated Statements of Financial Position and will be amortized as a reduction to interest expense through April 15, 2012. As of December 31, 2011 and 2010, we do not have any interest rate fair value hedges outstanding.

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 December 31, 2011 and 2010, we recorded reductions of $2 million and $3 million, respectively, as an accumulated other comprehensive loss that is being amortized on a straight-line basis through September 30, 2014. As of December 31, 2011 and 2010, we had no interest rate cash flow hedges outstanding.

Earnings Impact – Our use of derivative financial instruments had the following impact on pre-tax income for the years ended December 31:

Millions	***2011***	*2010*	*2009*
Decrease in interest expense from interest rate hedging	**$ -**	$ 2	$ 8
Increase in pre-tax income	**$ -**	$ 2	$ 8

Fair Value of Financial Instruments – The fair value of our short- and long-term debt was estimated using quoted market prices, where available, or current borrowing rates. At December 31, 2011, the fair value of total debt was $10.5 billion, approximately $1.6 billion more than the carrying value. At December 31, 2010, the fair value of total debt was $10.4 billion, approximately $1.2 billion more than the carrying value. At December 31, 2011 and 2010, approximately $303 million of fixed-rate 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

Total debt as of December 31, 2011 and 2010, net of interest rate swaps designated as fair value hedges, is summarized below:

Millions	***2011***	*2010*
Notes and debentures, 3.0% to 7.9% due through 2054	**$ 6,801**	$ 6,886
Capitalized leases, 4.0% to 9.3% due through 2028	**1,874**	1,909
Equipment obligations, 6.2% to 8.1% due through 2031	**147**	183
Tax-exempt financings, 5.0% to 5.7% due through 2026	**159**	162
Floating rate term loan, due through 2016	**100**	100
Receivables securitization facility (Note 10)	**100**	100
Mortgage bonds, 4.8% due through 2030	**57**	58
Medium-term notes, 9.2% to 10.0% due through 2020	**32**	42
Unamortized discount	**(364)**	(198)
Total debt	**8,906**	9,242
Less: current portion	**(209)**	(239)
Total long-term debt	**$ 8,697**	$ 9,003

Debt Maturities – The following table presents aggregate debt maturities as of December 31, 2011, excluding market value adjustments:

Millions		
2012	$	309
2013		636
2014		706
2015		467
2016		517
Thereafter		6,271
Total debt	$	8,906

As of both December 31, 2011 and December 31, 2010, we have reclassified as long-term debt approximately $100 million 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.

Mortgaged Properties – Equipment with a carrying value of approximately $2.9 billion and $3.2 billion at December 31, 2011 and 2010, respectively, served as collateral for capital leases and other types of equipment obligations in accordance with the secured financing arrangements utilized to acquire such railroad equipment.

As a result of the merger of Missouri Pacific Railroad Company (MPRR) with and into UPRR on January 1, 1997, and pursuant to the underlying indentures for the MPRR mortgage bonds, UPRR must maintain the same value of assets after the merger in order to comply with the security requirements of the mortgage bonds. As of the merger date, the value of the MPRR assets that secured the mortgage bonds was approximately $6.0 billion. In accordance with the terms of the indentures, this collateral value must be maintained during the entire term of the mortgage bonds irrespective of the outstanding balance of such bonds.

Credit Facilities – During the second quarter of 2011, we replaced our $1.9 billion revolving credit facility, which was scheduled to expire in April 2012, with a new $1.8 billion facility that expires in May 2015 (the facility). The facility is based on substantially similar terms as those in the previous credit facility. On December 31, 2011, we had $1.8 billion of credit available under the facility, which is designated for general corporate purposes and supports the issuance of commercial paper. We did not draw on either facility during 2011. Commitment fees and interest rates payable under the facility are similar to fees and rates available to comparably rated, investment-grade borrowers. The facility allows for borrowings at floating rates based on London Interbank Offered Rates, plus a spread, depending upon our senior unsecured debt ratings. The facility requires the Corporation to maintain a debt-to-net-worth coverage ratio as a condition to making a borrowing. At December 31, 2011, and December 31, 2010 (and at all times during the year), 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 December 31, 2011, the debt-to-net-worth coverage ratio allowed us to carry up to $37.2 billion of debt (as defined in the facility), and we had $9.5 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 (including the Risk Factors in Item 1A of this report) 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 2011, we did not issue or repay any commercial paper and, at December 31, 2011, we had no commercial paper outstanding. Outstanding commercial paper balances are supported by our revolving credit facility but do not reduce the amount of borrowings available under the facility.

Dividend Restrictions – Our revolving credit facility includes a debt-to-net worth covenant (discussed in the Credit Facilities section above) that, under certain circumstances, restricts the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends was $13.8 billion and $12.9 billion at December 31, 2011 and 2010, respectively.

Shelf Registration Statement and Significant New Borrowings – Under our 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.

During 2011, we issued the following unsecured, fixed-rate debt securities under our current shelf registration:

Date	*Description of Securities*
August 9, 2011	$500 million of 4.75% Notes due September 15, 2041

The net proceeds from the offering were used 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 December 31, 2011, we had remaining authority to issue up to $2.0 billion of debt securities under our shelf registration.

During the third quarter of 2011, we renegotiated and extended for three years on substantially similar terms a $100 million floating-rate term loan, which will mature on August 5, 2016.

Debt Exchange – On June 23, 2011, we exchanged $857 million of various outstanding notes and debentures due between 2013 and 2019 (Existing Notes) for $750 million of 4.163% notes (New Notes) due July 15, 2022, plus cash consideration of approximately $267 million and $17 million for accrued and unpaid interest on the Existing Notes. The cash consideration was recorded as an adjustment to the carrying value of debt, and the balance of the unamortized discount and issue costs from the Existing Notes is being amortized as an adjustment of interest expense over the term of the New Notes. No gain or loss was recognized as a result of the exchange. Costs related to the debt exchange that were payable to parties other than the debt holders totaled approximately $6 million and were included in interest expense during 2011.

The following table lists the outstanding notes and debentures that were exchanged:

Millions	*Principal amount exchanged*
7.875% Notes due 2019	$ 196
5.450% Notes due 2013	50
5.125% Notes due 2014	45
5.375% Notes due 2014	55
5.700% Notes due 2018	277
5.750% Notes due 2017	178
7.000% Debentures due 2016	38
5.650% Notes due 2017	18
Total	$ 857

On July 14, 2010, we exchanged $376 million of 7.875% notes due in 2019 (Existing Notes) for 5.78% notes (New Notes) due July 15, 2040, plus cash consideration of approximately $96 million and $15 million for accrued and unpaid interest on the Existing Notes. The cash consideration was recorded as an adjustment to the carrying value of debt, and the balance of the unamortized discount and issue costs from the Existing Notes is being amortized as an adjustment of interest expense over the term of the New Notes. There was no gain or loss recognized as a result of the exchange. Costs related to the debt exchange that were payable to parties other than the debtholders totaled approximately $2 million and were included in interest expense during the third quarter.

Debt Redemptions – On December 19, 2011, we redeemed the remaining $175 million of our 6.5% notes due April 15, 2012, and all $300 million of our outstanding 6.125% notes due January 15, 2012.

The redemptions resulted in an early extinguishment charge of $5 million. On March 22, 2010, we redeemed $175 million of our 6.5% notes due April 15, 2012. The redemption resulted in an early extinguishment charge of $16 million in the first quarter of 2010. On November 1, 2010, we redeemed all $400 million of our outstanding 6.65% notes due January 15, 2011. The redemption resulted in a $5 million early extinguishment charge.

Receivables Securitization Facility – As of December 31, 2011 and 2010, we have recorded $100 million 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.

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 $3.9 billion as of December 31, 2011.

16. Leases

We lease certain locomotives, freight cars, and other property. The Consolidated Statement of Financial Position as of December 31, 2011 and 2010 included $2,458 million, net of $915 million of accumulated depreciation, and $2,520 million, net of $901 million of accumulated depreciation, respectively, for properties held under capital leases. A charge to income resulting from the depreciation for assets held under capital leases is included within depreciation expense in our Consolidated Statements of Income. Future minimum lease payments for operating and capital leases with initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2011, were as follows:

Millions	*Operating Leases*	*Capital Leases*
2012	$ 525	$ 297
2013	489	269
2014	415	276
2015	372	276
2016	347	262
Later years	2,380	1,179
Total minimum lease payments	$ 4,528	$ 2,559
Amount representing interest	N/A	(685)
Present value of minimum lease payments	N/A	$ 1,874

The majority of capital lease payments relate to locomotives. Rent expense for operating leases with terms exceeding one month was $637 million in 2011, $624 million in 2010, and $686 million in 2009. When cash rental payments are not made on a straight-line basis, we recognize variable rental expense on a straight-line basis over the lease term. Contingent rentals and sub-rentals are not significant.

17. 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 discounted to present value using applicable U.S. Treasury rates. Approximately 89% of the recorded liability related to asserted claims, and approximately 11% related to unasserted claims at December 31, 2011. 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 $368 million to $404 million. We record an accrual at the low end of the range as no amount of loss 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:

Millions	***2011***	*2010*	*2009*
Beginning balance	**$ 426**	$ 545	$ 621
Current year accruals	**118**	155	174
Changes in estimates for prior years	**(71)**	(101)	(95)
Payments	**(105)**	(173)	(155)
Ending balance at December 31	**$ 368**	$ 426	$ 545
Current portion, ending balance at December 31	**$ 103**	$ 140	$ 158

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 21% of the recorded liability related to asserted claims and approximately 79% related to unasserted claims at December 31, 2011. Because of the uncertainty surrounding the ultimate outcome of asbestos-related claims, it is reasonably possible that future costs to settle these claims may range from approximately $147 million to $159 million. We record an accrual at the low end of the range as no amount of loss is more probable than any other. In conjunction with the liability update performed in 2010, we also reassessed estimated insurance recoveries. We have recognized an asset for estimated insurance recoveries at December 31, 2011 and 2010.

Our asbestos-related liability activity was as follows:

Millions	***2011***	*2010*	*2009*
Beginning balance	**$ 162**	$ 174	$ 213
Accruals/(credits)	**(5)**	(1)	(25)
Payments	**(10)**	(11)	(14)
Ending balance at December 31	**$ 147**	$ 162	$ 174
Current portion, ending balance at December 31	**$ 8**	$ 12	$ 13

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 December 31, 2011 and 2010.

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 285 sites at which we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 32 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 December 31, 2011, less than 1% of our environmental liability was discounted at 2.0%, while approximately 5% of our environmental liability was discounted at 2.8% at December 31, 2010.

Our environmental liability activity was as follows:

Millions	***2011 [a]***	*2010*	*2009*
Beginning balance	**$ 213**	$ 217	$ 209
Accruals	**29**	57	49
Payments	**(70)**	(61)	(41)
Ending balance at December 31	**$ 172**	$ 213	$ 217
Current portion, ending balance at December 31	**$ 50**	$ 74	$ 82

[a] Payments include $25 million to resolve the Omaha Lead Site liability.

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.

Guarantees – At December 31, 2011, we were contingently liable for $325 million in guarantees. We have recorded a liability of $3 million for the fair value of these obligations as of December 31, 2011 and 2010. 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.

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 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 may owe back rent to UPRR for the years 2004 through 2011. SFPP has filed objections to the Statement of Decision. UPRR filed a motion for an entry of judgment, which is scheduled for hearing on or about February 3, 2012, along with post-judgment motions on interest and attorneys fees. 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, we consider this a gain contingency and no amounts are reflected in the Condensed Consolidated Financial Statements as of December 31, 2011.

