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

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2008

**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)

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

**Title of each Class**

**Name of each exchange on which registered**

**Common Stock (Par Value \$2.50 per share)**

**New York Stock Exchange, Inc.**

- i Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No
- i Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No
- i 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
- i Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
- i 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
- i Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  Yes  No

As of June 30, 2008, the aggregate market value of the registrant's Common Stock held by non-affiliates (using the New York Stock Exchange closing price) was \$41.6 billion.

The number of shares outstanding of the registrant's Common Stock as of January 30, 2009 was 503,193,533.

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**Documents Incorporated by Reference** – Portions of the registrant’s definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 14, 2009, are incorporated by reference into Part III of this report. The registrant’s Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

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Fellow Shareholders:

Union Pacific withstood a very challenging year and delivered record financial results for our shareholders in 2008. We overcame a mudslide that brought down a mountain, flooding, hurricanes, record-high diesel fuel prices and a recessionary economy to produce strong earnings growth and a best-ever profit margin.

Our success stems from a consistent focus on our long-term strategy:


- Although rail is already the safest form of ground freight transportation, we achieved a record safety performance for our employees, our customers and our communities in 2008.
- We achieved the best customer satisfaction ratings in our Company's history as customers realized more value from rail transportation because of our excellent service.
- The efficiency of our Company increased throughout 2008 as we diligently executed our operating plan, increased asset turns and utilized technology to increase productivity.
- Investing capital for future growth supports the strong, long-term demand we see ahead for Union Pacific's transportation services. We will always balance this need with earning a fair return and responding to near-term economic realities.
- Our conservation efforts benefited our nation, our communities and our economy by reducing emissions and fuel consumption. During 2008, UP's fuel consumption rate improved 4 percent, saving 58 million gallons of diesel fuel.
- We also focused on producing solid shareholder returns with a two-for-one stock split, a 23 percent dividend increase and share repurchases totaling more than \$1.5 billion.

As we enter 2009, there is a great deal of concern regarding the economy. Some believe the darkest days are still ahead of us, while others expect a more near-term recovery. Whatever the case may be, Union Pacific is up to the challenge.

Throughout the current financial crisis, we maintained a solid balance sheet, a strong cash position and good access to the capital markets. Going forward, we will continue to manage our financial position to ensure flexibility and liquidity in today's challenging environment.

As the new administration in Washington focuses on infrastructure to stimulate economic growth, Union Pacific's role will be critical and our opportunity is great. America and the communities we serve need a strong rail system that is energy efficient, emissions friendly and provides good-paying American jobs. Railroads are also cost effective. For example, we can build five miles of rail for the same amount it costs to construct roughly one urban highway mile.

Since 1862, Union Pacific employees have served the needs of our nation through hard work, innovation and integrity. We are both confident and optimistic about the future of our Company. Although there certainly will be challenges in the coming months, the steps we take today will allow us to emerge from this time as an even more successful railroad tomorrow.



Chairman, President and  
Chief Executive Officer

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

**Andrew H. Card, Jr.**

Consultant and Professional  
Speaker

*Board Committees: Audit, Finance*

**Erroll B. Davis, Jr.**

Chancellor

University System of Georgia

*Board Committees: Compensation  
and Benefits, Corporate Governance  
and Nominating*

**Thomas J. Donohue**

President and

Chief Executive Officer

U.S. Chamber of Commerce

*Board Committees: Compensation  
and Benefits (Chair), Corporate  
Governance and Nominating*

**Archie W. Dunham**

Retired Chairman

ConocoPhillips

*Board Committees: Finance (Chair),  
Corporate Governance and  
Nominating*

**Judith Richards Hope**

Distinguished Visitor from Practice  
and Professor of Law

Georgetown University Law Center

*Board Committees: Audit (Chair),  
Finance*

**Charles C. Krulak**

General, USMC, Ret.

Former Commandant of the

United States Marine Corps

*Board Committees: Audit, Finance*

**Michael R. McCarthy**

Chairman

McCarthy Group, LLC

*Board Committees: Audit, Finance*

**Michael W. McConnell**

General Partner

Brown Brothers Harriman & Co.

*Board Committees: Audit,  
Compensation and Benefits*

**Thomas F. McLarty III**

President

McLarty Associates

*Board Committees: Compensation  
and Benefits, Corporate Governance  
and Nominating*

**Steven R. Rogel**

Chairman

Weyerhaeuser Company

*Board Committees: Corporate  
Governance and Nominating (Chair),  
Compensation and Benefits*

**Jose H. Villarreal**

Advisor

Akin, Gump, Strauss, Hauer & Feld,  
LLP

*Board Committees: Corporate  
Governance and Nominating, Finance*

**James R. Young**

Chairman, President and

Chief Executive Officer

Union Pacific Corporation and

Union Pacific Railroad Company

### SENIOR MANAGEMENT

**James R. Young**

Chairman, President and

Chief Executive Officer

Union Pacific Corporation and

Union Pacific Railroad Company

**Dennis J. Duffy**

Executive Vice President–

Operations

Union Pacific Railroad Company

**Charles R. Eisele**

Senior Vice President–Strategic

Planning

Union Pacific Corporation

**Lance M. Fritz**

Vice President–Labor Relations

Union Pacific Railroad Company

**Bernard R. Gutschewski**

Vice President–Taxes

Union Pacific Corporation

**J. Michael Hemmer**

Senior Vice President–Law

and General Counsel

Union Pacific Corporation

**Mary Sanders Jones**

Vice President and Treasurer

Union Pacific Corporation

**Robert M. Knight, Jr.**

Executive Vice President–Finance

and Chief Financial Officer

Union Pacific Corporation

**John J. Koraleski**

Executive Vice President–

Marketing and Sales

Union Pacific Railroad Company

**Richard R. McClish**

Vice President–

Continuous Improvement

Union Pacific Railroad Company

**Joseph E. O'Connor, Jr.**

Vice President–Purchasing

Union Pacific Railroad Company

**Michael A. Rock**

Vice President–External Relations

Union Pacific Corporation

**Barbara W. Schaefer**

Senior Vice President–Human

Resources and Secretary

Union Pacific Corporation

**Lynden L. Tennison**

Senior Vice President and

Chief Information Officer

Union Pacific Corporation

**Jeffrey P. Totusek**

Vice President and Controller

Union Pacific Corporation

**Robert W. Turner**

Senior Vice President–

Corporate Relations

Union Pacific Corporation

**PART I**

**Item 1. Business**

**GENERAL**

Union Pacific Corporation owns one of America's leading transportation companies. Its principal operating company, Union Pacific Railroad Company, links 23 states in the western two-thirds of the country and serves the fastest-growing U.S. population centers. Union Pacific's diversified business mix includes agricultural products, automotive, chemicals, energy, industrial products and intermodal. It offers competitive long-haul routes from all major West Coast and Gulf Coast ports to eastern gateways. Union Pacific Railroad Company connects with Canada's rail systems and is the only railroad serving all six major gateways to Mexico, making it North America's premier rail franchise.

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

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

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

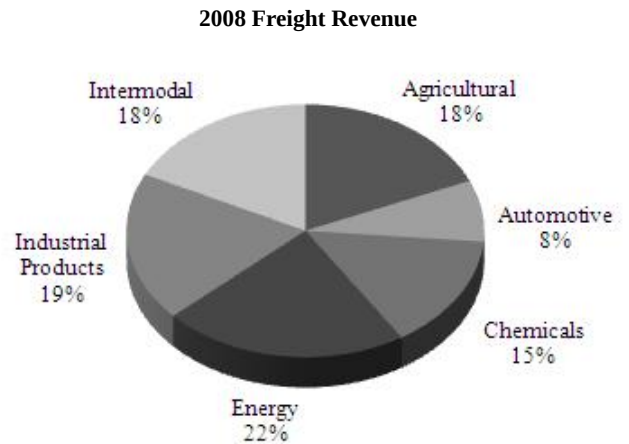
We have included the Chief Executive Officer (CEO) and Chief Financial Officer certifications regarding our public disclosure required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31(a) and (b) to this report. Additionally, we filed with the NYSE the CEO's certification regarding our compliance with the NYSE's Corporate Governance Listing Standards (Listing Standards) pursuant to Section 303A.12(a) of the Listing Standards, which was dated May 12, 2008, and indicated that the CEO was not aware of any violations of the Listing Standards by the Corporation.

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

**OPERATIONS**

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

**Operations** – UPRR is a Class I railroad operating in the United States. We have approximately 32,012 route miles, linking Pacific Coast and Gulf Coast ports with the Midwest and eastern United States gateways and providing several corridors to key Mexican gateways. We serve the western two-thirds of the country and maintain coordinated schedules with other rail carriers to move freight to and from the Atlantic Coast, the Pacific Coast, the Southeast, the Southwest, Canada, and Mexico. Export and import traffic moves through Gulf Coast and Pacific Coast ports and across the Mexican and Canadian borders. Our freight traffic consists of bulk, manifest, and premium business. Bulk traffic is primarily coal, grain, rock, or soda ash in unit trains – trains transporting a single commodity from one source to one destination. Manifest traffic is individual carload or less than train-load business, including commodities such as lumber, steel, paper, and food. The transportation of finished vehicles and intermodal containers is part of our premium business. In 2008, we generated freight revenues totaling \$17.1 billion from the following six commodity groups:



*Agricultural* – Transporting agricultural products, including whole grains, commodities produced from these grains, and food and beverage products, provided 18% of our 2008 freight revenues. With access to most major grain markets, we provide a critical link between the Midwest and western producing areas and export terminals in the Pacific Northwest (PNW) and Gulf ports, as well as Mexico. Unit trains of grain efficiently shuttle between producers and export terminals or domestic markets. We also serve significant domestic markets, including grain processors, animal feeders, and ethanol producers in the Midwest, West, South, and Rocky Mountain states. Primary food commodities consist of a variety of fresh and frozen fruits and vegetables, dairy products, and beverages, which are moved to major U.S. population centers for distribution and consumption. Express Lane and our Produce Unit Train, our premium perishables services that move fruits and vegetables from the PNW and California with priority service to destinations in the East, compete with the trucking industry. We transport frozen meat and poultry to the West Coast ports for export, while beverages, primarily beer, enter the U.S. from Mexico.

*Automotive* – We are the largest automotive carrier west of the Mississippi River, serving seven vehicle assembly plants and distributing imported vehicles from six West Coast ports and Houston. We off-load finished vehicles at 38 vehicle distribution centers for delivery by truck to all major western U.S. cities. In addition to transporting finished vehicles, we provide expedited handling of automotive parts in both boxcars and intermodal containers to several assembly plants. We carry automotive materials bound for assembly plants in Mexico, the U.S., and Canada, and we also transport finished vehicles from manufacturing facilities in Mexico. In 2008, transportation of finished vehicles and automotive materials accounted for 8% of our freight revenues.

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*Chemicals* – Transporting chemicals provided 15% of our freight revenues in 2008. Our franchise enables us to serve the chemical producing areas along the Gulf Coast, as well as the Rocky Mountain region. Two-thirds of the chemicals business consists of liquid and dry chemicals, plastics, and liquid petroleum products. In addition to transporting plastics, customers also use our storage-in-transit yards for intermediate storage of plastic resins. Soda ash shipments originate in southwestern Wyoming and California destined primarily for glass producing markets in the East, the West, and abroad. Fertilizer movements originate primarily in the Gulf Coast region, as well as the West and Canada, bound for major agricultural users in the Midwest and the western U.S.

*Energy* – Coal transportation accounted for 22% of our 2008 freight revenues. Our transportation network allows us to transport coal and coke to utilities, industrial facilities, interchange points, and water terminals. The water terminals provide access to the West and Gulf Coasts for export, and rail/barge interchange facilities on the Mississippi and Ohio Rivers and the Great Lakes. We serve mines located in the Southern Powder River Basin of Wyoming (SPRB), Colorado, Utah, southern Wyoming, and southern Illinois. SPRB coal represents the largest growth segment of the market, as utilities continue to favor its lower cost and low-sulfur content.

*Industrial Products* – Our extensive network enables our industrial products group to move numerous commodities between thousands of origin and destination points throughout North America. Lumber shipments originate primarily in the PNW and Canada for destinations throughout the United States for new home construction and repair and remodeling. Commercial and highway construction drives shipments of steel and construction products, consisting of rock, cement, and roofing materials. Paper and consumer goods, including furniture and appliances, are shipped to major metropolitan areas for consumers. Nonferrous metals and industrial minerals are moved for industrial manufacturing. In addition, we provide efficient and safe transportation for government entities and waste companies. In 2008, transporting industrial products provided 19% of our freight revenues.

*Intermodal* – Our intermodal business, which represented 18% of our freight revenues in 2008, includes international, domestic, and premium shipments. International business consists of imported or exported container traffic that arrives at, or departs from, West Coast ports via ocean vessel. Domestic business includes domestic container and trailer traffic for major retailers and other U.S. businesses that is sold through intermodal marketing companies (primarily shipper agents and consolidators) and truckload carriers. Less-than-truckload and package carriers with time-sensitive business requirements account for the majority of our premium service.

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

**Working Capital** – We currently have, and historically have had, a working capital deficit, which is common in our industry and does not indicate a lack of liquidity or financial stability. We maintain adequate resources and, when necessary, have access to capital to meet any daily and short-term cash requirements, and we have sufficient financial capacity to satisfy our current liabilities.

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

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

**Employees** – Approximately 86% of our 48,242 full-time-equivalent employees are represented by 14 major rail unions. We concluded the most recent round of negotiations with the unions in 2008 when the last three unions (yardmasters, United Transportation Union, and the IAM) ratified new agreements. The 14 unions executed similar multi-year agreements that provide for wage increases and increased employee health and welfare cost sharing. The annual wage increases (including retroactive increases) are as follows: July 2005 2.5%; July 2006 3.0%; July 2007 3.0%; July 2008 4.0%; July 2009 4.5%. The current agreements expire on December 31, 2009, and the next round of negotiations will begin in late 2009.

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

*UPRR Security Measures* – We maintain a comprehensive security plan designed to deter and to respond to any potential or actual threats as they arise. The plan includes four levels of alert status, each with its own set of countermeasures. We employ our own police force, consisting of more than 220 commissioned and highly-trained officers. Our employees also undergo recurrent security and preparedness training, as well as federally-mandated hazardous materials and security training. We regularly review the sufficiency of our employee training programs for ways to increase preparedness and to improve security.

We have an emergency response management center, which operates 24 hours a day. The center receives reports of emergencies, dangerous or potentially dangerous conditions, and other safety and security issues from our employees, the public, and law enforcement and other government officials. In cooperation with government officials, we monitor both threats and public events, and as necessary, we



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may alter rail traffic flow near high-risk areas to minimize risk to communities we serve and our operations. We comply with the hazardous materials routing rules and other requirements imposed by federal law. We also design our operating plan to expedite the movement of hazardous material shipments to minimize the time rail cars remain idle at yards and terminals located in or near major population centers. Additionally, we are prepared to comply with new Transportation Security Agency (TSA) regulations governing tracking and the chain of custody for Rail Security-Sensitive Material Shipments, including toxic inhalation hazard materials, which will take effect on April 1, 2009.

We also have established a number of our own innovative safety and security-oriented initiatives ranging from various investments in technology to the Officer on the Train program, which provides local law enforcement officers with the opportunity to ride with train crews to enhance their understanding of railroad operations and risks.

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

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

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

## **GOVERNMENTAL AND ENVIRONMENTAL REGULATION**

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

The operations of the Railroad are subject to the regulatory jurisdiction of the STB. The operations of the Railroad are also subject to the regulations of the FRA and other federal and state agencies. The STB has jurisdiction over rates charged on certain regulated rail traffic; common carrier service of regulated traffic; freight car compensation; transfer, extension, or abandonment of rail lines; and acquisition of control of rail common carriers. On January 26, 2007, the STB issued a decision limiting the manner in which U.S. railroads can calculate fuel surcharges on traffic regulated by the STB, and we have complied with this regulation. The STB also has adopted new mechanisms for regulating some of our rates, adopted a new methodology for calculating the cost of capital for railroads, and expanded its review of line sales and leases. Various appeals may affect these regulations prior to final implementation.

DOT, the Occupational Safety and Health Administration, and the DHS, along with other federal agencies, have jurisdiction over certain aspects of safety, movement of hazardous materials, movement

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and disposal of hazardous waste, emissions requirements, and equipment standards. On October 16, 2008, the President signed the Rail Safety Improvement Act of 2008 into the law, which, among other things, revises hours of service rules for train and certain other railroad employees, mandates implementation of positive train control (a collision avoidance technology that can override locomotive controls and stop a train before an accident) by the end of 2015, addresses safety at rail crossings, increases the number of safety related employees of the FRA, and increases fines that may be levied against railroads for safety violations. Additionally, various state and local agencies have jurisdiction over disposal of hazardous waste and seek to regulate movement of hazardous materials in areas not otherwise preempted by federal law.

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

Information concerning environmental claims and contingencies and estimated remediation costs is set forth in Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Environmental, Item 7.

### **Item 1A. Risk Factors**

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

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

*We Are Subject to Significant Governmental Regulation* – We are subject to governmental regulation by a significant number of federal, state, and local authorities covering a variety of health, safety, labor, environmental, economic (as discussed below), and other matters. Many laws and regulations require us to obtain and maintain various licenses, permits, and other authorizations, and we cannot guarantee that we will continue to be able to do so. Our failure to comply with applicable laws and regulations could have a material adverse effect on us. Governments may change the legislative or regulatory frameworks within which we operate without providing us any recourse to address any adverse effects on our business, including, without limitation, regulatory determinations or rules regarding dispute resolution, business relationships with other railroads, calculation of our cost of capital or other inputs relevant to determining or estimating our revenue adequacy, and costs and expenses. In recent years, there has been a significant level of legislative activity involving proposed bills in Congress and state legislatures seeking to re-regulate various aspects of railroad operations. As part of the Rail Safety Improvement Act of 2008, railroad carriers must implement positive train control (a collision avoidance technology that can override locomotive controls and stop a train before an accident) by the end of 2015, which could have a material adverse effect on our results of operations, financial condition, and liquidity. Increased regulation of the rail industry likely would restrict our ability to determine prices for certain rail services, affect our ability to control traffic volume, and reduce capital spending on our rail network, facilities and equipment, resulting in a material adverse effect on our results of operations, financial condition, and liquidity.

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Additionally, one or more consolidations of Class I railroads could lead to increased regulation of the rail industry.

*We May Be Subject to Various Claims and Lawsuits That Could Result in Significant Expenditures* – The nature of our business exposes us to the potential for various claims and litigation related to labor and employment, personal injury, property damage, environmental liability, and other matters. Any material changes to litigation trends or a catastrophic rail accident or series of accidents involving any or all of property damage, personal injury, and environmental liability could have a material adverse effect on our results of operations, financial condition, and liquidity.

