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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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
(State or other jurisdiction of
incorporation or organization)

13-2626465
(I.R.S. Employer
Identification No.)

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

68179
(Zip Code)

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

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

Yes No

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

Yes No

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

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

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

Yes No

As of July 15, 2011, there were 488,088,696 shares of the Registrant's Common Stock outstanding.

[Table of Contents](#)

**TABLE OF CONTENTS
UNION PACIFIC CORPORATION
AND SUBSIDIARY COMPANIES**

PART I. FINANCIAL INFORMATION

Item 1.	Condensed Consolidated Financial Statements:	
	CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited) For the Three Months Ended June 30, 2011 and 2010	3
	CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited) For the Six Months Ended June 30, 2011 and 2010	4
	CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited) At June 30, 2011 and December 31, 2010	5
	CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) For the Six Months Ended June 30, 2011 and 2010	6
	CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDERS' EQUITY (Unaudited) For the Six Months Ended June 30, 2011 and 2010	7
	NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	36
Item 4.	Controls and Procedures	36

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	36
Item 1A.	Risk Factors	38
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	38
Item 3.	Defaults Upon Senior Securities	38
Item 5.	Other Information	38
Item 6.	Exhibits	40
	Signatures	41
	Certifications	

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

<i>Millions, Except Per Share Amounts, for the Three Months Ended June 30,</i>	2011	2010
Operating revenues:		
Freight revenues	\$ 4,595	\$ 3,956
Other revenues	263	226
Total operating revenues	4,858	4,182
Operating expenses:		
Compensation and benefits	1,166	1,051
Fuel	904	608
Purchased services and materials	516	472
Depreciation	401	368
Equipment and other rents	283	282
Other	196	122
Total operating expenses	3,466	2,903
Operating income	1,392	1,279
Other income (Note 6)	26	19
Interest expense	(148)	(152)
Income before income taxes	1,270	1,146
Income taxes	(485)	(435)
Net income	\$ 785	\$ 711
Share and Per Share (Note 8):		
Earnings per share - basic	\$ 1.61	\$ 1.42
Earnings per share - diluted	\$ 1.59	\$ 1.40
Weighted average number of shares - basic	488.4	501.8
Weighted average number of shares - diluted	492.4	506.5
Dividends declared per share	\$ 0.475	\$ 0.33

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

[Table of Contents](#)**Condensed Consolidated Statements of Income (Unaudited)***Union Pacific Corporation and Subsidiary Companies*

<i>Millions, Except Per Share Amounts, for the Six Months Ended June 30,</i>	2011	2010
Operating revenues:		
Freight revenues	\$ 8,843	\$ 7,711
Other revenues	505	436
Total operating revenues	9,348	8,147
Operating expenses:		
Compensation and benefits	2,333	2,110
Fuel	1,730	1,191
Purchased services and materials	991	904
Depreciation	796	735
Equipment and other rents	585	572
Other	384	368
Total operating expenses	6,819	5,880
Operating income	2,529	2,267
Other income (Note 6)	41	20
Interest expense	(289)	(307)
Income before income taxes	2,281	1,980
Income taxes	(857)	(753)
Net income	\$ 1,424	\$ 1,227
Share and Per Share (Note 8):		
Earnings per share - basic	\$ 2.91	\$ 2.44
Earnings per share - diluted	\$ 2.89	\$ 2.42
Weighted average number of shares - basic	489.0	503.1
Weighted average number of shares - diluted	493.3	507.6
Dividends declared per share	\$ 0.855	\$ 0.60

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

[Table of Contents](#)**Condensed Consolidated Statements of Financial Position (Unaudited)***Union Pacific Corporation and Subsidiary Companies*

<i>Millions, Except Share and Per Share Amounts</i>	<i>Jun. 30,</i>	<i>Dec. 31,</i>
	<i>2011</i>	<i>2010</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,055	\$ 1,086
Accounts receivable, net (Note 10)	1,427	1,184
Materials and supplies	630	534
Current deferred income taxes (Note 7)	315	261
Other current assets	272	367
Total current assets	3,699	3,432
Investments	1,176	1,137
Net properties (Note 11)	38,908	38,253
Other assets	246	266
Total assets	\$ 44,029	\$ 43,088
Liabilities and Common Shareholders' Equity		
Current liabilities:		
Accounts payable and other current liabilities (Note 12)	\$ 2,974	\$ 2,713
Debt due within one year (Note 14)	179	239
Total current liabilities	3,153	2,952
Debt due after one year (Note 14)	8,759	9,003
Deferred income taxes (Note 7)	12,016	11,557
Other long-term liabilities	1,795	1,813
Commitments and contingencies (Note 16)		
Total liabilities	25,723	25,325
Common shareholders' equity:		
Common shares, \$2.50 par value, 800,000,000 authorized; 554,288,614 and 553,931,181 issued; 487,935,652 and 491,565,880 outstanding, respectively	1,386	1,385
Paid-in-surplus	3,999	3,985
Retained earnings	18,159	17,154
Treasury stock	(4,519)	(4,027)
Accumulated other comprehensive loss (Note 9)	(719)	(734)
Total common shareholders' equity	18,306	17,763
Total liabilities and common shareholders' equity	\$ 44,029	\$ 43,088

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

[Table of Contents](#)**Condensed Consolidated Statements of Cash Flows (Unaudited)***Union Pacific Corporation and Subsidiary Companies*

<i>Millions, for the Six Months Ended June 30,</i>	2011	2010
Operating Activities		
Net income	\$ 1,424	\$ 1,227
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	796	735
Deferred income taxes and unrecognized tax benefits	459	119
Net gain on non-operating asset dispositions	(5)	(8)
Other operating activities, net	(51)	(165)
Changes in current assets and liabilities:		
Accounts receivable, net (Note 10)	(243)	(584)
Materials and supplies	(96)	(21)
Other current assets	95	75
Accounts payable and other current liabilities	261	317
Cash provided by operating activities	2,640	1,695
Investing Activities		
Capital investments	(1,327)	(1,056)
Proceeds from asset sales	30	31
Acquisition of equipment pending financing	(85)	-
Proceeds from sale of assets financed	85	-
Other investing activities, net	(69)	(43)
Cash used in investing activities	(1,366)	(1,068)
Financing Activities		
Common share repurchases (Note 17)	(608)	(422)
Dividends paid	(374)	(272)
Debt exchange	(272)	-
Debt repaid	(131)	(885)
Debt issued (Note 14)	-	400
Other financing activities, net	80	19
Cash used in financing activities	(1,305)	(1,160)
Net change in cash and cash equivalents	(31)	(533)
Cash and cash equivalents at beginning of year	1,086	1,850
Cash and cash equivalents at end of period	\$ 1,055	\$ 1,317
Supplemental Cash Flow Information		
Non-cash investing and financing activities:		
Cash dividends declared but not yet paid	\$ 228	\$ 163
Capital lease financings	120	-
Capital investments accrued but not yet paid	100	71
Common shares repurchased but not yet paid	-	44
Cash paid for:		
Interest, net of amounts capitalized	\$ (315)	\$ (316)
Income taxes, net of refunds	(135)	(343)

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

[Table of Contents](#)

Condensed Consolidated Statements of Changes in Common Shareholders' Equity (Unaudited)
Union Pacific Corporation and Subsidiary Companies

<i>Millions</i>	<i>Common Shares</i>	<i>Treasury Shares</i>	<i>Common Shares</i>	<i>Paid-in-Surplus</i>	<i>Retained Earnings</i>	<i>Treasury Stock</i>	<i>AOI [a]</i>	<i>Total</i>
Balance at January 1, 2010	553.5	(48.5)	\$ 1,384	\$ 3,968	\$ 15,027	\$ (2,924)	\$ (654)	\$ 16,801
Comprehensive income:								
Net income			-	-	1,227	-	-	1,277
Other comp. income			-	-	-	-	6	6
Total comp. income (Note 9)								1,233
Conversion, stock option exercises, forfeitures, and other	0.4	0.9	1	10	-	47	-	58
Share repurchases (Note 17)	-	(6.5)	-	-	-	(466)	-	(466)
Cash dividends declared (\$0.60 per share)	-	-	-	-	(303)	-	-	(303)
Balance at June 30, 2010	553.9	(54.1)	\$ 1,385	\$ 3,978	\$ 15,951	\$ (3,343)	\$ (648)	\$ 17,323
Balance at January 1, 2011	553.9	(62.3)	\$ 1,385	\$ 3,985	\$ 17,154	\$ (4,027)	\$ (734)	\$ 17,763
Comprehensive income:								
Net income			-	-	1,424	-	-	1,424
Other comp. income			-	-	-	-	15	15
Total comp. income (Note 9)								1,439
Conversion, stock option exercises, forfeitures, and other	0.4	2.1	1	14	-	116	-	131
Share repurchases (Note 17)	-	(6.2)	-	-	-	(608)	-	(608)
Cash dividends declared (\$0.855 per share)	-	-	-	-	(419)	-	-	(419)
Balance at June 30, 2011	554.3	(66.4)	\$ 1,386	\$ 3,999	\$ 18,159	\$ (4,519)	\$ (719)	\$ 18,306

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

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

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

1. Basis of Presentation

Our Condensed Consolidated Financial Statements are unaudited and reflect all adjustments (consisting only of normal and recurring adjustments) that are, in the opinion of management, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Our Consolidated Statement of Financial Position at December 31, 2010, is derived from audited financial statements. This Quarterly Report on Form 10-Q should be read in conjunction with our Consolidated Financial Statements and notes thereto contained in our 2010 Annual Report on Form 10-K. The results of operations for the six months ended June 30, 2011, are not necessarily indicative of the results for the entire year ending December 31, 2011.

The Condensed Consolidated Financial Statements are presented in accordance with accounting principles generally accepted in the United States of America as codified in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

2. 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.

3. Operations and Segmentation

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

<i>Millions</i>	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	2011	2010	2011	2010
Agricultural	\$ 849	\$ 698	\$ 1,656	\$ 1,428
Automotive	381	334	723	639
Chemicals	703	592	1,367	1,179
Energy	950	836	1,902	1,680
Industrial Products	803	692	1,493	1,290
Intermodal	909	804	1,702	1,495
Total freight revenues	4,595	3,956	8,843	7,711
Other revenues	263	226	505	436
Total operating revenues	\$ 4,858	\$ 4,182	\$ 9,348	\$ 8,147

Although our revenues are principally derived from customers domiciled in the U.S., the ultimate points of origination or destination for some products transported are outside the U.S.

[Table of Contents](#)

4. Stock-Based Compensation

We have several stock-based compensation plans under which employees and non-employee directors receive stock options, nonvested retention shares, and nonvested stock units. We refer to the nonvested shares and stock units collectively as "retention awards". We have elected to issue treasury shares to cover option exercises and stock unit vestings, while new shares are issued when retention shares are granted. Information regarding stock-based compensation appears in the table below:

<i>Millions</i>	<i>Three Months Ended June 30,</i>		<i>Six Months Ended June 30,</i>	
	2011	2010	2011	2010
Stock-based compensation, before tax:				
Stock options	\$ 4	\$ 5	\$ 9	\$ 9
Retention awards	17	16	34	29
Total stock-based compensation, before tax	\$ 21	\$ 21	\$ 43	\$ 38
Excess tax benefits from equity compensation plans	\$ 29	\$ 2	\$ 67	\$ 11

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

<i>Weighted-Average Assumptions</i>	2011	2010
Risk-free interest rate	2.3%	2.4%
Dividend yield	1.6%	1.8%
Expected life (years)	5.3	5.4
Volatility	35.9%	35.2%
Weighted-average grant-date fair value of options granted	\$ 28.45	\$ 18.26

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

A summary of stock option activity during the six months ended June 30, 2011 is presented below:

	<i>Shares (thous.)</i>	<i>Weighted- Average Exercise Price</i>	<i>Weighted-Average Remaining Contractual Term</i>	<i>Aggregate Intrinsic Value (millions)</i>
Outstanding at January 1, 2011	9,815	\$ 44.77	5.2 yrs.	\$ 470
Granted	618	93.60	N/A	N/A
Exercised	(2,659)	37.98	N/A	N/A
Forfeited or expired	(40)	63.11	N/A	N/A
Outstanding at June 30, 2011	7,734	\$ 50.91	5.7 yrs.	\$ 414
Vested or expected to vest at June 30, 2011	7,645	\$ 50.71	5.7 yrs.	\$ 410
Options exercisable at June 30, 2011	6,077	\$ 46.12	4.9 yrs.	\$ 354

Stock options are granted at the closing price on the date of grant, have ten-year contractual terms, and vest no later than three years from the date of grant. None of the stock options outstanding at June 30, 2011 are subject to performance or market-based vesting conditions.

[Table of Contents](#)

At June 30, 2011, there was \$25 million of unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted-average period of 1.2 years. Additional information regarding stock option exercises appears in the table below:

<i>Millions</i>	<i>Three Months Ended</i> <i>June 30,</i>		<i>Six Months Ended</i> <i>June 30,</i>	
	2011	2010	2011	2010
Intrinsic value of stock options exercised	\$ 76	\$ 8	\$ 165	\$ 26
Cash received from option exercises	44	11	106	34
Treasury shares repurchased for employee payroll taxes	(16)	(2)	(41)	(8)
Tax benefit realized from option exercises	29	3	63	10
Aggregate grant-date fair value of stock options vested	1	-	19	19

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

Changes in our retention awards during the six months ended June 30, 2011 were as follows:

	<i>Shares</i> <i>(thous.)</i>	<i>Weighted-Average</i> <i>Grant-Date Fair Value</i>
Nonvested at January 1, 2011	2,638	\$ 54.01
Granted	528	93.68
Vested	(527)	48.58
Forfeited	(54)	57.46
Nonvested at June 30, 2011	2,585	\$ 63.15

Retention awards are granted at no cost to the employee or non-employee director and vest over periods lasting up to four years. At June 30, 2011, there was \$90 million of total unrecognized compensation expense related to nonvested retention awards, which is expected to be recognized over a weighted-average period of 2 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:

	<i>2011</i>
Dividend per share for the quarter	\$ 0.38
Risk-free interest rate at date of grant	1.2%

[Table of Contents](#)

Changes in our performance retention awards during the six months ended June 30, 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	(194)	60.20
Forfeited	(116)	59.64
Nonvested at June 30, 2011	1,217	\$ 63.49

At June 30, 2011, there was \$45 million of total unrecognized compensation expense related to nonvested performance retention awards, which is expected to be recognized over a weighted-average period of 1.6 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.

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 cost were as follows:

Millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Service cost	\$ 11	\$ 11	\$ 22	\$ 22
Interest cost	36	35	72	70
Expected return on plan assets	(45)	(44)	(90)	(89)
Amortization of:				
Prior service cost	-	1	1	2
Actuarial loss	18	10	35	21
Net periodic pension cost	\$ 20	\$ 13	\$ 40	\$ 26

[Table of Contents](#)

The components of our net periodic OPEB cost/(benefit) were as follows:

<i>Millions</i>	<i>Three Months Ended June 30,</i>		<i>Six Months Ended June 30,</i>	
	2011	2010	2011	2010
Service cost	\$ -	\$ -	\$ 1	\$ 1
Interest cost	4	4	8	8
Amortization of:				
Prior service (credit)	(9)	(11)	(18)	(22)
Actuarial loss	4	4	7	7
Net periodic OPEB benefit	\$ (1)	\$ (3)	\$ (2)	\$ (6)

Cash Contributions

For the six months ended June 30, 2011, we did not make any cash contributions to the qualified pension plan. Any additional contributions made in the second half of the year will be based on cash generated from operations and financial market considerations. Our policy with respect to funding the qualified plans is to fund at least the minimum required by law and not more than the maximum amount deductible for tax purposes. At June 30, 2011, we do not have minimum funding requirements for 2011.

6. Other Income

Other income included the following:

<i>Millions</i>	<i>Three Months Ended June 30,</i>		<i>Six Months Ended June 30,</i>	
	2011	2010	2011	2010
Rental income	\$ 19	\$ 21	\$ 39	\$ 41
Net gain on non-operating asset dispositions	4	2	5	8
Interest income	1	1	2	2
Early extinguishment of debt	-	-	-	(16)
Non-operating environmental costs and other	2	(5)	(5)	(15)
Total	\$ 26	\$ 19	\$ 41	\$ 20

7. Income Taxes

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. The IRS has completed its examinations and issued notices of deficiency for tax years 1999 through 2006. We disagree with many of their proposed adjustments, and we are at IRS Appeals for these years. During the second quarter of 2011, the IRS completed its examination and issued a notice of deficiency for tax years 2007 and 2008. We disagree with many of their proposed adjustments, and will contest the adjustments through the IRS Appeals process and potentially through litigation. We anticipate a partial settlement of the tax years 1999 through 2004 in the next 12 months. Several state tax authorities are examining our state income tax returns for tax years 2003 through 2006.

Based on the IRS's examination report for tax years 2007 and 2008, we increased our liability for uncertain tax benefits from \$86 million at December 31, 2010, to \$149 million at June 30, 2011. Most of this increase is a reclassification from our deferred income tax liability. Of the \$149 million, we have classified \$78 million as current in anticipation of a partial settlement in the next 12 months for tax years 1999 through 2004.

In February 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.

[Table of Contents](#)

8. Earnings Per Share

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

<i>Millions, Except Per Share Amounts</i>	<i>Three Months Ended June 30,</i>		<i>Six Months Ended June 30,</i>	
	2011	2010	2011	2010
Net income	\$ 785	\$ 711	\$ 1,424	\$ 1,227
Weighted-average number of shares outstanding:				
Basic	488.4	501.8	489.0	503.1
Dilutive effect of stock options	1.4	3.4	1.4	3.2
Dilutive effect of retention shares and units	2.6	1.3	2.9	1.3
Diluted	492.4	506.5	493.3	507.6
Earnings per share – basic	\$ 1.61	\$ 1.42	\$ 2.91	\$ 2.44
Earnings per share – diluted	\$ 1.59	\$ 1.40	\$ 2.89	\$ 2.42
Stock options excluded as their inclusion would be antidilutive	0.6	0.8	0.5	0.7

9. Comprehensive Income

Comprehensive income was as follows:

<i>Millions</i>	<i>Three Months Ended June 30,</i>		<i>Six Months Ended June 30,</i>	
	2011	2010	2011	2010
Net income	\$ 785	\$ 711	\$ 1,424	\$ 1,227
Other comprehensive income/(loss):				
Defined benefit plans	-	1	1	4
Foreign currency translation	9	(1)	14	1
Derivatives	-	-	-	1
Total other comprehensive income [a]	9	-	15	6
Total comprehensive income	\$ 794	\$ 711	\$ 1,439	\$ 1,233

[a] Net of deferred taxes of \$5 million and \$9 million during the three and six months ended June 30, 2011, respectively, and \$0 million and \$1 million during the three and six months ended June 30, 2010, respectively.

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

<i>Millions</i>	<i>Jun. 30, 2011</i>	<i>Dec. 31, 2010</i>
Defined benefit plans	\$ (702)	\$ (703)
Foreign currency translation	(14)	(28)
Derivatives	(3)	(3)
Total	\$ (719)	\$ (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 June 30, 2011 and December 31, 2010, our accounts receivable were reduced by \$6 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 Condensed Consolidated Statements of Financial Position. At June 30, 2011 and December 31, 2010, receivables classified as other assets were reduced by allowances of \$49 million and \$51 million, respectively.

[Table of Contents](#)

Receivables Securitization Facility – 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 June 30, 2011 and December 31, 2010. The value of the outstanding undivided interest held by investors under the facility was \$100 million at June 30, 2011 and December 31, 2010, and is included in our Condensed Consolidated Statements of Financial Position as debt due after one year. The value of the undivided interest held by investors was supported by \$1.1 billion and \$960 million of accounts receivable at June 30, 2011, and December 31, 2010, respectively. At June 30, 2011, and December 31, 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 Condensed 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 June 30, 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 \$4.6 billion and \$4.0 billion during the three months ended June 30, 2011 and 2010, respectively, and \$8.9 billion and \$7.7 billion during the six months ended June 30, 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 \$1 million for the three months ended June 30, 2011 and 2010, and \$2 million and \$3 million for the six months ended June 30, 2011, and 2010, respectively.

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.

We are currently in process of renewing the receivables securitization facility for an additional 364-day period at comparable terms and conditions.

[Table of Contents](#)

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:

<i>Millions, Except Percentages</i>				
<i>As of June 30, 2011</i>				
	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>	<i>Depreciation Rate for 2011</i>
Land	\$ 5,008	\$ N/A	\$ 5,008	N/A
Road:				
Rail and other track material [a]	12,221	4,506	7,715	3.3%
Ties	7,814	1,944	5,870	2.9%
Ballast	4,081	969	3,112	3.0%
Other [b]	13,783	2,437	11,346	2.6%
Total road	37,899	9,856	28,043	2.9%
Equipment:				
Locomotives	6,198	2,817	3,381	5.7%
Freight cars	1,926	1,059	867	3.5%
Work equipment and other	443	42	401	5.6%
Total equipment	8,567	3,918	4,649	5.2%
Technology and other	571	253	318	12.7%
Construction in progress	890	-	890	N/A
Total	\$ 52,935	\$ 14,027	\$ 38,908	N/A

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

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

<i>Millions, Except Percentages</i>				
<i>As of December 31, 2010</i>				
	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>	<i>Depreciation Rate for 2010</i>
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.

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

[Table of Contents](#)**12. Accounts Payable and Other Current Liabilities**

<i>Millions</i>	<i>Jun. 30, 2011</i>	<i>Dec. 31, 2010</i>
Accounts payable	\$ 816	\$ 677
Income and other taxes	418	337
Dividends and interest	400	383
Accrued wages and vacation	360	357
Accrued casualty costs	337	325
Equipment rents payable	92	86
Other	551	548
Total accounts payable and other current liabilities	\$ 2,974	\$ 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 price movements.

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 Cash Flow Hedges – We report changes in the fair value of cash flow hedges in accumulated other comprehensive loss until the hedged item affects earnings. At June 30, 2011 and December 31, 2010, we had reductions of \$2 million and \$3 million, respectively, recorded as an accumulated other comprehensive loss that is being amortized on a straight-line basis through September 30, 2014. As of June 30, 2011 and December 31, 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 six months ended June 30:

<i>Millions</i>	<i>2011</i>	<i>2010</i>
Decrease in interest expense from interest rate hedging	\$ -	\$ 2
Increase in pre-tax income	\$ -	\$ 2

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 June 30, 2011, the fair value of total debt was \$9.9 billion, approximately \$1.0 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 June 30, 2011 and December 31, 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

Credit Facilities – During the second quarter of 2011, we replaced our \$1.9 billion revolving credit facility, which would have expired 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 June 30, 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 the facility during the six months ended June 30, 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 Union Pacific Corporation to maintain a debt-to-net-worth coverage ratio as a condition to making a borrowing. At June 30, 2011, and December 31, 2010 (and at all times during the first and second quarters), 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 June 30, 2011, the debt-to-net-worth coverage ratio allowed us to carry up to \$36.6 billion of debt (as defined in the facility), and we had \$9.3 billion of debt (as defined in the facility) outstanding at that date. Under our current capital plans, we expect to continue to satisfy the debt-to-net-worth coverage ratio; however, many factors beyond our reasonable control could affect our ability to comply with this provision in the future. The facility does not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require us to post collateral. The facility also includes a \$75 million cross-default provision and a change-of-control provision.