18. Share Repurchase Program

The shares repurchased in 2010 and the first quarter of 2011, shown in the table below, were repurchased under our authorized repurchase program that expired on March 31, 2011. 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. The shares repurchased in the second, third, and fourth quarters of 2011, shown in the table below, were purchased under the new program. As of December 31, 2011, we repurchased a total of $5.7 billion of our common stock since the commencement of our repurchase programs.

	Number of Shares Purchased		*Average Price Paid*	
	2011	*2010*	***2011***	*2010*
First quarter	**2,636,178**	-	**$ 94.10**	$ -
Second quarter	**3,576,399**	6,496,400	**100.75**	71.74
Third quarter	**4,681,535**	7,643,400	**91.45**	73.19
Fourth quarter	**3,885,658**	2,500,596	**98.16**	89.39
Total	**14,779,770**	16,640,396	**$ 95.94**	$ 75.06
Remaining number of shares that may yet be repurchased				27,856,408

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.

19. Selected Quarterly Data (Unaudited)

Millions, Except Per Share Amounts				
2011	*Mar. 31*	*Jun. 30*	*Sep. 30*	*Dec. 31*
Operating revenues	$ 4,490	$ 4,858	$ 5,101	$ 5,108
Operating income	1,137	1,392	1,578	1,617
Net income	639	785	904	964
Net income per share:				
Basic	1.31	1.61	1.87	2.01
Diluted	1.29	1.59	1.85	1.99

Millions, Except Per Share Amounts				
2010	*Mar. 31*	*Jun. 30*	*Sep. 30*	*Dec. 31*
Operating revenues	$ 3,965	$ 4,182	$ 4,408	$ 4,410
Operating income	988	1,279	1,401	1,313
Net income	516	711	778	775
Net income per share:				
Basic	1.02	1.42	1.58	1.58
Diluted	1.01	1.40	1.56	1.56

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Union Pacific Corporation and Subsidiary Companies (the Corporation) is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). The Corporation's internal control system was designed to provide reasonable assurance to the Corporation's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Corporation's management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2011. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework.* Based on our assessment, management believes that, as of December 31, 2011, the Corporation's internal control over financial reporting is effective based on those criteria.

The Corporation's independent registered public accounting firm has issued an attestation report on the effectiveness of the Corporation's internal control over financial reporting. This report appears on the next page.

February 2, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Union Pacific Corporation:

We have audited the internal control over financial reporting of Union Pacific Corporation and Subsidiary Companies (the Corporation) as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2011 of the Corporation and our report dated February 3, 2012 expressed an unqualified opinion on those financial statements and financial statement schedule.

Deloitte & Touche LLP

Omaha, Nebraska
February 3, 2012

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

(a) Directors of Registrant.

Information as to the names, ages, positions and offices with UPC, terms of office, periods of service, business experience during the past five years and certain other directorships held by each director or person nominated to become a director of UPC is set forth in the Election of Directors segment of the Proxy Statement and is incorporated herein by reference.

Information concerning our Audit Committee and the independence of its members, along with information about the audit committee financial expert(s) serving on the Audit Committee, is set forth in the Audit Committee segment of the Proxy Statement and is incorporated herein by reference.

(b) Executive Officers of Registrant.

Information concerning the executive officers of UPC and its subsidiaries is presented in Part I of this report under Executive Officers of the Registrant and Principal Executive Officers of Subsidiaries.

(c) Section 16(a) Compliance.

Information concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 is set forth in the Section 16(a) Beneficial Ownership Reporting Compliance segment of the Proxy Statement and is incorporated herein by reference.

(d) Code of Ethics for Chief Executive Officer and Senior Financial Officers of Registrant.

The Board of Directors of UPC has adopted the UPC Code of Ethics for the Chief Executive Officer and Senior Financial Officers (the Code). A copy of the Code may be found on the Internet at our website www.up.com/investors/governance. We intend to disclose any amendments to the Code or any waiver from a provision of the Code on our website.

Item 11. Executive Compensation

Information concerning compensation received by our directors and our named executive officers is presented in the Compensation Discussion and Analysis, Summary Compensation Table, Grants of Plan-Based Awards in Fiscal Year 2011, Outstanding Equity Awards at 2011 Fiscal Year-End, Option Exercises and Stock Vested in Fiscal Year 2011, Pension Benefits at 2011 Fiscal Year-End, Nonqualified Deferred Compensation at 2011 Fiscal Year-End, Potential Payments Upon Termination or Change in Control and Director Compensation in Fiscal Year 2011 segments of the Proxy Statement and is incorporated herein by reference. Additional information regarding compensation of directors, including Board committee members, is set forth in the By-Laws of UPC and the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, both of which are included as exhibits to this report. Information regarding the Compensation and Benefits Committee is set forth in the Compensation Committee Interlocks and Insider Participation and Compensation Committee Report segments of the Proxy Statement and is incorporated herein by reference.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information as to the number of shares of our equity securities beneficially owned by each of our directors and nominees for director, our named executive officers, our directors and executive officers as a group, and certain beneficial owners is set forth in the Security Ownership of Certain Beneficial Owners and Management segment of the Proxy Statement and is incorporated herein by reference.

The following table summarizes the equity compensation plans under which UPC common stock may be issued as of December 31, 2011:

	Column (a)	Column (b)	Column (c)
Plan Category	*Number of securities to be issued upon exercise of outstanding options, warrants and rights*	*Weighted-average exercise price of outstanding options, warrants and rights*	*Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))*
Equity compensation plans approved by security holders	8,826,830 [1]	$ 52.15 [2]	32,374,343
Total	8,826,830	$ 52.15	32,374,343

[1] Includes 1,785,213 retention units that do not have an exercise price. Does not include 2,000,187 retention shares that have been issued and are outstanding.

[2] Does not include the retention units or retention shares described above in footnote 1.

Item 13. Certain Relationships and Related Transactions and Director Independence

Information on related transactions is set forth in the Certain Relationships and Related Transactions and Compensation Committee Interlocks and Insider Participation segments of the Proxy Statement and is incorporated herein by reference. We do not have any relationship with any outside third party that would enable such a party to negotiate terms of a material transaction that may not be available to, or available from, other parties on an arm's-length basis.

Information regarding the independence of our directors is set forth in the Director Independence segment of the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information concerning the fees billed by our independent registered public accounting firm and the nature of services comprising the fees for each of the two most recent fiscal years in each of the following categories: (i) audit fees, (ii) audit-related fees, (iii) tax fees, and (iv) all other fees, is set forth in the Independent Registered Public Accounting Firm's Fees and Services segment of the Proxy Statement and is incorporated herein by reference.

Information concerning our Audit Committee's policies and procedures pertaining to pre-approval of audit and non-audit services rendered by our independent registered public accounting firm is set forth in the Audit Committee segment of the Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements, Financial Statement Schedules, and Exhibits:

(1) Financial Statements

The financial statements filed as part of this filing are listed on the index to the Financial Statements and Supplementary Data, Item 8, on page 50.

(2) Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts

Schedules not listed above have been omitted because they are not applicable or not required or the information required to be set forth therein is included in the Financial Statements and Supplementary Data, Item 8, or notes thereto.

(3) Exhibits

Exhibits are listed in the exhibit index beginning on page 92. The exhibits include management contracts, compensatory plans and arrangements required to be filed as exhibits to the Form 10-K by Item 601 (10) (iii) of Regulation S-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on this 3rd day of February, 2012.

UNION PACIFIC CORPORATION

By /s/ James R. Young
James R. Young,
Chairman, President, Chief
Executive Officer, and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, on this 3rd day of February, 2012, by the following persons on behalf of the registrant and in the capacities indicated.

PRINCIPAL EXECUTIVE OFFICER
AND DIRECTOR:

/s/ James R. Young
James R. Young,
Chairman, President, Chief
Executive Officer, and Director

PRINCIPAL FINANCIAL OFFICER:

/s/ Robert M. Knight, Jr.
Robert M. Knight, Jr.,
Executive Vice President - Finance
and Chief Financial Officer

PRINCIPAL ACCOUNTING OFFICER:

/s/ Jeffrey P. Totusek
Jeffrey P. Totusek,
Vice President and Controller

DIRECTORS:

Andrew H. Card, Jr.*
Erroll B. Davis, Jr.*
Thomas J. Donohue*
Archie W. Dunham*
Judith Richards Hope*
Charles C. Krulak*

Michael R. McCarthy*
Michael W. McConnell*
Thomas F. McLarty III*
Steven R. Rogel*
Jose H. Villarreal*

* By /s/ James J. Theisen, Jr.
James J. Theisen, Jr., Attorney-in-fact

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SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
Union Pacific Corporation and Subsidiary Companies

Millions, for the Years Ended December 31,	***2011***	*2010*	*2009*
Allowance for doubtful accounts:			
Balance, beginning of period	**$ 56**	$ 70	$ 105
Charges/(reduction) to expense	**–**	(6)	2
Net recoveries/(write-offs)	**(6)**	(8)	(37)
Balance, end of period	**$ 50**	$ 56	$ 70
Allowance for doubtful accounts are presented in the Consolidated Statements of Financial Position as follows:			
Current	**$ 9**	$ 5	$ 3
Long-term	**41**	51	67
Balance, end of period	**$ 50**	$ 56	$ 70
Accrued casualty costs:			
Balance, beginning of period	**$ 905**	$ 1,086	$ 1,206
Charges to expense	**110**	186	199
Cash payments and other reductions	**(237)**	(367)	(319)
Balance, end of period	**$ 778**	$ 905	$ 1,086
Accrued casualty costs are presented in the Consolidated Statements of Financial Position as follows:			
Current	**$ 249**	$ 325	$ 379
Long-term	**529**	580	707
Balance, end of period	**$ 778**	$ 905	$ 1,086

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UNION PACIFIC CORPORATION
Exhibit Index