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

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

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

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

*We Must Manage Fluctuating Demand for Our Services and Network Capacity* – If there is significant demand for our services that exceeds the designed capacity of our network, we may experience network difficulties, including congestion and reduced velocity, that could compromise the level of service we provide to our customers. This level of demand may also compound the impact of weather and weather-related events on our operations and velocity. Although we continue to improve our transportation plan, add capacity, and improve operations at our yards and other facilities, we cannot be sure that these measures will fully or adequately address any service shortcomings resulting from demand exceeding our planned capacity. We may experience other operational or service difficulties related to network

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capacity, dramatic and unplanned increases or decreases of demand for rail service with respect to one or more of our commodity groups, or other events that could have a negative impact on our operational efficiency, any of which could have a material adverse effect on our results of operations, financial condition, and liquidity. In the event that we experience significant reductions of demand for rail services with respect to one or more of our commodity groups, we may experience increased costs associated with resizing our operations, including higher unit operating costs and costs for the storage of locomotives, rail cars, and other equipment; work-force adjustments; and other related activities, which could have a material adverse effect on our results of operations, financial condition, and liquidity.

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

*Strikes or Work Stoppages Could Adversely Affect Our Operations as the Majority of Our Employees Belong to Labor Unions and Labor Agreements* – We are a party to collective bargaining agreements with various labor unions. Disputes with regard to the terms of these agreements or our potential inability to negotiate acceptable contracts with these unions could result in, among other things, strikes, work stoppages, or other slowdowns by the affected workers. If unionized workers were to engage in a strike, work stoppage, or other slowdown, or other employees were to become unionized, we could experience a significant disruption of our operations or higher ongoing labor costs, either of which could have a material adverse effect on our results of operations, financial condition, and liquidity. Additionally, future national labor agreements, or renegotiation of labor agreements or provisions of labor agreements, could compromise our service reliability and significantly increase our costs for healthcare, wages, and other benefits, which could have a material adverse impact on our results of operations, financial condition, and liquidity.

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

*We May Be Affected by Climate Change and Market or Regulatory Responses to Climate Change* – Climate change, including the impact of global warming, could have a material adverse effect on our results of operations, financial condition, and liquidity. Restrictions, caps, taxes, or other controls on emissions of greenhouse gasses, including diesel exhaust, could significantly increase our operating costs.

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

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

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

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

*We Are Dependent on Certain Key Suppliers of Locomotives and Rail* – Due to the capital intensive nature and sophistication of locomotive equipment, potential new suppliers face high barriers to entry with respect to locomotive manufacturing. Therefore, if one of these domestic suppliers discontinues manufacturing locomotives for any reason, including bankruptcy or insolvency, we could experience significant cost increases and reduced availability of the locomotives that are necessary to our operations. Additionally, there are two key suppliers of rail, which is critical for rail replacement programs, maintenance, and for adding additional network capacity, new rail and storage yards, and expansions of existing facilities. This industry similarly has high barriers to entry, and if one of these suppliers discontinues operations for any reason, including bankruptcy or insolvency, we could experience both

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significant cost increases for rail purchases and difficulty obtaining sufficient rail for maintenance and other projects.

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

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

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



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**Track** – Our rail network includes 32,012 route miles. We own 26,171 miles and operate on the remainder pursuant to trackage rights or leases. The following table describes track miles at December 31, 2008 and 2007.

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	2008	2007
Route miles	32,012	32,205
Other main line	6,510	6,404
Passing lines and turnouts	3,037	3,021
Switching and classification yard lines	9,207	9,270
Total	50,766	50,900

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**Harriman Dispatching Center** – The Harriman Dispatching Center (HDC), located in Omaha, Nebraska, is our primary dispatching facility. It is linked to regional dispatching and locomotive management facilities at various locations along our network. The HDC moves locomotives and trains, manages traffic on our network, and coordinates interchanges with other railroads. Over 1,000 employees currently work on-site in the facility.

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

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	2008	Avg. Daily Car Volume 2007
<i>Top 10 Classification Yards</i>		
North Platte, Nebraska	2,500	2,700
North Little Rock, Arkansas	1,600	1,600
Proviso (Chicago), Illinois	1,500	1,600
Englewood (Houston), Texas	1,300	1,300
Fort Worth, Texas	1,300	1,200
Roseville, California	1,300	1,400
Livonia, Louisiana	1,200	1,300
West Colton, California	1,200	1,300
Pine Bluff, Arkansas	1,200	1,300
Neff (Kansas City), Missouri	1,000	1,000

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<i>Top 10 Intermodal Terminals</i>	<i>Annual Lifts</i>	
	<i>2008</i>	<i>2007</i>
ICTF (Los Angeles), California	<b>619,000</b>	719,000
East Los Angeles, California	<b>383,000</b>	360,000
Marion (Memphis), Tennessee	<b>360,000</b>	414,000
Global II (Chicago), Illinois	<b>299,000</b>	353,000
Dallas, Texas	<b>294,000</b>	292,000
Global I (Chicago), Illinois	<b>291,000</b>	310,000
Seattle, Washington	<b>228,000</b>	250,000
Yard Center (Chicago), Illinois	<b>227,000</b>	238,000
Oakland, California	<b>222,000</b>	236,000
Englewood (Houston), Texas	<b>207,000</b>	214,000

**Rail Equipment** – Our equipment includes owned and leased locomotives and rail cars; heavy maintenance equipment and machinery; other equipment and tools in our shops, offices, and facilities; and vehicles for transportation of crews and other activities. As of December 31, 2008, we owned or leased the following units of equipment:

<i>Locomotives</i>	<i>Owned</i>	<i>Leased</i>	<i>Total</i>	<i>Average</i>
				<i>Age (yrs.)</i>
Road	4,247	3,531	7,778	14.6
Switching	475	28	503	30.6
Other	112	55	167	21.5
Total locomotives	4,834	3,614	8,448	N/A

<i>Freight cars</i>	<i>Owned</i>	<i>Leased</i>	<i>Total</i>	<i>Average</i>
				<i>Age (yrs.)</i>
Covered hoppers	13,053	22,602	35,655	29.4
Open hoppers	13,144	4,990	18,134	29.4
Gondolas	7,197	6,726	13,923	26.9
Boxcars	6,469	3,365	9,834	27.0
Mechanical refrigerated	2,696	4,722	7,418	20.8
Flat cars	3,460	865	4,325	31.2
Other	112	604	716	N/A
Total freight cars	46,131	43,874	90,005	N/A

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

**2008 Capital Expenditures** – During 2008, we made capital investments totaling \$3.1 billion, which included cash spending of \$2.8 billion (see the capital expenditures table in Management’s Discussion



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and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Financial Condition, Item 7). Our capital plan included the acquisition of 82 locomotives, 300 freight cars and 2,000 intermodal containers acquired under long-term operating leases with an aggregate net present value of \$178 million. We also acquired 83 locomotives through capital lease financings valued at \$175 million.

**Infrastructure Expansion** – One of our critical routes is the Sunset Corridor, a 760-mile route running between Los Angeles and El Paso, Texas. This heavily traveled corridor carries about 20 percent of our traffic, including a significant amount of intermodal traffic. In 2008, we added 45 miles of double track to the corridor, which now includes nearly 455 miles of double track (approximately 60% of the route). To support anticipated growth on the Sunset Corridor, as well as our other key routes, we continue to upgrade and add terminal capacity. During 2008, we opened a new intermodal facility at San Antonio, Texas, and acquired property for the construction of a new intermodal facility in Joliet, Illinois.

An important part of our franchise is our access to the coal-producing SPRB through a line that we jointly own with BNSF (the Joint Line). In addition to the significant annual replacement required on the Joint Line (due to the volume of trains, the weight of loaded coal cars, and the impact of coal dust on rail beds), a capacity expansion project is underway. During 2008, we added approximately 20 miles of track on the Joint Line, now making those sections quadruple tracked, as well as approximately 10 miles of triple track on our line into the SPRB.

**2009 Capital Expenditures** – In 2009, we expect to make capital investments of approximately \$2.8 billion (which may be revised if business conditions or new laws or regulations affect our ability to generate sufficient returns on these investments). See discussion of our 2009 capital plan in Management’s Discussion and Analysis of Financial Condition and Results of Operations – 2009 Outlook, Item 7.

**Equipment Encumbrance** – Equipment with a carrying value of approximately \$2.7 billion and \$2.8 billion at December 31, 2008 and 2007, respectively, serves as collateral for capital leases and other types of equipment obligations in accordance with the secured financing arrangements utilized to acquire such railroad equipment.

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

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

### **Item 3. Legal Proceedings**

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

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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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, the Railroad received notice from the Army Corps of Engineers (the Corps) that, during its construction efforts to restore service to the Caliente Subdivision after severe flooding in January 2005, the Railroad may have exceeded its authority under emergency authorizations and permits issued by the Corps. Subsequently, the Corps referred the matter to the EPA, which has demanded that the Railroad repair claimed impacts to the adjacent waterway, perform compensatory mitigation, and pay a civil penalty in connection with this project and related storm water issues. The Railroad and the EPA have discussed the scope of additional work to be performed by the Railroad to address alleged impacts of its construction activities, as well as compensatory mitigation and potential penalties. To date, we have not reached a final agreement with the EPA, and, therefore, the ultimate amount of the civil penalty cannot be determined. However, the penalty component of the settlement will exceed \$100,000.

As we reported in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, the Illinois Attorney General's office filed an Agreed Order and Complaint and a Complaint for Injunctive and Other Relief on October 7, 2004, in the Circuit Court for the Twentieth Judicial Circuit (St. Clair County) against The Alton & Southern Railway Company, a wholly-owned subsidiary of the Railroad, as a result of a collision and derailment on September 21, 2004. The State of Illinois sought to enjoin The Alton & Southern Railway Company from further violations, as well as payment of a monetary penalty. The Railroad executed an agreement to settle this matter with the State of Illinois. Once it is approved by the Court, the agreement will require payment of a penalty in the amount of \$48,000.

As we reported in our Annual Report on Form 10-K for 2005, the 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. It has nonetheless engaged in extensive negotiations with the EPA. These negotiations reached an apparent impasse. 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 \$32,500 per day and triple 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. To date, the EPA has rejected all of the Railroad's offers to settle or resolve this matter. The Railroad will vigorously contest liability and the imposition of any penalties.

As we reported in our Annual Report on Form 10-K for 2005, the Illinois Attorney General's office filed a complaint in the Circuit Court for the Twentieth Judicial Circuit (St. Clair County) for injunctive and other relief on November 28, 2005, against the Railroad, alleging a diesel fuel spill from an above-ground storage tank in a rail yard in Dupon, St. Clair County, Illinois. The State of Illinois seeks to enjoin UPRR from further violations and a monetary penalty. The amount of the proposed penalty, although uncertain, could exceed \$100,000.

As we reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, the Railroad received notice from the United States Department of Justice on May 8, 2008, indicating its intent to file suit for civil penalties in connection with a March 6, 2005 derailment near Kamela, Oregon. The derailment resulted in the release of approximately 900 gallons of diesel fuel from ruptured fuel tanks of

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derailed refrigerator cars. Some of this fuel entered Dry Creek, a tributary to the Grande Ronde River. While the amount of the ultimate penalty is uncertain, it could exceed \$100,000.

As we reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, the Railroad has been engaged in discussions with the United States Attorney for the District of Utah and the Utah Attorney General concerning the transfer of certain engineering signal huts to a recycler in Salt Lake City in September 2005. The EPA, the United States Attorney, and the Utah Attorney General contend that the Railroad failed to provide predemolition notification pursuant to the National Emissions Standards for Hazardous Air Pollutants (NESHAPs) prior to removing those huts from their foundations. The Railroad maintains that the predemolition notification requirements of the NESHAPs do not apply to the removal of these signal huts. The Railroad and the government have reached an agreement in principal involving a proposed consent decree under which the Railroad will pay a civil penalty in the amount of \$200,000, plus approximately \$28,000 in investigative costs.

On April 26, 2007 the Colorado Department of Public Health and Environment issued a Notice of Violation/Cease and Desist Order to the Railroad in connection with certain alleged violations of the Railroad's stormwater permits at its Burnham Shops and North Yard facilities in Denver, Colorado. The Order required the Railroad, among other things, to evaluate the effectiveness of the best management practices (BMPs) that were in place to control stormwater and pollutant discharges from the regulated portions of those facilities, take appropriate remedial actions, implement additional BMPs to control the discharge of pollutants at each of the facilities, and report the results of its evaluation and demonstrate compliance with its stormwater permits to the agency. In October 2008, the State indicated that it would pursue a civil penalty in connection with the alleged permit violations noted in the Order. The amount of any such penalty is uncertain but could exceed \$100,000.

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

Information concerning environmental claims and contingencies and estimated remediation costs is set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Environmental, Item 7.

### **OTHER MATTERS**

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. 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 involve plaintiffs alleging that they are or were indirect purchasers of rail transportation and seek to represent a purported class of indirect purchasers of rail transportation that paid fuel surcharges. These complaints have 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 D.C. for coordinated or consolidated pretrial

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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 delivered on November 7, 2008, Judge Friedman denied the motion with respect to the direct purchasers' complaint, and, therefore, that case will proceed to discovery. On December 31, 2008, Judge Friedman ruled that the allegations of the indirect purchasers based upon state antitrust, consumer protection and unjust enrichment laws must be dismissed. He also ruled, however, that the plaintiffs can proceed with their claim for injunctive relief under the federal antitrust laws, which is identical to a claim by the direct purchaser plaintiffs.

Additionally, the Attorney General of New Jersey issued a grand jury subpoena to us requesting documents pertaining to our fuel surcharge programs. We met with representatives of the Attorney General's office in an effort to resolve their interest in this matter. On July 9, 2008, the Attorney General's office advised us that it is not moving forward with the criminal investigation at this time but is reserving the right to reopen the investigation if circumstances warrant.

We deny the allegations that our fuel surcharge programs violate the antitrust laws or any other laws. We believe that these lawsuits are without merit, and we will vigorously defend our actions. Therefore, we currently believe that these matters will not have a material adverse effect on any of our results of operations, financial condition, and liquidity.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2008.

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### **Executive Officers of the Registrant and Principal Executive Officers of Subsidiaries**

The Board of Directors typically elects and designates our executive officers on an annual basis at the board meeting held in conjunction with the Annual Meeting of Shareholders, and they hold office until their successors are elected. Executive officers also may be elected and designated throughout the year, as the Board of Directors considers appropriate. There are no family relationships among the officers, nor any arrangement or understanding between any officer and any other person pursuant to which the officer was selected. The following table sets forth certain information, as of February 1, 2009, relating to the executive officers.

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Business Experience During Past Five Years</u>
James R. Young	Chairman, President and Chief Executive Officer of UPC and the Railroad	56	[1]
Robert M. Knight, Jr.	Executive Vice President – Finance and Chief Financial Officer of UPC and the Railroad	51	[2]
J. Michael Hemmer	Senior Vice President – Law and General Counsel of UPC and the Railroad	59	[3]
Barbara W. Schaefer	Senior Vice President – Human Resources and Secretary of UPC and the Railroad	55	[4]
Jeffrey P. Totusek	Vice President and Controller of UPC and Chief Accounting Officer and Controller of the Railroad	50	[5]
Dennis J. Duffy	Executive Vice President – Operations of the Railroad	58	Current Position
John J. Koraleski	Executive Vice President – Marketing and Sales of the Railroad	58	Current Position

[1] Mr. Young was elected Chief Executive Officer and President of UPC and the Railroad effective January 1, 2006. He was elected to the additional position of Chairman effective February 1, 2007. He was elected President and Chief Operating Officer of the Railroad, effective February 1, 2004, and he previously was Executive Vice President – Finance of UPC and Chief Financial Officer of the Railroad.

[2] Mr. Knight was elected to his current position effective February 1, 2004. He previously was Senior Vice President – Finance for UPC and the Railroad.

[3] Mr. Hemmer was elected to his current position effective June 1, 2004. Mr. Hemmer previously was Vice President – Law of the Railroad.

[4] Mrs. Schaefer has held the position of Senior Vice President – Human Resources for the past five years. In addition, she was elected Secretary of UPC and the Railroad effective June 1, 2004.

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

**PART II**

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

Our common stock is traded on the NYSE under the symbol “UNP”. On May 28, 2008, we completed a two-for-one stock split, effected in the form of a 100% stock dividend. The stock split entitled all shareholders of record at the close of business on May 12, 2008, to receive one additional share of our common stock, par value \$2.50 per share, for each share of common stock held on that date. All references to common shares and per share information have been restated to reflect the stock split for all periods presented. The following table presents the dividends declared and the high and low closing prices of our common stock for each of the indicated quarters.

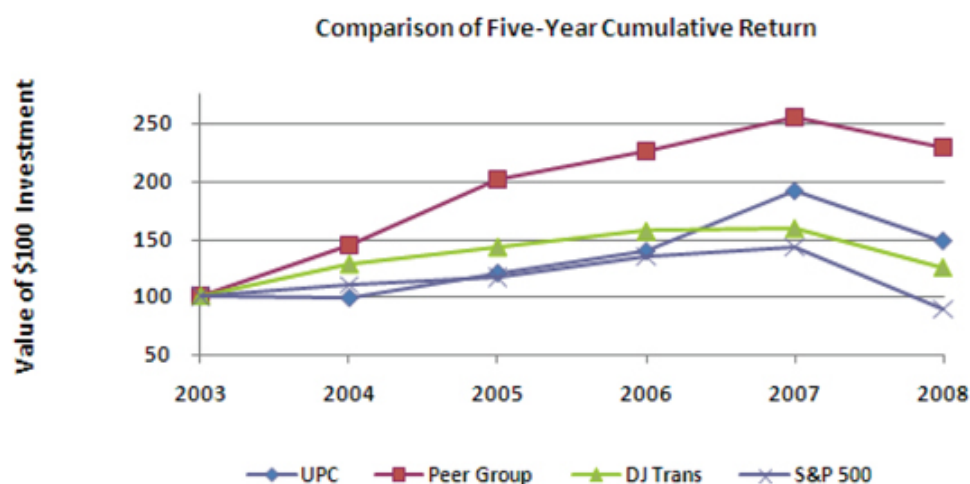
<i>2008 - Dollars Per Share</i>				
	<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4</i>
Dividends	\$ 0.22	\$ 0.22	\$ 0.27	\$ 0.27
Common stock price:				
High	65.29	82.76	85.80	71.78
Low	52.66	62.98	67.34	41.84
<i>2007 - Dollars Per Share</i>				
Dividends	\$ 0.175	\$ 0.175	\$ 0.175	\$ 0.220
Common stock price:				
High	52.92	61.40	64.68	68.78
Low	44.79	50.21	49.69	55.04

At January 30, 2009, there were 503,193,533 shares of outstanding common stock and 34,250 common shareholders of record. On that date, the closing price of the common stock on the NYSE was \$43.79. We have paid dividends to our common shareholders during each of the past 109 years. We declared dividends totaling \$501 million in 2008 and \$396 million in 2007. On July 31, 2008, we increased the quarterly dividend to \$0.27 per share, payable beginning on October 1, 2008, to shareholders of record on August 29, 2008. We are subject to certain restrictions regarding retained earnings with respect to the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends decreased to \$10.5 billion at December 31, 2008, from \$11.5 billion at December 31, 2007. See discussion of this restriction in Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources, Item 7. We do not believe the restriction on retained earnings will affect our ability to pay dividends, and we currently expect to pay dividends in 2009 comparable to 2008.