During the six months ended June 30, 2011, we did not issue or repay any commercial paper, and at June 30, 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.

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.

As of June 30, 2011, and December 31, 2010, we reclassified as long-term debt approximately \$574 million and \$100 million, respectively, of debt due within one year that we intend to refinance. This reclassification reflects our ability and intent to refinance any short-term borrowings and certain current maturities of long-term debt on a long-term basis.

Debt Exchange – On May 23, 2011, we announced the commencement of a private offer to exchange various outstanding notes and debentures due between 2013 and 2019 (Existing Notes). The exchange transaction closed on June 23, 2011, at which time \$857 million of Existing Notes were exchanged 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, which will be recorded as an adjustment to the carrying value of debt, and the balance of the unamortized discount and issue costs from the Existing Notes will be amortized as an adjustment of interest expense over the term of the New Notes. No gain or loss will be recognized as a result of the exchange. Costs related to the debt exchange that are payable to parties other than the debt holders total approximately \$6 million and are included in interest expense during the second quarter.

[Table of Contents](#)

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

<i>Millions</i>	<i>Principal amount exchanged</i>
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

Debt Redemption – 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.

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) 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 \$4.1 billion as of June 30, 2011.

16. Commitments and Contingencies

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

[Table of Contents](#)

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 88% of the recorded liability is related to asserted claims, and approximately 12% is related to unasserted claims at June 30, 2011. Estimates can vary over time due to evolving trends in litigation.

Our personal injury liability activity was as follows:

<i>Millions, for the Six Months Ended June 30,</i>	<i>2011</i>	<i>2010</i>
Beginning balance	\$ 426	\$ 545
Current year accruals	67	82
Changes in estimates for prior years	(39)	(56)
Payments	(53)	(109)
Ending balance at June 30	\$ 401	\$ 462
Current portion, ending balance at June 30	\$ 140	\$ 157

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.
- 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 20% of the recorded liability related to asserted claims and approximately 80% related to unasserted claims at June 30, 2011.

Our asbestos-related liability activity was as follows:

<i>Millions, for the Six Months Ended June 30,</i>	<i>2011</i>	<i>2010</i>
Beginning balance	\$ 162	\$ 174
Accruals	-	-
Payments	(5)	(6)
Ending balance at June 30	\$ 157	\$ 168
Current portion, ending balance at June 30	\$ 11	\$ 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 June 30, 2011, and December 31, 2010.

[Table of Contents](#)

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 294 sites at which we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 33 sites that are the subject of actions taken by the U.S. government, 17 of which are currently on the Superfund National Priorities List. Certain federal legislation imposes joint and several liability for the remediation of identified sites; consequently, our ultimate environmental liability may include costs relating to activities of other parties, in addition to costs relating to our own activities at each site.

When we identify an environmental issue with respect to property owned, leased, or otherwise used in our business, we and our consultants perform environmental assessments on the property. We expense the cost of the assessments as incurred. We accrue the cost of remediation where our obligation is probable and such costs can be reasonably estimated. We do not discount our environmental liabilities when the timing of the anticipated cash payments is not fixed or readily determinable. At June 30, 2011, less than 1% of our environmental liability was discounted at 3.2%, while approximately 5% of our environmental liability was discounted at 2.8% at December 31, 2010.

Our environmental liability activity was as follows:

<i>Millions, for the Six Months Ended June 30,</i>	<i>2011</i>	<i>2010</i>
Beginning balance	\$ 213	\$ 217
Accruals	17	20
Payments	(22)	(18)
Ending balance at June 30	\$ 208	\$ 219
Current portion, ending balance at June 30	\$ 74	\$ 82

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 June 30, 2011, we were contingently liable for \$358 million in guarantees. We have recorded a liability of \$2 million and \$3 million for the fair value of these obligations as of June 30, 2011, and December 31, 2010, respectively. 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.

[Table of Contents](#)

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

Operating Leases – At June 30, 2011, we had commitments for future minimum lease payments under operating leases with initial or remaining non-cancelable lease terms in excess of one year of approximately \$4.7 billion.

17. Share Repurchase Program

The shares repurchased in the first quarter, shown in the table below, were repurchased under our authorized share repurchase program that expired on March 31, 2011. Effective April 1, 2011, our Board of Directors authorized the repurchase of 40 million common shares of UPC by March 31, 2014, replacing our previous repurchase program. The shares repurchased in the second quarter, shown in the table below, were purchased under the new program. As of June 30, 2011, we had repurchased a total of \$4.8 billion of UPC common stock since the commencement of purchases under our repurchase programs.

	<i>Number of Shares Purchased</i>		<i>Average Price Paid</i>	
	2011	<i>2010</i>	2011	<i>2010</i>
First quarter [a]	2,636,178	-	\$ 94.10	\$ -
Second quarter	3,576,399	6,496,400	100.75	71.74
Total	6,212,577	6,496,400	\$ 97.92	\$ 71.74
Remaining number of shares that may yet be repurchased				36,423,601

[a] Shares repurchased in the first quarter were authorized by a prior share repurchase program, which expired March 31, 2011.

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

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

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

**Three and Six Months Ended June 30, 2011, Compared to
Three and Six Months Ended June 30, 2010**

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

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and applicable notes to the Condensed Consolidated Financial Statements, Item 1, and other information included in this report. Our Condensed Consolidated Financial Statements are unaudited and reflect all adjustments (consisting only of normal and recurring adjustments) that are, in the opinion of management, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America (GAAP).

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

Available Information

Our Internet website is www.up.com. 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 New York Stock Exchange or as desirable to promote the effective and efficient governance of our company. Any security holder wishing to receive, without charge, a copy of any of our SEC filings or corporate governance materials should send a written request to: Secretary, Union Pacific Corporation, 1400 Douglas Street, Omaha, NE 68179.

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

Critical Accounting Policies and Estimates

We base our discussion and analysis of our financial condition and results of operations upon our Condensed Consolidated Financial Statements. The preparation of these financial statements requires estimation and judgment that affect the reported amounts of revenues, expenses, assets, and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. If these estimates differ materially from actual results, the impact on the Condensed Consolidated Financial Statements may be material. Our critical accounting policies are available in Item 7 of our 2010 Annual Report on Form 10-K. There have not been any significant changes with respect to these policies during the first six months of 2011.

RESULTS OF OPERATIONS**Quarterly Summary**

We reported record earnings of \$1.59 per diluted share on net income of \$785 million in the second quarter of 2011 compared to earnings of \$1.40 per diluted share on net income of \$711 million for the second quarter of 2010. Year-to-date, net income was \$1.4 billion versus \$1.2 billion for the same period in 2010. Freight revenues increased \$639 million in the second quarter compared to the same period in 2010 driven by higher fuel surcharges, core pricing gains, and volume growth of 3%. Improved economic conditions increased demand for our services across five of the six commodity groups compared to the second quarter of 2010 and all six for the year-to-date period. Consistent with the first quarter, we leveraged additional traffic volumes by effectively utilizing our assets and minimizing operational cost increases. These efforts, coupled with improved pricing and volume growth, increased earnings in the second quarter and year-to-date period of 2011 versus 2010.

During the quarter, historic flooding occurred in a large area of the Midwest, affecting the Missouri River from north of Sioux City, Iowa, to east of Jefferson City, Missouri, and the Platte River in Nebraska. For portions of our network at risk, we raised track and built protective berms, as well as positioned sandbags to secure signals and other buildings, facilities and equipment. In areas where flooding affected our track, we implemented a rerouting strategy to maintain service to most of our customers. In the second quarter, Midwest flooding increased operating expenses by \$14 million, or \$0.02 per diluted share and resulted in missed coal revenue of approximately \$20 million, or \$0.02 per diluted share net of estimated cost savings in the second quarter. Flood conditions are continuing in the third quarter and could continue into the fourth quarter of this year. In other areas, our main lines are operating normally.

Although weather generally can affect our operations, we experienced more significant impacts this year compared to 2010. We have been able to mitigate the effects to maintain a reliable network. As reported to the Association of American Railroads (AAR), average train speed decreased 1% in the second quarter of 2011 versus 2010 due to a 3% increase in carloads coupled with Midwest flooding. Average rail car inventory decreased 1% as we continued to adjust our freight car fleet to match performance and demand. Over time, faster cycle times and improved service reliability enabled us to handle freight with fewer cars. Average terminal dwell time increased 4% during the second quarter of 2011 compared to 2010. The Midwest flooding, track maintenance and replacement work, and a shift in mix to more manifest traffic, which requires additional terminal processing, all contributed to the increase in terminal dwell time.

Operating Revenues

<i>Millions</i>	<i>Three Months Ended</i>			<i>Six Months Ended</i>		
	<i>June 30,</i>		<i>%</i>	<i>June 30,</i>		<i>%</i>
	2011	2010	Change	2011	2010	Change
Freight revenues	\$ 4,595	\$ 3,956	16%	\$ 8,843	\$ 7,711	15%
Other revenues	263	226	16	505	436	16
Total	\$ 4,858	\$ 4,182	16%	\$ 9,348	\$ 8,147	15%

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.

[Table of Contents](#)

Freight revenues for all six commodity groups increased during the second quarter and year-to-date period of 2011 compared to 2010, as a result of economic improvements in many market sectors, with particularly strong growth in agricultural and chemicals shipments. ARC increased 13% and 10% during the second quarter and year-to-date period, respectively, 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.

Our fuel surcharge programs (excluding index-based contract escalators that contain some provision for fuel) generated \$580 million and \$992 million in freight revenues in the second quarter and year-to-date period of 2011, compared to \$309 million and \$565 million in the same periods of 2010, respectively. Increases in both fuel prices and volume levels drove the higher fuel surcharge amounts in both periods. Additionally, fuel surcharge revenue is not entirely comparable to prior periods due to implementation of new mileage-based fuel surcharge programs. In April 2007, we converted regulated traffic, which represents approximately 18% of our current revenue base, to mileage-based fuel surcharge programs. In addition, we continue to convert portions of our non-regulated traffic to mileage-based fuel surcharge programs. At the time of the conversion, we also reset the base fuel price at which the new mileage-based fuel surcharges take effect. Resetting the fuel price at which the fuel surcharge begins, in conjunction with rebasing the affected transportation rates to include a portion of what had been in the fuel surcharge, does not materially change our freight revenue as higher base rates offset lower fuel surcharge revenue.

The following tables summarize the year-over-year changes in freight revenues, revenue carloads (each intermodal container or trailer equals one carload), and ARC by commodity type:

Freight Revenues <i>Millions</i>	<i>Three Months Ended</i> <i>June 30,</i>		<i>%</i> Change	<i>Six Months Ended</i> <i>June 30,</i>		<i>%</i> Change
	2011	2010		2011	2010	
Agricultural	\$ 849	\$ 698	22%	\$ 1,656	\$ 1,428	16%
Automotive	381	334	14	723	639	13
Chemicals	703	592	19	1,367	1,179	16
Energy	950	836	14	1,902	1,680	13
Industrial Products	803	692	16	1,493	1,290	16
Intermodal	909	804	13	1,702	1,495	14
Total	\$ 4,595	\$ 3,956	16%	\$ 8,843	\$ 7,711	15%

Revenue Carloads <i>Thousands</i>	<i>Three Months Ended</i> <i>June 30,</i>		<i>%</i> Change	<i>Six Months Ended</i> <i>June 30,</i>		<i>%</i> Change
	2011	2010		2011	2010	
Agricultural	237	213	11%	475	441	8%
Automotive	165	159	4	322	310	4
Chemicals	233	209	11	456	412	11
Energy	496	486	2	1,034	1,002	3
Industrial Products	297	286	4	560	528	6
Intermodal	819	827	(1)	1,589	1,569	1
Total	2,247	2,180	3%	4,436	4,262	4%

[Table of Contents](#)

Average Revenue per Car	Three Months Ended			Six Months Ended		
	June 30,		%	June 30,		%
	2011	2010	Change	2011	2010	Change
Agricultural	\$ 3,580	\$ 3,277	9%	\$ 3,483	\$ 3,238	8%
Automotive	2,321	2,094	11	2,250	2,059	9
Chemicals	3,024	2,826	7	3,000	2,859	5
Energy	1,916	1,722	11	1,840	1,677	10
Industrial Products	2,697	2,420	11	2,665	2,444	9
Intermodal	1,108	974	14	1,071	953	12
Average	\$ 2,045	\$ 1,815	13%	\$ 1,993	\$ 1,809	10%

Agricultural Products – Higher volume, fuel surcharges, and price improvements increased agricultural freight revenue in the second quarter and six-month period of 2011 versus 2010. Strong export demand for U.S. wheat via Gulf ports primarily drove a 40% increase in shipments of wheat and food grains during both periods. Lower shipments of feed for both domestic use and shipments to the Pacific Northwest for export reduced shipments of corn and feed grain in the first quarter. More corn shipments to Gulf ports in the second quarter offset the lower volumes in the first quarter.

Automotive – Core pricing gains and fuel surcharges, combined with increased shipments of finished vehicles and automotive parts in the second quarter and year-to-date in 2011, improved automotive freight revenue from 2010 levels. Although higher production and sales levels during the first half of the year contributed to volume growth, the disaster in Japan, which reduced shipments of international vehicles in the second quarter, partially offset this growth.

Chemicals – Higher volume, price improvements and fuel surcharges increased freight revenue from chemicals in the second quarter and six-month period of 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 31% and 32% increases in shipments of petroleum products during the second quarter and year-to-date. Strong export demand and robust spring planting activity increased fertilizer shipments by 22% and 19% in the second quarter and year-to-date in 2011 versus 2010. Additionally, improving market conditions increased demand for industrial chemicals during the second quarter and six-month period of 2011, driving volume levels up versus 2010.

Energy – Higher fuel surcharges, core pricing gains and volume growth increased freight revenue from energy shipments in the second quarter and year-to-date in 2011 versus 2010. Shipments of coal from the Southern Powder River Basin (SPRB) were up 2% and 3% in the second quarter and year-to-date in 2011 compared to 2010, respectively, reflecting new business from existing Wisconsin customers and deliveries to a new coal unit in San Antonio, Texas. Conversely, shipments from Colorado and Utah mines declined 4% in the second quarter and six-month period of 2011 versus 2010 due to lower mine production, increased competition from low cost natural gas and weaker eastern utility demand, which were partially offset by increased exports. In addition, the Midwest flooding reduced energy volumes in the second quarter.

Industrial Products – Volume gains, core pricing improvement, and fuel surcharges increased freight revenue from industrial products in the second quarter and six-month period of 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 pipe and automotive production in both periods. In addition, higher demand in China for iron ore also drove volume growth. Inventory replenishments and conversions from truck to rail increased paper shipments. Conversely, lower commercial construction activity negatively impacted stone, sand and gravel shipments in the second quarter and year-to-date in 2011 compared to 2010.

[Table of Contents](#)

Intermodal – Fuel surcharge gains (including improved fuel recovery provisions) and pricing improvements drove an increase in freight revenue from intermodal shipments in the second quarter and year-to-date in 2011 compared to 2010. Volume from international traffic decreased in the second quarter of 2011 versus 2010 driven by the loss of a customer contract, while domestic traffic remained flat against strong volumes in 2010. Year-to-date, volume from international and domestic traffic increased from 2010 levels; however, reduced international traffic, reflecting softer economic conditions, and increasing competition for domestic traffic in the second quarter offset most of the year-over-year gains.

Mexico Business – Each of our commodity groups includes revenue from shipments to and from Mexico. Revenue from Mexico business increased 18% to \$460 million in the second quarter of 2011 versus the same period in 2010. Volume levels for five of the six commodity groups increased (energy shipments declined), up 9% in aggregate versus 2010, with particularly strong growth in chemicals, industrial products, and intermodal shipments. Year-to-date, revenue grew 17% versus 2010 to \$878 million, driven by volume growth of 10% versus 2010.

Operating Expenses

Millions	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Compensation and benefits	\$ 1,166	\$ 1,051	11%	\$ 2,333	\$ 2,110	11%
Fuel	904	608	49	1,730	1,191	45
Purchased services and materials	516	472	9	991	904	10
Depreciation	401	368	9	796	735	8
Equipment and other rents	283	282	-	585	572	2
Other	196	122	61	384	368	4
Total	\$ 3,466	\$ 2,903	19%	\$ 6,819	\$ 5,880	16%

Operating expenses increased \$563 million and \$939 million in the second quarter and six-month period of 2011 versus the comparable periods in 2010. Our fuel price per gallon increased 44% and 39% during the second quarter and year-to-date, accounting for \$263 million and \$463 million of the increases, respectively. Wage and benefit inflation, volume-related costs, depreciation, and property taxes also contributed to higher expenses during both periods. In addition, second quarter expenses increased \$14 million for flood-related costs. 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 expenses in 2011 when compared to 2010.

Compensation and Benefits – Compensation and benefits include wages, payroll taxes, health and welfare costs, pension costs, other postretirement benefits, and incentive costs. Volume-related expenses, general wage and benefit inflation, higher training costs associated with new hires and higher pension expense drove the increase during the second quarter and year-to-date in 2011 compared to the same period in 2010.

Fuel – Fuel includes locomotive fuel and gasoline for highway and non-highway vehicles and heavy equipment. Higher locomotive diesel fuel prices, which averaged \$3.29 and \$3.08 per gallon (including taxes and transportation costs) in the second quarter and six-month period of 2011 compared to \$2.29 and \$2.22 per gallon in the same periods in 2010, increased expenses by \$263 million and \$463 million, respectively. In addition, higher gasoline prices for highway and non-highway vehicles also increased in both periods. Volume, as measured by gross ton-miles, increased 5% in both the second quarter and six-month period versus 2010, driving expense up by \$29 million and \$59 million, respectively. Conversely, our fuel consumption rate improved 2% in the second quarter of 2011 versus 2010 due to on-going fuel conservation efforts, resulting in \$9 million of savings. Year-to-date, the fuel consumption rate improved 1%, as the impact of severe winter weather on our locomotive fuel usage partially offset improvements from fuel conservation efforts.

[Table of Contents](#)

Purchased Services and Materials – Expense for purchased services and materials includes the costs of services purchased from outside contractors (including equipment maintenance and contract expenses incurred by our subsidiaries for external transportation services); materials used to maintain the Railroad's lines, structures, and equipment; costs of operating facilities jointly used by UPRR and other railroads; 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 \$37 million and \$67 million, respectively, in the second quarter and six-month period of 2011 versus 2010, driven by contract expenses incurred by our subsidiaries for volume-related external transportation services, equipment maintenance, and various other types of contractual services including flood-related service work. Volume-related crew transportation and lodging costs, as well as expenses associated with jointly owned operating facilities, also increased costs from 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 flood related reroutes increased expenses during the second quarter and year-to-date period compared to 2010.

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 the second quarter and year-to-date in 2011 compared to 2010. Higher depreciation rates for rail and other track material also drove 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).

Equipment and Other Rents – Equipment and other rents expense primarily includes rental expense that the Railroad pays for freight cars owned by other railroads or private companies; freight car, intermodal, and locomotive leases; other rent expenses; and office and other rentals. Second quarter expense was flat year-over-year as higher office and other specialty leases offset lower lease expense for locomotives and freight cars. Year-to-date, container lease and short-term freight car rental expense increased. Conversely, lower freight car lease expense decreased costs compared to the six month period of 2010.

Other – Other expenses include personal injury, freight and property damage, destruction of foreign equipment, insurance, environmental, bad debt, state and local taxes, utilities, telephone and cellular, employee travel, computer software, and other general expenses. Higher casualty costs and property taxes increased other costs in the second quarter of 2011 compared to the same period of 2010. Despite continual improvement in our safety experience and lower estimated costs, personal injury expense increased in the second quarter of 2011 compared to 2010, as the reduction of liability for past years from our recent actuarial study was less than the reduction from our 2010 study. Year-to-date, higher property taxes and casualty costs, which only increased modestly for personal injury expense, were partially offset by the \$45 million one-time payment in the first quarter of 2010 related to a transaction with CSXI.

Non-Operating Items

Millions	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Other income	\$ 26	\$ 19	37%	\$ 41	\$ 20	F
Interest expense	(148)	(152)	(3)	(289)	(307)	(6)
Income taxes	(485)	(435)	11	(857)	(753)	14

Other Income – Other income increased in the second quarter and six-month period of 2011 versus the same period in 2010 due to premiums paid for early redemption of existing long-term debt in first quarter of 2010 and lower environmental costs.

Interest Expense – Interest expense decreased slightly in the second quarter of 2011 versus 2010 due to a lower weighted-average debt level of \$9.1 billion versus \$9.6 billion. The effective interest rate was 6.3% in both the second quarter of 2011 and 2010. A lower weighted-average debt level of \$9.2 billion in 2011 versus \$9.8 billion in 2010 drove the decrease in year-to-date interest expense. The effective interest rate was 6.3% versus 6.2% year-to-date in 2011 and 2010, respectively.

[Table of Contents](#)

Income Taxes – Higher income taxes in the second quarter and year-to-date in 2011 compared to 2010 primarily result from higher pre-tax income. Our effective tax rate for the second quarter and year-to-date in 2011 was 38.2% and 37.6%, respectively, compared to 38.0% for the corresponding periods of 2010. Year-to-date, the lower effective tax rate in 2011 is primarily due to Arizona legislation reducing the state's corporate tax rate.

OTHER OPERATING/PERFORMANCE AND FINANCIAL STATISTICS

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Average train speed (miles per hour)	26.1	26.4	(1)%	26.1	26.3	(1)%
Average terminal dwell time (hours)	25.6	24.7	4 %	26.0	25.4	2 %
Average rail car inventory (thousands)	271.9	275.2	(1)%	271.5	276.4	(2)%
Gross ton-miles (billions)	239.2	228.1	5 %	474.6	451.8	5 %
Revenue ton-miles (billions)	132.2	126.3	5 %	264.9	253.1	5 %
Operating ratio	71.3	69.4	(1.9) pts	72.9	72.2	(0.7) pts
Employees (average)	44,971	42,571	6 %	44,508	42,350	5 %
Customer satisfaction index	92	89	3 pts	92	88	4 pts

Average Train Speed – Average train speed is calculated by dividing train miles by hours operated on our main lines between terminals. Average train speed decreased 1% in the second quarter of 2011 compared to the same period in 2010 due to a 3% increase in carloads coupled with the impact of Midwest flooding. Severe winter weather and Midwest flooding, which had a greater impact than weather events in 2010, drove the decline in the six-month period of 2011 compared to 2010. Overall, we continued operating a fluid and efficient network during the first half of the year, effectively handling the 4% increase in carloads compared to the first half of 2010.

Average Terminal Dwell Time – Average terminal dwell time is the average time that a rail car spends at our terminals. Lower average terminal dwell time improves asset utilization and service. Average terminal dwell time increased 4% in the second quarter of 2011 compared to 2010. Year-to-date, average terminal dwell time increased 2% compared to 2010. Effects of the Midwest flooding, February winter storm, which impacted major terminals (including Chicago, St. Louis, and Fort Worth), track maintenance and improvement programs, and a shift of traffic mix to more manifest traffic, which requires additional terminal processing, all contributed to the increase.

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 1% and 2% in the second quarter and year-to-date period of 2011 compared to 2010, respectively, as we continue to adjust the size of our freight car fleet.

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 the second quarter and year-to-date in 2011 compared to 2010, driven by a 3% and 4% increase in carloads, respectively. Mix changes to heavier commodity groups drove the difference in increases between gross and revenue ton-miles and carloads.