Exhibit No.	Description
Filed with this Statement	
10(a)	Form of 2012 Long Term Plan Stock Unit Agreement dated February 2, 2012.
10(b)	Form of Stock Unit Agreement for Executives dated February 2, 2012.
10(c)	Form of Non-Qualified Stock Option Agreement for Executives dated February 2, 2012.
10(d)	Supplemental Thrift Plan (409A Non-Grandfathered Component) of Union Pacific Corporation, as amended December 28, 2011.
12	Ratio of Earnings to Fixed Charges.
21	List of the Corporation's significant subsidiaries and their respective states of incorporation.
23	Independent Registered Public Accounting Firm's Consent.
24	Powers of attorney executed by the directors of UPC.
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 - James R. Young.
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 - James R. Young 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 Annual Report on Form 10-K for the year ended December 31, 2011 (filed with the SEC on February 3, 2012), is formatted in XBRL and submitted electronically herewith: (i) Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009, (ii) Consolidated Statements of Financial Position at December 31, 2011 and December 31, 2010, (iii) Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009, (iv) Consolidated Statements of Changes in Common Shareholders' Equity for the years ended December 31, 2011, 2010 and 2009, and (v) the Notes to the Consolidated Financial Statements.
Incorporated by Reference	
3(a)	Restated Articles of Incorporation of UPC, as amended and restated 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)	Indenture, dated as of December 20, 1996, between UPC and Wells Fargo Bank, National Association, as successor to Citibank, N.A., as Trustee, is incorporated herein by reference to Exhibit 4.1 to UPC's Registration Statement on Form S-3 (No. 333-18345).
4(b)	Indenture, dated as of April 1, 1999, between UPC and The Bank of New York, as successor to JP Morgan Chase Bank, formerly The Chase Manhattan Bank, as Trustee, is incorporated herein by reference to Exhibit 4.2 to UPC's Registration Statement on Form S-3 (No. 333-75989).
4(c)	Form of Debt Security (Note) is incorporated herein by reference to Exhibit 4.1 to the Corporation's Current Report on Form 8-K, dated August 9, 2011.
	Certain instruments evidencing long-term indebtedness of UPC are not filed as exhibits because the total amount of securities authorized under any single such instrument does not exceed 10% of the Corporation's total consolidated assets. UPC agrees to furnish the Commission with a copy of any such instrument upon request by the Commission.
10(e)	Supplemental Thrift Plan (409A Grandfathered Component) of Union Pacific Corporation, as amended and restated in its entirety, effective as of January 1, 2009, is incorporated herein by reference to Exhibit 10(d) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.
10(f)	Supplemental Pension Plan for Officers and Managers (409A Non-Grandfathered Component) of Union Pacific Corporation and Affiliates, as amended and restated in its entirety effective as of January 1, 1989, including all amendments adopted through January 1, 2009, as amended July 22, 2011, is incorporated herein by reference to Exhibit 10 to the Corporation's Annual Report on Form 10-Q for the quarter ended September 30, 2011.
10(g)	Supplemental Pension Plan for Officers and Managers (409A Grandfathered Component) of Union Pacific Corporation and Affiliates, as amended and restated in its entirety effective as of January 1, 1989, including all amendments adopted through January 1, 2009 is incorporated herein by reference to Exhibit 10(f) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.
10(h)	Union Pacific Corporation Executive Incentive Plan, effective May 5, 2005, amended and restated effective January 1, 2009, is incorporated herein by reference to Exhibit 10(g) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.
10(i)	Deferred Compensation Plan (409A Non-Grandfathered Component) of Union Pacific Corporation, effective as January 1, 2009 as amended December 30, 2010 and June 22, 2011, is incorporated herein by reference to Exhibit 10 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011
10(j)	Deferred Compensation Plan (409A Grandfathered Component) of Union Pacific Corporation, as amended and restated in its entirety, effective as January 1, 2009 is incorporated herein by reference to Exhibit 10(i) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.

10(k)	Union Pacific Corporation 2000 Directors Plan, effective as of April 21, 2000, as amended November 16, 2006, January 30, 2007 and January 1, 2009 is incorporated herein by reference to Exhibit 10(j) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.
10(l)	Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors (409A Non-Grandfathered Component), effective as of January 1, 2009 is incorporated herein by reference to Exhibit 10(k) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.
10(m)	Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors (409A Grandfathered Component), as amended and restated in its entirety, effective as of January 1, 2009 is incorporated herein by reference to Exhibit 10(l) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.
10(n)	Union Pacific Corporation Key Employee Continuity Plan, dated as of November 16, 2000, as amended and restated effective as of January 1, 2009, as amended February 3, 2011, is incorporated herein by reference to Exhibit 10(e) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010.
10(o)	2008 Long Term Plan Amended and Restated Stock Unit Agreement is incorporated herein by reference to Exhibit 10(q) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.
10(p)	The 1993 Stock Option and Retention Stock Plan of UPC, as amended November 16, 2006, is incorporated herein by reference to Exhibit 10 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.
10(q)	UPC 2001 Stock Incentive Plan, as amended November 16, 2006, is incorporated herein by reference to Exhibit 10(e) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006.
10(r)	Amended and Restated Registration Rights Agreement, dated as of July 12, 1996, among UPC, UP Holding Company, Inc., Union Pacific Merger Co. and Southern Pacific Rail Corporation (SP) is incorporated herein by reference to Annex J to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(s)	Agreement, dated September 25, 1995, among UPC, UPRR, Missouri Pacific Railroad Company (MPRR), SP, Southern Pacific Transportation Company (SPT), The Denver & Rio Grande Western Railroad Company (D&RGW), St. Louis Southwestern Railway Company (SLSRC) and SPCSL Corp. (SPCSL), on the one hand, and Burlington Northern Railroad Company (BN) and The Atchison, Topeka and Santa Fe Railway Company (Santa Fe), on the other hand, is incorporated by reference to Exhibit 10.11 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(t)	Supplemental Agreement, dated November 18, 1995, between UPC, UPRR, MPRR, SP, SPT, D&RGW, SLSRC and SPCSL, on the one hand, and BN and Santa Fe, on the other hand, is incorporated herein by reference to Exhibit 10.12 to UPC's Registration Statement on Form S-4 (No. 33-64707).
10(u)	The Pension Plan for Non-Employee Directors of UPC, as amended January 25, 1996, is incorporated herein by reference to Exhibit 10(w) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995.

10(v)	Charitable Contribution Plan for Non-Employee Directors of Union Pacific Corporation is incorporated herein by reference to Exhibit 10(z) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995.
10(w)	Form of Non-Qualified Stock Option Agreement for Executives is incorporated herein by reference to Exhibit 10(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(x)	Form of 2009 Long Term Plan Stock Unit Agreement is incorporated herein by reference to Exhibit 10(a) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.
10(y)	Form of 2010 Long Term Plan Stock Unit Agreement is incorporated herein by reference to Exhibit 10(a) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2009.
10(z)	Form of Non-Qualified Stock Option Agreement for Directors is incorporated herein by reference to Exhibit 10(d) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(aa)	Form of Non-Qualified Stock Option Agreement for Executives is incorporated herein by reference to Exhibit 10(c) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2005.
10(bb)	Executive Incentive Plan (2005) – Deferred Compensation Program, dated December 21, 2005 is incorporated herein by reference to Exhibit 10(g) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2005.
99	U.S. $1,800,000,000 4-year revolving credit agreement, dated as of May 25, 2011, is incorporated herein by reference to Exhibit 99(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.

Notice of Performance Retention Unit Award -Exhibit A & Award Agreement

Union Pacific Corporation
ID: 13-2626465
Union Pacific Corporation
1400 Douglas Street
Omaha, NE 68179

FIRST_NAME LAST_NAME
ADDRESS_LINE_1
CITY, STATE ZIPCODE

Award Number: **OPTION_NUMBER**
Plan: **EQUITY_PLAN**
ID: **EMPLOYEE_ID**

Effective February 2, 2012, you have been granted a performance retention unit award of Union Pacific Corporation (the Company) common stock. Please take time to review the "2012 Long Term Plan Summary", which is attached herewith. The units are restricted until the Restriction Period Termination Date shown below.

Type of Grant:	LTP Retention Units
MAXIMUM Number of retention units granted: ***The Stock Unit Target Award (amount of retention units granted at Target is half of the amount shown).*** *The amount of units shown is the "maximum" number of shares that you are eligible to receive in accordance with the program design shown in the Long Term Plan Summary. The actual number of shares paid out at vesting, if any, depends on applicable performance criteria being met.*	X,XXX
Restriction Period:	3 years
Restriction Period Commencement Date:	02/02/2012
Restriction Period Termination Date:	02/02/2015

For general tax purposes, Retention Units are valued at the time of vesting. The closing price of Union Pacific Corporation common stock on the vesting date as recorded by The Wall Street Journal is used when preparing tax calculations.

We would like to call your attention to confidentiality and non-compete provisions in the Agreement and recommend that you review the terms and conditions of these provisions as fully set forth in the Agreement. Please note that failure to comply with these provisions will result in the forfeiture of the award or will require that any value received from the vesting of this award be returned to the Company. In addition, once you accept the terms of the Agreement, these provisions will be binding on you whether or not the award vests.

By accepting this award, you acknowledge that you are bound by all of the terms of the Union Pacific Corporation 2004 Stock Incentive Plan, as amended from time to time, and the Agreement delivered herewith, each of which is incorporated by reference in this Exhibit A.

2012 LONG TERM PLAN
STOCK UNIT AGREEMENT

Dated: February 2, 2012

This Letter Agreement (the "Agreement") will confirm an award to you of stock units ("Stock Units"), as of the date hereof, by Union Pacific Corporation (the "Company"), under the 2004 Stock Incentive Plan of the Company, as amended from time to time (the "Plan"), a copy of which is included in this grant package on this website and made a part hereof.

STOCK UNITS

1. **GRANT OF UNITS.** The Company hereby awards to you the number of Stock Units, as shown on Exhibit A of this Agreement, each evidencing the right to receive, upon the terms and subject to the conditions set forth in this Agreement and the Plan, (i) one share of Union Pacific Corporation Common Stock, $2.50 par value per share ("Common Stock") and (ii) a payment in cash equal to the amount of dividends that would have been payable on one share of Common Stock ("Dividend Equivalent Payments"), provided the applicable Performance Criteria described below have been satisfied.

2. **RESTRICTION PERIOD.** The period during which the restrictions set forth herein and in the Plan shall apply to your right to receive the Stock Units granted to you shall commence on the date hereof and expire February 2, 2015 if and to the extent the Performance Criteria described below for such Stock Units have been satisfied (the "Restriction Period"), subject to the provisions of Section 6 hereof. During the Restriction Period, you may be entitled to receive Dividend Equivalent Payments, subject to the provisions of Section 4 and Section 6(iii) hereof.

3. **PERFORMANCE CRITERIA.** The Performance Criteria is annual Return on Invested Capital ("ROIC"). However, such Performance Criteria is of no force and effect unless and until the Company has operating income ("Operating Income") in one or more of fiscal years 2012, 2013 or 2014. The definition and calculation of annual ROIC and Operating Income shall be determined in accordance with the Long Term Plan document approved and adopted by the Compensation and Benefits Committee of the Company's Board of Directors (the "Committee").

You may earn Stock Units during the Restriction Period based on the Company's satisfaction of the Performance Criteria in accordance with the ROIC targets and payout schedule approved by the Committee, subject to Section 6(iii) hereof. For the fiscal year ending December 31, 2012, you may earn up to one-third of your Stock Unit Target Award as shown on Exhibit A based on the first fiscal year (2012) of ROIC performance achieved. For the fiscal year ending December 31, 2013, you may earn up to a total of two-thirds of your Stock Unit Target Award as shown on Exhibit A (less any Stock Units earned in the first fiscal year) based on the average of the first two fiscal years (2012 and 2013) of ROIC performance achieved. For the fiscal year ending December 31, 2014, you may earn up to two times your Stock Unit Target Award as shown on Exhibit A (less any Stock Units earned in the first two fiscal years) based on the average of all three fiscal years (2012, 2013, and 2014) of ROIC performance achieved.

4. **DIVIDEND EQUIVALENT RIGHTS.** For all dividend record dates occurring while you are employed and between the date that Stock Units are earned and the date that shares are delivered to you, you shall be entitled to receive Dividend Equivalent Payments for those Stock Units which have been earned in accordance with Section 3 hereof. If you earn Stock Units in accordance with Section 3 hereof that are payable to you as specified in Section 6(iii) hereof, unless otherwise determined by the Committee, you shall further receive Dividend Equivalent Payments for all dividend record dates occurring after you are separated from service through the date the shares are delivered to you as provided in and subject to the adjustment described in Section 6(iii) hereof. Any such Dividend Equivalent Payments shall be made on the payment date established by the Board of Directors for the underlying dividend payments; provided, however, that if you have elected to defer receipt of such Stock Units in accordance with the terms of the Deferred Compensation Plan of Union Pacific Corporation (the "Deferred Compensation Plan"), payment of such Dividend Equivalent Payments shall be made in accordance with the provisions of Section 12 of the Plan.