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

<i>Period</i>	<i>UPC</i>	<i>Peer Group</i>	<i>Dow Jones</i>	<i>S&amp;P 500</i>
1 Year (2008)	(22.7)%	(10.3)%	(21.4)%	(37.0)%
3 Year (2006-2008)	23.4	12.8	(12.6)	(23.0)

**Five-Year Performance Comparison** – The following graph provides an indicator of cumulative total shareholder returns for the Corporation as compared to the peer group index (described above), the Dow Jones, and the S&P 500. The graph assumes that the value of the investment in the common stock of Union Pacific Corporation and each index was \$100 on December 31, 2003, and that all dividends were reinvested.



**Purchases of Equity Securities** – During 2008, we repurchased 23,036,995 shares of our common stock at an average price of \$68.91. The following table presents common stock repurchases during each month for the fourth quarter of 2008:

<i>Period</i>	<i>Total Number of Shares Purchased [a]</i>	<i>Average Price Paid Per Share</i>	<i>Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program</i>	<i>Maximum Number of Shares That May Yet Be Purchased Under the Plan or Program [b]</i>
Oct. 1 through Oct. 31	1,126,551	\$ 60.08	1,126,366	34,834,006
Nov. 1 through Nov. 30	1,934,572	59.87	1,927,272	32,906,734
Dec. 1 through Dec. 31	329,644	47.53	329,644	32,577,090
<b>Total</b>	<b>3,390,767</b>	<b>\$ 58.74</b>	<b>3,383,282</b>	N/A

[a] Total number of shares purchased during the quarter includes 7,485 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 January 30, 2007, our Board of Directors authorized us to repurchase up to 40 million shares of our common stock through December 31, 2009. 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. On May 1, 2008, our Board of Directors authorized an additional repurchase of 40 million shares of our common stock through March 31, 2011.

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**Item 6. Selected Financial Data**

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

Millions of Dollars, Except per Share Amounts,  
Carloads, Employee Statistics, and Ratios

	2008	2007	2006	2005 [a]	2004 [b]
<b>For the Year Ended December 31</b>					
Operating revenues [c]	\$ 17,970	\$ 16,283	\$ 15,578	\$ 13,578	\$ 12,215
Operating income	4,075	3,375	2,884	1,795	1,295
Net income	2,338	1,855	1,606	1,026	604
Earnings per share - basic [d]	4.58	3.49	2.98	1.95	1.17
Earnings per share - diluted [d]	4.54	3.46	2.95	1.92	1.15
Dividends declared per share [d]	0.98	0.745	0.60	0.60	0.60
Cash provided by operating activities	4,070	3,277	2,880	2,595	2,257
Cash used for capital investments	(2,780)	(2,496)	(2,242)	(2,169)	(1,876)
Cash used for common share repurchases	(1,609)	(1,375)	-	-	-
<b>At December 31</b>					
Total assets	\$ 39,722	\$ 38,033	\$ 36,515	\$ 35,620	\$ 34,596
Debt due after one year	8,607	7,543	6,000	6,760	7,981
Common shareholders' equity	15,447	15,585	15,312	13,707	12,655
Equity per common share [e]	30.70	29.87	28.34	25.70	24.29
<b>Additional Data</b>					
Freight revenues [c]	\$ 17,118	\$ 15,486	\$ 14,791	\$ 12,856	\$ 11,575
Revenue carloads (units) (000)	9,261	9,733	9,852	9,544	9,458
Operating margin (%) [f]	22.7	20.7	18.5	13.2	10.6
Operating ratio (%) [f]	77.3	79.3	81.5	86.8	89.4
Average employees (000)	48.2	50.1	50.7	49.7	48.3
Operating revenues per employee (000)	\$ 372.8	\$ 325.0	\$ 307.2	\$ 273.2	\$ 252.9
<b>Financial Ratios (%)</b>					
Debt to capital [g]	36.6	33.0	30.7	35.1	39.1
Return on average common shareholders' equity [h]	15.1	12.0	11.1	7.8	4.8

[a] 2005 net income includes a \$118 million tax expense reduction to reflect a reduction in the estimated deferred income tax liability.

[b] 2004 operating income and net income includes a \$247 million pre-tax (\$154 million after-tax) charge for unasserted asbestos-related claims.

[c] Includes fuel surcharge revenue of \$2,323 million, \$1,478 million, \$1,619 million, \$963 million, and \$292 million for 2008, 2007, 2006, 2005, and 2004, respectively, which partially offsets increased operating expenses for fuel. Fuel surcharge revenue is not comparable to prior periods due to implementation of new mileage-based fuel surcharge programs in each respective year. See further discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Operating Revenue, Item 7.

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

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

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

[g] Debt to capital is determined as follows: total debt divided by total debt plus equity.

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



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

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

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

**EXECUTIVE SUMMARY**

**2008 Results**

- **Safety** – We operated a safer railroad in 2008, improving safety for all of our employees, customers, and the communities where we operate. The employee injury incident rate per 200,000 man-hours declined 11% from 2007 to its lowest level ever. A continued focus on derailment prevention in 2008 resulted in a 14% reduction in incidents, with associated costs declining 7%. With respect to public safety, we closed 435 grade crossings to reduce our exposure to incidents. We also continued installing video cameras in our road locomotives and now have camera-equipped locomotives in the lead position of over 90% of our road trains. These video cameras allow us to better analyze grade crossing conditions and incidents, increasing safety for our employees and the public. The number of grade crossing incidents decreased 18% during the year, to the lowest number on record. Also, through extensive trespass reduction programs, we were able to reduce trespasser incidents by 9%. All of these improvements are the result of comprehensive efforts to enhance employee training, increase public education, make targeted capital investments, and take proactive steps to eliminate or reduce safety risks.
- **Financial Performance** – In 2008, we generated operating income of \$4.1 billion despite the recessionary economy. Yield increases, network management initiatives, and improved productivity drove the 21% increase in operating income, more than offsetting a 5% reduction in volume levels, which reflects deteriorating economic conditions during the year, particularly in the fourth quarter. Our operating ratio was 77.3% for the year, a 2 point improvement compared to 2007. Net income of \$2.3 billion also exceeded our previous milestone, translating into earnings of \$4.54 per diluted share.
- **Freight Revenues** – Our freight revenues grew 11% year-over-year to \$17.1 billion. We achieved record revenue levels in five of our six commodity groups, driven by better pricing and fuel cost recovery. Since 2004, we have repriced approximately 82% of our business. Overall, volume decreased 5% in 2008 due to the weakening economy, driving lower demand in several market sectors, particularly the automotive, domestic housing and construction markets.
- **Network Operations** – In 2008, we significantly improved the fluidity and efficiency of our transportation network. Continued focus on increasing velocity, eliminating work events, improving asset utilization, and expanding capacity were key drivers of our operational improvement. Lower volume levels also contributed to the increased efficiency. We increased average train speed by 8%, reduced average terminal dwell time by 1%, and improved car utilization by 4% with ongoing enhancements to our Unified Plan (an ongoing program that streamlines segments of our transportation plan) and by implementing initiatives to make train processing at our terminals more efficient. We also expanded capacity and continued to use industrial engineering techniques to further improve network fluidity and improve asset utilization. Our customer satisfaction improved to record

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levels during 2008, an indication that efforts to improve network operations translated into better customer service.

- **Fuel Prices** – Crude oil prices increased at a steady rate through the first seven months of 2008, closing at a record high of \$145.29 a barrel in early July. As the economy worsened during the third and fourth quarters, fuel prices dropped dramatically, hitting \$33.87 per barrel in December, a near five-year low. Despite these price declines toward the end of the year, our 2008 average fuel price increased by 39% and added \$1.1 billion of operating expenses compared to 2007. Our fuel surcharge programs helped offset the impact of higher fuel prices. In addition, we reduced our consumption rate by 4%, saving approximately 58 million gallons of fuel during the year. The use of newer, more fuel efficient locomotives; our fuel conservation programs; improved network operations; and a shift in commodity mix, primarily due to growth in bulk shipments, contributed to the improvement.
- **Free Cash Flow** – Cash generated by operating activities totaled a record \$4.1 billion, yielding free cash flow of \$825 million in 2008. Free cash flow is defined as cash provided by operating activities, 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 United States (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 of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Cash provided by operating activities	\$ 4,070	\$ 3,277	\$ 2,880
Cash used in investing activities	(2,764)	(2,426)	(2,042)
Dividends paid	(481)	(364)	(322)
Free cash flow	\$ 825	\$ 487	\$ 516

## 2009 Outlook

- **Safety** – Operating a safe railroad benefits our employees, our customers, our shareholders, and the public. We will continue using a multi-faceted approach to safety, utilizing technology, risk assessment, quality control, and training and engaging our employees. We plan to continue implementation of Total Safety Culture (TSC) throughout our operations. TSC, an employee-focused initiative that has helped improve safety, is a process designed to establish, maintain, and promote safety among co-workers. With respect to public safety, we will continue our efforts to maintain, upgrade, and close crossings, install video cameras on locomotives, and educate the public about crossing safety through various Railroad and industry programs, along with other activities.
- **Transportation Plan** – In 2009, we will continue to evaluate traffic flows and network logistic patterns to identify additional opportunities to simplify operations and improve network efficiency and asset utilization. We plan to maintain adequate manpower and locomotives, and improve productivity using industrial engineering techniques.
- **Fuel Prices** – On average, we expect fuel prices to decrease substantially from the average price we paid in 2008. However, due to economic uncertainty, other global pressures, and weather incidents, fuel prices again could be volatile during the year. To reduce the impact of fuel price on earnings, we

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will continue to seek recovery from our customers through our fuel surcharge programs and expand our fuel conservation efforts.

- **Capital Plan** – In 2009, we expect our total capital investments to be approximately \$2.8 billion (which may be revised if business conditions or new laws or regulations affect our ability to generate sufficient returns on these investments). See further discussion in this Item 7 under Liquidity and Capital Resources – Capital Plan.
- **Financial Expectations** – We are cautious about the economic environment; however, we anticipate continued pricing opportunities, network improvement, and increased productivity in 2009.

## RESULTS OF OPERATIONS

### Operating Revenues

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>% Change 2008 v 2007</i>	<i>% Change 2007 v 2006</i>
Freight revenues	\$ 17,118	\$ 15,486	\$ 14,791	11%	5%
Other revenues	852	797	787	7	1
<b>Total</b>	<b>\$ 17,970</b>	<b>\$ 16,283</b>	<b>\$ 15,578</b>	<b>10%</b>	<b>5%</b>

Freight revenues are revenues generated by transporting freight or other materials from our six commodity groups. Freight revenues vary with volume (carloads) and average revenue per car (ARC). ARC is driven by changes in price, traffic mix and fuel surcharges. As a result of contractual obligations with some of our customers, we have provided incentives for meeting or exceeding specified cumulative volumes or shipping to and from specific locations, which we record as a reduction to freight revenues based on the actual or projected future shipments. We recognize freight revenues on a percentage-of-completion basis as freight moves from origin to destination. We allocate freight revenues between reporting periods based on the relative transit time in each reporting period and recognize expenses as we incur them.

Other revenues include revenues earned by our subsidiaries, revenues from our commuter rail operations, and accessorial revenues, which we earn when customers retain equipment owned or controlled by us or when we perform additional services such as switching or storage. We recognize other revenues as we perform services or meet contractual obligations.

Freight revenues from five of the six commodity groups increased during 2008, with particularly strong growth from agricultural and energy shipments. While revenues generated from chemical and industrial products shipments grew in 2008 compared to 2007, Hurricanes Gustav and Ike reduced shipments of these commodities. Revenues generated from automotive shipments declined versus 2007. Greater fuel cost recoveries and core pricing improvement combined to increase ARC during 2008. Fuel cost recoveries include fuel surcharge revenue and the impact of resetting the base fuel price for certain traffic, as described below in more detail. The severe economic downturn during the fourth quarter compounded already declining volumes experienced during the first nine months of 2008 due to ongoing weakness in certain market sectors. As a result, we moved fewer intermodal, automotive, industrial products, and chemical shipments, which more than offset volume growth from agricultural and energy shipments.

Our fuel surcharge programs (excluding index-based contract escalators that contain some provision for fuel) generated \$2.3 billion in freight revenues during 2008. Fuel surcharge revenue is not comparable to prior periods due to the implementation of new mileage-based fuel surcharge programs beginning in April 2007 for regulated traffic. As previously disclosed in our 2006 Annual Report on Form 10-K, the STB

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issued a decision limiting the manner in which U.S. railroads can calculate fuel surcharges on traffic regulated by the STB. Effective April 26, 2007, we implemented new fuel surcharge programs covering this regulated traffic, which represents approximately 19% of our revenue base. These new programs use mileage (as opposed to percent of revenue) as the basis for calculating fuel surcharges, and they use the On-Highway Diesel Price index – published by the Energy Information Administration – for purposes of determining fuel costs. The new programs affect fuel surcharges assessed for certain shipments of agricultural, chemical, and industrial products, and, to a lesser extent, coal. In addition, we reset the effective base fuel price at which our new mileage-based fuel surcharge programs take effect, resulting in a higher starting point of \$2.30 per gallon versus \$1.35 per gallon. We also converted a portion of our non-regulated traffic to mileage-based fuel surcharge programs. The resetting of 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, did not materially change our freight revenues, as higher base rates offset lower fuel surcharge revenue.

Freight revenues from five of our six commodity groups increased during 2007, while revenues generated from industrial products shipments declined. ARC increased 6% during 2007 driven by core price improvement. Lower shipments of industrial and agricultural products drove volume down 1% in 2007, more than offsetting an increase in chemical shipments. Our fuel surcharge programs (excluding index-based contract escalators that contain some provision for fuel) generated \$1.5 billion in freight revenues in 2007. Fuel surcharge revenues are not comparable to prior periods due to implementation of new mileage-based fuel surcharge programs for certain traffic, as described above.

Other revenues increased in 2008 versus 2007 driven by higher revenues from both our commuter rail operations and our subsidiary that brokers intermodal services. Accessorial revenues also increased in both periods due to improved collection rates.

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

<b>Freight Revenues</b> <i>Millions of Dollars</i>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>% Change 2008 v 2007</b>	<b>% Change 2007 v 2006</b>
Agricultural	\$ 3,174	\$ 2,605	\$ 2,385	22 %	9 %
Automotive	1,344	1,458	1,427	(8)	2
Chemicals	2,494	2,287	2,084	9	10
Energy	3,810	3,134	2,949	22	6
Industrial Products	3,273	3,077	3,135	6	(2)
Intermodal	3,023	2,925	2,811	3	4
<b>Total</b>	<b>\$17,118</b>	<b>\$15,486</b>	<b>\$14,791</b>	<b>11 %</b>	<b>5 %</b>

<b>Revenue Carloads</b> <i>Thousands</i>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>% Change 2008 v 2007</b>	<b>% Change 2007 v 2006</b>
Agricultural	947	902	923	5 %	(2)%
Automotive	667	826	834	(19)	(1)
Chemicals	885	928	896	(5)	4
Energy	2,348	2,299	2,296	2	-
Industrial Products	1,249	1,325	1,446	(6)	(8)
Intermodal	3,165	3,453	3,457	(8)	-
<b>Total</b>	<b>9,261</b>	<b>9,733</b>	<b>9,852</b>	<b>(5)%</b>	<b>(1)%</b>

<i>Average Revenue per Car</i>	2008	2007	2006	% Change 2008 v 2007	% Change 2007 v 2006
Agricultural	\$3,352	\$2,888	\$2,584	16 %	12 %
Automotive	2,017	1,766	1,710	14	3
Chemicals	2,818	2,464	2,326	14	6
Energy	1,622	1,363	1,285	19	6
Industrial Products	2,620	2,322	2,167	13	7
Intermodal	955	847	813	13	4
<b>Average</b>	<b>\$1,848</b>	<b>\$1,591</b>	<b>\$1,501</b>	<b>16 %</b>	<b>6 %</b>

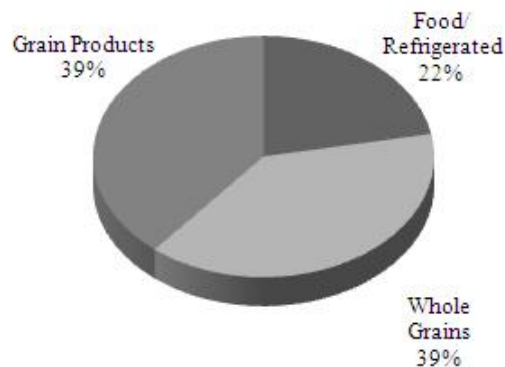
*Agricultural Products* – Price improvements, fuel surcharges, and volume growth generated higher agricultural freight revenue in 2008 versus 2007. Strong global demand for grain and a weak dollar drove higher shipments of corn and feed grains and shipments of wheat and food grains for 2008. Shipments of ethanol, a grain product used as an alternative fuel and fuel additive, and its co-products (primarily livestock feed) also increased.

Price increases were the primary drivers of agricultural freight revenue in 2007 versus 2006, partially offset by a decline in volume levels. Shipments of whole grains used in feed declined as barge operators captured more shipments destined for export from the Gulf Coast due to both favorable barge rates and improved navigation conditions on the Mississippi River. Conversely, wheat and food grain shipments improved as a strong wheat crop generated record shipments to the Gulf Coast for export. Shipments of ethanol and its co-products also increased substantially.