[Table of Contents](#)

Operating Ratio – Operating ratio is our operating expenses reflected as a percentage of operating revenue. Our operating ratio increased 1.9 points to 71.3% in the second quarter of 2011 versus the same period of 2010 and 0.7 points to 72.9% in the six-month period of 2011 versus 2010. Higher fuel prices, inflation and flooding costs partially offset by core pricing gains and productivity initiatives drove the increase.

Employees – Employee levels were up 6% and 5% in the second quarter and six-month period of 2011 versus 2010, respectively, driven by a 3% and 4% increase in volume levels, a higher number of Trainmen, Engineers, and Yard employees currently in training, and increased work on construction projects.

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 the second quarter and year-to-date period of 2011 generally reflects customer recognition of our service quality.

Debt to Capital / Adjusted Debt to Capital

<i>Millions, Except Percentages</i>	<i>Jun. 30, 2011</i>	<i>Dec. 31, 2010</i>
Debt (a)	\$ 8,938	\$ 9,242
Equity	18,306	17,763
Capital (b)	\$ 27,244	\$ 27,005
Debt to capital (a/b)	32.8%	34.2%

<i>Millions, Except Percentages</i>	<i>Jun. 30, 2011</i>	<i>Dec. 31, 2010</i>
Debt	8,938	9,242
Net present value of operating leases	3,325	3,476
Unfunded pension and OPEB	421	421
Adjusted debt (a)	\$ 12,684	\$ 13,139
Equity	18,306	17,763
Adjusted capital (b)	\$ 30,990	\$ 30,902
Adjusted debt to capital (a/b)	40.9%	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 6.3% at June 30, 2011 and 6.2% at December 31, 2010. The higher discount rate reflects changes to interest rates and our current 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 the Corporation's overall cost of capital. Adjusted debt to capital should be considered in addition to, rather than as a substitute for, debt to capital. The tables above provide reconciliations from debt to capital to adjusted debt to capital.

LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

Cash Flows		
<i>Millions, for the six month ended June 30</i>	<i>2011</i>	<i>2010</i>
Cash provided by operating activities	\$ 2,640	\$ 1,695
Cash used in investing activities	(1,366)	(1,068)
Cash used in financing activities	(1,305)	(1,160)
Net change in cash and cash equivalents	\$ (31)	\$ (533)

[Table of Contents](#)

Operating Activities

Higher net income in the first six months of 2011 increased cash provided by operating activities compared to the same period of 2010. 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 the first half of 2010.

Investing Activities

Higher capital investments in the first six months of 2011 drove the increase in cash used in investing activities compared to the same period in 2010.

The table below details cash capital investments:

<i>Millions, for the six months ended June 30</i>	2011	2010
Rail and other track material	\$ 350	\$ 317
Ties	199	238
Ballast	110	105
Other [a]	130	122
Total road infrastructure replacements	789	782
Line expansion and other capacity projects	129	40
Commercial facilities	18	65
Total capacity and commercial facilities	147	105
Locomotives and freight cars	248	87
Positive train control	84	30
Technology and other	59	52
Total cash capital investments	\$1,327	\$1,056

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

Financing Activities

Cash used in financing activities increased in the first six months of 2011 versus the same period of 2010 driven by an increase of \$186 million of shares repurchased under our common stock repurchase program. Additionally, higher dividend payments in 2011 of \$374 million compared to \$272 million in 2010, reflecting our higher dividends per share, also contributed to the increase in cash used in financing activities of 2011.

[Table of Contents](#)

Free Cash Flow – 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):

<i>Millions,</i>		
<i>for the six months ended June 30</i>		
	2011	2010
Cash provided by operating activities	\$ 2,640	\$ 1,695
Receivables securitization facility [a]	-	400
Cash provided by operating activities adjusted for the receivables securitization facility	2,640	2,095
Cash used in investing activities	(1,366)	(1,068)
Dividends paid	(374)	(272)
Free cash flow	\$ 900	\$ 755

[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 Condensed Consolidated Statements of Financial Position and as financing activities in our Condensed 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.

Credit Facilities – During the second quarter of 2011, we replaced our \$1.9 billion revolving credit facility, which would have expired 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 June 30, 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 the facility during the six months ended June 30, 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 Union Pacific Corporation to maintain a debt-to-net-worth coverage ratio as a condition to making a borrowing. At June 30, 2011, and December 31, 2010 (and at all times during the first and second quarters), 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 June 30, 2011, the debt-to-net-worth coverage ratio allowed us to carry up to \$36.6 billion of debt (as defined in the facility), and we had \$9.3 billion of debt (as defined in the facility) outstanding at that date. Under our current capital plans, we expect to continue to satisfy the debt-to-net-worth coverage ratio; however, many factors beyond our reasonable control could affect our ability to comply with this provision in the future. The facility does not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require us to post collateral. The facility also includes a \$75 million cross-default provision and a change-of-control provision.

During the six months ended June 30, 2011, we did not issue or repay any commercial paper, and at June 30, 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.

[Table of Contents](#)

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.

As of June 30, 2011, and December 31, 2010, we reclassified as long-term debt approximately \$574 million and \$100 million, respectively, of debt due within one year that we intend to refinance. This reclassification reflects our ability and intent to refinance any short-term borrowings and certain current maturities of long-term debt on a long-term basis.

Receivables Securitization Facility – 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 June 30, 2011 and December 31, 2010. The value of the outstanding undivided interest held by investors under the facility was \$100 million at June 30, 2011 and December 31, 2010, and is included in our Condensed Consolidated Statements of Financial Position as debt due after one year. The value of the undivided interest held by investors was supported by \$1.1 billion and \$960 million of accounts receivable at June 30, 2011, and December 31, 2010, respectively. At June 30, 2011, and December 31, 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 Condensed 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 June 30, 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 \$4.6 billion and \$4.0 billion during the three months ended June 30, 2011 and 2010, respectively, and \$8.9 billion and \$7.7 billion during the six months ended June 30, 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 \$1 million for the three months ended June 30, 2011 and 2010, and \$2 million and \$3 million for the six months ended June 30, 2011, and 2010, respectively.

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.

We are currently in process of renewing the receivables securitization facility for an additional 364-day period at comparable terms and conditions.

Debt Exchange – On May 23, 2011, we announced the commencement of a private offer to exchange various outstanding notes and debentures due between 2013 and 2019 (Existing Notes). The exchange transaction closed on June 23, 2011, at which time \$857 million of Existing Notes were exchanged 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, which will be recorded as an adjustment to the carrying value of debt, and the balance of the unamortized discount and issue costs from the Existing Notes will be amortized as an adjustment of interest expense over the term of the New Notes. No gain or loss will be recognized as a result of the exchange. Costs related to the debt exchange that are payable to parties other than the debt holders total approximately \$6 million and are included in interest expense during the second quarter.

[Table of Contents](#)

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

<i>Millions</i>	<i>Principal amount exchanged</i>
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

Debt Redemption – 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.

Share Repurchase Program – The shares repurchased in the first quarter, 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 common shares of UPC by March 31, 2014, replacing our previous repurchase program. The shares repurchased in the second quarter, shown in the table below, were purchased under the new program. As of June 30, 2011, we had repurchased a total of \$4.8 billion of UPC common stock since the commencement of purchases under our repurchase programs.

	<i>Number of Shares Purchased</i>		<i>Average Price Paid</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
First quarter [a]	2,636,178	-	\$ 94.10	\$ -
Second quarter	3,576,399	6,496,400	100.75	71.74
Total	6,212,577	6,496,400	\$ 97.92	\$ 71.74
Remaining number of shares that may yet be repurchased				36,423,601

[a] Shares repurchased in the first quarter were authorized by a prior share repurchase program, which expired March 31, 2011.

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

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

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

Table of Contents

The following tables identify material obligations and commitments as of June 30, 2011:

Contractual Obligations	Millions	Total	Jul. 1 through Dec. 31, 2011	Payments Due by Dec. 31,					Other
				2012	2013	2014	2015	After 2015	
Debt [a]		\$ 12,016	\$ 304	\$ 901	\$ 927	\$ 862	\$ 590	\$ 8,432	\$ -
Operating leases [b]		4,686	294	532	470	396	355	2,639	-
Capital lease obligations [c]		2,643	128	267	269	277	277	1,425	-
Purchase obligations [d]		4,932	1,385	1,428	484	454	221	928	32
Other postretirement benefits [e]		414	21	42	43	43	44	221	-
Income tax contingencies [f]		149	-	78	-	-	-	-	71
Total contractual obligations		\$ 24,840	\$ 2,132	\$ 3,248	\$ 2,193	\$ 2,032	\$ 1,487	\$ 13,645	\$ 103

[a] Excludes capital lease obligations of \$1,906 million and unamortized discount of \$(359) million. Includes an interest component of \$4,625 million.

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

[c] Represents total obligations, including interest component of \$737 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 can not reasonably estimate the year of settlement, they are reflected in the Other column.

[e] Includes estimated other postretirement, medical, and life insurance payments and payments made under the unfunded pension plan for the next ten years. No amounts are included for funded pension 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 June 30, 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 can not reasonably estimate the year of settlement, they are reflected in the Other column.

Other Commercial Commitments	Millions	Total	Jul. 1 through Dec. 31, 2011	Amount of Commitment Expiration by Dec. 31,					After 2015
				2012	2013	2014	2015	2015	
Credit facilities [a]		\$ 1,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,800	\$ -
Receivables securitization facility [b]		600	600	-	-	-	-	-	-
Guarantees [c]		358	44	26	9	214	12	53	-
Standby letters of credit [d]		24	7	17	-	-	-	-	-
Total commercial commitments		\$ 2,782	\$ 651	\$ 43	\$ 9	\$ 214	\$ 1,812	\$ 53	

[a] None of the credit facility was used as of June 30, 2011.

[b] \$100 million of the receivables securitization facility was utilized at June 30, 2011, which is accounted for as debt. The full program matures in August 2011.

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

[d] None of the letters of credit were drawn upon as of June 30, 2011.

OTHER MATTERS

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

[Table of Contents](#)

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

Accounting Pronouncements – In 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.

CAUTIONARY INFORMATION

Certain statements in this report, and statements in other reports or information filed or to be filed with the SEC (as well as information included in oral statements or other written statements made or to be made by us), are, or will be, forward-looking statements as defined by the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements and information include, without limitation, the statements regarding the future impact of flooding under the caption "Quarterly Summary" and the statements and information set forth under the caption "Liquidity and Capital Resources" in this Item 2, and any other statements or information in this report regarding: expectations as to operational or service improvements; expectations regarding the effectiveness of steps taken or to be taken to improve operations, service, infrastructure improvements, and transportation plan modifications; expectations as to cost savings, revenue growth, and earnings; the time by which goals, targets, or objectives will be achieved; projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, future economic performance, and general economic conditions; proposed new products and services; estimates of costs relating to environmental remediation and restoration; projections, estimates and expectations regarding tax matters, expectations that claims, litigation, environmental costs, commitments, contingent liabilities, labor negotiations or agreements, or other matters will not have a material adverse effect on our consolidated results of operations, financial condition, or liquidity and any other similar expressions concerning matters that are not historical facts.

Forward-looking statements and information reflect the good faith consideration by management of currently available information, and may be based on underlying assumptions believed to be reasonable under the circumstances. However, such information and assumptions (and, therefore, such forward-looking statements and information) are or may be subject to variables or unknown or unforeseeable events or circumstances over which management has little or no influence or control. The Risk Factors in Item 1A of our 2010 Annual Report on Form 10-K, filed February 4, 2011, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements, and this report, including this Item 2, should be read in conjunction with these Risk Factors. To the extent circumstances require or we deem it otherwise necessary, we will update or amend these risk factors in a Form 10-Q or Form 8-K. Information regarding new risk factors or material changes to our risk factors, if any, is set forth in Item 1A of Part II of this report. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times that, or by which, such performance or results will be achieved. Forward-looking information is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the Quantitative and Qualitative Disclosures About Market Risk previously disclosed in our 2010 Annual Report on Form 10-K.

Item 4. Controls and Procedures

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, 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 Environmental Protection Agency (EPA) considers the Railroad a potentially responsible party for the Omaha Lead Site. The Omaha Lead Site consists of approximately 25 square miles of residential property in the eastern part of Omaha, Nebraska, allegedly impacted by air emissions from two former lead smelters/refineries. One refinery was operated by ASARCO. The EPA identified the Railroad as a potentially responsible party because more than 60 years ago the Railroad owned land that was leased to ASARCO. The Railroad disputes both the legal and technical basis of the EPA's allegations, but has nonetheless engaged in extensive negotiations with the EPA. The EPA issued a Unilateral Administrative Order with an effective date of December 16, 2005, directing the Railroad to implement an interim remedy at the site at an estimated cost of \$50 million. Failure to comply with the order without just cause could subject the Railroad to penalties of up to \$37,500 per day and three times the EPA's costs in performing the work. The Railroad believes it has just cause not to comply with the order, but it offered to perform some of the work specified in the order as a compromise. On August 5, 2009, the Railroad received a Special Notice Letter from EPA directing UPRR to perform environmental remediation at approximately 9,000 residential yards in Omaha and to take other remedial measures as part of a final remedy. The Railroad continues to contest its purported liability for these costs but has submitted an offer to the EPA to attempt to negotiate a resolution of the matter. On June 23, 2010, the Railroad filed suit in federal district court in Omaha, Nebraska against the EPA and its Administrator under the Freedom of Information Act (FOIA), the Administrative Procedure Act and the Federal Records Act asking the court to compel EPA to respond fully to outstanding FOIA requests and to

[Table of Contents](#)

prevent EPA from destroying records. The court granted the Railroad a temporary restraining order prohibiting further document destruction. On August 26, 2010, the Court entered an agreed Preliminary Injunction preventing destruction of records by EPA. In November 2010, the Railroad reached a tentative, confidential settlement agreement to resolve its liability at the Omaha Lead Site. The FOIA litigation will be terminated as part of the final settlement. In May 2011, the EPA and the Railroad signed a settlement agreement in which the Railroad agreed to pay \$25 million to the EPA. Most of the funds from this payment will be dedicated to community efforts to mitigate the impact of lead-based paint on children living in the Omaha Lead Site. On June 1, 2011, the parties lodged the Consent Decree implementing the settlement with the United States District Court in Omaha, Nebraska. On June 8, 2011, the Notice of the settlement was published in the Federal Register, which initiated a 30-day, public comment period relating to the settlement. The comment period closed on July 7, 2011, and the EPA did not receive any adverse comments regarding the settlement.

We receive 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.

Other Matters

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 us and four other Class I railroads in the U.S (one railroad was eventually dropped from the lawsuit). The original plaintiff filed the first of these claims in the U.S. District Court in New Jersey on May 14, 2007, 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 anti-trust 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. 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. 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 within 30 days.

[Table of Contents](#)

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 certain U.S. Class I Railroads, including the 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.

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.

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in our 2010 Annual Report on Form 10-K.

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

Purchases of Equity Securities – The following table presents common stock repurchases during each month for the second quarter of 2011:

<i>Period</i>	<i>Total Number of Shares Purchased [a]</i>	<i>Average Price Paid Per Share</i>	<i>Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program [b]</i>	<i>Maximum Number of Shares That May Yet Be Purchased Under the Plan or Program [b]</i>
Apr. 1 through Apr. 30	106,751	\$ 94.98	102,000	39,898,000
May 1 through May 31	1,908,896	101.37	1,701,775	38,196,225
Jun. 1 through Jun. 30	1,774,677	100.79	1,772,624	36,423,601
Total	3,790,324	\$ 100.92	3,576,399	N/A

[a] Total number of shares purchased during the quarter includes 213,925 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 February 3, 2011, our Board of Directors authorized the repurchase of up to 40 million shares of our common stock by March 31, 2014. These repurchases may be made on the open market or through other transactions. Our management has sole discretion with respect to determining the timing and amount of these transactions.

Dividend Restrictions – Our revolving credit facility includes a debt-to-net worth covenant that, under certain circumstances, restricts the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends was \$13.6 billion and \$12.9 billion at June 30, 2011 and December 31, 2010, respectively.

Item 3. Defaults Upon Senior Securities

None.

Item 5. Other Information

Submission of Matters to a Vote of Security Holders

- The Annual Meeting of Shareholders of the Corporation was held on May 5, 2011 (Annual Meeting).
- At the Annual Meeting, the Corporation's shareholders voted for the election of Andrew H. Card, Jr. (387,463,647 shares in favor; 1,566,864 shares against; 551,252 shares abstained from

Table of Contents

voting; 47,542,426 shares not voted by brokers), Erroll B. Davis, Jr. (381,549,879 shares in favor; 1,607,191 shares against; 6,425,039 shares abstained from voting; 47,542,426 shares not voted by brokers), Thomas J. Donohue (355,980,776 shares in favor; 2,973,053 shares against; 30,628,554 shares abstained from voting; 47,542,426 shares not voted by brokers), Archie W. Dunham (384,970,706 shares in favor; 1,677,066 shares against; 2,933,991 shares abstained from voting; 47,542,426 shares not voted by brokers), Judith Richards Hope (384,756,808 shares in favor; 1,908,162 shares against; 2,917,408 shares abstained from voting; 47,542,426 shares not voted by brokers), Charles C. Krulak (387,654,712 shares in favor; 1,360,200 shares against; 567,103 shares abstained from voting; 47,542,426 shares not voted by brokers), Michael R. McCarthy (387,719,869 shares in favor; 1,283,966 shares against; 577,398 shares abstained from voting; 47,542,426 shares not voted by brokers), Michael W. McConnell (387,710,780 shares in favor; 1,314,603 shares against; 556,470 shares abstained from voting; 47,542,426 shares not voted by brokers), Thomas F. McLarty, III (381,714,629 shares in favor; 1,435,657 shares against; 6,432,096 shares abstained from voting; 47,542,426 shares not voted by brokers), Steven R. Rogel (378,139,622 shares in favor; 2,669,227 shares against; 8,772,184 shares abstained from voting; 47,542,426 shares not voted by brokers), Jose H. Villarreal (340,908,647 shares in favor; 20,518,946 shares against; 28,154,789 shares abstained from voting; 47,542,426 shares not voted by brokers), and James R. Young (379,037,342 shares in favor; 2,155,973 shares against; 8,389,068 shares abstained from voting; 47,542,426 shares not voted by brokers), as directors of the Corporation.

- (c) At the Annual Meeting, the Corporation's shareholders ratified the appointment of Deloitte & Touche LLP by the Corporation's Audit Committee as the Corporation's independent registered public accounting firm for 2011 (431,011,522 shares in favor; 5,657,535 shares against; 455,526 shares abstained from voting).
- (d) At the Annual Meeting, the Corporation's shareholders approved, on an advisory (non-binding) basis, the compensation of the Corporation's Named Executive Officers (376,728,349 shares in favor; 12,061,779 shares against; 791,410 shares abstained from voting; 47,542,426 shares not voted by brokers). In addition, the Corporation's shareholders voted on an advisory (non-binding) basis regarding the frequency of future advisory votes on executive compensation by the following count: (288,734,144 shares in favor of 1 Year; 5,312,052 shares in favor of 2 Years; 94,522,389 shares in favor of 3 years; 1,013,592 shares abstained from voting; 47,542,426 shares not voted by brokers). Based on the results of the vote, and consistent with the Corporation's recommendation, the Corporation's Board of Directors determined to hold an advisory vote on executive compensation on an annual basis.
- (e) At the Annual Meeting, the Corporation's shareholders approved and adopted three amendments to the Corporation's Revised Articles of Incorporation to reduce shareholder voting requirements related to certain actions. The Corporation's shareholders approved Proposals 5(a), 5(b) and 5(c) as described in the Corporation's Proxy Statement for the Annual Meeting by the following counts: Proposal 5(a): Actions Adversely Affecting Preferred Stock (431,062,595 shares in favor; 3,934,915 shares against; 2,126,898 shares abstained from voting); Proposal 5(b): Removal of Directors (431,581,517 shares in favor; 3,725,923 shares against; 1,815,506 shares abstained from voting); and Proposal 5(c): Changing the Authorized Amount of Capital Stock (430,832,827 shares in favor; 4,427,814 shares against; 1,863,701 shares abstained from voting). All amendments were approved by the shareholders in accordance with the applicable voting standards and will become effective upon filing of Articles of Amendment to the Corporation's Articles of Incorporation with the Utah Secretary of State.
- (f) A shareholder of the Corporation submitted a proposal requesting that the Corporation adopt a policy that the Chairman of the Board of Directors not be a previous executive officer of the Corporation and qualify as an independent director by the standards of the New York Stock Exchange. The Corporation's shareholders voted against this proposal by the following count: (84,995,640 shares in favor; 303,474,558 shares against; 1,108,145 shares abstained; 47,542,426 shares not voted by brokers).

[Table of Contents](#)

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
<u>Filed with this Statement</u>	
3(a)	Restated Articles of Incorporation of UPC, as amended and restated through June 27, 2011.
10	Deferred Compensation Plan (409A Non-Grandfathered Component) of UPC, effective January 1, 2009, as amended June 22, 2011.
12(a)	Ratio of Earnings to Fixed Charges for the Three Months Ended June 30, 2011 and 2010.
12(b)	Ratio of Earnings to Fixed Charges for the Six Months Ended June 30, 2011 and 2010.
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.
99(a)	Form of U.S. \$1,800,000,000 4-year Revolving Credit Agreement, dated May 25, 2011.
101	eXtensible Business Reporting Language (XBRL) documents submitted electronically: 101.INS (XBRL Instance Document), 101.SCH (XBRL Taxonomy Extension Schema Document), 101.CAL (XBRL Calculation Linkbase Document), 101.LAB (XBRL Taxonomy Label Linkbase Document), 101.DEF (XBRL Taxonomy Definition Linkbase Document) and 101.PRE (XBRL Taxonomy Presentation Linkbase Document). The following financial and related information from Union Pacific Corporation's Quarterly Report on Form 10-Q for the period ended June 30, 2011 (filed with the SEC on July 22, 2011), is formatted in XBRL and submitted electronically herewith: (i) Consolidated Statements of Income for the periods ended June 30, 2011 and 2010, (ii) Consolidated Statements of Financial Position at June 30, 2011 and December 31, 2010, (iii) Consolidated Statements of Cash Flows for the periods ended June 30, 2011 and 2010, (iv) Consolidated Statements of Changes in Common Shareholders' Equity for the periods ended June 30, 2011 and 2010, and (v) the Notes to the Consolidated Financial Statements.
<u>Incorporated by Reference</u>	
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.

SIGNATURES

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

Dated: July 22, 2011

UNION PACIFIC CORPORATION
(Registrant)

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

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

**RESTATED ARTICLES OF INCORPORATION
OF
UNION PACIFIC CORPORATION
(as amended and restated through June 27, 2011)**

FIRST: The name of the corporation is Union Pacific Corporation.

SECOND: The period of duration of the corporation is perpetual.

THIRD: The purpose or purposes for which the corporation is organized are:

1. To engage in any and all transportation activities, including transportation by rail, motor vehicle, pipeline, water carrier and aircraft, and any other means of conveyance whatsoever now in existence or at any time hereafter produced, invented or developed, wheresoever situated.