5. **RESTRICTIONS.** (i) You shall be entitled to delivery of the shares of Common Stock only as specified in Section 6 hereof; (ii) none of the Stock Units may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of; (iii) your right to receive Dividend Equivalent Payments shall terminate without further obligation on the part of the Company at the earlier of your separation from service with the Company or a Subsidiary, except as provided in Section 6(iii) hereof, or your receipt of Common Stock under Section 6 hereof; (iv) all of the Stock Units shall be forfeited and all of your rights to such Stock Units and the right to receive Common Stock shall terminate without further obligation on the part of the Company in the event of your separation from service with the Company or a Subsidiary without having a right to delivery of shares of Common Stock under Section 6 hereof; and (v) any Stock Units not earned as of the end of the Restriction Period shall be forfeited and all of your rights to such Stock Units shall terminate without further obligation on the part of the Company.

6. **<u>LAPSE OF RESTRICTIONS AND PAYMENT OF STOCK UNITS</u>.** (i) Following the end of the Restriction Period and provided you have remained continuously employed by the Company or a Subsidiary through the end of the Restriction Period and absent any Change of Control before the end of the Restriction Period, unless otherwise determined by the Committee, shares of Common Stock equal to the number of Stock Units which are earned pursuant to the achievement of the applicable Performance Criteria shall be delivered to you (through your account at the Company's third party stock plan administrator, if applicable) free of all restrictions, provided the Company has Operating Income in one or more of the fiscal years 2012, 2013 or 2014. The payment of the Stock Units under this Section 6(i) shall be made to you as soon as practicable following the end of the Restriction Period, 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 on which the Restriction Period ends. Notwithstanding the foregoing, the Company shall not be obligated to deliver any shares of Common Stock during any period when the Company determines that the delivery of shares hereunder would violate any federal, state or other applicable laws and/or may issue shares subject to any restrictive legend that, as determined by the Company's counsel, is necessary to comply with securities or other regulatory requirements.

(ii) If you have a separation from service with the Company or a Subsidiary prior to the end of the Restriction Period and prior to a Change in Control because you die or become disabled (as determined under the provisions of the Company's or a Subsidiary's long-term disability plan), you, your estate or your beneficiary, as the case may be, shall be entitled to receive shares of Common Stock equal to the number of Stock Units which are earned based on achievement of the applicable Performance Criteria through the end of the fiscal year ending prior to the date of your death or disability, as the case may be, provided the Company has Operating Income in one or more of the fiscal years 2012, 2013 or 2014 and further provided that such fiscal year precedes the date of your death or disability. The payment of the Stock Units under this Section 6(ii) shall be as soon as practicable following your separation from service, 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 on which you die or become disabled.

(iii) Section 9(e)(i) and Section 9(f) of the Plan pertaining to the vesting and payment of Stock Units upon "Age 65 Retirement Status" shall not be applicable, and instead, if you have a separation from service with the Company or a Subsidiary prior to the end of the Restriction Period and prior to a Change in Control because you retire after having attained age 62 with 10 years of service under the provisions of the Company's or a Subsidiary's pension plan ("Retirement"), you, your estate or your beneficiary, as the case may be, shall be entitled to receive shares of Common Stock equal to the number of Stock Units which are earned based on the average of all three fiscal years (2012, 2013 and 2014) of the applicable Performance Criteria achieved prorated based on the number of fiscal years in the Restriction Period during which you remained continuously employed by the Company or a Subsidiary until September 30th of that year (*e.g.*, if you retire on or after September 30, 2012 then you would be entitled to receive payment for 33 1/3% of the earned Stock Units, if you retire on or after September 30, 2013 then you would be entitled to receive payment for 66 2/3% of the earned Stock Units and if you retire on or after September 30, 2014 than you would be entitled to receive payment for 100% of the earned Stock Units), provided that the Company has Operating Income in one or more of the fiscal years 2012, 2013 or 2014. You shall be entitled to receive Dividend Equivalent Payments respecting all Stock Units earned in accordance with Section 3 hereof through the end of the fiscal year ending before your Retirement for all dividend record dates occurring after your Retirement and during the Restriction Period until you receive Common Stock under this Section 6(iii), notwithstanding your Retirement. The Committee shall adjust the total amount of such Dividend Equivalent Payments made to you and/or the total number of shares of Common Stock paid to you following the end of the Restriction Period so that the total amount of such Dividend Equivalent Payments made to you do not exceed the amount that would have been made based on the number of Stock Units which are earned as set forth in this Section 6(iii). The payment of the Stock Units under this Section 6(iii) shall be made as soon as practicable following the end of the Restriction Period, but in no event later than two and one-half (2 1/2) months following the end of the calendar year that includes the end of the Restriction Period.

(iv) If a Change in Control occurs prior to the end of the Restriction Period and prior to your death, disability or Retirement, or separation from service for any other reason, shares of Common Stock equal to the number of Stock Units that would have been earned if the Performance Criteria shall have been satisfied at the greater of one hundred percent of your Stock Unit Target Award as shown on Exhibit A or the number of Stock Units that would have been earned based on the Performance Criteria satisfied through the end of each fiscal year prior to the occurrence of such Change in Control and through the end of the most recent fiscal quarter ending prior to the date of the Change in Control shall be delivered to you (through your account at the Company's third party administrator, if applicable) free of all restrictions, provided the Company has Operating Income in one or more of the calendar years 2012, 2013 or 2014 and further provided that any such calendar year precedes the date of the Change in Control. In either event following the Change in Control no additional Stock Units may be earned under this Agreement. Shares of Common Stock to which you are entitled pursuant to this Section 6(iv) shall be delivered as soon as practicable following the Change in Control, but in no event later than two and one-half (2 ½) months following the end of the calendar year that includes the date on which the Change in Control occurs.

(v) If you have a separation from service with the Company or a Subsidiary for any other reason, with or without cause, prior to the earlier of the end of the Restriction Period or a Change in Control, you will forfeit all Stock Units and all of your rights to such Stock Units shall terminate without further obligation on the part of the Company.

(vi) You may elect to defer receipt of payment of shares underlying the Stock Units to the extent and according to the terms, if any, provided by the Deferred Compensation Plan. If you do so elect to defer payment of shares underlying the Stock Units, such payments will be made in accordance with the Deferred Compensation Plan.

7. **WITHHOLDING.** Upon payment of the Stock Units, you must arrange for the payment to the Company (through the Company's third party stock plan administrator, if applicable) of all applicable withholding taxes resulting therefrom promptly after notification of the amount thereof. You may elect to have shares withheld to pay withholding taxes, but only at the statutory minimum rate, if a proper election is made to pay withholding taxes in this manner.

8. **SUBJECT TO PLAN.** The award confirmed by this Agreement is subject to the terms and conditions of the Plan, as the same may be amended from time to time in accordance with Section 20 thereof, except as otherwise provided in this Agreement.

PROTECTION OF CONFIDENTIALITY

9. **CONFIDENTIAL INFORMATION; TRADE SECRETS.** By electronically accepting this Agreement, you acknowledge that the Company regards certain information relating to its business and operations as confidential. This includes all confidential and proprietary information concerning the assets, business or affairs of the Company or any Subsidiary or any customers thereof ("Confidential Information"). Your electronic signature also acknowledges that the Company has certain information that derives economic value from not being known to the general public or to others who could obtain economic value from its disclosure or use, which the Company takes reasonable efforts to protect the secrecy of ("Trade Secrets").

10. **<u>TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS</u>.** By electronically accepting this Agreement, you acknowledge that you developed or have had and will in the future continue to have access to one or more of the following types of Confidential Information or Trade Secrets: information about rates or costs; customer or supplier agreements and negotiations; business opportunities; scheduling and delivery methods; business and marketing plans; financial information or plans; communications within the attorney-client privilege or other privileges; operating procedures and methods; construction methods and plans; proprietary computer systems design, programming or software; strategic plans; succession plans; proprietary company training programs; employee performance, compensation or benefits; negotiations or strategies relating to collective bargaining agreements and/or labor disputes; and internal or external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. By electronically accepting this Agreement, you agree that any unauthorized disclosures by you to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct within the meaning of the Plan.

11. **<u>AGREEMENT TO MAINTAIN CONFIDENTIAL INFORMATION</u>.** By electronically accepting this Agreement, you agree that you will not, unless you receive prior written consent from the Company's Senior Vice President, Human Resources & Secretary or such other person designated by the Company (hereinafter collectively referred to as the "Sr. VP-HR & S"), or unless ordered by a court or government agency, (i) divulge, use, furnish or disclose to any subsequent employer or any other person any Confidential Information or Trade Secrets, or (ii) retain or take with you when you leave the Company any property of the Company or any documents (including any electronic or computer records) relating to any Confidential Information or Trade Secrets.

12. **<u>PRIOR NOTICE OF EMPLOYMENT, ETC</u>.** (i) By electronically accepting this Agreement, you acknowledge that if you become an employee, contractor, or consultant for any other person or entity engaged in the Business of the Company as defined in Paragraph 14, this would create a substantial risk that you would, intentionally or unintentionally, disclose or rely upon the Company's Confidential Information or Trade Secrets for the benefit of the other railroad to the detriment of the Company. You further acknowledge that such disclosures would be particularly damaging if made shortly after you leave the Company. Therefore, by electronically signing Exhibit A, you agree that for a period of one-year after you leave the Company, before accepting any employment or affiliation with another railroad you will give written

notice to the Sr. VP-HR & S of your intention to accept such employment or affiliation. You also agree to confer in good faith with the Sr. VP-HR & S concerning whether your proposed employment or affiliation could reasonably be expected to be performed without improper disclosure of Confidential Information or Trade Secrets. (ii) If the Sr. VP-HR & S and you are unable to reach agreement on this issue, you agree to submit this issue to arbitration, to be conducted under the rules of the American Arbitration Association, for final resolution. You also agree that you will not begin to work for another person or entity engaged in the Business of the Company as defined in Paragraph 14, until the Sr. VP-HR & S or an arbitrator has determined that such employment could reasonably be expected to be performed without improper disclosure of the Company's Confidential Information or Trade Secrets.

13. **FAILURE TO COMPLY.** By electronically accepting this Agreement, you agree that, if you fail to comply with any of the promises that you made in Section 11 or 12 above, you will be required to immediately deliver to the Company any shares of Common Stock (or the market value of any shares of Common Stock received) which you received at any time from 180 days prior to the earlier of (i) the date when you leave the Company or (ii) the date you fail to comply with any such promise you made in Section 11 or 12, to 180 days after the date when the Company learns that you have not complied with any such promise. You agree that you will deliver such shares of Common Stock (or the cash equivalent) to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the market value of any such shares of Common Stock against any amount that might be owed to you by the Company. You acknowledge that the Company would not have awarded you the shares of Common Stock granted to you under the Agreement absent your agreement to be bound by the promises made in Sections 11 and 12 above.

NO DIRECT COMPETITION

14. **NON-SOLICITATION OF CUSTOMERS; NON-COMPETITION.** By electronically accepting this Agreement, you agree for a period of one year following your departure from the Company, you will not (directly or in association with others) call on or solicit any of the Company's customers with whom you had personal contact while you were employed by the Company, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Company in its Business as defined below. You further agree that for the same time period, you will not, directly or indirectly, engage in any activity which is the same as or competitive with

the Business (as defined below) including, without limitation, engagement as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than 2% of the outstanding capital stock of a publicly traded corporation), guarantor, consultant, advisor, agent, sales representative or other participant, in any market which the Company conducts its Business. For purposes of this Agreement, the term “Business” means the transportation of goods in interstate commerce and related services in or through or for any state in which the Company or any of its affiliates provides such services directly or indirectly and any other activity that supports such operations including by way of example but not limitation, marketing, information systems, logistics, technology development or implementation, terminal services, and any other activity of the Company or any of its affiliates. This Section 14 is not intended to prevent you from engaging in any activity that is not the same as or competitive with the Business. You acknowledge that the Company would not have awarded you the shares of Common Stock granted to you under this Agreement absent your agreement to be bound by the promises made in this Section 14.