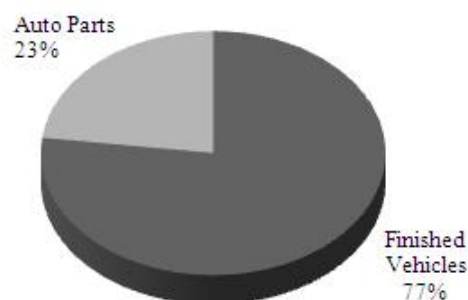
*Automotive* – Double-digit declines in shipments of both finished vehicles and auto parts drove freight revenue lower in 2008 compared to 2007. Price improvements and fuel surcharges partially offset these lower volumes. The manufacturers experienced poor sales and reduced vehicle production during 2008 due to the recessionary economy, which in turn reduced shipments of finished vehicles and parts. In addition, a major parts supplier strike reduced volume levels compared to 2007. Shipments of finished vehicles decreased 23% in 2008 versus 2007.

In 2007, price increases drove the growth in automotive revenue, partially offset by lower finished vehicle shipments versus 2006. A decline in vehicle production levels primarily drove the volume decline. Conversely, automotive parts shipments grew due to increased volumes from domestic manufacturers, new business acquired in the middle of 2006, and our new intermodal train service between Mexico and Michigan.

**2008 Agricultural Revenue**



**2008 Automotive Revenue**



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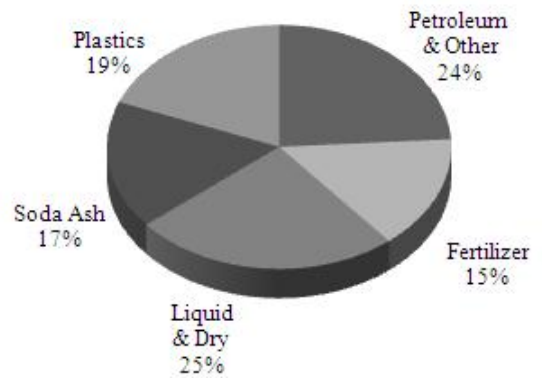
*Chemicals* – Price improvements and increased fuel surcharges drove higher revenue from chemicals shipments during 2008, which were partially offset by a decrease in volume levels compared to 2007. Weak market conditions and business interruptions in chemical producing areas resulting from Hurricanes Gustav and Ike all contributed to lower liquid and dry chemicals shipments. Plastics shipments also declined in part due to the impact of Hurricanes Gustav and Ike.

Price increases and volume growth drove the increase in revenue in 2007 versus 2006. Strong demand for potash exports through Pacific Northwest ports and a robust planting season for corn to supply ethanol producers increased demand for fertilizer shipments in 2007. New business acquired in June 2007 contributed to more shipments of plastics. Soda ash volume increased as export demand grew in the Gulf area and Mexico. Lower production at Canadian locations during the year boosted shipments of liquid and dry chemicals from U.S. sources.

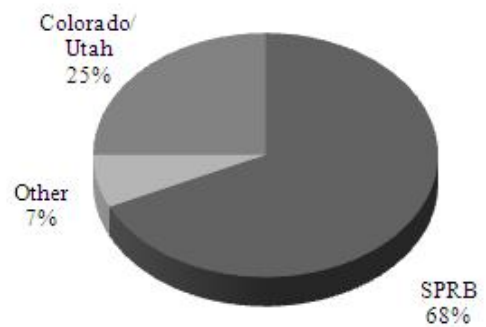
*Energy* – Price increases, fuel surcharges, and higher volume produced revenue growth in 2008 versus 2007. Shipments from the SPRB were up 5% compared to 2007 despite mine flooding and network interruptions caused by extensive flooding in the Midwest in June of 2008. Conversely, shipments from the Colorado and Utah mines were down 4% in 2008 versus 2007, due to mine production problems.

Price increases during 2007 improved both revenue and ARC over 2006 levels. Volume was flat, however, as severe storms in the first quarter and heavy rains in May flooded coal pits in the SPRB, which closed several rail lines and reduced volume levels. Shipments from the Colorado and Utah mines were down 1% due to lower mine production, predominately in the fourth quarter of 2007.

**2008 Chemicals Revenue**



**2008 Energy Revenue**



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*Industrial Products* – Price improvements and fuel surcharges contributed to higher freight revenue in 2008 compared to 2007. Lower volume partially offset these increases. Continued softening of the housing market and weak market conditions resulted in lower lumber shipments. In addition, cement and stone shipments declined due to a weak overall residential and commercial construction market. Business interruptions resulting from the hurricanes also reduced various construction-related shipments, primarily stone. Conversely, we shipped more steel in 2008 than in 2007 as the weak dollar increased the cost of steel imports during most of the year, creating a strong demand for domestic steel.

Volume declines more than offset price increases, driving industrial products revenue lower in 2007 compared to 2006. Continued softening of the housing construction market, surplus inventories, and general market uncertainty resulted in lower lumber shipments. Delays of rail expansion projects, customer production problems, unfavorable weather, and the ongoing impact of a weak residential construction market reduced stone shipments during the year.

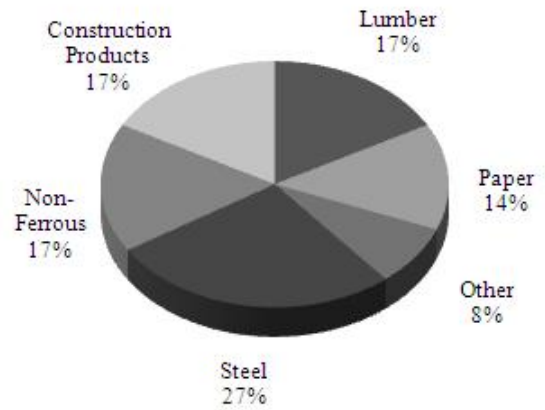
*Intermodal* – Price increases and fuel surcharges generated higher revenue in 2008, partially offset by lower volume levels. International traffic declined 11% in 2008, reflecting continued softening of imports from China and the loss of a customer contract. Notably, the peak intermodal shipping season, which usually starts in the third quarter, was particularly weak in 2008. Additionally, continued weakness in domestic housing and automotive sectors translated into weak demand in large sectors of the international intermodal market, which also contributed to lower volumes. Domestic traffic declined 3% in 2008 due to the loss of a customer contract and lower volumes from less-than-truckload shippers. Additionally, the flood-related embargo on traffic in the Midwest during the second quarter hindered intermodal volume levels in 2008.

Price increases improved intermodal revenue in 2007 compared to 2006. Volume was flat versus 2006 as increased domestic traffic due to new service offerings and increased business under some of our older, long-term contracts were offset by a decrease of premium shipments. International traffic was flat in 2007 compared to 2006 due to general softening of imports from Asia.

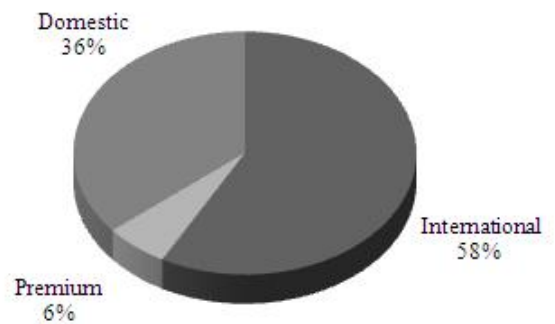
*Mexico Business* – The results for each commodity group include shipments to and from Mexico. Revenue from Mexico business increased 13% to \$1.6 billion in 2008 compared to 2007. Price improvements and fuel surcharges contributed to these increases, partially offset by a 4% decline in volume in 2008 compared to 2007.

Revenue from Mexico business increased 5% to \$1.44 billion in 2007 compared to 2006. Price increases and more shipments of automotive parts and intermodal containers drove revenue growth in 2007.

**2008 Industrial Products Revenue**



**2008 Intermodal Revenue**



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Volume declines in cement, some agricultural products, and newsprint shipments partially offset the increases.

**Operating Expenses**

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>% Change 2008 v 2007</i>	<i>% Change 2007 v 2006</i>
Compensation and benefits	\$ 4,457	\$ 4,526	\$ 4,535	(2)%	- %
Fuel	3,983	3,104	2,968	28	5
Purchased services and materials	1,902	1,856	1,756	2	6
Depreciation	1,387	1,321	1,237	5	7
Equipment and other rents	1,326	1,368	1,396	(3)	(2)
Other	840	733	802	15	(9)
<b>Total</b>	<b>\$ 13,895</b>	<b>\$ 12,908</b>	<b>\$ 12,694</b>	<b>8 %</b>	<b>2%</b>

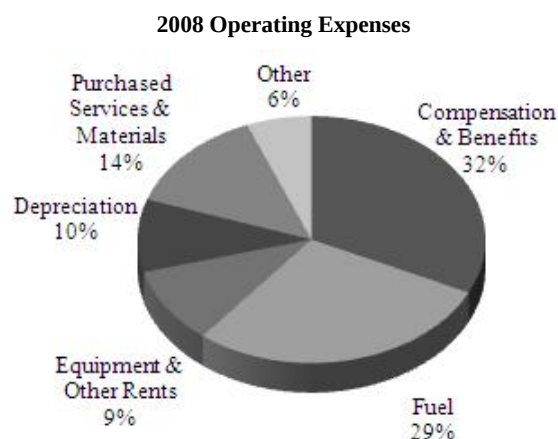
Operating expenses increased \$987 million in 2008. Our fuel price per gallon rose 39% during the year, increasing operating expenses by \$1.1 billion compared to 2007. Wage, benefit, and materials inflation, higher depreciation, and costs associated with the January Cascade mudslide and Hurricanes Gustav and Ike also increased expenses during the year. Cost savings from productivity improvements, better resource utilization, and lower volume helped offset these increases.

Operating expenses increased \$214 million in 2007 versus 2006. Higher fuel prices, which rose 9% during the period, increased operating expenses by \$242 million. Wage, benefit and materials inflation and higher depreciation expense also increased expenses during the year. Productivity improvements, better resource utilization, and a lower fuel consumption rate helped offset these increases.

*Compensation and Benefits* – Compensation and benefits include wages, payroll taxes, health and welfare costs, pension costs, other postretirement benefits, and incentive costs. Productivity initiatives in all areas, combined with lower volume, led to a 4% decline in our workforce for 2008, saving \$227 million compared to 2007. Conversely, general wage and benefit inflation and higher pension and postretirement benefits increased expenses in 2008, partially offsetting these reductions.

Operational improvements and lower volume levels in 2007 led to a 1% decline in our workforce, saving \$79 million in 2007 compared to 2006. A smaller workforce and less need for new train personnel reduced training costs during the year, which contributed to the improvement. General wage and benefit inflation mostly offset the reductions, reflecting higher salaries and wages and the impact of higher healthcare and other benefit costs.

*Fuel* – Fuel includes locomotive fuel and gasoline for highway and non-highway vehicles and heavy equipment. Diesel fuel prices, which averaged \$3.15 per gallon (including taxes and transportation costs) in 2008 compared to \$2.27 per gallon in 2007, increased expenses by \$1.1 billion. A 4% improvement in our fuel consumption rate resulted in \$136 million of cost savings due to the use of newer, more fuel





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efficient locomotives; our fuel conservation programs; improved network operations; and a shift in commodity mix, primarily due to growth in bulk shipments. Volume, as measured by gross ton-miles, decreased 3% in the year, lowering expenses by \$101 million compared to 2007.

Higher diesel fuel prices, which averaged \$2.27 per gallon (including taxes and transportation costs) in 2007 compared to \$2.09 per gallon in 2006, increased expenses by \$244 million. A 2% improvement of our fuel consumption rate resulting from the use of newer, more fuel-efficient locomotives and our fuel conservation programs reduced fuel expense by \$44 million, and a 2% decrease of gross ton miles reduced fuel expense by an additional \$54 million.

*Purchased Services and Materials* – Purchased services and materials expense includes the costs of services purchased from outside contractors; 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. In 2008, higher contract costs (including restoration costs related to the January Cascade mudslide, June Midwest flooding, and September hurricanes) increased expenses \$40 million compared to 2007. Higher material costs for freight car wheel sets during the year and an increase in the number of wheel sets required to repair flood-damaged freight cars also contributed to higher materials expense in 2008. Conversely, rail scrap proceeds associated with our rail replacement program partially offset these increases for the year.

Higher consulting fees and higher contract expenses (including equipment maintenance) increased costs by \$58 million in 2007 compared to 2006. Crew transportation and lodging costs increased \$17 million in 2007 due to higher gas prices and rate inflation. Increased use of higher cost components to repair and maintain our fleet of locomotives (including a growing number of units not covered by warranties) added \$32 million to materials expense during 2007. Conversely, we used fewer parts for freight car repairs due to program maintenance scheduling, which lowered costs by \$11 million in 2007 compared to 2006. We also incurred lower drayage expense in 2007 compared to 2006.

*Depreciation* – The majority of depreciation relates to track structure, including rail, ties, and other track material. A higher depreciable asset base, reflecting higher capital spending in recent years, increased depreciation expense in 2008 versus 2007, and in 2007 versus 2006.

*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 specialty equipment leases; and office and other rentals. Fewer shipments of finished vehicles, industrial products and intermodal containers reduced our short term freight car rental expense by \$62 million in 2008 compared to 2007. Lower lease expense for freight cars, intermodal containers, and locomotives also decreased costs. Conversely, lease expense for fleet vehicles increased costs in 2008 compared to 2007.

Fewer shipments of industrial products, combined with improved car-cycle times, which reflect operational improvement and better asset utilization, reduced our short-term freight car rental expense by \$46 million in 2007 compared to 2006. Lower lease expenses for freight cars, intermodal containers, and fleet vehicles and equipment decreased costs by \$20 million in 2007. Conversely, higher locomotive lease expense resulted in a \$33 million increase in costs during the year.

*Other* – Other costs include personal injury costs, freight and property damage, insurance, environmental expense, state and local taxes, utilities, telephone and cellular expenses, employee travel expense, and computer software and other general expenses. Other costs were higher in 2008 compared to 2007 due to an increase in bad debts, state and local taxes, utility costs, and other miscellaneous expenses totaling \$110 million. Conversely, casualty expenses including costs for personal injuries, asbestos-related claims, freight and property damage, insurance, and environmental costs were \$3 million lower in 2008

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compared to 2007. We reduced personal injury expense by \$80 million in 2007 as a result of fewer than expected claims and lower than expected average settlement costs. In 2008, we reduced personal injury expense and asbestos-related costs \$82 million based on the results of updated personal injury actuarial studies and a reassessment of our potential liability for resolution of current and future asbestos claims. In addition, environmental and toxic tort expenses were \$7 million lower in 2008 compared to 2007.

Other costs were lower in 2007 compared to 2006 driven primarily by a reduction in personal injury expense. Actuarial studies completed during 2007 resulted in a reduction in personal injury expense of \$80 million, which was partially offset by an adverse development with respect to one claim. Settlement of insurance claims in 2007 related to Hurricane Rita, and higher equity income also drove expenses lower in 2007 versus 2006. Conversely, the year-over-year comparison was affected by the settlement of insurance claims totaling \$23 million in 2006 related to the January 2005 West Coast storm and a \$9 million gain in 2006 from the sale of two Company-owned airplanes.

### Non-Operating Items

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>% Change 2008 v 2007</i>	<i>% Change 2007 v 2006</i>
Other income	\$ 92	\$ 116	\$ 118	(21)%	(2)%
Interest expense	(511)	(482)	(477)	6	1
Income taxes	(1,318)	(1,154)	(919)	14 %	26 %

*Other Income* – Other income decreased in 2008 compared to 2007 due to lower gains from real estate sales and decreased returns on cash investments reflecting lower interest rates. Higher rental and licensing income and lower interest expense on our sale of receivables program partially offset the decreases.

Lower net gains from non-operating asset sales (primarily real estate) drove the reduction in other income in 2007. Recognition of rental income in 2006 from the settlement of a rent dispute also contributed to the year-over-year decrease in other income. Cash investment returns increased \$21 million due to larger cash balances and higher interest rates.

*Interest Expense* – Interest expense increased in 2008 versus 2007 due to a higher weighted-average debt level of \$8.3 billion, compared to \$7.3 billion in 2007. A lower effective interest rate of 6.1% in 2008, compared to 6.6% in 2007, partially offset the effects of the higher weighted-average debt level.

An increase in the weighted-average debt levels to \$7.3 billion from \$7.1 billion in 2006 generated higher interest expense in 2007. A lower effective interest rate of 6.6% in 2007, compared to 6.7% in 2006, partially offset the effects of the higher debt level.

*Income Taxes* – Income taxes were higher in 2008 compared to 2007, driven by higher pre-tax income. Our effective tax rates were 36.1% and 38.4% in 2008 and 2007, respectively. The lower effective tax rate in 2008 resulted from several reductions in tax expense related to federal audits and state tax law changes. In addition, the effective tax rate in 2007 was increased by Illinois legislation that increased deferred tax expense in the third quarter of 2007.

Income taxes were \$235 million higher in 2007 compared to 2006, due primarily to higher pre-tax income and the effect of new tax legislation in the State of Illinois that changed how we determine the amount of our income subject to Illinois tax. The Illinois legislation increased our deferred tax expense by \$27 million in 2007. Our effective tax rates were 38.4% and 36.4% in 2007 and 2006, respectively.

**OTHER OPERATING/PERFORMANCE AND FINANCIAL STATISTICS**

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

**Operating/Performance Statistics**

Included in the table below are Railroad performance measures reported to the AAR:

	2008	2007	2006	% Change 2008 v 2007	% Change 2007 v 2006
Average train speed (miles per hour)	23.5	21.8	21.4	8 %	2 %
Average terminal dwell time (hours)	24.9	25.1	27.2	(1)%	(8)%
Average rail car inventory (thousands)	300.7	309.9	321.6	(3)%	(4)%
Gross ton-miles (billions)	1,020.4	1,052.3	1,072.5	(3)%	(2)%
Revenue ton-miles (billions)	562.6	561.8	565.2	-	(1)%
Operating ratio	77.3	79.3	81.5	2.0 pt	2.2 pt
Employees (average)	48,242	50,089	50,739	(4)%	(1)%
Customer satisfaction index	83	79	72	4 pt	7 pt

*Average Train Speed* – Average train speed is calculated by dividing train miles by hours operated on our main lines between terminals. Ongoing network management initiatives, productivity improvements, and lower volume levels contributed to 8% and 2% improvements in average train speed in 2008 and 2007, respectively.

*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 improved 1% and 8% in 2008 and 2007, respectively. Lower volumes combined with initiatives to more timely deliver rail cars to our interchange partners and customers improved dwell time in both periods.

*Gross and Revenue Ton-Miles* – Gross ton-miles are calculated by multiplying the weight of loaded and empty freight cars by the number of miles hauled. Revenue ton-miles are calculated by multiplying the weight of freight by the number of tariff miles. Gross ton-miles decreased 3%, while revenue ton-miles were flat in 2008 compared to 2007 with commodity mix changes (notably autos and coal) explaining the variance in year over year growth between the two metrics. In 2007, revenue ton-miles declined 1% in relation to the 1% reduction in carloadings compared to 2006. Gross ton-miles decreased 2% in 2007 driven by a mix shift in freight shipments.