2. To engage in any and all activities concerned with the development, production and marketing of natural resources, wheresoever situated, including acquiring, using, enjoying, turning to account, drilling for, mining, manufacturing, processing, working, refining, handling, contracting for, purchasing, taking, receiving, investing in, leasing, subleasing, owning, holding, exploring for, managing, dealing in, deeding, mortgaging, pledging, exchanging, trading, selling, conveying, assigning and disposing of oil, gas, coal and other minerals, timber, water and any other natural resources, and including the construction and maintenance of wells, mines, pipelines, refineries, plants, mills, reservoirs, dams, ditches and any other facilities useful or convenient in the conduct of the foregoing activities.

3. To engage in any and all real estate activities, including acquiring, using, enjoying, turning to account, contracting for, constructing, purchasing, taking, receiving, investing in, leasing, subleasing, owning, holding, maintaining, improving, developing, working, operating, exploring, managing, dealing in, deeding, mortgaging, pledging, exchanging, trading, selling, conveying, assigning and disposing of any and all kinds of real property, wheresoever situated, and any and all rights, privileges, options, concessions, licenses, claims, grants, franchises, easements, royalties, tenements, estates and interests therein, including the power to engage in any and all hotel, innkeeping, tourist and restaurant activities.

4. To acquire, use, enjoy, turn to account, or become interested in, by means of investment in, purchase, contract, merger, consolidation, lease, sublease, deed, mortgage, pledge, exchange, conveyance, assignment, participation in syndicates or otherwise, all or any part of the business, securities, rights, privileges, franchises, good will, assets and properties of any person, corporation, joint-stock company, joint venture, association, partnership, firm, trust, or syndicate, or of the United States, any state, municipality, district or territory thereof, any foreign country, or any other body politic, or any subdivision, instrumentality or agency of the foregoing, or of

any other entity engaged in any activity whatsoever and wheresoever situated, and to pay for the same in whole or in part by cash, shares, stocks, bonds, debentures, voting trust certificates, scrip, warrants, rights, trust receipts, bank acceptances, coupons, trust deeds, mortgages, commercial paper, income certificates, certificates of indebtedness, certificates of interest, notes and other choses in action, obligations, securities, evidences of indebtedness, or any similar instruments of whatsoever kind, or otherwise, and to undertake or assume all or any part of the debts, obligations and liabilities of the foregoing entities.

5. To acquire, use, enjoy, turn to account, or become interested in, by means of investment in, purchase, subscription, underwriting, contract, lease, sublease, deed, mortgage, pledge, exchange, conveyance, assignment, participation in syndicates, or otherwise, and to receive, own, hold, whether in its own name, in trust, in the name of a nominee or in any other form whatsoever, vote, guarantee, lend, transfer, deal in, deed, mortgage, pledge, exchange, sell, convey, assign, realize upon, employ and dispose of any and all forms of securities, whether fully paid or subject to further payment, including shares, stocks, bonds, debentures, voting trust certificates, scrip, warrants, rights, trust receipts, bank acceptances, coupons, trust deeds, mortgages, commercial paper, income certificates, certificates of indebtedness, certificates of interest, notes and other choses in action, obligations, securities, evidences of indebtedness, or any similar instruments of whatsoever kind, issued or created by any person, corporation, joint-stock company, joint venture, association, partnership, firm, trust syndicate, the United States, any state, municipality, district or territory thereof, any foreign country, any other body politic, any subdivision, instrumentality or agency of the foregoing or any other entity engaged in any activity whatsoever and wheresoever situated, whether the objective of any of the foregoing be current income, gain in capital or principal, or acquisition of interests useful in the business of the corporation.

6. To acquire, use, enjoy, turn to account, become interested in, contract for, construct, purchase, take, receive, invest in, lease, sublease, own, hold, maintain, improve, develop, work, operate, manufacture, process, prepare for market, store, manage, deal in, deed, mortgage, pledge, exchange, trade, export, import, sell, convey, assign, and dispose of goods, commodities, raw materials, wares, merchandise, and any and all other kinds of personal property, wheresoever situated, and any and all rights, privileges, options, concessions, licenses, claims, grants, franchises, royalties and interests therein.

7. To promote, finance, aid or assist, financially or otherwise, in any manner, whether by loan, subsidy, guarantee, indorsement or otherwise, whether secured or unsecured, any person, corporation, joint-stock company, joint venture, association, partnership, firm, trust, syndicate, the United States, any state, municipality, district or territory thereof, any foreign country, any other body politic, any subdivision, instrumentality or agency of the foregoing or any other entity engaged in any activity whatsoever and wheresoever situated, and, in connection therewith, to guarantee or to become surety for the payment or satisfaction of any principal, interest or dividends and to participate in any compromise, consolidation, merger, dissolution, reorganization, bankruptcy or other arrangement or proceeding.

8. To enter into, make and perform agreements, contracts and undertakings of every kind and description, with any person, corporation, joint-stock company, joint venture, association, partnership, firm, trust syndicate, the United States, any state, municipality, district

or territory thereof, any foreign country, any other body politic, any subdivision, instrumentality or agency of the foregoing or any other entity engaged in any activity whatsoever and wheresoever situated.

9. To borrow or raise monies for any of the purposes of the corporation, and to draw, make, create, execute, issue, accept, endorse and assign any and all forms of securities, whether fully paid or subject to further payment, including shares, stocks, bonds, debentures, voting trust certificates, scrip, warrants, rights, trust receipts, bank acceptances, coupons, trust deeds, mortgages, commercial paper, income certificates, certificates of indebtedness, certificates of interest, notes and other choses in action, obligations, evidences of indebtedness, or any similar instruments of whatsoever kind, without security, or to secure the payment of any thereof by deed, mortgage, pledge, conveyance, assignment, indenture, agreement or instrument of trust, or by other lien upon, assignment of or agreement with regard to, all or any part of the property, real or personal, or franchises, income, rights or privileges of the corporation wheresoever situated, whether at the time owned or thereafter to be acquired.

10. To acquire, use, enjoy, turn to account, or become interested in, by means of investment in, purchase, subscription, contract, lease, sublease, deed, mortgage, pledge, exchange, conveyance, assignment, participation in syndicates, registration or otherwise and to license, operate, develop, manufacture, lease, sublease, own, hold, enjoy, transfer, deal in, deed, mortgage, pledge, exchange, sell, convey, assign, apply for register, and dispose of inventions, processes, devices, designs, formulae, improvements, trademarks, trade names, copyrights, licenses, letters patent, patent rights, distinctive words or symbols, and any and all improvements or modifications thereof, and rights, interests, privileges, licenses, grants, concessions and franchises in any way pertaining thereto and wheresoever situated.

11. To act as agent, broker, consignee, factor or otherwise for the accounts of others in all parts of the world.

12. To establish and maintain offices, foreign companies and agencies and to appoint, employ and retain agents, subagents, salesmen, factors, brokers and other representatives and employees in all parts of the world.

13. To purchase or otherwise acquire and to own, hold, transfer, deal in, deed, mortgage, pledge, exchange, sell, convey, assign and dispose of shares of its own capital stock and its bonds, debentures, voting trust certificates, scrip, warrants, rights, trust receipts, coupons, trust deeds, mortgages, commercial paper, income certificates, certificates of indebtedness, certificates of interest, notes and other choses in action, obligations, securities, evidences of indebtedness or any similar instruments of whatsoever kind issued by the corporation.

14. To make donations for the public welfare or for charitable, scientific, religious or educational purposes.

15. To engage in any other activity or enterprise not prohibited by applicable law, with all powers attendant thereto, to perform any of the activities hereinbefore set forth to the same extent as any natural person might or could do, to have and to exercise all powers necessary or convenient to effect any or all of the purposes which the corporation is authorized to

pursue, and to exercise any of the aforesaid powers and effectuate any of the aforesaid purposes directly or by means of one or more subsidiaries or affiliates, domestic or foreign, either by itself or in collaboration with others.

The enumeration herein of specific purposes shall not be deemed to limit or restrict in any manner the powers, objects, purposes, rights, interests, privileges, franchises, properties, and land or other grants, which the corporation, or any of its constituent or predecessor companies, is, was or may be entitled to under these Restated Articles of Incorporation and any law now, heretofore or hereafter applicable.

FOURTH: The total number of shares of all classes of capital stock which the corporation shall have the authority to issue is 820,000,000, which shall be divided into two classes as follows:

20,000,000 shares of Preferred Stock (Preferred Stock) without par value; and

800,000,000 shares of Common Stock (Common Stock) of the par value of \$2.50 per share.

The designations, voting powers, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions of the above classes of stock shall be as follows:

I

PREFERRED STOCK

1. Shares of Preferred Stock may be issued in one or more series at such time or times and for such consideration or considerations as the Board of Directors may determine. All shares of any one series of Preferred Stock shall be identical with each other in all respects, except that shares of any one series issued at different times may differ as to dates from which dividends thereon may be cumulative. All series shall rank equally and be identical in all respects, except as permitted by the following provisions of Section 2 of this Division I.

2. The Board of Directors is expressly authorized at any time, and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series with such designations, preferences and relative participating, optional or other special rights and qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions providing for the issue thereof adopted by the Board of Directors and as are not stated and expressed in these Restated Articles of Incorporation or any amendment thereto, including determination of any of the following:

(a) the distinctive serial designation and the number of shares constituting a series;

(b) the dividend rate or rates, the payment date or dates for dividends and the participating or other special rights, if any, with respect to dividends;

(c) whether the shares shall be redeemable and, if so, the price or prices at which and the terms and conditions on which the shares may be redeemed;

(d) the amount or amounts payable upon the shares in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation prior to any payment or distribution of the assets of the corporation to any class or classes of stock of the corporation junior in rank to the Preferred Stock;

(e) whether the shares shall be entitled to the benefit of a sinking or retirement fund to be applied to the purchase or redemption of shares of a series and, if so entitled, the amount of such fund and the manner of its application, including the price or prices at which the shares may be redeemed or purchased through the application of such fund; and

(f) whether the shares shall be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the corporation and, if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and the adjustments thereof, if any, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange.

3. Before any dividends on any class or classes of stock of the corporation junior in rank to the Preferred Stock (other than dividends payable in shares of any class or classes of stock of the corporation junior in rank to the Preferred Stock) shall be declared or paid or set apart for payment, the holders of shares of Preferred Stock of each series shall be entitled to such cash dividends, but only when and as declared by the Board of Directors out of funds of the corporation legally available therefor, as they may be entitled to in accordance with the resolution or resolutions adopted by the Board of Directors providing for the issue of such series, payable on such dates in March, June, September and December in each year as may be fixed in such resolution or resolutions. Whenever dividends shall not have been paid, or declared and set apart for payment, upon all shares of Preferred Stock of each series, at the rate established by the resolution or resolutions adopted by the Board of directors providing for the issue of each such series, such deficiency shall be cumulative and shall be paid, or declared and set apart for payment, before any dividends can be declared or paid on any class or classes of stock of the corporation junior in rank to the Preferred Stock. Accumulations of dividends on the Preferred Stock shall not bear interest. The term "class or classes of stock of the corporation junior in rank to the Preferred Stock" shall mean the Common Stock and any other class or classes of stock of the corporation hereafter authorized, which shall rank junior to the Preferred Stock as to dividends or upon liquidation.

4. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the corporation, the holders of shares of Preferred Stock of the corporation shall be entitled to be paid or to have set apart for payment such sum or sums per share as shall be stated in the respective resolution or resolutions adopted by the Board of Directors providing for the issue of each series of Preferred Stock, together in each case with a sum equal to accrued and unpaid dividends, if any, at the rate of the dividends fixed therefor, to the date fixed for payment of such sum or sums, before any payment shall be made to the holders of the Common Stock. The

voluntary sale, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of its property or assets to, or a consolidation or merger of the corporation with, one or more corporations shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, for purposes of this Section 4 of this Division I.

5. So long as any of the Preferred Stock is outstanding, the corporation will not without the affirmative vote or consent of the holders of at least a majority of the shares of Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by resolution adopted at a special or annual meeting of shareholders, (i) increase the authorized number of shares of Preferred Stock, (ii) create or increase the authorized number of shares of any other class or classes of stock ranking on a parity with the Preferred Stock either as to dividends or upon liquidation, or (iii) sell, lease or convey all or substantially all of the property or business of the corporation, or voluntarily liquidate, dissolve or wind up the corporation, or merge or consolidate the corporation and any other corporation unless the resulting or surviving corporation will have after such merger or consolidation no stock either authorized or outstanding (except such stock of the corporation as may have been authorized or outstanding immediately preceding such merger or consolidation, or such stock of the resulting or surviving corporation as may be issued in exchange therefor) prior in rank either as to dividends or upon liquidation to the Preferred Stock or the stock of the resulting or surviving corporation issued in exchange therefor; provided, however, that no consent of the holders of the Preferred Stock shall be required by the foregoing in connection with any mortgaging or other hypothecation by the corporation of all or any part of its property or business.

6. Each holder of Preferred Stock shall be entitled to one vote for each share held and, except as otherwise herein or by law provided, the Preferred Stock and Common Stock of the corporation shall vote together as one class, except that while the holders of Preferred Stock, voting as a class, are entitled to elect two directors as provided in Section 7 of this Division I, they shall not be entitled to participate with the Common Stock in the election of any other directors.

7. (a) If and whenever dividends on the Preferred Stock shall be in arrears and such arrears shall aggregate an amount at least equal to six quarterly dividends upon such stock, then and in such event the holders of the Preferred Stock, voting separately as a class, shall be entitled, at the next annual meeting of the shareholders or at a special meeting held in place thereof, or at a special meeting of the holders of the Preferred Stock called as hereinafter provided, to elect two directors. Whenever all arrears in dividends on the Preferred Stock then outstanding shall have been paid and dividends thereon for the current quarterly period shall have been paid or declared and a sum sufficient for the payment thereof set aside, then the right of the holders of the Preferred Stock to elect such number of directors shall cease, but subject always to the same provisions for the vesting of such voting rights in the case of any similar future arrearages in dividends.

(b) At any time after such voting power shall have so vested in the Preferred Stock, the Secretary of the corporation may, and upon the written request of the holders of record of 10% or more of the shares of Preferred Stock then outstanding, shall, call a special meeting of the holders of the Preferred Stock for the election of the directors to be

elected by them as hereinafter provided, to be held within 30 days after such call and at the place and upon the notice provided by law and in the bylaws for the holding of meetings of shareholders; provided, however, that the Secretary shall not be required to call such meeting in the case of any such request received less than 90 days before the date fixed for any annual meeting of shareholders. If any such special meeting required to be called as above provided shall not be called by the Secretary within 30 days after receipt of any such request, then the holders of record of 10% or more of the shares of Preferred Stock then outstanding may designate in writing one of their number to call such meeting, and the person so designated may call such meeting to be held at the place and upon the notice above provided, and for that purpose shall have access to the stock ledger of the corporation. No such special meeting and no adjournment thereof shall be held on a date later than 30 days before the annual meeting of the shareholders or a special meeting held in place thereof next succeeding the time when the holders of the Preferred Stock become entitled to elect directors as above provided.

(c) Notwithstanding that the directors of this corporation may be divided into one, two or three classes as authorized by law, if any meeting of the shareholders shall be held while holders of Preferred Stock voting as a class are entitled to elect two directors as hereinabove provided, and if the holders of at least a majority of the Preferred Stock then outstanding shall be present or represented by proxy at such meeting or any adjournment thereof, then, by vote of the holders of at least a majority of the Preferred Stock present or so represented at such meeting, the then authorized number of directors of the corporation shall be increased by two and at such meeting of the holders of the Preferred Stock shall be entitled to elect the additional directors so provided for, but no such additional director so elected shall hold office beyond the annual meeting of the shareholders or a special meeting held in place thereof next succeeding the time when the holders of the Preferred Stock become entitled to elect two directors as above provided. Whenever the holders of the Preferred Stock shall be divested of special voting power as above provided, the terms of office of all persons elected as directors by the holders of the Preferred Stock as a class shall forthwith terminate, and the authorized number of directors of the corporation shall be reduced accordingly.

In case a class of preferred stock other than the Preferred Stock, prior in rank to or on a parity with the Preferred Stock as to dividends or upon liquidation, shall be created and issued, nothing herein contained shall prevent any such other class from being given the right, in case dividends thereon or sinking fund requirements, if any, thereof shall be in arrears, to vote as part of the same class as and equally with the Preferred Stock and to have and exercise, *pari passu* with the shares of Preferred Stock entitled to vote on any matters, any and all voting rights and powers hereinbefore set forth with respect to the Preferred Stock, provided, however, that nothing herein contained shall prevent the giving of additional voting power not inconsistent with that granted in this paragraph to any class of preferred stock other than the Preferred Stock.

8. Shares of Preferred Stock which have been issued and reacquired in any manner by the corporation (excluding, until the corporation elects to retire them, shares which are held as treasury shares but including shares redeemed, shares purchased and retired and shares which have been converted into shares of Common Stock) shall have the status of authorized but unissued shares of Preferred Stock and may be reissued.

II
COMMON STOCK

1. Subject to the preferential rights of the Preferred Stock, the holders of the Common Stock shall be entitled to receive, to the extent permitted by law, such dividends as may be declared from time to time by the Board of Directors.

2. The holders of the Common Stock shall have the exclusive right to receive any dividends which may be declared payable in stock of the corporation of any class or in property.

3. In the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding up of the corporation, after distribution in full of the preferential amount to be distributed to the holders of shares of the Preferred Stock, holders of the Common Stock shall be entitled to receive all the remaining assets of the corporation, of whatever kind, available for distribution to shareholders ratably in proportion to the number of shares of Common Stock held by them respectively.

4. Except as may be otherwise required by law or these Restated Articles of Incorporation, the holders of Common Stock shall have one vote in respect of each share of stock held of record on the books of the corporation and shall vote together, share for share, with the holders of the Preferred Stock as one class for the election of directors and upon all other matters voted upon by the shareholders.

III
OTHER PROVISIONS

1. Reserved.

2. The shares of all classes of capital stock of this corporation may be issued by this corporation from time to time for such consideration as from time to time may be fixed by the Board of Directors of this corporation without action by or consent of the shareholders, provided that shares of capital stock having a par value shall not be issued for consideration less than such par value; and all shares of all classes of capital stock of this corporation so issued shall be deemed fully paid and non-assessable and the holders of such shares shall not be liable thereunder to this corporation or its creditors. No shareholder of this corporation shall have any pre-emptive or preferential right of subscription to any shares of any capital stock of any class of this corporation, or to any securities or obligations convertible into any class of capital stock of this corporation, issued or sold, nor any right of subscription to any thereof other than such, if any, as the Board of Directors of this corporation in its discretion from time to time may determine, and at such price as the Board of Directors from time to time may fix, pursuant to the authority hereby conferred by these Restated Articles of Incorporation of this corporation, and the Board of Directors may issue any class of capital stock of this corporation, or securities or obligations convertible into any class of capital stock without offering such issue of capital stock, securities, or obligations either in whole or in part, to the shareholders of this corporation. The acceptance of any class of capital stock, securities, or obligations of this corporation shall be a

waiver of any such pre-emptive or preferential right which in the absence of this provision might otherwise be asserted by shareholders of this corporation or any of them.

3. Except as otherwise provided by law, this corporation shall be entitled to treat the person in whose name any share of capital stock is registered as the owner thereof, for all purposes, and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the corporation shall have notice thereof.

FIFTH: Reserved.

SIXTH: The corporation will not commence business until consideration of the value of at least \$1,000 has been received for the issuance of shares.

SEVENTH: The number of directors of the corporation shall be such as shall from time to time be fixed by the bylaws, but shall not be less than three.

Through and including the 1996 annual meeting, whenever the number of directors fixed by the bylaws shall be nine or more, the directors shall be divided into three classes as nearly equal in size as possible, with the term of office of each class of directors expiring at the third annual meeting after their election. At each annual meeting, commencing with the annual meeting in 1997, the successors of the directors whose terms expire in that year shall be elected to serve until the annual meeting held in the following year, so that, upon the expiration in 1999 of the terms of the directors elected at the annual meeting in 1996, all directors shall be elected to hold office for a one-year term.

EIGHTH: A. In addition to any affirmative vote required by law or these Restated Articles of Incorporation or the bylaws of the corporation, and except as otherwise expressly provided in Section B of this Article Eighth, a Business Combination (as hereinafter defined) shall require the affirmative vote of not less than a majority of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock (as hereinafter defined), voting together as a single class, excluding Voting Stock beneficially owned by any Interested Shareholder (as hereinafter defined). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage or separate class or other vote may be specified, by law or in any agreement with any national securities exchange or otherwise.

B. The provisions of Section A of this Article Eighth shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote, if any, as is required by law or by any other provision of these Restated Articles of Incorporation or the bylaws of the corporation, or any agreement with any national securities exchange, if all of the conditions specified in either of the following Paragraphs 1 or 2 are met or, in the case of a Business Combination not involving the payment of consideration to all holders of the corporation's outstanding Capital Stock (as hereinafter defined), if the condition specified in the following Paragraph 1 is met:

1. The Business Combination shall have been approved by a majority (whether such approval is made prior to or subsequent to the acquisition of beneficial ownership of the Voting Stock that caused the Interested Shareholder to become an Interested Shareholder) of the Continuing Directors (as hereinafter defined).

2. All of the following conditions shall have been met:

(a) The aggregate amount of cash and the Fair Market Value (as hereinafter defined), as of the date of the consummation of the Business Combination, of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the highest amount determined under clauses (i) and (ii) below:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the interested Shareholder for any share of Common Stock in connection with the acquisition by the Interested Shareholder of beneficial ownership of shares of Common Stock (x) within the two-year period immediately prior to the first public announcement of the proposed Business Combination (the Announcement Date) or (y) in the transaction in which it became an Interested Shareholder, whichever is higher, in either case as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to Common Stock; and

(ii) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Shareholder became an Interested Shareholder (the Determination Date), which ever is higher, as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to Common Stock.

(b) The aggregate amount of cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any class or series of outstanding Capital Stock other than Common Stock shall be at least equal to the highest amount determined under clauses (i), (ii) and (iii) below:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Interested Shareholder for any share of such class or series of Capital Stock in connection with the acquisition by the Interested Shareholder of beneficial ownership of shares of such class or series of Capital Stock (x) within the two-year period immediately prior to the Announcement Date or (y) in the transaction in which it became an Interested Shareholder, whichever is higher, in either case as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to such class or series of Capital Stock;

(ii) the Fair Market Value per share of such class or series of Capital Stock on the Announcement Date or on the Determination Date, whichever is higher, as adjusted for any subsequent stock split, stock dividend, subdivision or reclassification with respect to such class or series of Capital Stock; and

(iii) (if applicable) the highest preferential amount per share to which the holders of shares of such class or series of Capital Stock would be entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the corporation regardless of whether the Business Combination to be consummated constitutes such an event.

The provisions of this Paragraph (b) shall be required to be met with respect to every class or series of outstanding Capital Stock, whether or not the Interested Shareholder has previously acquired beneficial ownership of any shares of a particular class or series of Capital Stock.

(c) The consideration to be received by holders of a particular class or series of outstanding Capital Stock shall be in cash or in the same form as previously has been paid by or on behalf of the Interested Shareholder in connection with its direct or indirect acquisition of beneficial ownership of shares of such class or series of Capital Stock. If the consideration so paid for shares or any class or series of Capital Stock varied as to form, the form of consideration for such class or series of Capital Stock shall be either cash or the form used to acquire beneficial ownership of the largest number of shares of such class or series of Capital Stock previously acquired by the Interested Shareholder.