15. **<u>ACKNOWLEDGMENT; INJUNCTIVE RELIEF</u>.** By electronically accepting this Agreement, you acknowledge that you have carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed upon you pursuant to Sections 11, 12 and 14. You also agree that each of the restraints contained herein is necessary for the protection of the goodwill, Confidential Information, Trade Secrets and other legitimate interests of the Company; that each and every one of these restraints is reasonable in respect to subject matter, length of time and geographic area; and that these restraints, individually or in the aggregate, will not prevent you from obtaining other suitable employment during the period in which you are bound by such restraints. You further acknowledge that, were you to breach any of the covenants contained in Sections 11, 12 and 14, the damage to the Company would be irreparable. You therefore agree that the Company, in addition to any other remedies available to it, including, without limitation, the remedies set forth in Sections 13 and 16, shall be entitled to injunctive relief against your breach or threaten breach of said covenants. You and the Company further agree that, in the event that any provision of Sections 11, 12 and 14 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

16. **VIOLATION OF PROMISES.** By electronically accepting this Agreement, you agree that if you violate any of your promises in Section 14, then you will be required to immediately deliver to the Company any shares of Common Stock (or the fair market value thereof) granted to you by this Agreement which you received at any time from 180 days prior to the date when you leave the Company to 180 days after the date when the Company learns that you have not complied with the promises you made in Section 14. You agree that you will deliver such shares of Common Stock (or the fair market value thereof) to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the market value of any such shares of Common Stock against any amount that might be owed to you by the Company.

GENERAL

17. **ARBITRATION.** By electronically accepting this Agreement, you agree and the Company agrees that any controversy, claim, or dispute arising out of or relating to the this Agreement or the breach of any of these terms and conditions, or arising out of or relating to your employment relationship with the Company or any of its affiliates, or the termination of such relationship, shall be resolved by binding arbitration before a neutral arbitrator under the rules set forth in the Federal Arbitration Act, except for claims by the Company relating to your breach of any of the employee covenants set forth in Paragraphs 9, 10, 11, 12 or 14 above. By way of example only, claims subject to this agreement to arbitrate include claims litigated under federal, state and local statutory or common law, such as the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, as amended, including the Civil Rights Act of 1994, the Americans with Disabilities Act, the law of contract and the law of tort. You and the Company agree that such claims may be brought in an appropriate administrative forum, but at the point at which you or the Company seek a judicial forum to resolve the matter, this agreement for binding arbitration becomes effective, and you and the Company hereby knowingly and voluntarily waive any right to have any such dispute tried and adjudicated by a judge or jury. The foregoing not to the contrary, the Company may seek to enforce the employee covenants set forth in Paragraphs 9, 10, 11, 12 or 14 above, in any court of competent jurisdiction.

This agreement to arbitrate shall continue in full force and effect despite the expiration or termination of this Agreement or your employment relationship with the Company or any of its affiliates. You and the Company agree that any award rendered by the arbitrator shall be final and binding and that judgment upon the final award may be entered in any court having jurisdiction thereof. The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable, including any remedy or relief that would have been available to you, the Company or any of its affiliates had the mater been heard in court. All expenses of the arbitration, including the required travel and other expenses of the arbitrator and any witnesses, and the costs relating to any proof produced at the direction of the arbitrator, shall be borne equally by you and the Company unless otherwise mutually agreed or unless the arbitrator directs otherwise in the award. The arbitrator's compensation shall be borne equally by you and the Company unless otherwise mutually agreed or unless the law provides otherwise.

18. **RESTATEMENTS OF FINANCIAL RESULTS.** By electronically accepting this Agreement, you agree that you will return such shares of Common Stock (or the fair market value thereof) to the Company as determined by the Committee in its exclusive discretion, which shall be final, conclusive and binding upon the Company and you. The Committee will exercise its discretion only in the event that the Committee's certification of a level of ROIC was based on financial results subsequently revised by a restatement of such financial results and only to the extent that such restated financial results would have entitled you to a lesser award of Common Stock under the Performance Criteria.

19. **SEVERABILITY.** If any provision of this Agreement is, becomes, or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, such provision shall be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Company, it shall be stricken and the remainder of the Agreement shall remain in force and effect.

20. **CHOICE OF LAW; JURISDICTION.** All questions pertaining to the construction, regulation, validity, and effect of this Agreement shall be determined in accordance with the laws of the State of Utah, without regard to the conflict of laws doctrine. The Company and you hereby consent and submit to the personal jurisdiction and venue of any state or federal court located in the county of Salt Lake City within the State of Utah for resolution of any and all claims, causes of action or disputes arising out of or related to this Agreement. Sections 12(ii) and 14 shall not apply to employees who are subject to California law.

21. **EMPLOYMENT AT WILL.** In accordance with Section 22(a) of the Plan, this Agreement shall not be construed to confer upon any person any right to be continued in the employ of the Company or a Subsidiary.

22. **DEFINED TERMS**. For purposes of this Agreement, capitalized terms shall have the meanings specified in the Plan, unless a different meaning is provided in this Agreement or a different meaning is plainly required by the context.

23. **AMENDMENTS.** The Plan and this Agreement may be amended or altered by the Committee or the Company's Board of Directors to the extent provided in the Plan.

To confirm acceptance of the foregoing, kindly enter your password and click the "Accept" button.

Notice of Grant of Award - Exhibit A
& Award Agreement

Union Pacific Corporation
ID: 13-2626465
Union Pacific Corporation
1400 Douglas Street
Omaha, NE 68179

FIRST_NAME LAST_NAME
ADDRESS_LINE_1
CITY, STATE ZIPCODE

Award Number: **OPTION_NUMBER**
Plan: **EQUITY_PLAN**
ID: **EMPLOYEE_ID**

Effective February 2, 2012, you have been granted a retention stock unit award of X,XXX units of Union Pacific Corporation (the Company) common stock. These units are restricted until the Restriction Period Termination Date shown below.

Type of Grant:	Retention Units
Number of Retention Units Granted:	X,XXX
Restriction Period:	4 years
Restriction Period Commencement Date:	2/2/2012
Restriction Period Termination Date:	2/2/2016

Generally, for tax purposes, Retention Units are valued at the time of vesting. The closing price of Union Pacific Corporation common stock on the vesting date as recorded by The Wall Street Journal is used when preparing tax calculations.

We would like to call your attention to confidentiality and non-compete provisions in the Agreement and recommend that you review the terms and conditions of these provisions as fully set forth in the Agreement. Please note that failure to comply with these provisions will result in the forfeiture of the award or will require that any value received from the vesting of this award be returned to the Company. In addition, once you accept the terms of the Agreement, these provisions will be binding on you whether or not the award vests.

By accepting this award, you acknowledge that you are bound by all of the terms of the Union Pacific Corporation 2004 Stock Incentive Plan, as amended from time to time, and the Agreement delivered herewith, each of which is incorporated by reference in this Exhibit A.

STOCK UNIT AGREEMENT

Dated: 2/2/2012

This Agreement (the "Agreement") will confirm an award to you of stock units ("Stock Units"), as of the date hereof, by Union Pacific Corporation (the "Company"), under the 2004 Stock Incentive Plan of the Company, as amended from time to time (the "Plan"), a copy of which is included in this grant package on this website and made a part hereof.

STOCK UNITS

1. **GRANT OF UNITS.** The Company hereby awards to you the number of Stock Units shown on Exhibit A of this Agreement, each unit evidencing the right to receive, upon the terms and subject to the conditions set forth in this Agreement and the Plan, (i) one share of Common Stock of the Company, $2.50 par value per share ("Common Stock") and (ii) a payment in cash equal to the amount of dividends that would have been payable on one share of Common Stock ("Dividend Equivalent Payments").

2. **RESTRICTION PERIOD.** The restriction period shall be 48 months, commencing on the date hereof and terminating on February 2, 2016, unless sooner terminated under provisions of the Plan not inconsistent with the terms of this Agreement or under the terms of this Agreement (the "Restriction Period").

3. **DIVIDEND EQUIVALENT RIGHTS.** You will have the rights of a shareholder only after shares of Common Stock have been issued to you following termination of the Restriction Period and satisfaction of all other conditions to the issuance of those shares. Stock Units shall not entitle you to any rights of a shareholder of Common Stock and there are no voting rights with respect to your Stock Units. During the Restriction Period and during any period following the end of the Restriction Period described in the last sentence of Section 5 hereof in which delivery of shares of Common Stock is delayed, unless otherwise determined by Compensation and Benefits Committee of the Company's Board of Directors (the "Committee"), you shall be entitled to receive Dividend Equivalent Payments. Such Dividend Equivalent Payments shall be made on the payment date established by the Board of Directors for the underlying dividend payments; provided, however, that (i) if you have elected to defer receipt of the Stock Units in accordance with the terms of the Deferred Compensation Plan of Union Pacific Corporation (the "Deferred Compensation Plan"), payment of such Dividend Equivalent Payments shall be made in accordance with the

provisions of Section 12 of the Plan and (ii) if such Dividend Equivalent Payments relate to Stock Units whose payment is delayed as described in the last sentence of Section 5 hereof, on the date such Stock Units are paid.

4. **RESTRICTIONS.** (i) Except as provided in Section 5 hereof, you shall not be entitled to delivery of the stock until the expiration of the Restriction Period; (ii) none of the Stock Units may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of prior to the payment of the Stock Units to you as provided in Section 5 hereof; (iii) your right to receive Dividend Equivalent Payments shall terminate without further obligation on the part of the Company at the earlier of your separation from service with the Company or a Subsidiary, or at the end of the Restriction Period, except as provided in the last sentence of Section 4 hereof; and (iv) all of the Stock Units shall be forfeited and all of your rights to such Stock Units and the right to receive Common Stock shall terminate without further obligation on the part of the Company unless you remain in the continuous employment of the Company or a Subsidiary for the entire Restriction Period, except as provided by Section 9(c) and Section 9(d) of the Plan and the following sentence. Section 9(e) and Section 9(f) of the Plan pertaining to the vesting and payment of Stock Units upon Age 65 Retirement Status shall not be applicable, and instead, in the event you remain continuously employed with the Company or a Subsidiary until September 30, 2012, and are age 62 with 10 years of service under the provisions of the Company's or a Subsidiary's pension plan ("62/10 Status") at any time during the Restriction Period during your period of continuous employment, you shall (i) receive payment for all of the Stock Units shown on Exhibit A as provided in Section 5 hereof, and (ii) be entitled to receive Dividend Equivalent Payments in accordance with Section 3 hereof until the earlier of the end of the Restriction Period or payment of the Stock Units under Section 5 hereof, in each case, notwithstanding any separation from service with the Company or a Subsidiary on or after attaining 62/10 Status.