*Operating Ratio* – Operating ratio is defined as our operating expenses as a percentage of operating revenue. Our operating ratios improved 2.0 points to 77.3% in 2008 and 2.2 points to 79.3% in 2007. Price increases, fuel cost recoveries, network management initiatives, and improved productivity more than offset the impact of higher fuel prices.

*Employees* – Productivity initiatives and lower volumes reduced employee levels throughout the Company in 2008 versus 2007. Fewer train and engine personnel due to improved network productivity and 5% lower volume drove the change while productivity initiatives within the support organizations also contributed to a lower full-time equivalent force level. Lower employee levels in 2007 versus 2006

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resulted from fewer train and engine personnel due to improved network productivity and 1% lower volume levels, partially offset by more employees maintaining our larger locomotive fleet.

*Customer Satisfaction Index* – The customer satisfaction survey asks customers to rate how satisfied they are with our performance over the last 12 months on a variety of attributes. A higher score indicates higher customer satisfaction. The improvement in survey results in 2008 and 2007 generally reflects customer recognition of our improving service.

### **Return on Average Common Shareholders' Equity**

<i>Millions of Dollars, Except Percentages</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Net income	\$ 2,338	\$ 1,855	\$ 1,606
Average equity	\$ 15,516	\$ 15,448	\$ 14,510
Return on average common shareholders' equity	15.1%	12.0%	11.1%

### **Return on Invested Capital as Adjusted (ROIC)**

<i>Millions of Dollars, Except Percentages</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Net income	\$ 2,338	\$ 1,855	\$ 1,606
Add: Interest expense	511	482	477
Add: Sale of receivables fees	23	35	33
Add: Interest on present value of operating leases	299	292	268
Less: Taxes on interest and fees	(301)	(310)	(283)
Net operating profit after taxes as adjusted (a)	\$ 2,870	\$ 2,354	\$ 2,101
Average equity	\$ 15,516	\$ 15,448	\$ 14,510
Add: Average debt	8,305	7,232	7,098
Add: Average value of sold receivables	592	600	600
Add: Average present value of operating leases	3,737	3,648	3,349
Average invested capital as adjusted (b)	\$ 28,150	\$ 26,928	\$ 25,557
Return on invested capital as adjusted (a/b)	10.2%	8.7%	8.2%

ROIC is considered a non-GAAP financial measure by SEC Regulation G and Item 10 of SEC Regulation S-K, and may not be defined and calculated by other companies in the same manner. We believe this measure is important in evaluating the efficiency and effectiveness of the Corporation's long-term capital investments, and we currently use ROIC as a performance criteria in determining certain elements of equity compensation for our executives. ROIC should be considered in addition to, rather than as a substitute for, other information provided in accordance with GAAP. The most comparable GAAP measure is Return on Average Common Shareholders' Equity. The tables above provide a reconciliation from return on average common shareholders' equity to ROIC. Our 2008 ROIC improved 1.5 points compared to 2007 primarily as a result of higher earnings, partially offset by a \$1.1 billion increase in average debt.

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### Debt to Capital / Adjusted Debt to Capital

<i>Millions of Dollars, Except Percentages</i>	<b>2008</b>	<b>2007</b>
Debt (a)	\$ 8,927	\$ 7,682
Equity	15,447	15,585
Capital (b)	\$ 24,374	\$ 23,267
Debt to capital (a/b)	36.6%	33.0%

<i>Millions of Dollars, Except Percentages</i>	<b>2008</b>	<b>2007</b>
Debt	\$ 8,927	\$ 7,682
Value of sold receivables	584	600
Net present value of operating leases	3,690	3,783
Unfunded pension and OPEB	733	234
Adjusted debt (a)	\$ 13,934	\$ 12,299
Equity	15,447	15,585
Adjusted capital (b)	\$ 29,381	\$ 27,884
Adjusted debt to capital (a/b)	47.4%	44.1%

Adjusted debt to capital is a non-GAAP financial measure under SEC Regulation G and Item 10 of SEC Regulation S-K. We believe this measure is important to management and investors in evaluating the total amount of leverage in our capital structure, including off-balance sheet lease obligations, which we generally incur in connection with financing the acquisition of locomotives and freight cars and certain facilities. We monitor the ratio of adjusted debt to capital as we manage our capital structure to balance cost-effective and efficient access to the capital markets with the Corporation's overall cost of capital. Adjusted debt to capital should be considered in addition to, rather than as a substitute for, debt to capital. The tables above provide a reconciliation from debt to capital to adjusted debt to capital. Our December 31, 2008 debt to capital ratios increased as a result of a \$1.2 billion net increase in debt from December 31, 2007, and purchases of our common stock under our share repurchase program, partially offset by an increase in retained earnings due to higher earnings in 2008. Equity at December 31, 2008, was reduced by \$704 million for other comprehensive losses. Equity at December 31, 2007, was reduced by \$74 million for other comprehensive losses. Other comprehensive losses in both years were related primarily to pensions. See note 8 to our consolidated financial statements in Item 8 for more information.

### LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2008, our principal sources of liquidity included cash, cash equivalents, the sale of certain receivables, and our revolving credit facility, as well as the availability of commercial paper and other sources of financing through the capital markets. We had \$1.9 billion of committed credit available under our credit facility, with no borrowings outstanding as of December 31, 2008. We did not make any borrowings under this facility during the year. The value of the outstanding undivided interest held by investors under the sale of receivables program was \$584 million as of December 31, 2008. The sale of receivables program is subject to certain requirements, including maintenance of an investment grade bond rating. If our bond rating were to deteriorate, it could have an adverse impact on our liquidity. Access to commercial paper as well as other capital market financings is dependent on market conditions. Deterioration of our operating results or financial condition due to internal or external factors could negatively impact our ability to utilize commercial paper as a source of liquidity. Access to liquidity through the capital markets is also dependent on our financial stability. Although both short and long-

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term debt, including commercial paper, bank provided credit, and publicly issued bonds, are more expensive than in recent years, we currently have access to liquidity through commercial paper and our credit facility. We also expect that we will continue to have access to liquidity by issuing bonds to public or private investors based on our assessment of the current condition of the credit markets and recent debt transactions, including our issuance of long-term debt during the fourth quarter.

At December 31, 2008, and December 31, 2007, we had a working capital deficit of approximately \$100 million and \$400 million, respectively. A working capital deficit is common in our industry and does not indicate a lack of liquidity. We maintain adequate resources and, when necessary, have access to capital to meet any daily and short-term cash requirements, and we have sufficient financial capacity to satisfy our current liabilities.

<b>Cash Flows</b>			
<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Cash provided by operating activities	\$ 4,070	\$ 3,277	\$ 2,880
Cash used in investing activities	(2,764)	(2,426)	(2,042)
Cash used in financing activities	(935)	(800)	(784)
Net change in cash and cash equivalents	\$ 371	\$ 51	\$ 54

### **Operating Activities**

Higher net income in 2008 and changes in working capital combined to increase cash provided by operating activities. In addition, accelerated tax deductions enacted in 2008 on certain new operating assets resulted in lower income tax payments in 2008. Voluntary pension contributions in 2008 totaling \$200 million and other pension contributions of \$8 million partially offset the year-over-year increase. Higher net income in 2007 was the primary driver of increased cash provided by operating activities. A favorable comparison due to voluntary pension contributions in 2006 totaling \$150 million also contributed to the year-over-year increase. These increases were partially offset by cash payments representing prior period wage increases in accordance with recent union contract ratifications and higher income tax payments.

### **Investing Activities**

Increased capital investments and lower proceeds from asset sales drove the increase in cash used in investing activities in 2008 compared to 2007. Higher capital investments and work in process balances drove the increase in cash used in investing in 2007 versus 2006.

The table below details cash capital investments for the years ended December 31, 2008, 2007, and 2006.

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Track	\$ 1,700	\$ 1,593	\$ 1,487
Capacity and commercial facilities	742	534	510
Locomotives and freight cars	164	263	135
Technology and other	174	106	110
Total	\$ 2,780	\$ 2,496	\$ 2,242

**Capital Plan** – In 2009, we expect our total capital investments to be approximately \$2.8 billion (which may be revised if business conditions or new laws or regulations affect our ability to generate sufficient

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returns on these investments). We expect approximately 80% of our 2009 capital investments will replace and renew existing capital assets. Major investment categories include replacement and improvement of track infrastructure; increasing network and terminal capacity; locomotive and freight car fleet, including the acquisition of 125 high-horsepower locomotives; and technology improvements, including the testing of positive train control, and other capital projects. We expect to fund our 2009 cash capital investments through cash generated from operations, the sale or lease of various operating and non-operating properties, issuance of long-term debt, and cash on hand at December 31, 2008. Our annual capital plan is a critical component of our long-term strategic plan, which we expect will enhance the long-term value of the Corporation for our shareholders by providing sufficient resources to (i) replace and improve our existing track infrastructure to provide safe and fluid operations, (ii) increase network efficiency by adding or improving facilities and track, and (iii) make investments that meet customer demand and take advantage of opportunities for long-term growth.

### **Financing Activities**

Cash used in financing activities increased in 2008 versus 2007 due to higher debt repayments of \$416 million, an increase of \$234 million for the repurchase of common shares (see further discussion of common shares in Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities - Purchases of Equity Securities Part II, Item 5) and an increase of dividends paid, reflecting a higher quarterly dividend. Higher debt issuances of \$676 million partially offset these increases. The increase in cash used in financing activities in 2007 resulted primarily from the use of \$1.4 billion to repurchase common shares, payment of higher dividends, and lower net proceeds from equity compensation plans (\$71 million in 2007 compared to \$160 million in 2006). These increases were mostly offset by debt issuances of \$1.6 billion in 2007 compared to no issuances in 2006.

**Credit Facilities** – On December 31, 2008, we had \$1.9 billion of credit available under our revolving credit facility (the facility). The facility is designated for general corporate purposes and supports the issuance of commercial paper. We did not draw on the facility during 2008. 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 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 December 31, 2008, and December 31, 2007 (and at all times during these periods), we were in compliance with this covenant.

The definition of debt used for purposes of calculating the debt-to-net-worth coverage ratio includes, among other things, certain credit arrangements, capital leases, guarantees and unfunded and vested pension benefits under Title IV of ERISA. At December 31, 2008, the debt-to-net-worth coverage ratio allowed us to carry up to \$30.9 billion of debt (as defined in the facility), and we had \$9.9 billion of debt (as defined in the facility) outstanding at that date. Under our current capital plans, we expect to continue to satisfy the debt-to-net-worth coverage ratio; however, many factors beyond our reasonable control (including the Risk Factors in Item 1A of this report) could affect our ability to comply with this provision in the future. The facility does not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require us to post collateral. The facility also includes a \$75 million cross-default provision and a change-of-control provision. The term of the facility will expire in April 2012, and we currently intend to replace the facility with a substantially similar credit agreement on or before the expiration date, which is consistent with our past practices with respect to our credit facilities.

At December 31, 2008, we had \$100 million of commercial paper outstanding. Our commercial paper balance is supported by our revolving credit facility but does not reduce the amount of borrowings available under the facility. During 2008, we issued \$600 million of commercial paper, including \$300

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million issued in September and October as the credit and financial markets deteriorated, and repaid \$500 million.

At December 31, 2008, we reclassified as long-term debt approximately \$400 million of debt due within one year that we intend to refinance. This reclassification reflected our ability and intent to refinance any short-term borrowings and certain current maturities of long-term debt on a long-term basis. At December 31, 2007, we reclassified as long-term debt approximately \$550 million of debt due within one year that we intended to refinance at that time.

### **Operating Lease Activities**

During 2008, the Railroad, as lessee, entered into long-term operating lease arrangements covering 82 locomotives, 300 rail cars, and 2,000 intermodal containers with a total equipment cost of approximately \$219 million. In total, these new lease arrangements will provide for minimum rental payments of approximately \$309 million, with a present value of approximately \$178 million.

The lessors financed the purchase of the locomotives, rail cars, and intermodal containers, in part by issuing equipment notes that are non-recourse to the Railroad and are secured by assignments of the underlying leases and security interests in the equipment. The Corporation and the Railroad do not guaranty payment of the equipment notes. The Railroad's obligations to make operating lease payments under the leases are recourse obligations and are not recorded in the Consolidated Statements of Financial Position.

The Railroad has certain renewal and purchase options with respect to the locomotives, rail cars, and intermodal containers. If the Railroad does not exercise these options, the equipment will be returned to the lessors at the end of the lease term.

### **Ratio of Earnings to Fixed Charges**

For each of the years ended December 31, 2008, 2007, and 2006, our ratio of earnings to fixed charges was 5.9, 5.1, and 4.4, respectively. Higher net income drove the increases in 2008 and 2007. The ratio of earnings to fixed charges was computed on a consolidated basis. Earnings represent income from continuing operations, less equity earnings net of distributions, plus fixed charges and income taxes. Fixed charges represent interest charges, amortization of debt discount, and the estimated amount representing the interest portion of rental charges. See Exhibit 12 to this report for the calculation of the ratio of earnings to fixed charges.

### **Common Shareholders' Equity**

**Dividends** – On July 31, 2008, we increased the quarterly dividend to \$0.27 per share, payable beginning on October 1, 2008, to shareholders of record on August 29, 2008. We funded the increase in the quarterly dividend through cash generated from operations, the sale or lease of various operating and non-operating properties, and cash on hand during the fourth quarter.

**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 \$10.5 billion and \$11.5 billion at December 31, 2008 and 2007, respectively.

**Stock Split** – On May 28, 2008, we completed a two-for-one stock split, effected in the form of a 100% stock dividend. The stock split entitled all shareholders of record at the close of business on May 12, 2008, to receive one additional share of our common stock, par value \$2.50 per share, for each share of common stock held on that date.



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**Share Repurchase Program** – On January 30, 2007, our Board of Directors authorized the repurchase of up to 40 million shares of Union Pacific Corporation common stock through the end of 2009. On May 1, 2008, our Board of Directors authorized the repurchase of an additional 40 million common shares by 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 our common stock repurchases through cash generated from operations, the sale or lease of various operating and non-operating properties, debt issuances, and cash on hand at December 31, 2008.

During 2008, we repurchased approximately 22 million shares under this program at an aggregate purchase price of approximately \$1.5 billion. In 2007, we repurchased approximately 25 million shares at an aggregate purchase price of approximately \$1.5 billion. These shares were recorded in treasury stock at cost, which includes any applicable commissions and fees.

**Shelf Registration Statement and Significant New Borrowings** – Under our current shelf registration statement, 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. In July 2008, our Board of Directors authorized the issuance of an additional \$3 billion of debt securities under our shelf registration. At December 31, 2008, we had authority to issue up to \$3 billion of debt securities.

During 2008, we issued the following unsecured, fixed-rate debt securities under our current shelf registration:

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<i>Date</i>	<i>Description of Securities</i>
February 5, 2008	\$750 million of 5.70% Notes due August 15, 2018
October 7, 2008	\$750 million of 7.875% Notes due January 15, 2019

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The net proceeds from these offerings are for general corporate purposes, including the repurchase of common stock pursuant to our share repurchase program. These debt securities include change-of-control provisions.

We have no immediate plans to issue equity securities; however, we will continue to explore opportunities to replace existing debt or access capital through issuances of debt securities under our shelf registration, and, therefore, we may issue additional debt securities at any time.

On April 17, 2008, we borrowed \$100 million under a 5-year-term loan facility (the loan). The loan has a floating rate based on London Interbank Offered Rates, plus a spread, and is prepayable in whole or in part without a premium prior to maturity. The agreement documenting the loan has provisions similar to our revolving credit facility, including identical debt-to-net-worth covenant and change-of-control provisions and similar customary default provisions. The agreement does not include any other financial restrictions, credit rating triggers, or any other provision that would require us to post collateral.

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

As described in the notes to the Consolidated Financial Statements and as referenced in the tables below, we have contractual obligations and commercial commitments that may affect our financial condition. Based on our assessment of the underlying provisions and circumstances of our contractual obligations and commercial commitments, including material sources of off-balance sheet and structured finance arrangements, other than the risks that we and other similarly situated companies face with respect to the current and future condition of the capital markets (as described in Item 1A of Part II of this report), there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur that

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would have a material adverse effect on our consolidated results of operations, financial condition, or liquidity. In addition, our commercial obligations, financings, and commitments are customary transactions that are similar to those of other comparable corporations, particularly within the transportation industry.

The following tables identify material obligations and commitments as of December 31, 2008:

<b>Contractual Obligations</b>	<b>Payments Due by December 31,</b>								
	<i>Millions of Dollars</i>	<i>Total</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>After 2013</i>	<i>Other</i>
Debt [a]	\$	12,627	\$ 1,056	\$ 807	\$ 857	\$ 1,070	\$ 926	\$ 7,911	\$ -
Operating leases		5,909	657	614	580	465	389	3,204	-
Capital lease obligations [b]		1,898	188	168	178	122	152	1,090	-
Purchase obligations [c]		3,323	713	384	344	224	239	1,387	32
Other post retirement benefits [d]		466	42	43	45	45	47	244	-
Income tax contingencies [e]		26	7	-	-	-	-	-	19
<b>Total contractual obligations</b>	<b>\$</b>	<b>24,249</b>	<b>\$ 2,663</b>	<b>\$ 2,016</b>	<b>\$ 2,004</b>	<b>\$ 1,926</b>	<b>\$ 1,753</b>	<b>\$ 13,836</b>	<b>\$ 51</b>

[a] Excludes capital lease obligations of \$1,270 million, unamortized discount of \$(112) million, and market value adjustments of \$19 million for debt with qualifying hedges that are recorded as liabilities on the Consolidated Statements of Financial Position. Includes an interest component of \$4,878 million.

[b] Represents total obligations, including interest component of \$628 million.

[c] Purchase obligations include locomotive maintenance contracts; purchase commitments for 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.

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

[e] Future cash flows for income tax contingencies reflect the recorded liability, including interest and penalties, in accordance with FIN 48 as of December 31, 2008. 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.

<b>Other Commercial Commitments</b>	<b>Amount of Commitment Expiration per Period</b>							
	<i>Millions of Dollars</i>	<i>Total</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>After 2013</i>
Credit facilities [a]	\$	1,900	\$ -	\$ -	\$ -	\$ 1,900	\$ -	\$ -
Sale of receivables [b]		700	700	-	-	-	-	-
Guarantees [c]		449	2	61	77	22	8	279
Standby letters of credit [d]		28	13	15	-	-	-	-
<b>Total commercial commitments</b>	<b>\$</b>	<b>3,077</b>	<b>\$ 715</b>	<b>\$ 76</b>	<b>\$ 77</b>	<b>\$ 1,922</b>	<b>\$ 8</b>	<b>\$ 279</b>

[a] None of the credit facility was used as of December 31, 2008.