(d) After the Determination Date and prior to the consummation of such Business Combination: (i) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) payable in accordance with the terms of any outstanding Capital Stock; (ii) there shall have been no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any stock split, stock dividend or subdivision of the Common Stock), except as approved by a majority of the Continuing Directors; (iii) there shall have been an increase in the annual rate of dividends paid on the Common Stock as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction that has the effect of reducing the number of outstanding shares of Common Stock, unless the failure to increase such annual rate is approved by a majority of the Continuing Directors; and (iv) such Interested Shareholder shall not have become the beneficial owner of any additional shares of Capital Stock except as part of the transaction that results in such Interested Shareholder becoming an Interested Shareholder and except in a transaction that, after giving effect thereto, would not result in any increase in the Interested Shareholder's percentage of beneficial ownership of any class or series of Capital Stock.

(e) After the Determination Date, such Interested Shareholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder of the corporation), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by

the corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(f) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 (the Act) and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to all shareholders of the corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions). The proxy or information statement shall contain on the first page thereof, in a prominent place, any statement as to the advisability (or inadvisability) of the Business Combination that the Continuing Directors, or any of them, may choose to make and, if deemed advisable by a majority of the Continuing Directors, the opinion of an investment banking firm selected by a majority of the Continuing Directors as to the fairness (or not) of the terms of the Business Combination from a financial point of view to the holders of the outstanding shares of Capital Stock other than the Interested Shareholder and its Affiliates or Associates (as hereinafter defined) such investment banking firm to be paid a reasonable fee for its services by the corporation.

(g) Such Interested Shareholder shall not have made any major change in the corporation's business or equity capital structure without the approval of a majority of the Continuing Directors.

C. The following definitions shall apply with respect to this Article Eighth:

1. The term "Business Combination" shall mean:

(a) Any merger or consolidation of the corporation or any Subsidiary (as hereinafter defined) with (i) any Interested Shareholder or (ii) any other company (whether or not itself an Interested Shareholder) which is or after such merger or consolidation would be an Affiliate or Associate of an Interested Shareholder; or

(b) any sale, lease, exchange, mortgage, pledge, transfer or other disposition or security arrangement, investment, loan, advance, guarantee, agreement to purchase, agreement to pay, extension of credit, joint venture participation or other arrangement (in one transaction or a series of transactions) with or for the benefit of any Interested Shareholder or any Affiliate or Associate of any Interested Shareholder involving any assets, securities or commitments of the corporation, any Subsidiary, or any Interested Shareholder or any Affiliate or Associate of any Interested Shareholder having an aggregate Fair Market Value and/or involving aggregate commitments of \$50,000,000 or more or constituting more than 5 percent of the book value of the total assets (in the case of transactions involving assets or commitments other than Capital Stock) or 5 percent of the shareholders' equity (in the case of transactions in Capital Stock) of

the entity in question (the Substantial Part), as reflected in the most recent fiscal year-end consolidated balance sheet of such entity existing at the time the shareholders of the corporation would be required to approve or authorize the Business Combination involving the assets, securities and/or commitments constituting any Substantial Part; or

(c) the adoption of any plan or proposal for the liquidation or dissolution of the corporation which is voted for or consented to by any Interested Shareholder; or

(d) any reclassification of securities (including any reverse stock split), or recapitalization of the corporation, or any merger or consolidation of the corporation with any of its Subsidiaries or any other transaction (whether or not with or otherwise involving an Interested Shareholder) that has the effect, directly or indirectly, of increasing the proportionate share of any class or series of Capital Stock, or any securities convertible into Capital Stock or into equity securities of any Subsidiary, that is beneficially owned by any Interested Shareholder or any Affiliate or Associate of any Interested Shareholder; or

(e) any agreement, contract or other arrangement providing for any one or more of the actions specified in the foregoing clauses a to d.

2. The term "Capital Stock" shall mean all capital stock of the corporation authorized to be issued from time to time under Article Fourth of these Restated Articles of Incorporation, and the term "Voting Stock" shall mean all Capital Stock which by its terms may be voted on all matters submitted to shareholders of the corporation generally.

3. The term "person" shall mean any individual, firm, company or other entity and shall include any group comprised of any person and any other person with whom such person or any Affiliate or Associate of such person has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of Capital Stock.

4. The term "Interested Shareholder" shall mean any person (other than the corporation or any Subsidiary and other than any profit-sharing, employee stock ownership or other employee benefit plan of the corporation or any Subsidiary or any trustee or fiduciary with respect to any such plan when acting in such capacity) who (a) is the beneficial owner of Voting Stock representing ten percent (10%) or more of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock; or (b) is an Affiliate or Associate of the corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner of Voting Stock representing ten percent (10%) or more of the votes entitled to be cast by the holders of all the then outstanding share of Voting Stock.

5. A person shall be a "beneficial owner" of any Capital Stock: (a) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; (b) which such person or any of its Affiliates or Associates has, directly or indirectly, (i)

the right to acquire (whether such right is exercisable immediately or subject only to the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or (c) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Capital Stock. For the purposes of determining whether a person is an Interested Shareholder pursuant to Paragraph 4 of this Section C, the number of shares of Capital Stock deemed to be outstanding shall include shares deemed beneficially owned by such person through application of this Paragraph 5 of Section C, but shall not include any other shares of Capital Stock that may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

6. The terms "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 under the Act as in effect on the date that this Article Eighth is approved by the Board of Directors (the term "registrant" in said Rule 12b-2 meaning in this case the corporation).

7. The term "Subsidiary" shall mean any company of which a majority of any class of equity security is beneficially owned by the corporation; provided, however, that for the purposes of the definition of Interested Shareholder set forth in Paragraph 4 of this Section C, the term "Subsidiary" shall mean only a company of which a majority of each class of equity security is beneficially owned by the corporation.

8. The term "Continuing Director" shall mean any member of the Board of Directors, while such person is a member of the Board of Directors, who is not an Affiliate or Associate or representative of an Interested Shareholder and was a member of the Board of Directors prior to the time that an Interested Shareholder became an Interested Shareholder, and any successor of a Continuing director while such successor is a member of the Board of Directors, who is not an Affiliate or Associate or representative of an Interested Shareholder and is recommended or elected to succeed the Continuing Director by a majority of the Continuing Directors.

9. The term "Fair Market Value" shall mean (a) in the case of cash, the amount of such cash; (b) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any similar system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (c) in the case of property other than cash or stock, the fair market value of

such property on the date in question as determined in good faith by a majority of the Continuing Directors.

10. In the event of any Business Combination in which the corporation survives, the phrase "consideration other than cash to be received" as used in Paragraphs 2(a) and 2(b) of Section B of this Article Eighth shall include the shares of Common Stock and/or the shares of any other class or series of Capital Stock retained by the holders of such shares.

D. A majority of the Continuing Directors shall have the power and duty to determine for the purposes of this Article Eighth, on the basis of information known to them after reasonable inquiry, (a) whether a person is an Interested Shareholder, (b) the number of shares of Capital Stock or other securities beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another, (d) whether the assets that are the subject of any Business Combination have, or the consideration to be received for the issuance of transfer of securities by the corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$50,000,000 or more, and (e) whether the assets or securities that are the subject of any Business Combination constitute a Substantial Part. Any such determination made in good faith shall be binding and conclusive on all parties.

E. Nothing contained in this Article Eighth shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

F. The fact that any Business Combination complies with the provisions of Section B of this Article Eighth shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination or recommend its adoption or approval to the shareholders of the corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination.

G. Notwithstanding any other provisions of these Restated Articles of Incorporation or the bylaws of the corporation (and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, these Restated Articles of Incorporation or the bylaws of the corporation), the affirmative vote of the holders of not less than a majority of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock, voting together as a single class, excluding Voting Stock beneficially owned by any Interested Shareholder, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article Eighth; provided, however, that this Section G shall not apply to, and such majority vote shall not be required for, any amendment, repeal or adoption unanimously recommended by the Board of Directors if all of such directors are persons who would be eligible to serve as Continuing Directors within the meaning of Section C, Paragraph 8 of this Article Eighth.

NINTH: To the fullest extent that the Utah Business Corporation Act as it exists on the date hereof or as it may hereafter be amended permits the limitation or elimination of the liability of directors, no director of the corporation shall be liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director. No amendment to or repeal of

this Article shall apply to or have any effect on the liability or alleged liability of any director of the corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

TENTH: These Restated Articles of Incorporation supersede the Revised Articles of Incorporation and all amendments thereto.



**DEFERRED COMPENSATION PLAN
(409A Non-Grandfathered Component)**

of

UNION PACIFIC CORPORATION

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

ARTICLE ONE

Scope of Plan and Definitions

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

in accordance with Article 3 and adjusted for payments made pursuant to Article 4.

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

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

- (b) "Award" shall mean an award as defined under EIP or SIP consisting of cash or stock units. Stock options or retention share awards are not eligible for deferral under this Plan.
- (c) "Award Account" shall mean the entries maintained on the books of the Company which represent a Participant's interest under the Plan with respect to each separate Award payable to the Participant under EIP or SIP that the Participant elects to defer under the terms of this Non-Grandfathered Plan. Each Award Account shall separately reflect the Participant's interest in each investment fund established under Section 3.1.
- (d) "Beneficiary" shall mean the person designated by a Participant to receive his interest under the Deferred Compensation Plan in the event of his death hereunder pursuant to procedures adopted by the Committee. Absent such designation, the Participant's Beneficiary shall be his estate.
- (e) "Committee" shall mean the Compensation and Benefits Committee of the Board of Directors of the Company, or such other committee of the Board of Directors as may from time to time be designated by the Board of Directors to administer the Deferred Compensation Plan.
- (f) "Deferred Compensation Plan" shall mean the Union Pacific Corporation Deferred Compensation Plan, as it may be amended from time to time. The Deferred Compensation Plan is comprised of the following components, each of which is set forth in a separate document: (1) The Union Pacific Corporation Deferred Compensation Plan (409A Grandfathered Component), and (2) The Union Pacific Corporation Deferred Compensation Plan (409A Non-Grandfathered Component).
- (g) "EIP" shall mean the Union Pacific Corporation Executive Incentive Plan, effective May 5, 2005, and as it may thereafter be amended from time to time, and any successor executive incentive plan.

-
- (h) "Eligible Employee" shall mean an employee eligible to receive an Award who the Committee has designated as eligible to participate in this Plan.
- (i) "Participant" shall mean (1) any Eligible Employee for whom credits have been or are being made hereunder, or (2) any former Eligible Employee for whom credits have been made hereunder and who either (A) continues to be employed by the Company or an Affiliated Company, or (B) has an interest in all or a portion of his Account which has not been distributed pursuant to Article 4.
- (j) "Plan" or "Non-Grandfathered Plan" shall mean the Union Pacific Corporation Deferred Compensation Plan (409A Non-Grandfathered Component), effective as of January 1, 2009 as set forth herein, and as it may hereafter be amended from time to time.
- (k) "Separation from Service" shall mean a "separation from service" with the Company and all Affiliated Companies within the meaning of Code section 409A and the regulations promulgated thereunder.
- (l) "SIP" shall mean the Union Pacific Corporation 2001 Stock Incentive Plan, effective April 20, 2001, as amended; and the Union Pacific Corporation 2004 Stock Incentive Plan, effective April 16, 2004, and as it may thereafter be amended from time to time, or any successor stock incentive plan.
- (m) "Thrift Plan" shall mean the Union Pacific Corporation Thrift Plan, as in effect from time to time.
- 1.4 **Terms Defined in the Thrift Plan** - For all purposes of the Plan, the following terms shall have the meanings specified in the Thrift Plan, unless a different meaning is plainly required by the context: "Affiliated Company"; "Board of Directors"; "Code"; "Company"; "Employee"; "ERISA"; and "Plan Year."
- 1.5 **Other Definitional Provisions** - The terms defined in Sections 1.3 and 1.4 of the Plan shall be equally applicable to both the singular and plural forms of the terms defined. The masculine pronoun, whenever used, shall include the feminine and *vice versa*. The words "hereof," "herein" and "hereunder" and words of similar import when used in the Plan shall refer to the Plan as a whole and not to any particular provision of the Plan, unless otherwise specified.

ARTICLE TWO
Deferrals and Credits

2.1 Deferrals and Credits

- (a) The Committee may permit an Eligible Employee to elect to make deferrals from Awards (in the case of an Award under SIP that is performance-based compensation, as such term is defined in Code section 409A, after adjustment for dividend equivalent payments in accordance with the terms of the document establishing such Award or, in the case of an Award under EIP, a portion of the EIP Award) to be credited under the Plan by filing an Award deferral agreement with the Committee on such form as may be prescribed by the Committee for such purpose, subject to such terms and conditions as the Committee may from time to time impose in its sole discretion. Notwithstanding the foregoing, such agreement must be filed within the period permitted under paragraph (b) below and shall authorize the Company or the Affiliated Company by which the Eligible Employee is employed to reduce the Eligible Employee's Award as elected by the Eligible Employee as of the date determined pursuant to subparagraph (c) below. The Company shall credit such amount to the Eligible Employee's Account under the Plan.
- (b) Any election by an Eligible Employee to defer an Award pursuant to paragraph (a) must be made:
 - (1) If the Award is not performance-based compensation as defined under Code section 409A and the regulations promulgated thereunder, prior to the beginning of the calendar year in which the Eligible Employee performs the services for which the Award is payable; and
 - (2) If the Award is performance-based compensation, as defined under Code section 409A and the regulations promulgated thereunder, at least six (6) months prior to the end of the performance period to which the Award relates and before the date as of which such performance-based compensation becomes readily ascertainable, within the meaning of Code section 409A and the regulations promulgated thereunder, provided, however, that the Eligible Employee is continuously employed from the earlier of the beginning of such performance period or the date the performance goals for such performance period are established through the date of the deferral election.
- (c) An Eligible Employee's deferral under paragraph (a) above shall be made as of the same date that such Award would have been payable to the Eligible Employee under EIP or SIP had such Award not been deferred under the Plan. In the event the Eligible Employee satisfies the requirements for an Award under the EIP but

has a Separation from Service before the date the EIP Award would have been paid to the Eligible Employee had such Award not been deferred under the Plan, it shall nevertheless be paid in accordance with such deferral election and the terms of this Plan (including without limitation the Specified Employee Restriction at Section 4.2) with respect to the implementation of such deferral election.

ARTICLE THREE

Valuation of Accounts

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

ARTICLE FOUR

Payments

4.1 Payments on Separation from Service or Date Certain -

- (a) A Participant who fails to make a timely election described in subparagraph (b) shall be deemed to have elected to receive the value of his Award Account at the time of his Separation from Service in a single lump-sum payment. Subject to Section 4.2, such payment shall be made to the Participant (or if such Participant is not living at the time of payment, to such Participant's Beneficiaries) as soon as administratively practicable following the Participant's Separation from Service, but in no event later than the end of the calendar year in which the Participant's Separation from Service occurs or, if later, ninety (90) days after such Separation from Service. Notwithstanding the foregoing, any Award Account established for an Award attributable to SIP to which an amount is credited under Section 2.1(c) by reason of a Participant's disability shall be paid as soon as administratively practicable following the date on which such amount is credited to the Award Account, but in no event later than the end of the calendar year or the 15th day of the third calendar month following the date on which such amount is credited to the Award Account, regardless of any election made by the Participant.
- (b)
 - (1) A Participant who has any Award Account in the Plan as of any time during the 2008 calendar year may elect in writing, according to such rules and using such forms as may be prescribed by the Committee, to have any such Account paid to him in one of the forms specified in paragraph (c) below, provided such Participant's Separation from Service occurs after December 31, 2008. Such election must be made no later than December 31, 2008.
 - (2) A Participant who makes a deferral election under Section 2.1 for an Award made after December 31, 2008 may elect in writing, according to such rules and using such forms as may be prescribed by the Committee, to have the Award Account attributable to such Award paid to him in one of the forms specified in paragraph (c) below. Such election must be made before the end of the period in which to make a deferral election under Section 2.1(b) with regard to such Award.
- (c) A Participant may elect to have his Award Account paid to him in accordance with one of the following payment options, subject to Sections 4.2 and 4.3:
 - (1) A single lump sum distribution as provided in subparagraph (a) payable at the earlier of (i) July of the year selected by the Participant or (ii) within thirty (30) days of the Participant's Separation from Service.

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

(A) is described in subparagraphs (a), (c)(2) or (c)(3) above, a Participant may elect to receive the Participant's Award Account in the form set forth in paragraph (c)(2), (c)(3) and (c)(4) above, provided that any election of the form described in subparagraph (c)(4) above shall not provide separate quarterly payments of investment income,

(B) is described in subparagraph (c)(1) above, a Participant may (i) elect to receive the Participant's Award Account in a single lump sum distribution in July of a later year, provided such July occurs before the Participant's Separation from Service or (ii) elect to receive the Participant's Award Account in the form described in subparagraph (c)(2), (c)(3) or (c)(4) above, provided that any election of the form described in subsection (c)(4) above shall not provide separate payments of investment income, and

(C) is described in subparagraph (c)(4) above, a Participant may elect to receive the Participant's Account in the form described in subsection (c)(3) above or change to a later date as of which the Participant will be paid a single lump-sum under subparagraph (c)(4) above.

- (2) A Participant's modification election shall be made both prior to his Separation from Service and at least twelve (12) months prior to the date on which payments would have commenced in accordance with his prior election.
- (3) Notwithstanding the payment date indicated by the form of payment elected thereby, a Participant's modification election to alter the date on which his payments will commence and/or the form in which payment is made must have the effect of postponing the payment commencement date by at least five (5) years, and shall be administered accordingly. A Participant shall be permitted to make a modification election or elections with respect to (i) all of his Award Accounts with respect to amounts deferred from the SIP that are payable at the same time and in the same form; (ii) all of his Award Accounts with respect to amounts deferred from the EIP that are payable at the same time and in the same form, and (iii) fifty percent (50%) of the balance as of the applicable payment date of the Award Account(s) attributable to deferrals from the SIP or EIP, as the case may be, that are payable in accordance with subparagraph 4.1(c)(1) in the same year elected by the Participant in accordance with subparagraph 4.1(c)(1), each of which shall be considered a separately identified amount to which the Participant is entitled to payment on a determinable date with the meaning of Treas. Reg. § 1.409A-2(b)(2)(i), in accordance within such rules as may be established by the Committee for this purpose consistent with the requirements of Section 409A of the Code and the regulations thereunder. No such modification election shall be permitted if the payment commencement date that was previously elected was more than ten (10) years after the Participant's Separation from Service.

-
- (4) In the case of a Participant who desires to (A) change the method of payment from a single lump-sum distribution to annual installments, or (B) postpone the payment commencement date of annual installments that he previously elected, the maximum number of annual installments shall be fifteen (15), minus the number of years (with a fractional year rounded up to a full year) between the Participant's Separation from Service and the postponed payment commencement date.
- (5) For purposes of this paragraph (d),
- (A) the date as of which payments to a Participant would have commenced, absent the election provided by this paragraph, shall be deemed to be the first possible date as of which such payments could have been made to the Participant;
- (B) the quarterly payment of investment income provided under paragraph (c)(4) above shall be treated as a separate form of payment from the single lump-sum distribution provided by such paragraph; and
- (C) the entitlement to a series of installment payments shall be treated as the entitlement to a single form of payment.
- (e) On the death of a Participant who has not received payment of his full Account under subparagraphs (a) or (c), the Committee shall cause the unpaid balance of the Participant's vested account to be paid in a single lump-sum payment to such Participant's Beneficiaries. Such payment shall be made as soon as administratively practicable following completion of the first valuation of the Participant's Account pursuant to Article Three which coincides with or next follows the Participant's date of death, but in no event later than the end of the calendar year in which the Participant's date of death occurs or, if later, ninety (90) days after such date of death.
- (f) Subject to Sections 4.2 and 4.3 and notwithstanding the deemed election or election of a Participant described in Section 4.1(a) or (b) respectively, any Award Account established for an Award attributable to SIP, other than such an Award in which the Participant has vested due to such Participant's disability, which is granted in 2011 that is not performance-based compensation, as defined under Code section 409A, shall be paid to a Participant:
- (1) who has a Separation from Service before February 3, 2015, in a single sum as soon as administratively practicable following such date, but in no event later than the end of the 2015 calendar year or, if later, ninety (90) days after such date or;
- (2) who has a Separation from Service on or after February 3, 2015, in accordance with the payment option set forth in Section 4.1(c) and elected

by the Participant (or in accordance with Section 4.1(a) in the event the Participant fails to make such election); provided, however, that a Participant who has elected the form of payment set forth in Section 4.1(c)(1) shall be paid at the earlier of (i) July of the year selected by the Participant that is after 2015 or (ii) within thirty (30) days of the Participant's Separation from Service.

(g) Subject to Sections 4.2 and 4.3 and notwithstanding the deemed election or election of a Participant described in Section 4.1(a) or (b) respectively, any Award Account established for an Award attributable to SIP, other than such an Award in which the Participant has vested due to such Participant's disability, which is: (i) granted in 2011 that is performance based compensation, as such term is defined in Code section 409A or (ii) granted after 2011 (regardless of whether the Award is performance based compensation), shall be paid to a Participant:

(1) who has a Separation from Service before the end of the "Restriction Period" as such term is defined in the letter agreement granting such Award, in a single sum as soon as administratively practicable following the end of such Restriction Period, but in no event later than the end of the calendar year in which such Restriction Period ends or, if later, ninety (90) days after the end of such Restriction Period; or

(2) who has a Separation from Service on or after the end of the "Restriction Period" as such term is defined in the letter agreement granting such Award, in accordance with the payment option set forth in Section 4.1(c) and elected by the Participant (or in accordance with Section 4.1(a) in the event the Participant fails to make such election); provided, however, that a Participant who has elected the form of payment set forth in Section 4.1(c)(1) shall be paid at the earlier of (i) July of the year selected by the Participant that is after the end of the calendar year in which such Restriction Period ends or (ii) within thirty (30) days of Participant's Separation from Service.

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

4.3 Additional Restrictions on Payment Options - Notwithstanding anything in Section 4.1 to the contrary; except, however the last sentence of subparagraph 4.1(a):

-
- (a) the Participant may always elect the payment option described in subparagraph 4.1(c)(1) (providing for payment as of a specified date prior to Separation from Service) with respect to amounts to be deferred to an Award Account, regardless of the payment options the Participant may have elected with respect to any Award Accounts previously established under this Non-Grandfathered Plan.
 - (b) with regard to the payment options described in subparagraphs 4.1(c)(2), 4.1(c)(3) or 4.1(c)(4) (each providing for payment following Separation from Service and henceforth referred to as the "Separation Payment Options"), the Participant may elect only one such Separation Payment Option with respect to (i) all Award Accounts consisting of amounts deferred into this Plan from the SIP and (ii) all Award Accounts consisting of amounts deferred into this Plan from the EIP (other than, in each case, Award Accounts for which the payment option described in subparagraph 4.1(c)(1) has been elected). A Participant's initial election of a Separation Payment Option, with respect to amounts deferred from the SIP or EIP, as the case may be, shall apply to all subsequent deferrals from the SIP or EIP, as applicable, unless the Participant elects the payment option described in subparagraph 4.1(c)(1) for such subsequent deferral.
 - (c) a Participant's modification election made in accordance with Section 4.1(d) may not change the form of payment of an Award Account from a Separation Payment Option to the form of payment described in subparagraph 4.1(c)(1). In addition, any change to a different Separation Payment Option must apply to all Award Accounts attributable to deferrals from the SIP or EIP, as the case may be, for which a Separation Payment Option has been elected.
 - (d) in the event an Award Account is to be paid in accordance with the payment option described in subparagraph 4.1(c)(1) prior to the Participant having a Separation from Service, and at the time of such payment the Company reasonably anticipates that its deduction with respect to the Award Account payable to such Participant would be reduced or eliminated by Code section 162(m), such payment shall be delayed until the Company's first taxable year in which it reasonably anticipates that its deduction of such payment will not be reduced or eliminated by Code Section 162(m), and following such determination will then be paid in a single lump-sum distribution as soon as administratively practicable in such taxable year.
- 4.4 Responsibility for Payments** - All payments attributable to credits made hereunder on behalf of a Participant shall be made by the Company on its own behalf or on behalf of the Affiliated Company by who such Participant was employed when such credits were made. Such Affiliated Company shall reimburse the Company for all amounts paid on its behalf.