5. **PAYMENT OF STOCK UNITS.** Subject to Section 4 and Section 6 hereof, shares of Common Stock equal to the number of Stock Units shall be delivered to you (through your account at the Company's third party stock plan administrator, if applicable) or your beneficiary or estate, as the case may be, free of all restrictions within thirty (30) days of the first to occur of your right to payment arising under Sections 9(c) or (d) (for purposes of each such section, treating 62/10 Status as Retirement Status) of the Plan or the end of the Restriction Period, provided, however, if your Stock Units are "deferred compensation" subject to Internal Revenue Code section 409A, they shall be paid to you within thirty (30) days of the end of the Restriction Period in the

event that your right to payment (i) under Sections 9(c)(i)(B) or (d)(i) (for purposes of each such section, treating 62/10 Status as Retirement Status) of the Plan arises before the end of the Restriction Period and after your attaining 62/10 Status, (ii) arises under Section 9(c)(iii) of the Plan, or (iii) arises under Section 9(d)(ii) of the Plan. Notwithstanding the foregoing, (i) the Company shall not be obligated to deliver any shares of Common Stock during any period in which the Company reasonably anticipates that the delivery of shares hereunder would: (A) violate any federal, state or other applicable laws and/or may issue shares subject to any restrictive legend that, as determined by the Company's counsel, is necessary to comply with securities or other regulatory requirements; or (B) result in the reduction or elimination of the Company's deduction under Internal Revenue Code section 162(m) with respect to such delivery of shares, and (ii) the date on which shares are delivered to you (and any Dividend Equivalent Payment thereon) may include a delay to provide the Company such time as it determines appropriate to calculate and address tax withholding and to address other administrative matters; provided, however, that delivery of shares of Common Stock underlying Stock Units (and any Dividend Equivalent Payments on such Stock Units or, if such Dividend Equivalent Payments are invested in additional Stock Units at the Company's discretion, the shares of Common Stock underlying such additional Stock Units) for Stock Units not subject to Internal Revenue Code section 409A shall in all events be made at a time that satisfies the "short-term deferral" exception described in Treas. Reg. section 1.409A-1(b)(4) and for Stock Units subject to Internal Revenue Code section 409A shall in all events be made at a time that satisfies Treas. Reg. 1.409A-2(b)(7).

6. **DEFERRAL.** You may elect to defer receipt of payment of shares underlying the Stock Units pursuant to the terms of, and in accordance with the provisions of, the Deferred Compensation Plan. If you do so elect to defer payment of shares underlying the Stock Units, such payments will be made in accordance with the Deferred Compensation Plan.

7. **WITHHOLDING.** Upon payment of the Stock Units, you must arrange for the payment to the Company (through the Company's third party stock plan administrator, if applicable) of all applicable withholding taxes resulting therefrom promptly after notification of the amount thereof. You may elect to have shares withheld to pay withholding taxes, but only at the statutory minimum rate, if a proper election is made to pay withholding taxes in this manner.

8. **SUBJECT TO PLAN.** The award confirmed by this Agreement is subject to the terms and conditions of the Plan, as the same may be amended from time to time in accordance with Section 20 thereof, except as otherwise provided in this Agreement.

PROTECTION OF CONFIDENTIALITY

9. **CONFIDENTIAL INFORMATION; TRADE SECRETS.** By electronically accepting this Agreement, you acknowledge that the Company regards certain information relating to its business and operations as confidential. This includes all confidential and proprietary information concerning the assets, business or affairs of the Company or any Subsidiary or any customers thereof ("Confidential Information"). Your electronic signature also acknowledges that the Company has certain information that derives economic value from not being known to the general public or to others who could obtain economic value from its disclosure or use, which the Company takes reasonable efforts to protect the secrecy of ("Trade Secrets").

10. **TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS.** By electronically accepting this Agreement, you acknowledge that you developed or have had and will in the future continue to have access to one or more of the following types of Confidential Information or Trade Secrets: information about rates or costs; customer or supplier agreements and negotiations; business opportunities; scheduling and delivery methods; business and marketing plans; financial information or plans; communications within the attorney-client privilege or other privileges; operating procedures and methods; construction methods and plans; proprietary computer systems design, programming or software; strategic plans; succession plans; proprietary company training programs; employee performance, compensation or benefits; negotiations or strategies relating to collective bargaining agreements and/or labor disputes; and internal or external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. By electronically accepting this Agreement, you agree that any unauthorized disclosures by you to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct within the meaning of the Plan.

11. **AGREEMENT TO MAINTAIN CONFIDENTIAL INFORMATION.** By electronically accepting this Agreement, you agree that you will not, unless you receive prior written consent from the Company's Senior Vice President, Human Resources & Secretary or such other person designated by the Company (hereinafter collectively referred to as the "Sr. VP-HR & S"), or unless ordered by a court or government agency, (i) divulge, use, furnish or disclose to any subsequent employer or any other person, whether or not a competitor of the Company, any Confidential Information or

Trade Secrets, or (ii) retain or take with you when you leave the Company any property of the Company or any documents (including any electronic or computer records) relating to any Confidential Information or Trade Secrets.

12. **PRIOR NOTICE OF EMPLOYMENT, ETC.** (i) By electronically accepting this Agreement, you acknowledge that if you become an employee, contractor, or consultant for any other person or entity engaged in the Business of the Company as defined in Paragraph 14, this would create a substantial risk that you would, intentionally or unintentionally, disclose or rely upon the Company's Confidential Information or Trade Secrets for the benefit of the other railroad to the detriment of the Company. You further acknowledge that such disclosures would be particularly damaging if made shortly after you leave the Company. Therefore, by electronically accepting this Agreement, you agree that for a period of one-year after you leave the Company, before accepting any employment or affiliation with another railroad you will give written notice to the Sr. VP-HR & S of your intention to accept such employment or affiliation. You also agree to confer in good faith with the Sr. VP-HR & S concerning whether your proposed employment or affiliation could reasonably be expected to be performed without improper disclosure of Confidential Information or Trade Secrets. (ii) If the Sr. VP-HR & S and you are unable to reach agreement on this issue, you agree to submit this issue to arbitration, to be conducted under the rules of the American Arbitration Association, for final resolution. You also agree that you will not begin to work for another person or entity engaged in the Business of the Company as defined in Paragraph 14, until the Sr. VP-HR & S or an arbitrator has determined that such employment could reasonably be expected to be performed without improper disclosure of the Company's Confidential Information or Trade Secrets.

13. **FAILURE TO COMPLY.** By electronically accepting this Agreement, you agree that, if you fail to comply with any of the promises that you made in Section 11 or 12 above, you will be required to immediately deliver to the Company any shares of Common Stock (or the market value of any shares of Common Stock received) which you received at any time from 180 days prior to the earlier of (i) the date when you leave the Company or (ii) the date you fail to comply with any such promise you made in Section 11 or 12, to 180 days after the date when the Company learns that you have not complied with any such promise. You agree that you will deliver such shares of Common Stock (or the cash equivalent) to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the market value of any such shares of Common Stock

against any amount that might be owed to you by the Company. You acknowledge that the Company would not have awarded you the shares of Common Stock granted to you under this Agreement absent your agreement to be bound by the promises made in Sections 11 and 12 above.

NO DIRECT COMPETITION

14. **NON-SOLICITATION OF CUSTOMERS; NON-COMPETITION.** By electronically accepting this Agreement, you agree that for a period of one year following your departure from the Company, you will not (directly or in association with others) call on or solicit any of the Company's customers with whom you had personal contact while you were employed by the Company, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Company in its Business as defined below. You further agree that for the same time period, you will not, directly or indirectly, engage in any activity which is the same as or competitive with the Business (as defined below) including, without limitation, engagement as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than 2% of the outstanding capital stock of a publicly traded corporation), guarantor, consultant, advisor, agent, sales representative or other participant, in any market in which the Company conducts its Business. For purposes of this Agreement, the term "Business" means the transportation of goods in interstate commerce and related services in or through or for any state in which the Company or any of its affiliates provides such services directly or indirectly and any other activity that supports such operations including by the way of example but not limitation, marketing, information systems, logistics, technology development or implementation, terminal services and any other activity of the Company or any of its affiliates. This Section 14 is not intended to prevent you from engaging in any activity that is not the same as or competitive with the Business. You acknowledge that the Company would not have awarded you the shares of Common Stock granted to you under this Agreement absent your agreement to be bound by the promises made in this Section 14.

15. **ACKNOWLEDGMENT; INJUNCTIVE RELIEF.** By electronically accepting this Agreement, you acknowledge that you have carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed upon you pursuant to Sections 11, 12 and 14. You also agree that each of the restraints contained herein is necessary for the protection of the goodwill, Confidential Information, Trade Secrets and other legitimate interests of the Company; that each and every one of these restraints is reasonable in respect to subject matter, length of time and geographic area; and that these restraints, individually or in the aggregate, will not

prevent you from obtaining other suitable employment during the period in which you are bound by such restraints. You further acknowledge that, were you to breach any of the covenants contained in Sections 11, 12 and 14, the damage to the Company would be irreparable. You therefore agree that the Company, in addition to any other remedies available to it, including, without limitation, the remedies set forth in Sections 13 and 16, shall be entitled to injunctive relief against your breach or threaten breach of said covenants. You and the Company further agree that, in the event that any provision of Sections 11, 12 and 14 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

16. **VIOLATION OF PROMISES.** By electronically accepting this Agreement, you agree that if you violate any of your promises in Section 14, then you will be required to immediately deliver to the Company any shares of Common Stock (or the fair market value thereof) granted to you by this Agreement which you received at any time from 180 days prior to the date when you leave the Company to 180 days after the date when the Company learns that you have not complied with the promises you made in Section 14. You agree that you will deliver such shares of Common Stock (or the fair market value thereof) to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the market value of any such shares of Common Stock against any amount that might be owed to you by the Company.

GENERAL

17. **ARBITRATION.** By electronically accepting this Agreement, you agree and the Company agrees that any controversy, claim, or dispute arising out of or relating to this Agreement or the breach of any of these terms and conditions, or arising out of or relating to your employment relationship with the Company or any of its affiliates, or the termination of such relationship, shall be resolved by binding arbitration before a neutral arbitrator under the rules set forth in the Federal Arbitration Act, except for claims by the Company relating to your breach of any of the employee covenants set forth in Paragraphs 9, 10, 11, 12 or 14 above. By way of example only, claims subject to this agreement to arbitrate include claims litigated under federal, state and local statutory or common law, such as the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, as amended, including the Civil Rights Act of 1994, the Americans with Disabilities Act, the law of contract and the law of tort. You and the Company agree that such claims may be brought in an appropriate administrative forum, but at the point at which you or the Company seek a judicial forum to resolve the matter, this agreement for binding arbitration becomes effective, and you and the Company hereby knowingly and voluntarily waive any right to have any such dispute tried and adjudicated by a judge or jury. The foregoing not to the contrary, the Company may seek to enforce the employee covenants set forth in Paragraphs 9, 10, 11, 12 or 14 above, in any court of competent jurisdiction.

This agreement to arbitrate shall continue in full force and effect despite the expiration or termination of this Agreement or your employment relationship with the Company or any of its affiliates. You and the Company agree that any award rendered by the arbitrator shall be final and binding and that judgment upon the final award may be entered in any court having jurisdiction thereof. The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable, including any remedy or relief that would have been available to you, the Company or any of its affiliates had the mater been heard in court. All expenses of the arbitration, including the required travel and other expenses of the arbitrator and any witnesses, and the costs relating to any proof produced at the direction of the arbitrator, shall be borne equally by you and the Company unless otherwise mutually agreed or unless the arbitrator directs otherwise in the award. The arbitrator’s compensation shall be borne equally by you and the Company unless otherwise mutually agreed or unless the law provides otherwise.