[b] \$584 million of the sale of receivables program was utilized at December 31, 2008.

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

[d] None of the letters of credit were drawn upon as of December 31, 2008.

## Off-Balance Sheet Arrangements

**Sale of Receivables** – The Railroad transfers most of its accounts receivable to Union Pacific Receivables, Inc. (UPRI), a bankruptcy-remote subsidiary, as part of a sale of receivables facility. UPRI sells, without recourse on a 364-day revolving basis, an undivided interest in such accounts receivable to investors. The total capacity to sell undivided interests to investors under the facility was \$700 million and \$600 million at December 31, 2008 and 2007, respectively. The value of the outstanding undivided interest held by investors under the facility was \$584 million and \$600 million at December 31, 2008 and 2007, respectively. UPRI reduced the outstanding undivided interest held by investors due to a decrease in available receivables at December 31, 2008. The value of the outstanding undivided interest held by investors is not included in our Consolidated Financial Statements. The value of the undivided interest held by investors was supported by \$1,015 million and \$1,071 million of accounts receivable held by UPRI at December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, the value of the interest retained by UPRI was \$431 million and \$471 million, respectively. This retained interest is included in accounts receivable in our Consolidated Financial Statements. The interest sold to investors is sold at carrying value, which approximates fair value, and there is no gain or loss recognized from the transaction.

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

The Railroad services the sold receivables; however, the Railroad does not recognize any servicing asset or liability as the servicing fees adequately compensate us for these responsibilities. The Railroad collected approximately \$17.8 billion and \$16.1 billion during the years ended December 31, 2008 and 2007, respectively. UPRI used certain of these proceeds to purchase new receivables under the facility.

The costs of the sale of receivables program are included in other income and were \$23 million, \$35 million, and \$33 million for 2008, 2007, and 2006, respectively. The costs include interest, program fees paid to banks, commercial paper issuing costs, and fees for unused commitment availability.

The investors have no recourse to the Railroad's other assets except for customary warranty and indemnity claims. Creditors of the Railroad do not have recourse to the assets of UPRI. In October 2008, we extended the sale of receivables program to August 2009 without any significant changes in terms, except to increase the capacity to sell undivided interests to \$660 million. The capacity was increased to \$700 million in December 2008. At January 16, 2009 the amount utilized under the sale of receivables program was \$560 million.

**Guarantees** – At December 31, 2008, we were contingently liable for \$449 million in guarantees. We have recorded a liability of \$4 million and \$5 million for the fair value of these obligations as of December 31, 2008 and 2007, 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.

## OTHER MATTERS

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

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

**Market and Credit Risk** – We address market risk related to derivative financial instruments by selecting instruments with value fluctuations that highly correlate with the underlying hedged item. We manage credit risk related to derivative financial instruments, which is minimal, by requiring high credit standards for counterparties and periodic settlements. At December 31, 2008 and 2007, we were not required to provide collateral, nor had we received collateral, relating to our hedging activities.

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

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

At December 31, 2008, we had variable-rate debt representing approximately 5% of our total debt. If variable interest rates average one percentage point higher in 2009 than our December 31, 2008 variable rate, which was approximately 4%, our interest expense would increase by approximately \$4 million. This amount was determined by considering the impact of the hypothetical interest rate on the balances of our variable-rate debt at December 31, 2008.

Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical one percentage point decrease in interest rates as of December 31, 2008, and amounts to an increase of approximately \$568 million to the fair value of our debt at December 31, 2008. We estimated the fair values of our fixed-rate debt by considering the impact of the hypothetical interest rates on quoted market prices and current borrowing rates.

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

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Swaps allow us to convert debt from fixed rates to variable rates and thereby hedge the risk of changes in the debt's fair value attributable to the changes in interest rates. We account for swaps as fair value hedges using the short-cut method pursuant to FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*; therefore, we do not record any ineffectiveness within our Consolidated Financial Statements.

**Interest Rate Cash Flow Hedges** – We report changes in the fair value of cash flow hedges in accumulated other comprehensive loss until the hedged item affects earnings. At both December 31, 2008 and 2007, we had reductions of \$4 million, recorded as an accumulated other comprehensive loss that is being amortized on a straight-line basis through September 30, 2014. As of December 31, 2008 and 2007, we had no interest rate cash flow hedges outstanding.

**Accounting Pronouncements** – In March 2008, FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (FAS 161). FAS 161 amends and expands the disclosure requirements of FAS 133 to clarify how and why companies use derivative instruments. In addition, FAS 161 requires more disclosures regarding how companies account for derivative instruments and the impact derivatives have on a company's financial statements. This statement is effective for us beginning in 2009 and will only impact our disclosures. It will have no impact on our financial position, results of operations and cash flows.

In May 2008, the FASB issued Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (FAS 162). FAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States. FAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "*The Meaning of 'Present Fairly in Conformity with Generally Accepted Accounting Principles'*". FAS 162 is not expected to have a material impact on our financial statements.

In June 2008, the FASB released FSP EITF 03-6-1 on Emerging Issues Task Force Issue 03-6, *Participating Securities and the Two-Class Method under FASB Statement No. 128* (EITF 03-6). The staff position concludes that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities as defined in EITF 03-6; and therefore, should be included in computing earnings per share using the two-class method. As discussed in note 3, we pay nonforfeitable dividends on our unvested retention awards and performance retention awards. This staff position will be effective for us beginning in 2009. We expect that this staff position will result in additional disclosure only and not affect our consolidated financial position, results of operations, or cash flows.

In December 2008, the FASB issued FSP FAS 132(R)-1, *Employers' Disclosure about Postretirement Benefit Plan Assets*, which amends Statement 132(R) to require more detailed disclosures about employers' pension plan assets. New disclosures will include more information on investment strategies, major categories of plan assets, concentrations of risk within plan assets and valuation techniques used to measure the fair value of plan assets. This new standard requires new disclosures only, and will have no impact on our consolidated financial position, results of operations or cash flows. These new disclosures will be required for us beginning in our 2009 Form 10-K.

**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

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consolidated results of operations, financial condition, or liquidity after taking into account liabilities previously recorded for these matters.

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

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

### **CRITICAL ACCOUNTING POLICIES**

Our Consolidated Financial Statements have been prepared in accordance with GAAP. The preparation of these financial statements requires estimation and judgment that affect the reported amounts of revenues, expenses, assets, and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The following critical accounting policies are a subset of our significant accounting policies described in note 1 to the Financial Statements and Supplementary Data, Item 8. These critical accounting policies affect significant areas of our financial statements and involve judgment and estimates. If these estimates differ significantly from actual results, the impact on our Consolidated Financial Statements may be material.

**Asbestos** – We are a defendant in a number of lawsuits in which current and former employees and other parties allege exposure to asbestos. We engage a third party with extensive experience in estimating resolution costs for asbestos-related claims to assist us in assessing our potential liability. 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.

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Our asbestos-related liability activity was as follows:

<i>Millions of Dollars</i>	2008	2007	2006
Beginning balance	\$ 265	\$ 302	\$ 311
Accruals/(credits)	(42)	(20)	-
Payments	(10)	(17)	(9)
Ending balance at December 31	\$ 213	\$ 265	\$ 302
Current portion, ending balance at December 31	\$ 12	\$ 11	\$ 13

Approximately 17% of the recorded liability related to asserted claims and approximately 83% related to unasserted claims at December 31, 2008. These claims are expected to be paid out over the next 30 years. In conjunction with the liability update performed in 2008, we also reassessed estimated insurance recoveries. We have recognized an asset for estimated insurance recoveries at December 31, 2008 and 2007. We will continue to review actual experience and adjust our estimate as warranted. Our asbestos-related claims activity was as follows:

	2008	2007	2006
Open claims, beginning balance	2,086	2,277	2,435
New claims	256	269	316
Settled or dismissed claims	(475)	(460)	(474)
Open claims, ending balance at December 31	1,867	2,086	2,277

We believe that our estimates of liability for asbestos-related claims and insurance recoveries are reasonable and probable. The amounts recorded for asbestos-related liabilities and related insurance recoveries were based on currently known facts. However, future events, such as the number of new claims to be filed each year, average settlement costs, and insurance coverage issues, could cause the actual costs and insurance recoveries to be higher or lower than the projected amounts. Estimates also may vary in the future if strategies, activities, and outcomes of asbestos litigation materially change; federal and state laws governing asbestos litigation increase or decrease the probability or amount of compensation of claimants; and there are material changes with respect to payments made to claimants by other defendants.

**Environmental** – We are subject to federal, state, and local environmental laws and regulations. We identified 339 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, 18 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.

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Our environmental liability activity was as follows:

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Beginning balance	\$ 209	\$ 210	\$ 213
Accruals	46	41	39
Payments	(46)	(42)	(42)
Ending balance at December 31	\$ 209	\$ 209	\$ 210
Current portion, ending balance at December 31	\$ 58	\$ 63	\$ 54

Our environmental site activity was as follows:

	<i>2008</i>	<i>2007</i>	<i>2006</i>
Open sites, beginning balance	339	367	370
New sites	82	72	50
Closed sites	(82)	(100)	(53)
Open sites, ending balance at December 31	339	339	367

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 we can reasonably estimate such costs. We do not discount our environmental liabilities when the timing of the anticipated cash payments is not fixed or readily determinable.

The liability includes future costs for remediation and restoration of sites, as well as ongoing monitoring costs, but excludes any anticipated recoveries from third parties. Cost estimates are based on information available for each site, financial viability of other potentially responsible parties, and existing technology, laws, and regulations. The ultimate liability for remediation is difficult to determine because of the number of potentially responsible parties, site-specific cost sharing arrangements with other potentially responsible parties, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and the speculative nature of remediation costs. Estimates of liability may vary over time due to changes in federal, state, and local laws governing environmental remediation as well as changes to the remediation plan for each site. Current obligations are not expected to have a material adverse effect on our consolidated results of operations, financial condition, or liquidity.

**Personal Injury** – The cost of personal injuries to employees and others related to our activities is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use third-party actuaries to assist us in measuring the expense and liability, including unasserted claims. 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.



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Our personal injury liability is discounted to present value using applicable U.S. Treasury rates. Approximately 88% of the recorded liability related to asserted claims, and approximately 12% related to unasserted claims at December 31, 2008. Estimates can vary over time due to evolving trends in litigation. Our personal injury liability activity was as follows:

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Beginning balance	\$ 593	\$ 631	\$ 619
Accruals	201	165	240
Payments	(173)	(203)	(228)
Ending balance at December 31	\$ 621	\$ 593	\$ 631
Current portion, ending balance at December 31	\$ 186	\$ 204	\$ 233

Our personal injury claims activity was as follows:

	<i>2008</i>	<i>2007</i>	<i>2006</i>
Open claims, beginning balance	4,084	4,126	4,197
New claims	3,692	4,133	4,190
Settled or dismissed claims	(3,697)	(4,175)	(4,261)
Open claims, ending balance at December 31	4,079	4,084	4,126

**Property and Depreciation** – Our rail operations are highly capital intensive. Each year we develop a capital program for the acquisition or construction of fixed assets. Assets purchased or constructed throughout the year that were not part of the original program are capitalized if they meet applicable minimum units of property criteria, which are approved by the STB. Properties are carried at cost, and we follow the group method of depreciation. Our large base of homogeneous, network-type assets turns over on a continuous basis. The group method of depreciation treats each asset class as a pool of resources, not as singular items. Under group depreciation, all items with similar physical characteristics, use, and expected life are grouped together in a single asset class, and are depreciated using composite depreciation rates. The cost (net of salvage) of depreciable rail property retired or replaced in the ordinary course of business is charged to accumulated depreciation and no gain or loss is recognized. A gain or loss is recognized in other income for all other property upon disposition because the gain or loss is not part of rail operations.

We compute depreciation principally on the straight-line method based on estimated service lives of depreciable property. We use a unit of production convention to depreciate rail in high-density traffic corridors. We calculate service lives using Company-specific retirement data. We perform and submit depreciation rate studies to the STB at least every three years for equipment and every six years for road property (i.e., rail and other track material, ties, and ballast). These rate studies are reviewed and approved by the STB. These studies are used to develop our approved composite depreciation rates by asset class. During 2008, we completed depreciation rate studies for both track and road property, which will be used to calculate depreciation expense in 2009 and beyond.

When we purchase an asset, we capitalize all costs necessary to make the asset ready for its intended use. However, many of our assets are self-constructed. A large portion of our capital expenditures is for track structure expansion (capacity projects) and replacement (program projects), which is typically performed by our employees. Approximately 13% of our full-time equivalent employees are dedicated to the construction of capital assets. Costs that are directly attributable or overhead costs that relate directly to

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capital projects are capitalized. Direct costs that are capitalized as part of self-constructed assets include material, labor, and work equipment. Indirect costs are capitalized if they clearly relate to the construction of the asset. These costs are allocated using appropriate statistical bases. The capitalization of indirect costs is consistent with FASB Statement No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*.

General and administrative expenditures are expensed as incurred. Normal repairs and maintenance are also expensed as incurred, while costs incurred that extend the useful life of an asset, improve the safety of our operations or improve operating efficiency are capitalized.

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

Significant capital spending in recent years increased the total value of our depreciable assets. Cash capital spending totaled \$2.8 billion for the year ended December 31, 2008, while depreciation expense totaled \$1.4 billion. We use various methods to estimate useful lives for each group of depreciable property. Variances to these estimates could have a material impact on our Consolidated Financial Statements. If the estimated useful lives of all depreciable assets were increased by one year, annual depreciation expense would decrease by approximately \$48 million. If the estimated useful lives of all depreciable assets were decreased by one year, annual depreciation expense would increase by approximately \$52 million.

**Income Taxes** – As required under FASB Statement No. 109, *Accounting for Income Taxes*, we account for income taxes by recording taxes payable or refundable for the current year and deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. These expected future tax consequences are measured based on provisions of tax law as currently enacted; the effects of future changes in tax laws are not anticipated. Future tax law changes, such as a change in the corporate tax rate, could have a material impact on our financial condition or results of operations. For example, a 1% increase in the federal income tax rate would increase our deferred tax liability by approximately \$260 million.

When appropriate, we record a valuation allowance against deferred tax assets to offset future tax benefits that may not be realized. In determining whether a valuation allowance is appropriate, we consider whether it is more likely than not that all or some portion of our deferred tax assets will not be realized, based on management's judgments regarding the best available evidence about future events.

When we have claimed tax benefits that may be challenged by a tax authority, these uncertain tax positions are accounted for under FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). We adopted FIN 48 beginning January 1, 2007. Prior to 2007, income tax contingencies were accounted for under FASB Statement No. 5, *Accounting for Contingencies*.

Under FIN 48, we recognize tax benefits only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in our tax returns that do not meet these recognition and measurement standards.

**Pension and Other Postretirement Benefits** – We use third-party actuaries to assist us in properly measuring the liabilities and expenses associated with providing pension and defined contribution medical and life insurance benefits (OPEB) to eligible employees. In order to use actuarial methods to value the

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liabilities and expenses we must make several assumptions. The critical assumptions used to measure pension obligations and expenses are the discount rate and expected rate of return on pension assets. For OPEB, the critical assumptions are the discount rate and healthcare cost trend rate.

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

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

The following tables present the key assumptions used to measure pension and OPEB expense for 2008 and the estimated impact on 2008 pension and OPEB expense relative to a change in those assumptions:

<i>Assumptions</i>	<i>Pension</i>	<i>OPEB</i>
Discount rate	6.50%	6.50%
Salary increase	3.50%	N/A
Expected return on plan assets	8.00%	N/A
Healthcare cost trend rate:		
Pre-65 current	N/A	8.00%
Pre-65 level in 2011	N/A	5.00%
Post-65 current	N/A	10.00%
Post-65 level in 2013	N/A	5.00%

<i>Sensitivities</i>	<i>Increase in Expense</i>	
	<i>Pension</i>	<i>OPEB</i>
<i>Millions of Dollars</i>		
0.25% decrease in discount rate	\$ 6	\$ 2
0.25% increase in salary scale	\$ 2	N/A
0.25% decrease in expected return on plan assets	\$ 5	N/A
1% increase in healthcare cost trend rate	N/A	\$ 6

### **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, statements in the Chairman's letter preceding Part I regarding long-term demand, capital investments, the economic outlook, and our financial position, statements regarding dividends in Item 5 and statements and information set forth under the captions "2009 Outlook" and "Liquidity and Capital Resources" in this Item 7, and any other statements or information in this report (including information incorporated herein by reference) regarding: expectations as to operational or service improvements; expectations regarding the effectiveness of steps taken or to be taken to improve operations, service, infrastructure improvements, and transportation plan modifications (including statements set forth in Item

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2 regarding expectations related to our capital expenditures); expectations as to cost savings, revenue growth, and earnings; the time by which goals, targets, or objectives will be achieved; projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, future economic performance, and general economic conditions; proposed new products and services; estimates of costs relating to environmental remediation and restoration; expectations that claims, litigation, environmental costs, commitments, contingent liabilities, labor negotiations or agreements, or other matters will not have a material adverse effect on our consolidated results of operations, financial condition, or liquidity and any other similar expressions concerning matters that are not historical facts.

Forward-looking statements and information reflect the good faith consideration by management of currently available information, and may be based on underlying assumptions believed to be reasonable under the circumstances. However, such information and assumptions (and, therefore, such forward-looking statements and information) are or may be subject to variables or unknown or unforeseeable events or circumstances over which management has little or no influence or control. The Risk Factors in Item 1A of this report could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. 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 7A. Quantitative and Qualitative Disclosures about Market Risk**

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

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**Item 8. Financial Statements and Supplementary Data**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Union Pacific Corporation, its Directors, and Shareholders:

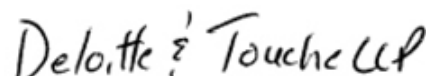
We have audited the accompanying consolidated statements of financial position of Union Pacific Corporation and Subsidiary Companies (the Corporation) as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Table of Contents at Part IV, Item 15. These financial statements and financial statement schedule are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Union Pacific Corporation and Subsidiary Companies as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 4 to the consolidated financial statements, in 2006 the Corporation adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Corporation's internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 5, 2009, expressed an unqualified opinion on the Corporation's internal control over financial reporting.