ARTICLE FIVE

Administration

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

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 or (b) 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 Committee nor the Company warrants or represents in any way that the value of each Participant's Account will increase or not decrease. Such Participant assumes all risk in connection with any change in such value.
- 7.3 Inalienability of Benefits** - No benefit payable under, or interest in, the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge and any attempt to do so shall be void; nor shall any such benefit or interest be in any manner liable for or subject to garnishment, attachment, execution or levy or liable for or subject to the debts, contracts, liabilities, engagements or torts of any Participant or his Beneficiaries. In the event that the Committee shall find that any Participant or his Beneficiaries has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit payable under, or interest in, the Plan, the Committee shall hold or apply such benefit or interest or any part thereof to or for the benefit of such Participant or his Beneficiaries, his spouse, children, parents or other relatives or any of them.
- 7.4 Expenses** - The Company shall pay all costs and expenses incurred in operating and administering the Plan, including the expense of any counsel or other specialist engaged by the Committee.
- 7.5 No Right of Employment** - Nothing herein contained nor any action taken under the provisions hereof shall be construed as giving any Participant the right to be retained in the employ of the Company or any Affiliated Company.
- 7.6 Limitations on Obligations** - Neither the Company, nor any Affiliated Company, nor any officer or employee of either, nor any member of the Board of Directors nor the Committee shall be responsible or liable in any manner to any Participant, Beneficiary or

any person claiming through them for any action taken or omitted in connection with the granting of benefits or the interpretation and administration of the Plan.

- 7.7 Withholding** - The Company shall, on its own behalf or on behalf of the Affiliated Companies, withhold from any payment hereunder the required amounts of income and other taxes.
- 7.8 Headings** - The headings of the Sections in the Plan are placed herein for convenience of reference and, in the case of any conflict, the text of the Plan, rather than such heading, shall control.
- 7.9 Construction** - The Plan shall be construed, regulated and administered in accordance with the laws of the State of Utah, without regard to the choice of law principles thereof.
- 7.10 Payments to Minors, Etc.** - Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person and such payment shall fully discharge the Committee, the Company, all Affiliated Companies and all other parties with respect thereto.

RATIO OF EARNINGS TO FIXED CHARGES (Unaudited)*Union Pacific Corporation and Subsidiary Companies*

<i>Millions, Except for Ratios</i>		
<i>for the Three Months Ended June 30,</i>		
	2011	2010
Fixed charges:		
Interest expense including		
amortization of debt discount	\$ 148	\$ 152
Portion of rentals representing an interest factor	32	34
Total fixed charges	\$ 180	\$ 186
Earnings available for fixed charges:		
Net income	\$ 785	\$ 711
Equity earnings net of distributions	(2)	(19)
Income taxes	485	435
Fixed charges	180	186
Earnings available for fixed charges	\$ 1,448	\$ 1,313
Ratio of earnings to fixed charges	8.0	7.1

RATIO OF EARNINGS TO FIXED CHARGES (Unaudited)*Union Pacific Corporation and Subsidiary Companies*

<i>Millions, Except for Ratios</i>		
<i>for the Six Months Ended June 30,</i>		
	2011	2010
Fixed charges:		
Interest expense including		
amortization of debt discount	\$ 289	\$ 307
Portion of rentals representing an interest factor	68	69
Total fixed charges	\$ 357	\$ 376
Earnings available for fixed charges:		
Net income	\$ 1,424	\$ 1,227
Equity earnings net of distributions	(12)	(15)
Income taxes	857	753
Fixed charges	357	376
Earnings available for fixed charges	\$ 2,626	\$ 2,341
Ratio of earnings to fixed charges	7.4	6.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, James R. Young, certify that:

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

Date: July 22, 2011

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

Date: July 22, 2011

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

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

In connection with the accompanying quarterly report of Union Pacific Corporation (the Corporation) on Form 10-Q for the period ending June 30, 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

July 22, 2011

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

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

In connection with the accompanying quarterly report of Union Pacific Corporation (the Corporation) on Form 10-Q for the period ending June 30, 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

July 22, 2011

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

U.S. \$1,800,000,000

4-YEAR REVOLVING CREDIT AGREEMENT

Dated as of May 25, 2011

Among

UNION PACIFIC CORPORATION,
as Borrower

THE BANKS PARTY HERETO,
as Banks

J.P. MORGAN SECURITIES LLC,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
as Joint Lead Arrangers
and Joint Bookrunners

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

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,
BARCLAYS BANK PLC,
CREDIT SUISSE AG,
as Co-Documentation Agents

and

JPMORGAN CHASE BANK, N.A.
as Administrative Agent

TABLE OF CONTENTS

	<u>Page</u>	
ARTICLE I		
DEFINITIONS AND ACCOUNTING TERMS		
SECTION 1.01.	Certain Defined Terms	1
SECTION 1.02.	Computation of Time Periods	11
SECTION 1.03.	Accounting Terms	11
ARTICLE II		
AMOUNTS AND TERMS OF THE ADVANCES AND SPECIAL RATE LOANS		
SECTION 2.01.	The Contract Advances; Special Rate Loans	11
SECTION 2.02.	Making the Contract Advances	12
SECTION 2.03.	The Auction Advances	13
SECTION 2.04.	Conversion and Continuation of Contract Borrowings	15
SECTION 2.05.	Fees	17
SECTION 2.06.	Optional Reduction of the Commitments	17
SECTION 2.07.	Repayment of Advances and Special Rate Loans; Prepayment	17
SECTION 2.08.	Interest	18
SECTION 2.09.	Interest Rate Determination	18
SECTION 2.10.	Alternate Rate of Interest	19
SECTION 2.11.	Increased Costs; Increased Capital	19
SECTION 2.12.	Additional Interest on Eurodollar Rate Advances	21
SECTION 2.13.	Change in Legality	21
SECTION 2.14.	Payments and Computations	21
SECTION 2.15.	Taxes on Payments	22
SECTION 2.16.	Sharing of Payments, Etc	24
SECTION 2.17.	Removal of a Bank	24
SECTION 2.18.	Defaulting Banks	25
ARTICLE III		
CONDITIONS OF LENDING		
SECTION 3.01.	Conditions Precedent to Initial Borrowing	25
SECTION 3.02.	Conditions Precedent to Each Borrowing	26

ARTICLE IV		
REPRESENTATIONS AND WARRANTIES		
SECTION 4.01.	Representations and Warranties of the Borrower	27
ARTICLE V		
COVENANTS OF THE BORROWER		
SECTION 5.01.	Affirmative Covenants	29
SECTION 5.02.	Negative Covenants	32
ARTICLE VI		
EVENTS OF DEFAULT		
SECTION 6.01.	Events of Default	33
ARTICLE VII		
THE ADMINISTRATIVE AGENT, ETC.		
SECTION 7.01.	Authorization and Action	35
SECTION 7.02.	Administrative Agent's Reliance, Etc	36
SECTION 7.03.	JPMCB and Affiliates	36
SECTION 7.04.	Bank Credit Decision	36
SECTION 7.05.	Indemnification	37
SECTION 7.06.	Successor Administrative Agent	37
SECTION 7.07.	Delegation of Duties	37
SECTION 7.08.	Withholding Tax	38
ARTICLE VIII		
MISCELLANEOUS		
SECTION 8.01.	Amendments, Etc	38
SECTION 8.02.	Notices, Etc	39
SECTION 8.03.	No Waiver; Remedies	39
SECTION 8.04.	Costs, Expenses and Taxes	39
SECTION 8.05.	Right of Set-off	40
SECTION 8.06.	Binding Effect	40
SECTION 8.07.	Assignments and Participations	41
SECTION 8.08.	Governing Law	44
SECTION 8.09.	Submission to Jurisdiction; Service of Process; Jury Trial	44

SECTION 8.10.	Treatment of Certain Information; Confidentiality	44
SECTION 8.11.	Execution in Counterparts	46
SECTION 8.12.	Indemnification	46
SECTION 8.13.	USA PATRIOT Act	47

Schedule I	List of Commitment Amounts
Exhibit A-1	Form of Notice of Contract Borrowing
Exhibit A-2	Form of Notice of Auction Borrowing
Exhibit B	Form of Assignment and Acceptance
Exhibit C-1	Form of Opinion of Associate General Counsel for the Borrower
Exhibit C-2	Form of Opinion of Utah counsel for the Borrower
Exhibit D	Form of Opinion of Counsel to the Administrative Agent

REVOLVING CREDIT AGREEMENT, dated as of May 25, 2011, among UNION PACIFIC CORPORATION, a Utah corporation (the "Borrower"), the banks listed on the signature pages hereof and any other banks which from time to time become parties hereto pursuant to Section 2.17 or 8.07 of this Agreement (all such banks being referred to herein collectively as the "Banks"), and JPMORGAN CHASE BANK, N.A., as agent for the purposes hereinafter provided (in such capacity, together with its successors in such capacity, the "Administrative Agent") for the Banks hereunder.

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

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

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

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

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

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

"Advance" means any Contract Advance or Auction Advance.

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

"Alternate Base Rate" means, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus .5% and (c) the Eurodollar Rate for a period of one month commencing on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by JPMCB as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as effective. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds

Effective Rate or the Eurodollar Rate or both for any reason, including the inability of the Administrative Agent to obtain sufficient quotations in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, of the first sentence of this definition, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Eurodollar Rate shall be effective on the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Eurodollar Rate, respectively.

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

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

<u>Category</u>	<u>Applicable Fee Percentage</u>
Category 1	0.100%
Category 2	0.125%
Category 3	0.150%
Category 4	0.200%
Category 5	0.250%
Category 6	0.300%

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

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

Ratings	Applicable Margin		
	Alternate Base Rate Advances	Adjusted CD Rate Advances	Eurodollar Rate Contract Advances
<u>Category 1</u> Equal to or higher than A by S&P; or Equal to or higher than A2 by Moody's	0%	0.900%	0.775%
<u>Category 2</u> Equal to A- by S&P; or Equal to A3 by Moody's	0%	1.000%	0.875%
<u>Category 3</u> Equal to BBB+ by S&P; or Equal to Baal by Moody's	0.100%	1.225%	1.100%
<u>Category 4</u> Equal to BBB by S&P; or Equal to Baa2 by Moody's	0.175%	1.300%	1.175%
<u>Category 5</u> Equal to BBB- by S&P; or Equal to Baa3 by Moody's	0.250%	1.375%	1.250%
<u>Category 6</u> Equal to or lower than BB+ by S&P; and Equal to or lower than Bal by Moody's	0.450%	1.575%	1.450%

For purposes of the foregoing, (i) if neither Moody's nor S&P shall have in effect a rating for Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then both such rating agencies will be deemed to have established ratings for Index Debt in Category 6; (ii) if only one of Moody's or S&P shall have in effect a rating for Index Debt, the Borrower and the Banks will negotiate in good faith to agree upon another rating agency to be substituted by an amendment to this Agreement for the rating agency which shall not have a rating in effect, and in the absence of such amendment the Applicable Margin will be determined by reference to the available rating; (iii) if any rating established by Moody's or S&P shall be changed (other than as a result of a change in the rating system of either Moody's or S&P) such change shall be effective as of the date on which such change is first announced by the rating agency making such change; and (iv) if the ratings of the Index Debt established by Moody's and S&P should fall within different Categories, the Applicable Margin (and, accordingly, the Applicable Fee Percentage) shall be determined by reference to the numerically lower Category (where Category 1 is the lowest such Category and Category 6 is the highest). Each change in the Applicable Margin (and, accordingly, the Applicable Fee Percentage) shall apply during the period

commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of either Moody's or S&P shall change prior to the Termination Date, the Borrower and the Banks shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system. If both Moody's and S&P shall cease to be in the business of rating corporate debt obligations, the Borrower and the Banks shall negotiate in good faith to agree upon a substitute rating agency and to amend the references to specific ratings in this definition to reflect the ratings used by such substitute rating agency.

"Applicable Rate" means:

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

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

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

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

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

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

"Bankruptcy Event" means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, *provided* that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a governmental authority or instrumentality thereof, *provided*, further, that such ownership interest does not result in or

provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such governmental authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

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

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

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

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

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

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

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

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

“Closing Date” means the date of this Agreement.

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

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

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

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

“Debt” means (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property (excluding obligations under agreements for the purchase of goods in the normal course of business, but including obligations under agreements relating to the issuance of performance letters of credit or acceptance financing), (iv) obligations as lessee under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, (v) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) above and (vi) liabilities in respect of unfunded vested benefits under Plans covered by Title IV of ERISA; *provided* that (x) for the purposes of Section 5.02(a), “Debt” means only indebtedness for borrowed money (however evidenced) and (y) for the purposes of Section 6.01(e), “Debt” means only (1) the obligations described in clauses (i), (ii) and (iii) above and (2) the obligations described in clause (v) above (to the extent such obligations relate to Debt described in clause (i) or (ii) above).

“Debtor Relief Laws” means the Federal Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

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

“Defaulting Bank” means any Bank that (a) has failed, within three Business Days of the date required to be funded or paid, to (i) fund any portion of its Advances or (ii) pay over to the Administrative Agent or any Bank any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Bank notifies the Administrative Agent in writing that such failure is the result of such Bank’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower, the Administrative Agent or any Bank in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Bank’s good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by the Administrative Agent, acting in good faith, to provide a certification in writing from an authorized officer of such Bank that it will comply with its obligations to fund prospective Advances under this Agreement, *provided* that such Bank shall cease to be a Defaulting Bank pursuant to this clause (c) upon the Administrative Agent’s receipt of such certification in form and substance reasonably satisfactory to it, or (d) has become the subject of a Bankruptcy Event.

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

“Domestic Reserve Percentage” means, for any Interest Period, the reserve percentage applicable on the first day of such Interest Period under regulations issued from time to time by the Board

of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with deposits exceeding one billion dollars with respect to liabilities consisting of or including (among other liabilities) U.S. dollar nonpersonal time deposits in the United States with a maturity equal to such Interest Period.

"Eligible Assignee" means:

(a) any of the following entities approved in writing by the Borrower in its sole discretion (which approval shall not be required if an Event of Default has occurred and is continuing) and the Administrative Agent in its reasonable discretion, and then only to the extent of a proposed assignment approved in writing by the Borrower in its sole discretion (which approval shall not be required if an Event of Default has occurred and is continuing) and the Administrative Agent in its reasonable discretion: (i) a commercial bank organized under the laws of the United States, or any state thereof, and having total assets in excess of \$3,000,000,000 and a combined capital and surplus of at least \$150,000,000; (ii) a commercial bank organized under the laws of any other country which is a member of the OECD, or a political subdivision of any such country, and having total assets in excess of \$3,000,000,000 and a combined capital and surplus of at least \$150,000,000, *provided* that such bank is acting through a branch or agency located in the United States, in the country in which it is organized or in another country which is also a member of the OECD; and (iii) the central bank of any country which is a member of the OECD; and

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

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

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

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

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

"Eurodollar Rate" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, an interest rate per annum appearing on Reuters Page LIBOR01 (or on any successor or substitute page or service providing rate quotations comparable to those currently provided on such page, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) for a maturity comparable to (a) in the case of a Contract Borrowing, the Interest Period then applicable to such Contract Advance and (b) in the case of an Auction Borrowing, the maturity of such Auction Advance, at approximately 11:00 a.m. (London time) two Business Days prior to (x) the commencement of the Interest Period then applicable to such Contract Advance or (y) the making of such Auction Advance, as the case may be.

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

"Eurodollar Rate Advance" means any Eurodollar Rate Contract Advance or Eurodollar Rate Auction Advance.

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

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

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

"Events of Default" has the meaning specified in Section 6.01.

"Existing Revolving Credit Agreement" means the \$1,900,000,000 5-Year Revolving Credit Agreement dated as of April 20, 2007 among Union Pacific Corporation, the banks named therein, and JPMCB, as Administrative Agent, as amended, modified and supplemented and in effect from time to time.

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

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

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

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

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

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

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

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

“Joint Lead Arrangers” means J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Related Parties” means, with respect to any specified Person, such Person’s affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person’s affiliates.

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

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

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

“Special Rate Loan Reduction” means, as to any Bank as at any date, an amount equal to such Bank’s pro rata (in accordance with the Commitments) share of the aggregate amount of all Special

Rate Loans outstanding on such date (giving effect to the payment of any Special Rate Loans to be made on such date).

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

"Termination Date" means May 25, 2015 (*provided* that if such date is not a Business Day, the Termination Date shall be the immediately preceding Business Day) or the earlier date of termination in whole of the Commitments pursuant to Section 2.06 or 6.01.

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

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

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

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

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES AND SPECIAL RATE LOANS

SECTION 2.01. The Contract Advances: Special Rate Loans.

(a) Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make Contract Advances to the Borrower from time to time on any Business Day during the period from the Closing Date until the Termination Date in an aggregate amount not to exceed at any time outstanding the excess, if any, of (i) the amount set forth opposite such Bank's name on Schedule I to this Agreement or in the Assignment and Acceptance by which such Bank shall have become a party to this Agreement, as such amount may be reduced pursuant to Section 2.06 or increased pursuant to Section 2.17 or reduced or increased pursuant to Section 8.07 (such Bank's obligation to make such Advances being hereinafter

referred to as such Bank's "Commitment") over (ii) the aggregate amount of (x) such Bank's Special Rate Loan Reduction, if any, and (y) such Bank's Auction Reduction, if any; *provided* that at no time on or before the Termination Date shall the aggregate outstanding principal amount of Contract Advances, Auction Advances and Special Rate Loans exceed the aggregate amount of the Commitments. Each Contract Borrowing shall be in an aggregate amount not less than \$10,000,000 (subject to the terms of this Section 2.01(a)) or an integral multiple of \$1,000,000 in excess thereof and shall consist of Contract Advances of the same Type made on the same day by the Banks ratably according to their respective Commitments.

(b) Upon the request of the Borrower, each Bank may, in its sole discretion, from time to time on any Business Day during the period from the Closing Date until the Termination Date, extend loans to the Borrower in an aggregate amount not less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof, at an interest rate and upon repayment terms to be mutually agreed upon between such Bank and the Borrower ("Special Rate Loans"). The amount of any Special Rate Loan made by a Bank may exceed such Bank's Commitment; *provided* that (A) at no time on or before the Termination Date shall the aggregate amount of Contract Advances, Auction Advances and Special Rate Loans outstanding exceed the aggregate amount of the Commitments and (B) no Special Rate Loan shall mature on a date later than the Termination Date. Notwithstanding any other provision of this Agreement, (i) any Special Rate Loan shall be made by a Bank directly to the Borrower; (ii) all payments in respect of any Special Rate Loan shall be made by the Borrower directly to the Bank which made such loan; (iii) Special Rate Loans need not be made on a pro rata basis among the Banks; and (iv) each Special Rate Loan shall be entitled to the benefits of the provisions contained in Articles V and VI and Sections 8.05 and 8.07 hereof unless otherwise agreed by the Borrower and the Bank which made such loan with written notice to the Administrative Agent. On each date when any Bank makes a Special Rate Loan, the Borrower and such Bank shall notify the Administrative Agent thereof (and the Administrative Agent shall promptly notify the other Banks), specifying the principal amount of such Special Rate Loan, the interest rate thereon, the repayment terms and the maturity thereof.

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

SECTION 2.02. Making the Contract Advances.

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

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

(c) Unless the Administrative Agent shall have received notice from a Bank prior to the date (or, in the case of any Borrowing consisting of Alternate Base Rate Advances, prior to noon (New York City time) on the date such Borrowing is to be made) of any Contract Borrowing that such Bank will not make available to the Administrative Agent such Bank's ratable portion of such Contract Borrowing, the Administrative Agent may assume that such Bank has made such portion available to the Administrative Agent on the date of such Contract Borrowing in accordance with subsection (a) of this Section 2.02 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such ratable portion available to the Administrative Agent, such Bank and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount, together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Contract Advances comprising such Contract Borrowing and (ii) in the case of such Bank, an interest rate equal at all times to the Federal Funds Effective Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Contract Advance as part of such Contract Borrowing for purposes of this Agreement.

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

SECTION 2.03. The Auction Advances.

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

(i) The Borrower may request an Auction Borrowing under this Section 2.03 by delivering to the Administrative Agent (A) in the case of a Borrowing consisting of Fixed Rate Auction Advances, by not later than 10:00 a.m. (New York City time) one day prior to the day of the proposed Auction Borrowing, and (B) in the case of a Borrowing consisting of Eurodollar Rate Auction Advances, by not later than 10:00 a.m. (New York City time) on the fourth Business Day prior to the date of the proposed Auction Borrowing, a notice of an Auction Borrowing (a "Notice of Auction Borrowing"), in substantially the form of Exhibit A-2 hereto

specifying the proposed (1) date of such Auction Borrowing, (2) Type of Auction Advances comprising such Auction Borrowing, (3) aggregate amount (which shall not be less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof) of such Auction Borrowing, (4) maturity date for repayment of each Auction Advance to be made as part of such Auction Borrowing (which maturity date shall be, in the case of a Fixed Rate Auction Borrowing, not earlier than seven days after the date of such Borrowing, and, in the case of a Eurodollar Rate Auction Borrowing, the date 1, 2, 3, 6, 9 or 12 months after the date of such Borrowing, as the Borrower shall elect, but in any case not later than the Termination Date) and (5) any other terms to be applicable to such Auction Borrowing. The Administrative Agent shall in turn promptly notify (by telecopy) each Bank of each request for an Auction Borrowing received by it from the Borrower and of the terms contained in such Notice of Auction Borrowing.

(ii) Each Bank shall, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Auction Advances to the Borrower as part of such proposed Auction Borrowing at a rate or rates of interest specified by such Bank in its sole discretion, by notifying (by telecopy or telephone (in the case of telephone, immediately confirmed by telecopy)) the Administrative Agent (which shall give prompt notice thereof to the Borrower), (A) in the case of a Fixed Rate Auction Borrowing, before 10:00 a.m. (New York City time) on the date of such proposed Auction Borrowing specified in the Notice of Auction Borrowing delivered with respect thereto, and (B) in the case of a Eurodollar Rate Auction Borrowing, before 10:00 a.m. (New York City time) on the third Business Day prior to the date of such proposed Auction Borrowing specified in the Notice of Auction Borrowing delivered with respect thereto, of the maximum amount of each Auction Advance which such Bank would be willing to make as part of such proposed Auction Borrowing (which amount may, subject to the proviso to the first sentence of this Section 2.03(a), exceed such Bank's Commitment), the rate or rates of interest therefor (and whether reserves are included therein) and such Bank's Applicable Lending Office with respect to each such Auction Advance and any other terms and conditions required by such Bank; *provided* that, if the Bank then acting as Administrative Agent shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer before 9:45 a.m. (New York City time) on the date specified herein for notice of offers by the other Banks. If any Bank shall fail to notify the Administrative Agent, before the time specified herein for notice of offers, that it elects to make such an offer, such Bank shall be deemed to have elected not to make such an offer, and such Bank shall not be obligated or entitled to, and shall not, make any Auction Advance as part of such Auction Borrowing. If any Bank shall provide telephonic notice to the Administrative Agent of its election to make an offer, but such telephonic notice has not been confirmed by telecopy to the Administrative Agent at or before the time specified herein for notice of offers, the Administrative Agent may, in its sole discretion and without liability to such Bank or the Borrower, elect whether or not to provide notice thereof to the Borrower.