18. **SEVERABILITY.** If any provision of this Agreement is, becomes, or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, such provision shall be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Company, it shall be stricken and the remainder of the Agreement shall remain in force and effect.

19. **CHOICE OF LAW; JURISDICTION.** All questions pertaining to the construction, regulation, validity, and effect of this Agreement shall be determined in accordance with the laws of the State of Utah, without regard to the conflict of laws doctrine. The Company and you hereby consent and submit to the personal jurisdiction and venue of any state or federal court located in the county of Salt Lake City within the State of Utah for resolution of any and all claims, causes of action or disputes arising out of or related to this Agreement. Sections 12(ii) and 14 shall not apply to employees who are subject to California law.

20. **EMPLOYMENT AT WILL.** In accordance with Section 22(a) of the Plan, this Agreement shall not be construed to confer upon any person any right to be continued in the employ of the Company or a Subsidiary.

21. **DEFINED TERMS**. For purposes of this Agreement, capitalized terms shall have the meanings specified in the Plan, unless a different meaning is provided in this Agreement or a different meaning is plainly required by the context.

22. **AMENDMENTS.** The Plan and this Agreement may be amended or altered by the Committee or the Company's Board of Directors to the extent provided in the Plan.

To confirm acceptance of the foregoing, kindly enter your password and click the "Accept" button.

Grant of Stock Options - Exhibit A & Option Agreement

Union Pacific Corporation
ID: 13-2626465
Union Pacific Corporation
1400 Douglas Street
Omaha, NE 68179

FIRST_NAME LAST_NAME
ADDRESS_LINE_1
CITY-, STATE ZIPCODE

Option Number: **OPTION_NUMBER**
Plan: **EQUITY_PLAN**
ID: **EMPLOYEE_ID**

Effective February 2, 2012, you have been granted a Non-Qualified Stock Option to buy X,XXX shares of Union Pacific Corporation (the Company) stock at $XXXX per share. The option price is the closing price of Union Pacific Corporation common stock on the date of grant as recorded by The Wall Street Journal.

Shares in each period will become fully vested on the date shown.

Shares	Full Vest	Expiration
X,XXX	2/2/2013	2/2/2022
X,XXX	2/2/2014	2/2/2022
X,XXX	2/2/2015	2/2/2022

We would like to call your attention to confidentiality and non-compete provisions in the Agreement and recommend that you review the terms and conditions of these provisions as fully set forth in the Agreement. Please note that failure to comply with these provisions will result in the forfeiture of the award or will require that any value received from the vesting of this award be returned to the Company. In addition, once you accept the terms of the Agreement, these provisions will be binding on you whether or not the award vests.

By accepting this award, you acknowledge that you are bound by all of the terms of the Union Pacific Corporation 2004 Stock Incentive Plan and the Agreement delivered herewith, each of which is incorporated by reference in this Exhibit A.

EXECUTIVE NON-QUALIFIED STOCK OPTION AGREEMENT

Dated: 2/2/2012

This Agreement (the “Agreement”) will confirm a grant to you of a non-qualified stock option (“NQ”) as of the date hereof, by Union Pacific Corporation (the “Company”), under the 2004 Stock Incentive Plan of the Company (the “Plan”), a copy of which is included in this grant package on this website and made a part hereof.

OPTION

1. **GRANT OF OPTION.** The Company hereby grants to you an NQ to purchase all or any part of the number of shares of Common Stock of the Company, par value $2.50 per share (“Common Stock”), as shown on Exhibit A of this Agreement, on the terms and conditions as set forth herein and in the Plan.

2. **OPTION PRICE.** The price at which the option shares may be purchased under the NQ (the “Option Price”) is shown on Exhibit A of this Agreement, said price having been determined in accordance with the procedures established by a committee of the Board of Directors pursuant to the provisions of Section 6(a) of the Plan.

3. **DURATION AND EXERCISE OF THE OPTION.** The NQ shall be exercisable upon the terms and conditions of the Plan, as supplemented by this Agreement and not otherwise.

Except as otherwise provided in the Plan, the NQ may be exercised, at any time and from time to time, but only during the period beginning on February 2, 2013, for one third of the total number of shares as shown on Exhibit A of this Agreement, on February 2, 2014, for an additional one third of the total number of shares as shown on Exhibit A of this Agreement, and on February 2, 2015, for an additional one third of the total number of shares as shown on Exhibit A of this Agreement and ending on February 2, 2022. The NQ must be exercised in portions of 100 shares, or any integral multiple thereof, except to complete the exercise of the NQ.

The NQ is also subject to forfeiture or certain time limits for exercise in the event of your termination of employment or death, as provided in Section 6(g) of the Plan and the following sentence. Section 6(g) of the Plan with respect to the forfeiture of the shares of the NQ that have not vested prior to retirement shall not be applicable, and instead, in the event you remain continuously employed with the Company or a Subsidiary until September 30, 2012, and retire at or after attaining age 62 with 10 years of service under the provisions of the Company’s or a Subsidiary’s pension plan, you shall be able to exercise the NQ in accordance with and at the times described in the previous paragraph of this Section 3, notwithstanding your separation from service with the Company or a Subsidiary, for a period of five (5) years following your separation from service.

Notwithstanding any other provision of this Agreement, no NQ may be exercised subsequent to February 2, 2022. If this expiration date or any other expiration date described herein falls on a weekend or any other day on which the New York Stock Exchange is not open, you may not exercise your NQ after 3:45 p.m. New York time on the last New York Stock Exchange trading day prior to the expiration date.

4. **METHOD OF EXERCISE.** The NQ may be exercised, during your lifetime, only by you. Exercise of the NQ shall be by appropriate notice accompanied by valid payment in the form of (a) a check; (b) an attestation form confirming your current ownership of whole shares of Company Common Stock equal in value to the Option Price; and/or (c) an authorization to sell shares equal in value to the Option Price. Notices and authorizations shall be delivered and all checks shall be payable to the Company's third party stock plan administrator for the Company, or as otherwise directed by the Company. Shares of Common Stock will be issued as soon as practicable. You will have the rights of a shareholder only after shares of Common Stock have been issued to you following exercise of the NQ. For administrative or other reasons, including, but not limited to the Company's determination that the exercisability of the NQ would violate any federal, state or other applicable laws, the Company may from time to time suspend the ability of employees to exercise an NQ for limited periods of time, which suspensions shall not change the period in which the NQ is exercisable.

5. **APPLICABILITY OF THE PLAN.** This Agreement and the NQ granted hereunder are subject to all of the terms and conditions of the Plan, as the same may be amended in accordance with Section 20 thereof, except as otherwise provided in this Agreement, and may not be assigned or transferred, except by will or the laws of descent and distribution in the case of your death, as provided in paragraph (f) of Section 6 of the Plan.

6. **WITHHOLDING TAXES.** Upon exercise of the NQ, you must arrange for the payment to the Company (through the Company's third party stock plan administrator, if applicable) of all applicable withholding taxes resulting from such exercise promptly after notification of the amount thereof. You may elect to have shares withheld to pay withholding taxes, but only at the statutory minimum rate, if a proper election is made to pay withholding taxes in this manner.

PROTECTION OF CONFIDENTIALITY

7. **CONFIDENTIAL INFORMATION; TRADE SECRETS.** By electronically accepting this Agreement, you acknowledge that the Company regards certain information relating to its business and operations as confidential. This includes all confidential or proprietary information concerning the assets, business or affairs of the Company or any Subsidiary or any customers thereof ("Confidential Information"). Your electronic acceptance also acknowledges that the Company has certain information that derives economic value from not being known to the general public or to others who could obtain economic value from its disclosure or use, which the Company takes reasonable efforts to protect the secrecy of ("Trade Secrets").

8. **TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS.** By electronically accepting this Agreement, you acknowledge that you developed or have had and will in the future continue to have access to one or more of the following types of Confidential Information or Trade Secrets: information about rates or costs; customer or supplier agreements and negotiations; business opportunities; scheduling and delivery methods; business and marketing plans; financial information or plans; communications within the attorney-client privilege or other privileges; operating procedures and methods; construction methods and plans; proprietary computer systems design, programming or software; strategic plans; succession plans; proprietary company training programs; employee performance, compensation or benefits; negotiations or strategies relating to collective bargaining agreements and/or labor disputes; and internal or external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. By electronically accepting this Agreement, you agree that any unauthorized disclosures by you to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct within the meaning of the Plan.

9. **AGREEMENT TO MAINTAIN CONFIDENTIAL INFORMATION.** By electronically accepting this Agreement, you agree that you will not, unless you receive prior written consent from the Company's Senior Vice President, Human Resources & Secretary or such other person designated by the Company (hereinafter collectively referred to as the "Sr. VP-HR & S"), or unless ordered by a court or government agency, (i) divulge, use, furnish or disclose to any subsequent employer or any other person, whether or not a competitor of the Company, any Confidential Information or Trade Secrets, or (ii) retain or take with you when you leave the Company any property of the Company or any documents (including any electronic or computer records) relating to any Confidential Information or Trade Secrets.

10. **PRIOR NOTICE OF EMPLOYMENT, ETC.** (i) By electronically accepting this Agreement, you acknowledge that if you become an employee, contractor, or consultant for any other person or entity engaged in the Business of the Company as defined in Paragraph 12, this would create a substantial risk that you would, intentionally or unintentionally, disclose or rely upon the Company's Confidential Information or Trade Secrets for the benefit of the other railroad to the detriment of the Company. You further acknowledge that such disclosures would be particularly damaging if made shortly after you leave the Company. Therefore, by electronically accepting this Agreement, you agree that for a period of one-year after you leave the Company, before accepting any employment or affiliation with another railroad you will give written notice to the Sr. VP-HR & S of your intention to accept such employment or affiliation. You also agree to confer in good faith with the Sr. VP-HR & S concerning whether your proposed employment or affiliation could reasonably be expected to be performed without improper disclosure of Confidential Information or Trade Secrets. (ii) If the Sr. VP-HR & S and you are unable to reach agreement on this issue, you agree to submit this issue to arbitration, to be conducted under the rules of the American Arbitration Association, for final resolution. You also agree that you will not begin to work for another person or entity engaged in the Business of the Company as defined in Paragraph 12, until the Sr. VP-HR & S or an arbitrator has determined that such employment could reasonably be expected to be performed without improper disclosure of the Company's Confidential Information or Trade Secrets.

11. **FAILURE TO COMPLY.** By electronically accepting this Agreement, you agree that, if you fail to comply with any of the promises that you made in Section 9 or 10 above, (a) the NQ, to the extent then unexercised, whether vested or unvested, will be immediately forfeited and cancelled and (b) you will be required to immediately deliver to the Company an amount (in cash or in shares of Common Stock) equal to the market value (on the date of exercise) of any shares of Common Stock acquired on exercise of the NQ less the exercise price paid for such shares to the extent such shares were acquired by you upon exercise of the NQ at any time from 180 days prior to the earlier of (i) the date when you leave the Company or (ii) the date you fail to comply with any such promise that you made in Section 9 or 10, to 180 days after the date when the Company learns that you have not complied with any such promise. You agree that you will deliver such amount (either in cash or in shares of Common Stock) to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the market value of

any such shares of Common Stock against any amount that might be owed to you by the Company. You acknowledge that the Company would not have awarded you the shares of Common Stock granted to you under this Agreement absent your agreement to be bound by the promises made in Section 9 and 10 above.