Omaha, Nebraska  
February 5, 2009

[Table of Contents](#)**CONSOLIDATED STATEMENTS OF INCOME***Union Pacific Corporation and Subsidiary Companies**Millions, Except Per Share Amounts,  
for the Years Ended December 31,*

	2008	2007	2006
<b>Operating revenues:</b>			
Freight revenues	\$ 17,118	\$ 15,486	\$ 14,791
Other revenues	852	797	787
<b>Total operating revenues</b>	<b>17,970</b>	<b>16,283</b>	<b>15,578</b>
<b>Operating expenses:</b>			
Compensation and benefits	4,457	4,526	4,535
Fuel	3,983	3,104	2,968
Purchased services and materials	1,902	1,856	1,756
Depreciation	1,387	1,321	1,237
Equipment and other rents	1,326	1,368	1,396
Other	840	733	802
<b>Total operating expenses</b>	<b>13,895</b>	<b>12,908</b>	<b>12,694</b>
<b>Operating income</b>	<b>4,075</b>	<b>3,375</b>	<b>2,884</b>
Other income (note 5)	92	116	118
Interest expense	(511)	(482)	(477)
Income before income taxes	3,656	3,009	2,525
Income taxes (note 6)	(1,318)	(1,154)	(919)
<b>Net income</b>	<b>\$ 2,338</b>	<b>\$ 1,855</b>	<b>\$ 1,606</b>
<b>Share and Per Share (notes 2 and 7):</b>			
Earnings per share - basic	\$ 4.58	\$ 3.49	\$ 2.98
Earnings per share - diluted	\$ 4.54	\$ 3.46	\$ 2.95
Weighted average number of shares - basic	510.6	531.9	538.9
Weighted average number of shares - diluted	515.0	536.8	543.9
Dividends declared per share	\$ 0.98	\$ 0.745	\$ 0.60

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

[Table of Contents](#)**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION***Union Pacific Corporation and Subsidiary Companies*

<i>Millions of Dollars, as of December 31,</i>	<i>2008</i>	<i>2007</i>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,249	\$ 878
Accounts receivable, net	594	632
Materials and supplies	450	453
Current deferred income taxes (note 6)	276	336
Other current assets	244	295
Total current assets	2,813	2,594
Investments	974	923
Net properties (note 9)	35,701	34,158
Other assets	234	358
Total assets	\$ 39,722	\$ 38,033
<b>Liabilities and Common Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and other current liabilities (note 10)	\$ 2,560	\$ 2,902
Debt due within one year (note 13)	320	139
Total current liabilities	2,880	3,041
Debt due after one year (note 13)	8,607	7,543
Deferred income taxes (note 6)	10,282	10,050
Other long-term liabilities	2,506	1,814
Commitments and contingencies (note 15)		
Total liabilities	24,275	22,448
Common shareholders' equity (note 2):		
Common shares, \$2.50 par value, 800,000,000 and 500,000,000 authorized; 552,775,812 and 276,162,141 issued; 503,225,705 and 260,869,647 outstanding, respectively	1,382	690
Paid-in-surplus	3,949	3,926
Retained earnings	13,813	12,667
Treasury stock	(2,993)	(1,624)
Accumulated other comprehensive loss (note 8)	(704)	(74)
Total common shareholders' equity	15,447	15,585
Total liabilities and common shareholders' equity	\$ 39,722	\$ 38,033

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



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<i>Millions of Dollars, for the Years Ended December 31,</i>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Operating Activities</b>			
Net income	\$ 2,338	\$ 1,855	\$ 1,606
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	1,387	1,321	1,237
Deferred income taxes and unrecognized tax benefits	547	332	235
Stock-based compensation expense	65	44	35
Net gain from asset sales	(41)	(52)	(72)
Other operating activities, net	24	(251)	(175)
Changes in current assets and liabilities, net	(250)	28	14
Cash provided by operating activities	4,070	3,277	2,880
<b>Investing Activities</b>			
Capital investments	(2,780)	(2,496)	(2,242)
Proceeds from asset sales	93	122	133
Acquisition of equipment pending financing	(388)	(621)	(536)
Proceeds from sale of assets financed	388	621	536
Other investing activities, net	(77)	(52)	67
Cash used in investing activities	(2,764)	(2,426)	(2,042)
<b>Financing Activities</b>			
Debt issued	2,257	1,581	-
Common share repurchases (note 16)	(1,609)	(1,375)	-
Debt repaid	(1,208)	(792)	(657)
Dividends paid	(481)	(364)	(322)
Cash received for option exercises	83	132	177
Treasury shares repurchased for employee payroll taxes	(28)	(61)	(17)
Excess tax benefits from equity compensation plans	54	76	29
Other financing activities, net	(3)	3	6
Cash used in financing activities	(935)	(800)	(784)
Net change in cash and cash equivalents	371	51	54
Cash and cash equivalents at beginning of year	878	827	773
Cash and cash equivalents at end of year	\$ 1,249	\$ 878	\$ 827
<b>Changes in Current Assets and Liabilities</b>			
Accounts receivable, net	\$ 38	\$ 47	\$ 68
Materials and supplies	3	(58)	(64)
Other current assets	51	(104)	(21)
Accounts payable and other current liabilities	(342)	143	31
Total	\$ (250)	\$ 28	\$ 14
<b>Supplemental Cash Flow Information</b>			
Non-cash investing and financing activities:			
Capital lease financings	\$ 175	\$ 82	\$ 16
Cash dividends declared but not yet paid	132	112	80
Capital investments accrued but not yet paid	93	126	106
Common shares repurchased but not yet paid	-	82	-
Cash paid during the year for:			
Interest, net of amounts capitalized	\$ (500)	\$ (467)	\$ (492)
Income taxes, net of refunds	(699)	(839)	(549)

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

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**CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDERS' EQUITY**
*Union Pacific Corporation and Subsidiary Companies*

<i>Millions of Dollars</i> <i>Thousands of Shares</i>	<i>Common</i> <i>Shares</i>	<i>Treasury</i> <i>Shares</i>						<i>Accumulated</i>	<i>Other</i>	<i>Total</i>
			<i>Common</i> <i>Shares</i>	<i>Paid-in-</i> <i>Surplus</i>	<i>Retained</i> <i>Earnings</i>	<i>Treasury</i> <i>Stock</i>	<i>Comprehensive</i> <i>Income/(Loss)</i> <i>(note 8)</i>			
<b>Balance at January 1, 2006</b>	275,799	(9,164)	\$ 689	\$ 3,915	\$ 9,932	\$ (599)	\$ (230)	\$13,707		
Comprehensive income:										
Net income			-	-	1,606	-	-	1,606		
Other comp. income			-	-	-	-	167	167		
Total comp. income (note 8)			-	-	1,606	-	167	1,773		
FAS 158 adoption (note 4)			-	-	-	-	(79)	(79)		
Conversion, stock option exercises, forfeitures, and other	163	3,374	1	28	-	205	-	234		
Cash dividends declared (\$1.20 per share)	-	-	-	-	(323)	-	-	(323)		
<b>Balance at December 31, 2006</b>	275,962	(5,790)	\$ 690	\$ 3,943	\$ 11,215	\$ (394)	\$ (142)	\$15,312		
Cumulative effect of adoption of FIN 48 (note 6)	-	-	-	-	(7)	-	-	(7)		
<b>Balance at January 1, 2007</b>	275,962	(5,790)	\$ 690	\$ 3,943	\$ 11,208	\$ (394)	\$ (142)	\$15,305		
Comprehensive income:										
Net income			-	-	1,855	-	-	1,855		
Other comp. income			-	-	-	-	68	68		
Total comp. income (note 8)			-	-	1,855	-	68	1,923		
Conversion, stock option exercises, forfeitures, and other	200	3,122	-	(17)	-	227	-	210		
Share repurchases (note 16)	-	(12,624)	-	-	-	(1,457)	-	(1,457)		
Cash dividends declared (\$1.49 per share)	-	-	-	-	(396)	-	-	(396)		
<b>Balance at December 31, 2007</b>	276,162	(15,292)	\$ 690	\$ 3,926	\$ 12,667	\$ (1,624)	\$ (74)	\$15,585		
Comprehensive income:										
Net income			-	-	-	-	-	-		
Other comp. income/(loss)			-	-	2,338	-	(630)	2,338		
Total comp. income (note 8)			-	-	2,338	-	(630)	1,708		
Conversion, stock option exercises, forfeitures, and other	452	3,210	1	23	-	158	-	182		
Share repurchases (note 16)	-	(22,176)	-	-	-	(1,527)	-	(1,527)		
Common stock dividend (note 2)	276,162	(15,292)	691	-	(691)	-	-	-		
Cash dividends declared (\$0.98 per share)	-	-	-	-	(501)	-	-	(501)		
<b>Balance at December 31, 2008</b>	552,776	(49,550)	\$ 1,382	\$ 3,949	\$ 13,813	\$ (2,993)	\$ (704)	\$15,447		

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***Union Pacific Corporation and Subsidiary Companies*

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

**1. Nature of Operations and Significant Accounting Policies**

**Operations and Segmentation** – We are a Class I railroad that operates in the United States. We have 32,012 route miles, linking Pacific Coast and Gulf Coast ports with the Midwest and eastern United States gateways and providing several corridors to key Mexican gateways. We serve the western two-thirds of the country and maintain coordinated schedules with other rail carriers for the handling of freight to and from the Atlantic Coast, the Pacific Coast, the Southeast, the Southwest, Canada, and Mexico. Export and import traffic is moved through Gulf Coast and Pacific Coast ports and across the Mexican and Canadian borders.

The Railroad, along with its subsidiaries and rail affiliates, is our one reportable operating segment. Although revenues are 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 revenue by commodity group:

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Agricultural	\$ 3,174	\$ 2,605	\$ 2,385
Automotive	1,344	1,458	1,427
Chemicals	2,494	2,287	2,084
Energy	3,810	3,134	2,949
Industrial Products	3,273	3,077	3,135
Intermodal	3,023	2,925	2,811
Total freight revenues	\$ 17,118	\$ 15,486	\$ 14,791
Other revenues	852	797	787
Total operating revenues	\$ 17,970	\$ 16,283	\$ 15,578

**Basis of Presentation** – Certain prior year amounts have been reclassified to conform to the current period financial statement presentation. The reclassifications include reporting freight revenues instead of commodity revenues. The amounts reclassified from freight revenues to other revenues totaled \$30 million and \$71 million for the years ended December 31, 2007, and December 31, 2006, respectively. In addition, we modified our operating expense categories to report fuel used in railroad operations as a stand-alone category, to combine purchased services and materials into one line, and to reclassify certain other expenses among operating expense categories. These reclassifications had no impact on previously reported operating revenues, total operating expenses, operating income or net income.

**Significant Accounting Policies**

**Principles of Consolidation** – The Consolidated Financial Statements include the accounts of Union Pacific Corporation and all of its subsidiaries. Investments in affiliated companies (20% to 50% owned) are accounted for using the equity method of accounting. All significant intercompany transactions are eliminated. The Corporation evaluates its less than majority-owned investments for consolidation

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pursuant to Financial Accounting Standards Board (FASB) Interpretation No. 46 (Revised 2003), *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51* (FIN 46(R)). We currently have no less than majority-owned investments that require consolidation under FIN 46(R).

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

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

**Property and Depreciation** – See note 9.

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

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

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

**Financial Instruments** – The carrying value of our non-derivative financial instruments approximates fair value. The fair value of financial instruments is generally determined by reference to market values as quoted by recognized dealers or developed based upon the present value of expected future cash flows.

We periodically use derivative financial instruments, for other than trading purposes, to manage risk related to changes in fuel prices and interest rates.

**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 vest.

We adopted FASB Statement No. 123(R), *Share-Based Payment* (FAS 123(R)), on January 1, 2006. FAS 123(R) requires us to measure and recognize compensation expense for all stock-based awards made to employees and directors, including stock options. Compensation expense is based on the calculated fair value of the awards as measured at the grant date and is expensed ratably over the service period of the awards (generally the vesting period). The fair value of retention awards is the closing stock price on the date of grant, while the fair value of stock options is determined by using the Black-Scholes option pricing model. We elected to use the modified prospective transition method as permitted by FAS 123(R) and did not restate financial results for prior periods. We did not make an adjustment for the cumulative effect of estimated forfeitures, as the impact was not material.

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Information regarding stock-based compensation appears in the table below:

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Stock-based compensation, before tax:			
Stock options	\$ 25	\$ 21	\$ 14
Retention awards	40	23	21
Total stock-based compensation, before tax	\$ 65	\$ 44	\$ 35
Total stock-based compensation, after tax	\$ 40	\$ 27	\$ 22

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

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

**Income Taxes** – As required under FASB Statement No. 109, *Accounting for Income Taxes*, we account for income taxes by recording taxes payable or refundable for the current year and deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. These expected future tax consequences are measured based on provisions of tax law as currently enacted; the effects of future changes in tax laws are not anticipated. Future tax law changes, such as a change in the corporate tax rate, could have a material impact on our financial condition and liquidity.

When appropriate, we record a valuation allowance against deferred tax assets to offset future tax benefits that may not be realized. In determining whether a valuation allowance is appropriate, we consider whether it is more likely than not that all or some portion of our deferred tax assets will not be realized, based on management's judgments regarding the best available evidence about future events.

When we have claimed tax benefits that may be challenged by a tax authority, these uncertain tax positions are accounted for under FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). We adopted FIN 48 beginning January 1, 2007. Prior to 2007, income tax contingencies were accounted for under FASB Statement No. 5, *Accounting for Contingencies*.

Under FIN 48, we recognize tax benefits only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in our tax returns that do not meet these recognition and measurement standards.

**Pension and Postretirement Benefits** – We incur certain employment-related expenses associated with pensions and postretirement health benefits. In order to measure the expense associated with these benefits, we must make various assumptions including discount rates used to value certain liabilities, expected return on plan assets used to fund these expenses, salary increases, employee turnover rates, anticipated mortality rates, and expected future healthcare costs. The assumptions used by us are based on

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our historical experience as well as current facts and circumstances. We use third-party actuaries to assist us in properly measuring the expense and liability associated with these benefits.

**Personal Injury** – The cost of injuries to employees and others on our property is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use third-party actuaries to assist us in properly measuring the expense and liability. Our personal injury liability is discounted to present value using applicable U.S. Treasury rates. Legal fees and incidental costs are expensed as incurred.

**Environmental** – When environmental issues have been identified with respect to property currently or formerly owned, leased, or otherwise used in the conduct of our business, we and our consultants perform environmental assessments on such property. We expense the cost of the assessments as incurred. We accrue the cost of remediation where our obligation is probable and such costs can be reasonably estimated. We do not discount our environmental liabilities when the timing of the anticipated cash payments is not fixed or readily determinable. Legal fees and incidental costs are expensed as incurred.

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

## **2. Stock Split**

On May 28, 2008, we completed a two-for-one stock split, effected in the form of a 100% stock dividend. The stock split entitled all shareholders of record at the close of business on May 12, 2008, to receive one additional share of our common stock, par value \$2.50 per share, for each share of common stock held on that date. All references to common shares and per share amounts (excluding the Consolidated Statements of Changes in Common Shareholders' Equity and December 31, 2007, Consolidated Statements of Financial Position) have been restated to reflect the stock split for all periods presented.

## **3. Stock Options and Other Stock Plans**

We have 144,980 options outstanding under the 1993 Stock Option and Retention Stock Plan of Union Pacific Corporation (1993 Plan). There are 7,140 restricted shares outstanding under the 1992 Restricted Stock Plan for Non-Employee Directors of Union Pacific Corporation. We no longer grant options or awards of retention shares and units under these plans.

In April 2000, the shareholders approved the Union Pacific Corporation 2000 Directors Plan (Directors Plan) whereby 1,100,000 shares of our common stock (550,000 pre-split) were reserved for issuance to our non-employee directors. Under the Directors Plan, each non-employee director, upon his or her initial election to the Board of Directors, receives a grant of 2,000 shares of retention shares or retention stock units (1,000 pre-split). Prior to December 31, 2007, each non-employee director received annually an option to purchase at fair value a number of shares of our common stock, not to exceed 10,000 shares (5,000 pre-split) during any calendar year, determined by dividing 60,000 by 1/3 of the fair market value of one share of our common stock on the date of such Board of Directors meeting, with the resulting quotient rounded up or down to the nearest 50 shares. As of December 31, 2008, 16,000 restricted shares were outstanding under the Directors Plan and 311,000 options were outstanding under the Directors Plan.

The Union Pacific Corporation 2001 Stock Incentive Plan (2001 Plan) was approved by the shareholders in April 2001. The 2001 Plan reserved 24,000,000 shares of our common stock (12,000,000 pre-split) for issuance to eligible employees of the Corporation and its subsidiaries in the form of non-qualified

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options, incentive stock options, retention shares, stock units, and incentive bonus awards. Non-employee directors were not eligible for awards under the 2001 Plan. As of December 31, 2008, 4,095,039 options were outstanding under the 2001 Plan. We no longer grant any stock options or other stock or unit awards under this plan.

The Union Pacific Corporation 2004 Stock Incentive Plan (2004 Plan) was approved by shareholders in April 2004. The 2004 Plan reserved 42,000,000 shares of our common stock (21,000,000 pre-split) for issuance, plus any shares subject to awards made under the 2001 Plan and the 1993 Plan that were outstanding on April 16, 2004, and became available for regrant pursuant to the terms of the 2004 Plan. Under the 2004 Plan, non-qualified options, stock appreciation rights, retention shares, stock units, and incentive bonus awards may be granted to eligible employees of the Corporation and its subsidiaries. Non-employee directors are not eligible for awards under the 2004 Plan. As of December 31, 2008, 7,431,886 options and 2,891,339 retention shares and stock units were outstanding under the 2004 Plan.

Pursuant to the above plans 36,961,123; 38,601,728; and 39,088,490 shares of our common stock were authorized and available for grant at December 31, 2008, 2007, and 2006, respectively.

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

<i>Weighted-Average Assumptions</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Risk-free interest rate	2.8%	4.9%	4.5%
Dividend yield	1.4%	1.4%	1.4%
Expected life (years)	5.3	4.7	6.0
Volatility	22.2%	20.9%	25.3%
Weighted-average grant-date fair value of options granted	\$ 13.35	\$ 11.19	\$ 12.49

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 2008 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, 2008	15,127	\$ 35.77	6.0 yrs.	\$ 409
Granted	1,571	62.40	N/A	N/A
Exercised	(4,351)	31.61	N/A	N/A
Forfeited or expired	(364)	34.53	N/A	N/A
Outstanding at December 31, 2008	11,983	\$ 40.81	5.6 yrs.	\$ 108
Vested or expected to vest at December 31, 2008	11,870	\$ 40.69	5.6 yrs.	\$ 108
Options exercisable at December 31, 2008	8,216	\$ 35.13	4.4 yrs.	\$ 105

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Stock options are granted at the closing price on the date of grant, have ten-year contractual terms, and vest no later than three years from the date of grant. None of the stock options outstanding at December 31, 2008 are subject to performance or market-based vesting conditions.