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

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

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

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

(v) If the Borrower accepts one or more of the offers made by any Bank or Banks pursuant to paragraph (iii)(y) above, such offer or offers and the Notice of Auction Borrowing in respect thereof shall constitute a supplement to this Agreement in respect of such Auction Borrowing and the Auction Advances made pursuant thereto, and the Administrative Agent shall in turn promptly notify (A) each Bank that has made an offer as described in paragraph (ii) above of the date and aggregate amount of such Auction Borrowing, the interest rate thereon and whether or not any offer or offers made by such Bank pursuant to paragraph (ii) above have been accepted by the Borrower and (B) each Bank that is to make an Auction Advance as part of such Auction Borrowing (a "Participating Bank" as to such Auction Borrowing) of the amount of each Auction Advance to be made by such Bank as part of such Auction Borrowing and the maturity date for the repayment of each such Auction Advance (together with a confirmation of the Administrative Agent's understanding of the interest rate and any other terms applicable to each such Auction Advance; the Administrative Agent shall assume, unless notified by such Bank to the contrary, that its understanding of such information is correct). Each such Participating Bank shall, before noon (New York City time) on the date of such Auction Borrowing specified in the notice received from the Administrative Agent pursuant to clause (A) of the preceding sentence, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in Section 8.02 such Bank's portion of such Auction Borrowing, in same-day funds. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Administrative Agent of such funds, the Administrative Agent will make such funds available to the Borrower at the Administrative Agent's aforesaid address. Promptly after each Auction Borrowing, the Administrative Agent will notify each Bank of the amount of the Auction Borrowing, such Bank's Auction Reduction resulting therefrom and the date upon which such Auction Reduction commenced and is anticipated to terminate.

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

SECTION 2.04. Conversion and Continuation of Contract Borrowings. The Borrower shall have the right at any time upon prior irrevocable notice to the Administrative Agent (i) not later than noon (New York City time), one Business Day prior to conversion, to convert any Borrowing consisting of Eurodollar Rate Contract Advances or Adjusted CD Rate Advances into a Borrowing consisting of Alternate Base Rate Advances, (ii) not later than noon (New York City time), two Business Days prior to conversion or continuation, to convert any Borrowing consisting of Eurodollar Rate Contract Advances or Alternate Base Rate Advances into a Borrowing consisting of Adjusted CD Rate

Advances or to continue any Borrowing consisting of Adjusted CD Rate Advances for an additional Interest Period, (iii) not later than noon (New York City time), three Business Days prior to conversion or continuation, to convert any Borrowing consisting of Alternate Base Rate Advances or Adjusted CD Rate Advances into a Borrowing consisting of Eurodollar Rate Contract Advances or to continue any Borrowing consisting of Eurodollar Rate Contract Advances for an additional Interest Period, (iv) not later than noon (New York City time), three Business Days prior to conversion, to convert the Interest Period with respect to any Borrowing consisting of Eurodollar Rate Contract Advances to another permissible Interest Period, and (v) not later than noon (New York City time), two Business Days prior to conversion, to convert the Interest Period with respect to any Borrowing consisting of Adjusted CD Rate Advances to another permissible Interest Period, subject in each case to the following:

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

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

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

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

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

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

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

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

Each notice pursuant to this Section 2.04 shall be irrevocable and shall refer to this Agreement and specify (i) the identity and amount of the Contract Borrowing that the Borrower requests be converted or continued, (ii) whether such Contract Borrowing is to be converted to or continued as a Borrowing consisting of Eurodollar Rate Contract Advances, Adjusted CD Rate Advances or Alternate Base Rate Advances, (iii) if such notice requests a conversion, the date of such conversion (which shall be a Business Day) and (iv) if such Contract Borrowing is to be converted to or continued as a Borrowing

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

SECTION 2.05. Fees. The Borrower agrees to pay to each Bank, through the Administrative Agent, a facility fee equal to the Applicable Fee Percentage multiplied by the daily average amount of the Commitment of such Bank (whether used or unused) during the preceding quarter (or shorter period commencing with the Closing Date or ending with the Termination Date), payable in arrears on the last day of each March, June, September and December during the term of the Commitments and on the Termination Date.

SECTION 2.06. Optional Reduction of the Commitments. The Borrower shall have the right, upon at least two Business Days' notice to the Administrative Agent, to terminate in whole or reduce ratably in part the respective Commitments of the Banks; *provided* that (i) each partial reduction shall be in the aggregate amount of \$10,000,000 or in an integral multiple of \$1,000,000 in excess thereof and (ii) no such termination or reduction shall be made which would reduce the Commitments to an amount less than the aggregate outstanding principal amount of the Advances and Special Rate Loans. The Administrative Agent shall promptly thereafter notify each Bank of such termination or reduction. Each notice delivered by the Borrower pursuant to this Section 2.06 shall be irrevocable; *provided* that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of one or more credit facilities, in which case such notice may be provided to the Administrative Agent on the same day of such termination and may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent.

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

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

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

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

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

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

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

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

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

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

SECTION 2.09. Interest Rate Determination. Each Reference Bank agrees to furnish to the Administrative Agent timely information for the purpose of determining each Adjusted CD Rate or Eurodollar Rate, as applicable. If any one or more of the Reference Banks shall not furnish such timely information to the Administrative Agent for the purpose of determining any such interest rate, the

Administrative Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks, subject, however, to Section 2.10(a) hereof.

SECTION 2.10. Alternate Rate of Interest.

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

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

SECTION 2.11. Increased Costs; Increased Capital.

(a) If, due to either (i) the introduction after the date hereof of or any change after the date hereof (other than any change by way of imposition or increase of reserve requirements, in the case of Adjusted CD Rate Advances, included in the determination or administration of the Domestic Reserve Percentage for such Advances or, in the case of Eurodollar Rate Advances, included in the determination of the Eurodollar Rate Reserve Percentage for such Advances) in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request received from any central bank or other governmental authority after the date hereof (whether or not having the force of law), there shall be any increase in the cost to any Bank of agreeing to make or making, funding or maintaining Adjusted CD Rate Advances or Eurodollar Rate Advances, then the Borrower shall from time to time, upon demand by such Bank (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost. Increased costs shall not include income, stamp or other taxes, imposts, duties, charges, fees, deductions or withholdings imposed, levied, collected, withheld or assessed by the United States of America or any political subdivision or taxing authority thereof or therein (including Puerto Rico) or of the country in which any Bank's principal office or Applicable Lending Office may be located or any political subdivision or taxing authority thereof or therein. Each Bank agrees that, upon the occurrence of any event giving rise to a demand under this subsection 2.11(a) with respect to the Eurodollar Lending Office or the CD Lending Office of such Bank, it will, if requested by the Borrower and to the extent permitted by law or the relevant governmental authority, endeavor in good faith and

consistent with its internal policies to avoid or minimize the increase in costs resulting from such event by endeavoring to change its Eurodollar Lending Office or CD Lending Office, as appropriate; *provided* that such avoidance or minimization can be made in such a manner that such Bank, in its sole determination, suffers no economic, legal or regulatory disadvantage. A certificate as to the amount of and specifying in reasonable detail the basis for such increased cost, submitted to the Borrower and the Administrative Agent by such Bank, shall constitute such demand and shall, in the absence of manifest error, be conclusive and binding for all purposes. Notwithstanding anything in this Agreement to the contrary, for all purposes of this Subsection 2.11(a), (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith are deemed to have been introduced or adopted after the date hereof, regardless of the date enacted or adopted and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to "Basel III", are deemed to have been introduced or adopted after the date hereof, regardless of the date enacted or adopted.

(b) If either (i) the introduction after the date hereof of, or any change after the date hereof in or in the interpretation or administration of, any law or regulation or (ii) the compliance by any Bank with any guideline or request received from any central bank or other governmental authority after the date hereof (whether or not having the force of law), affects or would affect the amount of capital required or expected to be maintained by such Bank or any corporation controlling such Bank and such Bank determines that the amount of such capital is increased by or based upon the existence of its Advances or Special Rate Loans or Commitment, then the Borrower shall, from time to time, upon demand by such Bank (with a copy of such demand to the Administrative Agent), immediately pay to the Administrative Agent for the account of such Bank additional amounts sufficient to compensate such Bank to the extent that such Bank determined such increase in capital to be allocable to the existence of such Bank's Advances or Special Rate Loans or Commitment. A certificate as to the amount of such increased capital and specifying in reasonable detail the basis therefor, submitted to the Borrower and the Administrative Agent by such Bank, shall constitute such demand and shall, in the absence of manifest error, be conclusive and binding for all purposes. Each Bank shall use all reasonable efforts to mitigate the effect upon the Borrower of any such increased capital requirement and shall assess any cost related to such increased capital on a nondiscriminatory basis among the Borrower and other borrowers of such Bank to which it applies and such Bank shall not be entitled to demand or be compensated for any increased capital requirement unless it is, as a result of such law, regulation, guideline or request, such Bank's policy generally to seek to exercise such rights, where available, against other borrowers of such Bank. Notwithstanding anything in this Agreement to the contrary, for all purposes of this Subsection 2.11(b), (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith are deemed to have been introduced or adopted after the date hereof, regardless of the date enacted or adopted and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to "Basel III", are deemed to have been introduced or adopted after the date hereof, regardless of the date enacted or adopted.

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

assignment, on the basis of laws and regulations in effect at the time of such assignment) if such Bank had not made such assignment or granted such participation.

SECTION 2.12. Additional Interest on Eurodollar Rate Advances. The Borrower shall pay to the Administrative Agent for the account of each Bank any costs which such Bank determines are attributable to such Bank's compliance with regulations of the Board of Governors of the Federal Reserve System requiring the maintenance of reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities. Such costs shall be paid to the Administrative Agent for the account of such Bank in the form of additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Bank, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the applicable period for such Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such period, payable on each date on which interest is payable on such Advance. Such additional interest shall be determined by such Bank and notified to the Borrower and the Administrative Agent. A certificate setting forth in reasonable detail the amount of such additional interest, submitted to the Borrower and the Administrative Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

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

SECTION 2.14. Payments and Computations.

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

(b) All computations of interest based on the Alternate Base Rate shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, when determined by reference to the Prime Rate (as defined in the definition of Alternate Base Rate in Section 1.01) and on the basis of a year of 360 days at all other times, and all computations of fees and of interest based on the Adjusted CD Rate, the Eurodollar Rate or the Fixed Rate shall be made by the Administrative Agent, and all computations of interest pursuant to Section 2.09 shall be made by the Reference Banks, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the

last day) occurring in the period for which such interest or fees are payable. Each determination by the Administrative Agent (or, in the case of Section 2.09, by the Reference Banks) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

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

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

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

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

SECTION 2.15. Taxes on Payments.

(a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without reduction for or on account of, any income, stamp or other taxes, imposts, duties, charges, fees, deductions or withholdings, imposed, levied, collected, withheld or assessed by the United States of America (or by any political subdivision or taxing authority thereof or therein) as a result of (i) the introduction after the date hereof of any law, regulation, treaty, directive or guideline (whether or not having the force of law), or (ii) any change after the date hereof in any law, regulation, treaty, directive or guideline (whether or not having the force of law), or (iii) any change after the date hereof in the interpretation or application of any law, regulation, treaty, directive or guideline (whether or not having the force of law) or (iv) any such taxes, imposts, duties, charges, fees, deductions or withholdings being imposed, levied, collected, withheld or assessed at a greater rate than the rate that would have been

applicable had such an introduction or change not been made, but only to the extent of the increase in such rate ("Withholding Taxes"). If any Withholding Taxes are required to be withheld from any amounts payable to or for the account of any Bank hereunder, the amounts so payable to or for the account of such Bank shall be increased to the extent necessary to yield to such Bank (after payment of all Withholding Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts payable to or for the account of such Bank under this Agreement prior to such introduction or change. Whenever any Withholding Tax is payable by the Borrower, as promptly as possible thereafter, the Borrower shall send to the Administrative Agent, for the account of such Bank, a certified copy of an original official receipt showing payment thereof. If the Borrower fails to pay any Withholding Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent for the account of any Bank the required receipts or other required documentary evidence, the Borrower shall indemnify such Bank or the Administrative Agent for any incremental taxes, interest or penalties that may become payable by such Bank or the Administrative Agent as a result of any such failure.

(b) At least four Business Days prior to the first Borrowing or, if the first Borrowing does not occur within thirty days after the date of execution of this Agreement, by the end of such thirty day period, each Bank that is organized outside the United States agrees that it will deliver to the Borrower and the Administrative Agent two duly completed copies of United States Internal Revenue Service Form W8-BEN (or such other documentation or information as may, under applicable United States federal income tax statutes or regulations, be required in order to claim an exemption or reduction from United States income tax withholding by reason of an applicable treaty with the United States, such documentation or other information being hereafter referred to as "Form W8-BEN") or W8-ECI (or such other documentation or information as may, under applicable United States federal income tax statutes or regulations, be required in order to claim an exemption from United States income tax withholding for income that is effectively connected with the conduct of a trade or business within the United States, such documentation or other information being hereafter referred to as "Form W8-ECI"), as the case may be, indicating in each case that such Bank is either entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes or, as the case may be, is subject to such limited deduction or withholding as it is capable of recovering in full from a source other than the Borrower. Each Bank which delivers to the Borrower and the Administrative Agent a Form W8-BEN or W8-ECI pursuant to the next preceding sentence further undertakes to deliver to the Borrower and the Administrative Agent two further copies of the said Form W8-BEN or W8-ECI, or successor applicable form or certificate, as the case may be, as and when the previous form filed by it hereunder shall expire or shall become incomplete or inaccurate in any respect, unless in any of such cases an event has occurred prior to the date on which any such delivery would otherwise be required which renders such form inapplicable.

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

Withholding Taxes plus, in the case of a Tax Benefit that occurs by reason of a refund, interest actually received from the relevant taxing authority with respect to such refund. A certificate submitted in good faith by the Bank pursuant to this Section 2.15(c) shall be deemed conclusive absent manifest error.

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

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

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

SECTION 2.17. Removal of a Bank. The Borrower shall have the right, by giving at least 15 Business Days' prior notice in writing to the affected Bank and the Administrative Agent, at any time when no Default or Event of Default has occurred and is then continuing, to remove as a party hereto any Bank having a corporate credit rating of BBB- (or its equivalent) or lower by Fitch Ratings Ltd. (or any successor thereto), such removal to be effective as of the date specified in such notice from the Borrower (a "Removal Date"), which date shall be the last day of an Interest Period. On any Removal Date, the Borrower shall repay all the outstanding Contract Advances, Special Rate Loans and Auction Advances of the affected Bank, together with all accrued interest, fees and all other amounts owing hereunder to such Bank. Upon such Removal Date and receipt of the payment referred to above, the Commitment of such affected Bank shall terminate and such Bank shall cease thereafter to constitute a Bank hereunder. The Borrower shall have the right to offer to one or more Banks the right to increase their Commitments up to, in the aggregate for all such increases, the Commitment of any Bank which is

removed pursuant to the foregoing provisions of this Section 2.17 (such Commitment being herein called an "Unallocated Commitment") effective on the relevant Removal Date, it being understood that no Bank shall be obligated to increase its Commitment in response to any such offer. The Borrower shall also have the right to offer all or any portion of an Unallocated Commitment to one or more commercial banks not parties hereto having a corporate credit rating higher than BBB- (or its equivalent) by Fitch Ratings Ltd. (or any successor thereto), and, upon each such bank's acceptance of such offer and execution and delivery of an instrument agreeing to the terms and conditions hereof, each such bank shall become a Bank hereunder with a Commitment in an amount specified in such instrument. If the Bank which is removed pursuant to this Section 2.17 is a Reference Bank, the Administrative Agent, with the consent of the Borrower (which shall not be unreasonably withheld), shall appoint a new Reference Bank from among the Banks. The obligations of the Borrower described in Sections 2.02(b), 2.11, 2.12, 2.15, 8.04 and 8.12 that arose prior to the date of removal shall survive for the benefit of any Bank removed pursuant to this Section 2.17 notwithstanding such removal.

SECTION 2.18. Defaulting Banks. Notwithstanding any provision of this Agreement to the contrary, if any Bank becomes a Defaulting Bank, then the following provisions shall apply for so long as such Bank is a Defaulting Bank:

(a) fees shall cease to accrue on the Commitment of such Defaulting Bank pursuant to Section 2.05; and

(b) the Commitment (or after the expiry or termination of the Commitments, the unpaid principal amount of the Advances and Special Rate Loans) of such Defaulting Bank shall not be included in determining whether the Majority Banks have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 8.01); *provided* that this clause (b) shall not apply to the vote of a Defaulting Bank in the case of an amendment, waiver or other modification requiring the consent of all of the Banks or of each Bank affected thereby (if such Defaulting Bank is so affected) in each case pursuant to Section 8.01.

ARTICLE III

CONDITIONS OF LENDING

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

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

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

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

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

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

(c) The Administrative Agent shall have received, on behalf of the Banks, (i) the executed legal opinion of James J. Theisen, Jr., Associate General Counsel of the Borrower, substantially in the form of Exhibit C-1 hereto and (ii) the executed legal opinion of Jeffrey J. Devashrayee, Esq., Utah counsel for the Borrower, substantially in the form of Exhibit C-2 hereto, covering such matters relating to this Agreement and the transactions hereunder and as to such other matters as any Bank through the Administrative Agent may reasonably request.

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

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

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

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

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

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

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

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

(e) The statement of consolidated financial position of the Borrower and its consolidated Subsidiaries as at December 31, 2010, and the related statements of consolidated income, consolidated cash flows and changes in common stockholders' equity of the Borrower and its consolidated Subsidiaries for the fiscal year then ended, copies of which have been furnished to each Bank, each as reported on by Deloitte & Touche LLP, present fairly, in all material respects, the financial position of the Borrower and its consolidated Subsidiaries as at such date and the results of the operations of the Borrower and its consolidated Subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied. Since December 31, 2010, there has been no material adverse change in such financial position or operations of the Borrower and its consolidated Subsidiaries, taken as a whole.

(f) There is no pending or threatened action or proceeding affecting the Borrower or any of its consolidated Subsidiaries before any court, governmental agency or arbitrator, (i) which purports to affect the legality, validity or enforceability of this Agreement, or (ii) except as set forth in the Borrower's annual report on Form 10-K for the fiscal year ended December 31, 2010 (copies of which have been furnished to each Bank), which may materially adversely affect the financial condition or operations of the Borrower or any of its Subsidiaries, taken as a whole.

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

(h) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Advance or Special Rate Loan will be used for any purpose which violates the provisions of the regulations of the Board of

Governors of the Federal Reserve System. If requested by any Bank or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Bank a statement in conformity with the requirements of Federal Reserve Form U-1 referred to in Regulation U, the statements made in which shall be such, in the opinion of each Bank, as to permit the transactions contemplated hereby in accordance with Regulation U.

(i) No Termination Event has occurred nor is reasonably expected to occur with respect to any Plan which may materially adversely affect the financial condition or operations of the Borrower and its Subsidiaries, taken as a whole. Neither the Borrower nor any of its ERISA Affiliates has incurred nor reasonably expects to incur any withdrawal liability under ERISA to any Multiemployer Plan which may materially adversely affect the financial condition or operations of the Borrower and its Subsidiaries, taken as a whole. Schedule B (Actuarial Information) to the 2009 annual report (Form 5500 Series) with respect to each Plan, copies of which have been filed with the Internal Revenue Service and furnished to each Bank, is complete and accurate in all material respects and in all material respects fairly presents the funding status of each Plan. No Reportable Event has occurred and is continuing with respect to any Plan which may materially adversely affect the financial condition or operations of the Borrower and its Subsidiaries, taken as a whole.

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

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

(l)(i) All written information concerning the Borrower and its Subsidiaries (excluding financial projections) that has been made available on or before the date of this Agreement to the Administrative Agent or any Bank by the Borrower or any of its representatives under this Agreement or in connection with the transactions contemplated hereby is, on and as of the date of this Agreement, correct in all material respects and does not contain, on and as of the date of this Agreement, any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were made; (ii) all written information furnished after the date hereof by the Borrower or any of its representatives to the Administrative Agent and the Banks in connection with this Agreement and the transactions contemplated hereby will, on the date as of which such information is stated or certified, be correct in all material respects and will not, on the date as of which such information is stated or certified, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements are made; and (iii) all financial projections concerning the Borrower and its Subsidiaries that have been or will be prepared by the Borrower in writing and made available to the Administrative Agent or any Bank by the Borrower or any of its representatives under this Agreement or in connection with the transactions contemplated hereby have been or will be prepared in good faith based upon reasonable assumptions as of the date such projections were made available to the Administrative Agent or such Bank (it being understood that such projections are subject to significant uncertainties and contingencies, many of which are beyond

the control of the Borrower, and that no assurance can be given that the projections will be realized).

ARTICLE V

COVENANTS OF THE BORROWER

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

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

- (i) keep proper books of record and account, all in accordance with generally accepted accounting principles;
- (ii) preserve and keep in full force and effect its existence, and preserve and keep in full force and effect its licenses, rights and franchises to the extent it deems necessary to carry on its business;
- (iii) maintain and keep, or cause to be maintained and kept, its properties in good repair, working order and condition, and from time to time make or cause to be made all needful and proper repairs, renewals, replacements and improvements, in each case to the extent it deems necessary to carry on its business;
- (iv) use its reasonable efforts to comply in all material respects with all material applicable statutes, regulations and orders of, and all material applicable restrictions imposed by, any governmental agency in respect of the conduct of its business and the ownership of its properties, to the extent it deems necessary to carry on its business, except such as are being contested in good faith by appropriate proceedings; and
- (v) insure and keep insured its properties in such amounts (and with such self-insurance and deductibles) as it deems necessary to carry on its business and to the extent available on premiums and other terms which the Borrower or any Subsidiary, as the case may be, deems appropriate. Any of such insurance may be carried by, through or with any captive or affiliated insurance company or by way of self-insurance as the Borrower or any Subsidiary, as the case may be, deems appropriate.