NO DIRECT COMPETITION

12. **NON-SOLICITATION OF CUSTOMERS; NON-COMPETITION.** By electronically accepting this Agreement, you agree that for a period of one year following your departure from the Company, you will not (directly or in association with others) call on or solicit any of the Company's customers with whom you had personal contact while you were employed by the Company, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Company in its Business as defined below. You further agree that for the same time period, you will not, directly or indirectly, engage in any activity which is the same as or competitive with the Business (as defined below) including, without limitation, engagement as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than 2% of the outstanding capital stock of a publicly traded corporation), guarantor, consultant, advisor, agent, sales representative or other participant, in any market in which the Company conducts its Business. For purposes of this Agreement, the term "Business" means the transportation of goods in interstate commerce and related services in or through for any state in which the Company or any of its affiliates provides such services directly or indirectly and any other activity that supports such operations including by way of example but not limitation, marketing, information systems, logistics, technology development or implementation, terminal services and any other activity of the Company or any of its affiliates. This Section 12 is not intended to prevent you from engaging in any activity that is not the same as or competitive with the Business. You acknowledge that the Company would not have awarded you the shares of Common Stock granted to you under this Agreement absent your agreement to be bound by the promises made in this Section 12.

13. **ACKNOWLEDGMENT; INJUNCTIVE RELIEF.** By electronically accepting this Agreement, you acknowledge that you have carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed upon you pursuant to Sections 9, 10 and 12. You also agree that each of the restraints contained herein is necessary for the protection of the goodwill, Confidential Information, Trade Secrets and other legitimate interests of the Company; that each and every one of these restraints is reasonable in respect to subject matter, length of time and geographic area; and that these restraints, individually or in the aggregate, will not prevent you from

obtaining other suitable employment during the period in which you are bound by such restraints. You further acknowledge that, were you to breach any of the covenants contained in Sections 9, 10 and 12, the damage to the Company would be irreparable. You therefore agree that the Company, in addition to any other remedies available to it, including, without limitation, the remedies set forth in Sections 11 and 14, shall be entitled to injunctive relief against your breach or threaten breach of said covenants. You and the Company further agree that, in the event that any provision of Sections 9, 10 and 12 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

14. **VIOLATION OF PROMISES.** By electronically accepting this Agreement, you agree that, if you violate any of the promises that you made in Section 12 above, (a) the NQ, to the extent then unexercised, whether vested or unvested, will be immediately forfeited and cancelled and (b) you will be required to immediately deliver to the Company an amount (in cash or in shares of Common Stock) equal to the market value (on the date of exercise) of any shares of Common Stock acquired on exercise of the NQ less the exercise price paid for such shares to the extent such shares were acquired by you upon exercise of the NQ at any time from 180 days prior to the date when you leave the Company to 180 days after the date when the Company learns that you have not complied with any such promise. You agree that you will deliver such amount (either in cash or in shares of Common Stock) to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the market value of any such shares of Common Stock against any amount that might be owed to you by the Company.

GENERAL

15. **ARBITRATION.** By electronically accepting this Agreement, you agree and the Company agrees that any controversy, claim, or dispute arising out of or relating to this Agreement or the breach of any of these terms and conditions, or arising out of or relating to your employment relationship with the Company or any of its affiliates, or the termination of such relationship, shall be resolved by binding arbitration before a neutral arbitrator under the rules set forth in the Federal Arbitration Act, except for claims by the Company relating to your breach of any of the employee covenants set forth in Paragraphs 7, 8, 9, 10 or 12 above. By way of example only, claims subject to this agreement to arbitrate include claims litigated under federal, state and local statutory or

common law, such as the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, as amended, including the Civil Rights Act of 1994, the Americans with Disabilities Act, the law of contract and the law of tort. You and the Company agree that such claims may be brought in an appropriate administrative forum, but at the point at which you or the Company seek a judicial forum to resolve the matter, this agreement for binding arbitration becomes effective, and you and the Company hereby knowingly and voluntarily waive any right to have any such dispute tried and adjudicated by a judge or jury. The foregoing not to the contrary, the Company may seek to enforce the employee covenants set forth in Paragraphs 7, 8, 9, 10 or 12 above, in any court of competent jurisdiction.

This agreement to arbitrate shall continue in full force and effect despite the expiration or termination of this Agreement or your employment relationship with the Company or any of its affiliates. You and the Company agree that any award rendered by the arbitrator shall be final and binding and that judgment upon the final award may be entered in any court having jurisdiction thereof. The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable, including any remedy or relief that would have been available to you, the Company or any of its affiliates had the mater been heard in court. All expenses of the arbitration, including the required travel and other expenses of the arbitrator and any witnesses, and the costs relating to any proof produced at the direction of the arbitrator, shall be borne equally by you and the Company unless otherwise mutually agreed or unless the arbitrator directs otherwise in the award. The arbitrator’s compensation shall be borne equally by you and the Company unless otherwise mutually agreed or unless the law provides otherwise.

16. **SEVERABILITY.** If any provision of this Agreement is, becomes, or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, such provision shall be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Company, it shall be stricken and the remainder of the Agreement shall remain in force and effect.

17. **CHOICE OF LAW; JURISDICTION.** All questions pertaining to the construction, regulation, validity, and effect of this Agreement shall be determined in accordance with the laws of the State of Utah, without regard to the conflict of laws doctrine. The Company and you hereby consent and submit to the personal jurisdiction and venue of any state or federal court located in the county of Salt Lake City within the State of Utah for resolution of any and all claims, causes of action or disputes arising out of or related to this Agreement. Sections 10(ii) and 12 shall not apply to employees who are subject to California law.

18. **<u>EMPLOYMENT AT WILL</u>.** In accordance with Section 22(a) of the Plan, this Agreement shall not be construed to confer upon any person any right to be continued in the employ of the Company or a Subsidiary.

19. **<u>DEFINED TERMS</u>.** For purposes of this Agreement, capitalized terms shall have the meanings specified in the Plan, unless a different meaning is provided in this Agreement or a different meaning is plainly required by the context.

20. **<u>AMENDMENTS</u>.** The Plan and this Agreement may be amended or altered by the Committee or the Company's Board of Directors to the extent provided in the Plan.

To confirm acceptance of the foregoing, kindly enter your password and click the "Accept" button.

SUPPLEMENTAL THRIFT PLAN
(409A Non-Grandfathered Component)

of

UNION PACIFIC CORPORATION

(As amended and restated in its entirety

effective as of January 1, 2009, including all amendments

adopted through January 1, 2012)

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.

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 **<u>Valuation of Accounts</u>** – 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.

ARTICLE THREE

<u>Vesting</u>

3.1 **<u>A Accounts</u>** – Each Participant shall be 100% vested, at all times, in the value of his A Account.

3.2 **<u>B Accounts</u>** – Each Participant shall be 100% vested, at all times, in the value of his B Account.

ARTICLE FOUR

<u>Payments</u>

4.1 **<u>Payments on Separation from Service</u>** –

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

4.3 **<u>Specified Employee Restriction</u>** – 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 **<u>Deferrals from STD Payments Subsequent to Separation from Service</u>** – 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 **<u>Responsibility for Payments</u>** – 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.

ARTICLE FIVE

<u>Administration</u>

5.1 **<u>Responsibilities and Powers of the Named Fiduciary-Plan Administration</u>** –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 **<u>Outside Services</u>** – 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 **<u>Indemnification</u>** – 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.

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, the Senior Vice President-Human Resources of the Company 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 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.

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 therefore 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.

RATIO OF EARNINGS TO FIXED CHARGES

Union Pacific Corporation and Subsidiary Companies

Millions, Except for Ratios	***2011***	*2010*	*2009*	*2008*	*2007*
Fixed charges:					
Interest expense including amortization of debt discount	**$ 572**	$ 602	$ 600	$ 511	$ 482
Portion of rentals representing an interest factor	**135**	136	155	226	237
Total fixed charges	**$ 707**	$ 738	$ 755	$ 737	$ 719
Earnings available for fixed charges:					
Net income	**$ 3,292**	$ 2,780	$ 1,890	$ 2,335	$ 1,848
Equity earnings net of distributions	**(38)**	(44)	(42)	(53)	(69)
Income taxes	**1,972**	1,653	1,084	1,316	1,150
Fixed charges	**707**	738	755	737	719
Earnings available for fixed charges	**$ 5,933**	$ 5,127	$ 3,687	$ 4,335	$ 3,648
Ratio of earnings to fixed charges	**8.4**	6.9	4.9	5.9	5.1

SIGNIFICANT SUBSIDIARIES OF UNION PACIFIC CORPORATION

Name of Corporation	State of Incorporation
Union Pacific Railroad Company	Delaware
Southern Pacific Rail Corporation	Utah

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 33-12513, Registration Statement No. 33-53968, Registration Statement No. 33-49785, Registration Statement No. 33-49849, Registration Statement No. 33-51071, Registration Statement No. 333-10797, Registration Statement No. 333-13115, Registration Statement No. 333-16563, Registration Statement No. 333-88225, Registration Statement No. 333-88709, Registration Statement No. 333-61856, Registration Statement No. 333-42768, Registration Statement No. 333-106707, Registration Statement No. 333-106708, Registration Statement No. 333-105714, Registration Statement No. 333-105715, Registration Statement No. 333-116003, Registration Statement No. 333-132324, Registration Statement No. 333-155708, Registration Statement No. 333-170209, and Registration Statement No. 333-170208 on Form S-8 and Registration Statement No. 333-88666, Amendment No.1 to Registration Statement No. 333-88666, Registration Statement No. 333-111185, Registration Statement No. 333-141084 and Registration Statement No. 333-164842 on Form S-3 of our reports dated February 3, 2012, relating to the consolidated financial statements and financial statement schedules of Union Pacific Corporation and Subsidiary Companies (the Corporation) and the effectiveness of the Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Union Pacific Corporation and Subsidiary Companies for the year ended December 31, 2011.

Deloitte & Touche LLP

Omaha, Nebraska
February 3, 2012

UNION PACIFIC CORPORATION

Powers of Attorney

Each of the undersigned directors of Union Pacific Corporation, a Utah corporation (the Company), do hereby appoint each of James R. Young, Barbara W. Schaefer, and James J. Theisen, Jr. his or her true and lawful attorney-in-fact and agent, to sign on his or her behalf the Company's Annual Report on Form 10-K, for the year ended December 31, 2011, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the undersigned have executed this Power of Attorney as of February 2, 2012.

/s/ Andrew H. Card, Jr.
Andrew H. Card, Jr.

/s/ Erroll B. Davis, Jr.
Erroll B. Davis, Jr.

/s/ Thomas J. Donohue
Thomas J. Donohue

/s/ Archie W. Dunham
Archie W. Dunham

/s/ Judith Richards Hope
Judith Richards Hope

/s/ Charles C. Krulak
Charles C. Krulak

/s/ Michael R. McCarthy
Michael R. McCarthy

/s/ Michael W. McConnell
Michael W. McConnell

/s/ Thomas F. McLarty III
Thomas F. McLarty III

/s/ Steven R. Rogel
Steven R. Rogel

/s/ Jose H. Villarreal
Jose H. Villarreal

Exhibit 31(a)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, James R. Young, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 3, 2012

/s/ James R. Young
James R. Young
Chairman, President and
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

1. I have reviewed this annual report on Form 10-K 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: February 3, 2012

/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 Annual Report of Union Pacific Corporation (the Corporation) on Form 10-K for the period ending December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, James R. Young, Chairman, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

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

February 3, 2012

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 Annual Report of Union Pacific Corporation (the Corporation) on Form 10-K for the period ending December 31, 2011, 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

February 3, 2012

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.