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

(b) Reporting Requirements. Furnish to each Bank:

- (i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, a statement of the consolidated financial position of the Borrower and its consolidated Subsidiaries as at the

end of such quarter and the related statements of consolidated income and consolidated cash flows of the Borrower and its consolidated Subsidiaries for such fiscal quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by a principal financial or accounting officer of the Borrower; *provided* that (1) the Borrower may deliver, in lieu of the foregoing, the quarterly report of the Borrower for such fiscal quarter on Form 10-Q filed with the Securities and Exchange Commission or any governmental authority succeeding to the functions of such Commission, but only so long as the financial statements contained in such quarterly report on Form 10-Q relate to the same companies and are substantially the same in content as the financial statements referred to in the preceding provisions of this clause (i) and (2) so long as the Borrower is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission, which are available to the public without cost, and each Bank may electronically access without cost such Form 10-Q on the Securities and Exchange Commission's website or the Borrower's website (except with respect to registration statements and reports to stockholders which are not available on the Borrower's website), each Bank shall be deemed to have been furnished such Form 10-Q;

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

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

the Borrower's website), each Bank shall be deemed to have been furnished such reports and registration statements;

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

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

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

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

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

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

(d) Certificates. Furnish to each Bank:

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

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

(e) Use of Proceeds. Use all of the proceeds of the Advances and Special Rate Loans for the general corporate purposes of, and to finance acquisitions by, the Borrower and its Subsidiaries, in each case in compliance with all applicable legal and regulatory requirements (including, without limitation, Regulations U and X and the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and the regulations thereunder); *provided*

that neither any Bank nor the Administrative Agent shall have any responsibility for the use of any of the proceeds of the Advances or Special Rate Loans.

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

(a) Liens, Etc. Create, assume, incur or suffer to exist, or permit any Subsidiary to create, assume, incur or suffer to exist, any Mortgage (as hereinafter defined) upon any stock or indebtedness, whether now owned or hereafter acquired, of any Domestic Subsidiary (as hereinafter defined), to secure any Debt of the Borrower or any other Person (other than the Advances and Special Rate Loans made hereunder), without in any such case making effective provision whereby all of the Advances and Special Rate Loans made hereunder shall be directly secured equally and ratably with such Debt, *excluding, however*, from the operation of the foregoing provisions of this paragraph (a) any Mortgage upon stock or indebtedness of any corporation existing at the time such corporation becomes a Domestic Subsidiary, or existing upon stock or indebtedness of a Domestic Subsidiary at the time of acquisition of such stock or indebtedness, and any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any such Mortgage; *provided* that (1) the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement; and (2) such Mortgage shall be limited to all or such part of the stock or indebtedness which secured the Mortgage so extended, renewed or replaced.

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

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

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

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

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

(i) the corporation formed by such consolidation or into which the Borrower is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Borrower substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America, any state thereof or the District of Columbia (the "Successor Corporation") and shall expressly assume, by amendment to this Agreement executed by the Borrower and such Successor Corporation

and delivered to the Administrative Agent, the due and punctual payment of the principal of and interest on the Advances and Special Rate Loans made hereunder and all other amounts payable under this Agreement and the performance or observance of every covenant hereof on the part of the Borrower to be performed or observed;

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

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

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

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

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

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

ARTICLE VI

EVENTS OF DEFAULT

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

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

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

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

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

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

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

Railroad shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

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

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

(i) both (X) a Change in Control shall occur and (Y) on the date that is four months after the occurrence of such Change in Control (i) either the rating by S&P of the Index Debt shall be equal to or lower than BB+ or S&P shall not have in effect a rating on the Index Debt and (ii) either the rating by Moody's of the Index Debt shall be equal to or lower than Baa1 or Moody's shall not have in effect a rating on the Index Debt;

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

ARTICLE VII

THE ADMINISTRATIVE AGENT, ETC.

SECTION 7.01. Authorization and Action. Each Bank hereby appoints and authorizes the Administrative Agent to take such action as administrative agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the amounts

due hereunder), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks, and such instructions shall be binding upon all Banks and all holders of Advances and Special Rate Loans; *provided* that the Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or is contrary to this Agreement or applicable law, including any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Bank in violation of any Debtor Relief Law. The Administrative Agent agrees to give to each Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement. Except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its affiliates in any capacity. Each of the Co-Syndication Agents, Co-Documentation Agents, Joint Lead Arrangers and Joint Bookrunners named on the cover page hereof shall have no duties, responsibilities or liabilities whatsoever under this Agreement (other than in its capacity, if any, as a Bank hereunder).

SECTION 7.02. Administrative Agent's Reliance, Etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Administrative Agent: (i) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations made in or in connection with this Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (iv) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (v) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (including, without limitation, by telecopy) believed by it to be genuine and signed or sent by the proper party or parties; and (vi) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing. In determining compliance with any condition hereunder to making of an Advance that by its terms must be fulfilled to the satisfaction of a Bank, the Administrative Agent may presume that such condition is satisfactory to such Bank unless the Administrative Agent shall have received notice to the contrary from such Bank prior to the making of such Advance.

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

SECTION 7.04. Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank and based on the

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

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

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

SECTION 7.07. Delegation of Duties. The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of this Article VII shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

SECTION 7.08. Withholding Tax. To the extent required by any applicable law, the Administrative Agent may withhold from any payment to any Bank an amount equivalent to any applicable income, stamp or other taxes, imposts, duties, charges, or fees imposed, levied, collected or assessed by any governmental authority. Without limiting or expanding the provisions of Section 2.15, each Bank shall indemnify and hold harmless the Administrative Agent against, and shall make payable in respect thereof within 10 days after written demand therefor, any and all Taxes and any and all related losses, claims, liabilities and expenses (including, without limitation, fees, charges and disbursements of any counsel for the Administrative Agent) incurred by or asserted against the Administrative Agent by the U.S. Internal Revenue Service or any other governmental authority as a result of the failure of the Administrative Agent to properly withhold any amounts from payments to or for the account of such Bank for any reason (including, without limitation, because the appropriate form was not delivered or not properly executed, or because such Bank failed to notify the Administrative Agent of a change in circumstance that rendered the exemption from, or reduction of such required withholding ineffective), *provided* that no Bank shall be liable for the portion of any interest, expenses or penalties that are found by a final non-appealable decision of a court of competent jurisdiction to have resulted from the Administrative Agent's gross negligence or willful misconduct. A certificate as to the amount of such payment or liability delivered to any Bank by the Administrative Agent shall be conclusive absent manifest error. Each Bank hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Bank under this Agreement or any other instrument or document furnished pursuant hereto against any amount due the Administrative Agent under this Section 7.08. The agreements in this Section 7.08 shall survive the resignation and/or replacement of the Administrative Agent, any assignment of rights by, or the replacement of, a Bank, the termination of the Commitments and the repayment, satisfaction or discharge of all other obligations. The Administrative Agent shall furnish the relevant Bank with a copy of the applicable notice or claim of the governmental authority or a certificate specifying in reasonable detail the circumstances surrounding the claim that the Administrative Agent is making pursuant to this Section 7.08 at the time the Administrative Agent makes a written demand for indemnification hereunder.

ARTICLE VIII

MISCELLANEOUS

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

(a) no amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (1) waive any of the conditions specified in Section 3.01, (2) waive any of the conditions specified in Section 3.02 (if and to the extent that the Borrowing which is the subject of such waiver would involve an increase in the aggregate outstanding amount of Advances over the aggregate amount of Advances outstanding immediately prior to such Borrowing), (3) increase or extend the Commitments of the Banks or subject the Banks to any additional obligations, (4) reduce the principal of, or interest on, the Contract Advances or any fees or other amounts payable hereunder, (5) postpone any date fixed for any payment of principal of, or interest on, the Contract Advances or any fees or other amounts payable hereunder, (6) make any change which would alter the percentage of the Commitments or of the aggregate unpaid principal amount of the Contract Advances, Auction Advances or Special Rate Loans, or the number of Banks, which shall otherwise be required for the Banks or any of them to take any action hereunder, (7) change Section 2.16 in a manner that would alter the pro rata sharing of payments required thereby or (8) amend this Section 8.01;

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

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

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

SECTION 8.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopy communication) and telecopied, mailed first class or certified mail or delivered, if to the Borrower, at its address at 1400 Douglas Street, Stop 1920, Omaha, NE 68179, Attention: Vice President and Treasurer, telephone number (402) 544-6111, telecopier number (402) 501-0362; if to any Bank at its Domestic Lending Office; and if to the Administrative Agent, at its address at JPMorgan Chase Bank, N.A., 1111 Fannin – 10, Houston, Texas 77002, Attention: Jide Williams, Account Manager, telecopier number (713) 750-6530, with a copy to JPMorgan Chase Bank, N.A., 383 Madison Avenue, 24th Floor, New York, New York 10179, Attention: Robert P. Kellas, telecopier number (212) 270-5100; or, as to the Borrower, any Bank or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent. All such notices and communications shall, when telecopied or mailed, be effective when sent by telecopy or three days after deposited in the mails, respectively, except that notices and communications to the Administrative Agent pursuant to Article II or VII shall not be effective until received by the Administrative Agent. The Administrative Agent shall be entitled to rely on any oral notice made pursuant to Section 2.03 believed by it to be genuine and made by the proper party or parties, and the Borrower and the Banks, as the case may be, agree to be conclusively bound by the Administrative Agent's records in respect of any such notice.

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

SECTION 8.04. Costs, Expenses and Taxes.

(a) The Borrower agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery, administration, modification, syndication and amendment of this Agreement and the other documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent with respect thereto and with respect to advising the Administrative Agent as to its rights and responsibilities under this Agreement, and all costs and reasonable expenses, if any (including, without limitation, reasonable

counsel fees and expenses), incurred by the Administrative Agent or any Bank in connection with the "work-out" or other enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement and the other documents to be delivered hereunder. In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from the execution and delivery of this Agreement and agrees to save the Administrative Agent and each Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes.

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

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

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

SECTION 8.07. Assignments and Participations.

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

Notwithstanding anything to the contrary contained in this Agreement, any Bank (a "Granting Bank") may grant to a special purpose vehicle (an "SPV") affiliated with such Granting Bank (identified as such in writing from time to time by the Granting Bank to the Administrative Agent and the Borrower) the option to provide to the Borrower all or any part of any Advances or Special Rate Loans that such Granting Bank would otherwise be obligated to make to the Borrower pursuant to Article II, *provided* that (i) nothing herein shall constitute a commitment by any SPV to make any Advances or Special Rate Loans, (ii) if an SPV elects not to exercise such option or otherwise fails to provide all or any part of such Advances or Special Rate Loans, the Granting Bank shall be obligated to make such Advances or Special Rate Loans pursuant to the terms hereof automatically and without any action by any other Person and (iii) the Borrower may bring any proceeding against either the Granting Bank or the SPV in order to enforce any rights of the Borrower hereunder. The making of an Advance or Special Rate Loan by an SPV hereunder shall utilize the Commitment of the Granting Bank to the same extent, and as if, such Advance or Special Rate Loan were made by the Granting Bank. Each party hereto hereby agrees that no SPV shall be liable for any payment under this Agreement for which a Bank would otherwise be liable, for so long as, and to the extent, the related Granting Bank makes such payment. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the

termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPV, it will not institute against, or join any other Person in instituting against, such SPV any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof arising out of any claim against such SPV under this Agreement. In addition, notwithstanding anything to the contrary contained in this Agreement (1) any SPV may with notice to (but without the prior written consent of) the Borrower or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Advances or Special Rate Loans to its Granting Bank or to any financial institutions (consented to by the Borrower and the Administrative Agent) providing liquidity and/or credit support (if any) with respect to commercial paper issued by such SPV to fund such Advances or Special Rate Loans; and (2) such SPV may disclose, on a confidential basis, confidential information with respect to the Borrower and its Subsidiaries to any rating agency, commercial paper dealer or provider of a surety, guarantee or credit liquidity enhancement to such SPV. This paragraph may not be amended without the consent of each SPV at the time holding Advances or Special Rate Loans under this Agreement.

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

(c) The Administrative Agent shall maintain at its first address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the Advances owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee representing that it is an Eligible Assignee, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit B hereto,

(i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register, (iii) give prompt notice thereof to the Borrower and (iv) send a copy thereof to the Borrower.

(e) Each Bank may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances or Special Rate Loans owing to it); *provided* that (i) such Bank's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Administrative Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement and (iv) such Bank shall not agree with any such bank or other financial institution to permit such bank or other financial institution to enforce the obligations of the Borrower relating to the Advances or any Special Rate Loan or to approve of any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers with respect to any decrease in any fees payable hereunder or the amount of principal or rate of interest which is payable in respect of such Advances or Special Rate Loan or any extension of the dates fixed for the payment thereof). Each Bank that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the such Bank's Commitment and Advances or Special Rate Loans or other obligations under this Agreement (the "Participant Register"); *provided* that no Bank shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any participant or any information relating to a participant's interest in any obligations under this Agreement) except to the extent that such disclosure is necessary to establish that such Commitment, Advance, Special Rate Loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations and except as provided in Section 8.07(j). The entries in the Participant Register shall be conclusive and binding for all purposes, absent manifest error, and such Bank shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

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

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

Section 8.07(g) shall relieve the Borrower of its obligations for payment under Section 2.11 or 2.15 arising prior to an assignment or termination pursuant hereto.

(h) Any Bank may at any time assign all or any portion of its rights under this Agreement to a Federal Reserve Bank (or any other central banking authority); *provided* that no such assignment shall release a Bank from any of its obligations hereunder. In connection with any such assignment or proposed assignment, the Borrower will, promptly upon the request of any Bank, execute and deliver to such Bank a note evidencing the Borrower's obligations hereunder, in a form mutually satisfactory to the Borrower and such Bank.

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

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

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

(l) Notwithstanding anything to the contrary contained in this Agreement, no Bank shall assign, or sell a participation in, any of its rights under this Agreement to the Borrower or any affiliate of the Borrower.

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

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

SECTION 8.10. Treatment of Certain Information; Confidentiality.

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

(b) Each Bank and the Administrative Agent agrees that it will not disclose without the prior consent of the Borrower (other than to its affiliates and to its and its affiliates' directors, employees, auditors and counsel who are informed of and agree to respect the confidential nature of such information, and then only on a "need to know" basis in connection with this Agreement) any information (the "Information") with respect to the Borrower (or its business) which is furnished by or on behalf of the Borrower to such Bank or to the Administrative Agent in connection with this Agreement; *provided* that the Banks and the Administrative Agent may disclose any such Information (i) that is or has become generally available to the public (other than as a result of a disclosure in violation of this Section 8.10) or is or becomes available to the Banks and the Administrative Agent on a non-confidential basis from a source other than the Borrower or its agents (unless, to the actual knowledge of the recipient Bank or the Administrative Agent, such information was provided by such source in violation of a confidentiality agreement), (ii) as may be required or appropriate in response to any summons or subpoena or in connection with any litigation, (iii) in order to comply with any applicable law or regulation, or in accordance with any order, ruling or regulatory practice of any bank regulatory agency (including, without limitation, the Board of Governors of the Federal Reserve System or any foreign bank regulatory agency) having or claiming jurisdiction over the relevant Bank or the Administrative Agent, and (iv) to a proposed assignee or participant in connection with any proposed assignment or participation permitted under Section 8.07 as provided in Section 8.07(f), or to a proposed contractual counterparty (or its advisors) to any securitization, hedge or other derivative transaction relating to a party's obligations hereunder or to any credit insurance provider relating to the Borrower and its obligations, *provided* that such proposed assignee, participant or counterparty agrees in writing to be bound by the confidentiality provisions of this Section 8.10.

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

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

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

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

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

SECTION 8.12. Indemnification.

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

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

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

[remainder of page intentionally blank]

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

UNION PACIFIC CORPORATION

By: _____
Name:
Title:

JPMORGAN CHASE BANK, N.A.
as Administrative Agent

By: _____
Name:
Title:

Credit Agreement

BANKS

JPMORGAN CHASE BANK, N.A

By: _____

Name:

Title:

Credit Agreement

BANK OF AMERICA, N.A.

By: _____

Name:

Title:

Credit Agreement

BARCLAYS BANK PLC

By: _____

Name:

Title:

Credit Agreement

CITIBANK, N.A.

By: _____

Name:

Title:

Credit Agreement

CREDIT SUISSE AG, CAYMAN ISLANDS
BRANCH

By: _____
Name:
Title:

By: _____
Name:
Title:

Credit Agreement

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.

By: _____

Name:

Title:

Credit Agreement

BNP PARIBAS

By: _____

Name:
Title:

By: _____

Name:
Title:

Credit Agreement

SUNTRUST BANK

By: _____

Name:

Title:

Credit Agreement

THE ROYAL BANK OF SCOTLAND PLC

By: _____

Name:

Title:

Credit Agreement

U.S. BANK, NATIONAL ASSOCIATION

By:

Name:

Title:

Credit Agreement

WELLS FARGO BANK N.A.

By: _____

Name:

Title:

Credit Agreement

MORGAN STANLEY BANK, N.A.

By: _____

Name:

Title:

Credit Agreement

PNC BANK, NATIONAL ASSOCIATION

By:

Name:
Title:

Credit Agreement

THE BANK OF NEW YORK MELLON

By: _____

Name:

Title:

Credit Agreement

THE NORTHERN TRUST COMPANY

By: _____

Name:

Title:

Credit Agreement

SCHEDULE I

<u>Name of Bank</u>	<u>Commitment</u>
JPMorgan Chase Bank, N.A.	\$ 200,000,000
Bank of America, N.A.	\$ 200,000,000
Barclays Bank PLC	\$ 175,000,000
Citibank, N.A.	\$ 175,000,000
Credit Suisse AG, Cayman Islands Branch	\$ 175,000,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	\$ 175,000,000
BNP Paribas	\$ 100,000,000
SunTrust Bank	\$ 100,000,000
The Royal Bank of Scotland plc	\$ 100,000,000
U.S. Bank, National Association	\$ 100,000,000
Wells Fargo Bank N.A.	\$ 100,000,000
Morgan Stanley Bank, N.A.	\$ 50,000,000
PNC Bank, National Association	\$ 50,000,000
The Bank of New York Mellon	\$ 50,000,000
The Northern Trust Company	\$ 50,000,000
Total	\$ 1,800,000,000.00

Notice of Contract Borrowing

JPMorgan Chase Bank, N.A., as Administrative
Agent for the Banks parties to the
Credit Agreement referred to below
383 Madison Avenue
New York, New York 10179
Attention: Robert P. Kellas

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

Ladies and Gentlemen:

The undersigned, Union Pacific Corporation, refers to the 4-Year Revolving Credit Agreement, dated as of May 25, 2011 (as amended, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Banks and JPMorgan Chase Bank, N.A., as Administrative Agent for said Banks, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Contract Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Contract Borrowing (the "Proposed Contract Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Contract Borrowing is _____, 20__ .

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

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

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

Very truly yours,

UNION PACIFIC CORPORATION

By: _____

Title: _____

Notice of Auction Borrowing

JPMorgan Chase Bank, N.A., as Administrative Agent for the Banks parties to the Credit Agreement referred to below
383 Madison Avenue
New York, New York 10179
Attention: Robert P. Kellas

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

Ladies and Gentlemen:

The undersigned, Union Pacific Corporation, refers to the 4-Year Revolving Credit Agreement, dated as of May 25, 2011 (as amended, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Banks and JPMorgan Chase Bank, N.A., as Administrative Agent for said Banks, and hereby gives you notice pursuant to Section 2.03 of the Credit Agreement that the undersigned hereby requests an Auction Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Auction Borrowing (the "Proposed Auction Borrowing") is requested to be made:

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

Very truly yours,
UNION PACIFIC CORPORATION

By: _____
Title:

EXHIBIT B

Assignment and Acceptance

Dated _____, 20____

Reference is made to the 4-Year Revolving Credit Agreement, dated as of May 25, 2011 (as amended, the "Credit Agreement"), among Union Pacific Corporation, a Utah corporation (the "Borrower"), the Banks and JPMorgan Chase Bank, N.A., as Administrative Agent for the Banks (the "Administrative Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

(the "Assignor") and

(the "Assignee") agree as follows:

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

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

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

¹ Specify percentage to no more than four decimal points.

² Include if Special Rate Loans are to be assigned.

terms of the Credit Agreement are required to be performed by it as a Bank; and (vi) specifies as its CD Lending Office, Domestic Lending Office (and address for notices) and Eurodollar Lending Office the offices set forth beneath its name on the signature pages hereof.

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

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

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

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

[NAME OF ASSIGNOR]

By: _____
Title:

[NAME OF ASSIGNEE]

By: _____
Title:

Accepted this _____ day
of _____, 20____

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

By: _____
Title:

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

Consented this day
of 20

UNION PACIFIC CORPORATION

By: _____
Title:

EXHIBIT C-1

[FORM OF OPINION OF ASSOCIATE GENERAL COUNSEL FOR THE BORROWER]

May 25, 2011

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

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

I am the Associate General Counsel of Union Pacific Corporation, a Utah corporation (the "Borrower"), and have acted in such capacity in connection with the execution and delivery of the 4-Year Revolving Credit Agreement, dated as of May 25, 2011 (the "Agreement"), among the Borrower, the Banks parties thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.

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

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

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

1. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Utah.
2. The execution, delivery and performance by the Borrower of the Agreement are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's charter or By-laws or (ii) any law, statute, regulation or order of any governmental agency or (iii) to the best of my knowledge, any contractual restriction binding on or affecting the Borrower. The Agreement has been duly executed and delivered by the Borrower.
3. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of the Agreement.

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

5. There is no pending or threatened action or proceeding affecting the Borrower or any of its consolidated Subsidiaries before any court, governmental agency or arbitrator, (i) which purports to affect the legality, validity or enforceability of the Agreement, or (ii) except as set forth in the Borrower's annual report on Form 10-K for the fiscal year ended December 31, 2010, which may materially adversely affect the financial condition or operations of the Borrower or any of its Subsidiaries, taken as a whole.

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

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

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

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

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

Very truly yours,

JJT/TSD

- 3 -

EXHIBIT C-2

[FORM OF OPINION OF UTAH COUNSEL FOR THE BORROWER]

May 25, 2011

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

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

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

As Utah counsel for Union Pacific Corporation, a Utah corporation (the "Borrower"), I am familiar with the 4-Year Revolving Credit Agreement, dated as of the date hereof (the "Agreement"), among the Borrower, the Banks parties thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. Terms used herein which are defined in the Agreement shall have the respective meanings set forth in the Agreement, unless otherwise defined herein.

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

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

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

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

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

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

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

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

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

Very truly yours,

Jeffrey J. Devashrayee

EXHIBIT D

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

May 25, 2011

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

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

Re: Union Pacific Corporation

Ladies and Gentlemen:

We have acted as special New York counsel to JPMorgan Chase Bank, N.A., as Administrative Agent (as hereinafter defined), in connection with the 4-Year Revolving Credit Agreement dated as of May 25, 2011 (the "Credit Agreement") among Union Pacific Corporation (the "Borrower"), the banks named therein (the "Banks") and JPMorgan Chase Bank, N.A., as administrative agent for the Banks (in such capacity, the "Administrative Agent"). Terms defined in the Credit Agreement have the same respective defined meanings when used herein. This opinion letter is being delivered pursuant to Section 3.01(d) of the Credit Agreement.

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

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

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

Based upon and subject to the foregoing and subject also to the comments and qualifications set forth below, and having considered such questions of law as we have deemed necessary as a basis for the opinion expressed below, we are of the opinion that the Credit Agreement constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer or other similar laws relating to or affecting the rights of creditors generally, and except as the enforceability of the Credit Agreement is subject to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without

limitation, (a) the possible unavailability of specific performance, injunctive relief or any other equitable remedy and (b) concepts of materiality, reasonableness, good faith and fair dealing.

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

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

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

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

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

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

Very truly yours,

BT/EKM