At December 31, 2008, there was \$21 million of unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted-average period of 0.9 years. Additional information regarding stock option exercises appears in the table below:

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Intrinsic value of stock options exercised	<b>\$169</b>	\$208	\$124
Cash received from option exercises	<b>83</b>	132	177
Tax benefit realized from option exercises	<b>63</b>	78	44
Aggregate grant-date fair value of stock options vested	<b>21</b>	11	26

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

Changes in our retention awards during 2008 were as follows:

	<i>Shares (thous.)</i>	<i>Weighted-Average Grant-Date Fair Value</i>
Nonvested at January 1, 2008	1,624	\$ 42.04
Granted	655	62.42
Vested	(206)	33.13
Forfeited	(58)	46.32
Nonvested at December 31, 2008	2,015	\$ 49.39

Retention awards are granted at no cost to the employee or non-employee director and vest over periods lasting up to four years. At December 31, 2008, there was \$52 million of total unrecognized compensation expense related to nonvested retention awards, which is expected to be recognized over a weighted-average period of 1.9 years.

**Performance Retention Awards** – In January 2008, our Board of Directors approved performance stock unit grants. Other than higher performance targets, the basic terms of these performance stock units are identical to those granted in January 2006 and January 2007, including using annual return on invested capital (ROIC) as the performance measure. Stock units awarded to selected employees under these grants are subject to continued employment for 37 months and the attainment of certain levels of ROIC. We expense the fair value of the units that are probable of being earned based on our forecasted ROIC over the 3-year performance period. We measure the fair value of these performance stock units based upon the closing price of the underlying common stock as of the date of grant, reduced by the present value of estimated future dividends. Dividend equivalents are paid to participants only after the units are earned.



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The assumptions used to calculate the present value of estimated future dividends related to the January 2008 grant were as follows:

	2008
Dividend per share per quarter	\$ 0.22
Risk-free interest rate at date of grant	2.3%

Changes in our performance retention awards during 2008 were as follows:

	Shares (thous.)	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2008	589	\$ 45.27
Granted	325	60.25
Vested	(5)	43.91
Forfeited	(36)	49.13
Nonvested at December 31, 2008	873	\$ 50.70

At December 31, 2008, there was \$19 million of total unrecognized compensation expense related to nonvested performance retention awards, which is expected to be recognized over a weighted-average period of 1.2 years. A portion of this expense is subject to achievement of the ROIC levels established for the performance stock unit grants.

## 4. 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 defined contribution medical and life insurance benefits for eligible retirees. These benefits are funded as medical claims and life insurance premiums are paid.

### Funded Status

We adopted FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (FAS 158), at the end of 2006, which required us to separately recognize the overfunded or underfunded status of our pension and OPEB plans as an asset or liability. The funded status represents the difference between the projected benefit obligation (PBO) and the fair value of the plan assets. The PBO is the present value of benefits earned to date by plan participants, including the effect of assumed future salary increases. The PBO of the OPEB plan is equal to the accumulated benefit obligation, as the present value of the OPEB liabilities is not affected by salary increases. Plan assets are measured at fair value. We use a December 31 measurement date for plan assets and obligations for all our retirement plans.

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

<i>Funded Status</i> <i>Millions of Dollars</i>	<i>Pension</i>		<i>OPEB</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
<b>Projected Benefit Obligation</b>				
Projected benefit obligation at beginning of year	\$ 2,112	\$ 2,113	\$ 326	\$ 374
Service cost	34	34	3	3
Interest cost	137	124	24	20
Plan amendments	-	-	(9)	(10)
Actuarial loss (gain)	132	(33)	101	(34)
Gross benefits paid	(143)	(126)	(27)	(27)
Projected benefit obligation at end of year	\$ 2,272	\$ 2,112	\$ 418	\$ 326
<b>Plan Assets</b>				
Fair value of plan assets at beginning of year	\$ 2,058	\$ 1,989	\$ -	\$ -
Actual return on plan assets	(592)	183	-	-
Voluntary funded pension plan contributions	200	-	-	-
Other funded pension plan contributions	8	-	-	-
Non-qualified plan benefit contributions	12	12	27	27
Gross benefits paid	(143)	(126)	(27)	(27)
Fair value of plan assets at end of year	\$ 1,543	\$ 2,058	\$ -	\$ -
Funded status at end of year	\$ (729)	\$ (54)	\$ (418)	\$ (326)

Amounts recognized in the statement of financial position as of December 31, 2008 and 2007 consist of:

<i>Millions of Dollars</i>	<i>Pension</i>		<i>OPEB</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Noncurrent assets	\$ -	\$ 120	\$ -	\$ -
Current liabilities	(12)	(11)	(30)	(27)
Noncurrent liabilities	(717)	(163)	(388)	(299)
Net amounts recognized at end of year	\$ (729)	\$ (54)	\$ (418)	\$ (326)

Pre-tax amounts recognized in accumulated other comprehensive income/(loss) as of December 31, 2008 consist of:

<i>Millions of Dollars</i>	<i>Pension</i>	<i>OPEB</i>	<i>Total</i>
Prior service (cost)/credit	\$ (12)	\$ 111	\$ 99
Net actuarial loss	(1,023)	(172)	(1,195)
Total	\$ (1,035)	\$ (61)	\$ (1,096)

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Pre-tax amounts recognized in accumulated other comprehensive income/(loss) as of December 31, 2007 consist of:

<i>Millions of Dollars</i>	<i>Pension</i>	<i>OPEB</i>	<i>Total</i>
Prior service (cost)/credit	\$ (18)	\$ 137	\$ 119
Net actuarial loss	(158)	(85)	(243)
<b>Total</b>	<b>\$ (176)</b>	<b>\$ 52</b>	<b>\$(124)</b>

Other pre-tax changes recognized in other comprehensive income during 2008 were as follows:

<i>Millions of Dollars</i>	<i>Pension</i>	<i>OPEB</i>	<i>Total</i>
Prior service credit arising during the year	\$ -	\$ (9)	\$ (9)
Net actuarial loss arising during the year	875	101	976
Amortization of prior service (cost)/credit	(6)	34	28
Amortization of actuarial (loss)	(10)	(13)	(23)
<b>Total</b>	<b>\$ 859</b>	<b>\$ 113</b>	<b>\$972</b>

Amounts included in accumulated other comprehensive income expected to be amortized into net periodic cost (benefit) during 2009:

<i>Millions of Dollars</i>	<i>Pension</i>	<i>OPEB</i>	<i>Total</i>
Prior service cost (credit)	\$ 5	\$ (35)	\$ (30)
Net actuarial loss	26	15	41
<b>Total</b>	<b>\$ 31</b>	<b>\$ (20)</b>	<b>\$ 11</b>

*Underfunded Accumulated Benefit Obligation* – The accumulated benefit obligation (ABO) is the present value of benefits earned to date, assuming no future salary growth. The underfunded accumulated benefit obligation represents the difference between the ABO and the fair value of plan assets. At December 31, 2007, the only pension plan that was underfunded was our non-qualified (supplemental) plan, which is not funded by design. At December 31, 2008, the non-qualified (supplemental) plan ABO was \$189 million. The PBO, ABO, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of the fair value of the plan assets were as follows for the years ended December 31:

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>
Projected benefit obligation	\$ (2,272)	\$ (175)
Accumulated benefit obligation	\$ (2,201)	\$ (172)
Fair value of plan assets	1,543	-
<b>Underfunded Accumulated Benefit Obligation</b>	<b>\$ (658)</b>	<b>\$ (172)</b>

The ABO for all defined benefit pension plans was \$2.2 billion and \$2.0 billion at December 31, 2008 and 2007, respectively.

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

Percentages	Pension		OPEB	
	2008	2007	2008	2007
Discount rate	6.25%	6.50%	6.25%	6.50%
Salary increase	3.50%	3.50%	N/A	N/A
Health care cost trend rate for next year (employees under 65)	N/A	N/A	6.60%	8.00%
Health care cost trend rate for next year (employees over 65)	N/A	N/A	9.40%	10.00%
Ultimate health care cost trend rate	N/A	N/A	4.50%	5.00%
Year ultimate trend rate reached	N/A	N/A	2028	2013

**Expense**

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

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

Millions of Dollars	Pension			OPEB		
	2008	2007	2006	2008	2007	2006
<b>Net Periodic Benefit Cost:</b>						
Service cost	\$ 34	\$ 34	\$ 35	\$ 3	\$ 3	\$ 4
Interest cost	137	124	117	24	20	21
Expected return on plan assets	(152)	(144)	(134)	-	-	-
<b>Amortization of:</b>						
Prior service cost/(credit)	6	6	7	(35)	(33)	(33)
Actuarial loss	10	18	21	13	8	13
<b>Net periodic benefit cost/(benefit)</b>	<b>\$ 35</b>	<b>\$ 38</b>	<b>\$ 46</b>	<b>\$ 5</b>	<b>\$ (2)</b>	<b>\$ 5</b>

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

Percentages	Pension			OPEB		
	2008	2007	2006	2008	2007	2006
Discount rate	6.50%	6.00%	5.75%	6.50%	6.00%	5.75%
Expected return on plan assets	8.00%	8.00%	8.00%	N/A	N/A	N/A
Salary increase	3.50%	3.00%	2.75%	N/A	N/A	N/A
Health care cost trend rate for next year (employees under 65)	N/A	N/A	N/A	8.00%	9.00%	9.00%
Health care cost trend rate for next year (employees over 65)	N/A	N/A	N/A	10.00%	11.00%	9.00%
Ultimate healthcare cost trend rate	N/A	N/A	N/A	5.00%	5.00%	5.00%
Year ultimate trend reached	N/A	N/A	N/A	2013	2013	2010

For 2008, the discount rate was based on a Mercer yield curve of high quality corporate bonds with cash flows matching our plans' expected benefit payments. For 2007 and 2006, the discount rate was based on a hypothetical portfolio of high quality corporate bonds with cash flows matching our plans' expected benefit payments. The expected return on plan assets is based on our asset allocation mix and our historical return, taking into account current and expected market conditions. The actual return (loss) on pension plan assets, net of fees, was approximately (30)% in 2008, 9% in 2007, and 14% in 2006.

Assumed healthcare cost trend rates have a significant effect on the expense and liabilities reported for healthcare plans. The assumed healthcare cost trend rate is based on historical rates and expected market conditions. A one-percentage point change in the assumed healthcare cost trend rates would have the following effects on OPEB:

Millions of Dollars	One % pt. Increase	One % pt. Decrease
Effect on total service and interest cost components	\$ 3	\$ (2)
Effect on accumulated benefit obligation	42	(35)

### Cash Contributions

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

Millions of Dollars	Pension		OPEB
	Qualified	Non-qualified	
2007	\$ -	\$ 12	\$ 27
2008	208	12	27
2009 Expected	25 [a]	12	30

[a] While we do not expect any required contributions during 2009, we intend to fund at least \$25 million. This amount may be higher 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 the Pension Protection Act of 2006 and not more than the maximum amount deductible for tax purposes. All contributions made to the qualified pension plans in 2008 were voluntary and were made with cash generated from operations.

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The OPEB plans are not funded and are not subject to any minimum regulatory funding requirements. Benefit payments for each year represent claims paid for medical and life insurance, and we anticipate our 2009 OPEB payments will be made from cash generated from operations.

### Benefit Payments

The following table details expected benefit payments for the years 2009 through 2018:

<i>Millions of Dollars</i>	<i>Pension</i>	<i>OPEB</i>
2009	\$ 132	\$ 30
2010	136	30
2011	142	31
2012	147	31
2013	154	32
Years 2014 -2018	857	161

### Asset Allocation Strategy

Our pension plan asset allocation at December 31, 2008 and 2007, and target allocation for 2009, are as follows:

	<i>Target Allocation 2009</i>	<i>Percentage of Plan Assets December 31,</i>	
		<i>2008</i>	<i>2007</i>
Equity securities	60% to 70%	<b>68%</b>	68%
Debt securities	20% to 30%	<b>23</b>	23
Real estate	2% to 8%	<b>6</b>	4
Commodities	4% to 6%	<b>3</b>	5
<b>Total</b>		<b>100%</b>	100%

The investment strategy for pension plan assets is to maintain a broadly diversified portfolio designed to achieve our target of an average long-term rate of return of 8%. While we believe we can achieve a long-term average rate of return of 8%, we cannot be certain that the portfolio will perform to our expectations. Assets are strategically allocated among equity, debt, and other investments in order to achieve a diversification level that dampens fluctuations in investment returns. Asset allocation target ranges for equity, debt, and other portfolios are evaluated at least every three years with the assistance of an independent external consulting firm. Actual asset allocations are monitored monthly, and rebalancing actions are executed at least quarterly, if needed.

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The pension plan investments are held in a Master Trust, with The Northern Trust Company. Investments in the Master Trust are valued at fair value, which has been determined based on fair value of the underlying investments of the Master Trust. Investments in securities traded on public security exchanges are valued at their closing market prices on the valuation date; where no sale was made on the valuation date, the security is generally valued at its most recent bid price. Certain short-term investments are carried at cost, which approximates fair value. Investments in registered investment companies and common trust funds, which primarily invest in stocks, bonds, and commodity futures, are valued using publicly available market prices for the underlying investments held by these entities.

The majority of pension plan assets are invested in equity securities, because equity portfolios have historically provided higher returns than debt and other asset classes over extended time horizons, and are expected to do so in the future. Correspondingly, equity investments also entail greater risks than other investments. Equity risks are balanced by investing a significant portion of the plan's assets in high quality debt securities. The average quality rating of the debt portfolio exceeded AA as of December 31, 2008 and 2007. The debt portfolio is also broadly diversified and invested primarily in U.S. Treasury, mortgage, and corporate securities with an intermediate average maturity. The weighted-average maturity of the debt portfolio was 5 years at both December 31, 2008 and 2007, respectively.

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

### **Other Retirement Programs**

*Thrift Plan* – We provide a defined contribution plan (thrift plan) to eligible non-union employees and make matching contributions to the thrift plan. We match 50 cents for each dollar contributed by employees up to the first six percent of compensation contributed. Our thrift plan contributions were \$14 million in 2008, \$14 million in 2007, and \$13 million in 2006.

*Railroad Retirement System* – All Railroad employees are covered by the Railroad Retirement System (the System). Contributions made to the System are expensed as incurred and amounted to approximately \$620 million in 2008, \$616 million in 2007, and \$615 million in 2006.

*Collective Bargaining Agreements* – Under collective bargaining agreements, we provide certain postretirement healthcare and life insurance benefits for eligible union employees. Premiums under the plans are expensed as incurred and amounted to \$49 million in 2008 and \$40 million in both 2007 and 2006.

### **5. Other Income**

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

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Rental income	\$ 87	\$ 68	\$ 83
Net gain on non-operating asset dispositions	41	52	72
Interest income	21	50	29
Sale of receivables fees	(23)	(35)	(33)
Non-operating environmental costs and other	(34)	(19)	(33)
Total	\$ 92	\$ 116	\$ 118

[Table of Contents](#)**6. Income Taxes**

Components of income tax expense/(benefit) were as follows for the years ended December 31:

<i>Millions of Dollars</i>	2008	2007	2006
Current	\$ 771	\$ 822	\$ 684
Deferred	681	354	235
Unrecognized tax benefits	(134)	(22)	N/A
Total income tax expense	\$ 1,318	\$ 1,154	\$ 919

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

<i>Tax Rate Percentages</i>	2008	2007	2006
Federal statutory tax rate	35.0%	35.0%	35.0%
State statutory rates, net of federal benefits	3.0	2.9	2.9
Deferred tax adjustments	(0.7)	1.0	(0.5)
Tax credits	(0.9)	(0.6)	(1.0)
Other	(0.3)	0.1	-
Effective tax rate	36.1%	38.4%	36.4%

In the third quarter of 2007, the State of Illinois enacted legislation that changed how we determine the amount of our income subject to Illinois tax. This legislation caused an increase to our deferred tax expense of \$27 million for 2007. In January of 2008, Illinois enacted technical corrections legislation that made additional changes in how we determine the amount of our income subject to Illinois tax. This technical corrections legislation resulted in a reduction of deferred tax expense of \$16 million in the first quarter of 2008.

Deferred tax assets and liabilities are recorded for the expected future tax consequences of events that are reported in different periods for financial reporting and income tax purposes. The majority of our deferred tax liabilities relate to differences between the tax bases and financial reporting amounts of our land and depreciable property, due to accelerated tax depreciation, revaluation of assets in purchase accounting transactions, and differences in capitalization methods.

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

<i>Millions of Dollars</i>	2008	2007
Net current deferred income tax asset	\$ (276)	\$ (336)
Property	10,006	9,467
State taxes, net of federal benefits	675	691
Other	(399)	(108)
Net long-term deferred income tax liabilities	10,282	10,050
Net deferred income tax liability	\$ 10,006	\$ 9,714

Under FIN 48, tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount



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of benefit that is greater than 50 percent likely to be realized upon settlement. Unrecognized tax benefits are tax benefits claimed in our tax returns that do not meet these recognition and measurement standards.

We adopted FIN 48 on January 1, 2007. At adoption, our total liabilities for unrecognized tax benefits were \$227 million pre-tax, or \$173 million after including tax benefits for the deductibility of interest and state taxes. Of this amount, \$7 million was recorded as a decrease to beginning retained earnings for the cumulative effect of adopting FIN 48. The remaining \$166 million had been previously accrued under either FASB Statement No. 5, *Accounting for Contingencies*, or FASB Statement No. 109, *Accounting for Income Taxes*. The entire \$173 million was classified as non-current in the Consolidated Statement of Financial Position.

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

<i>Millions of Dollars</i>	<b>2008</b>	<b>2007</b>
Unrecognized tax benefits at January 1	<b>\$ 161</b>	<b>\$ 227</b>
Increases for positions taken in current year	<b>10</b>	15
Increases for positions taken in prior years	<b>1</b>	7
Decreases for positions taken in prior years	<b>(23)</b>	(45)
Decreases for positions expected to be taken in future years	-	(41)
Settlements with taxing authorities	<b>(55)</b>	(1)
Increases (decreases) for interest and penalties	<b>(68)</b>	3
Other increases (decreases)	-	(4)
Unrecognized tax benefits at December 31	<b>\$ 26</b>	<b>\$ 161</b>

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

<i>Millions of Dollars</i>	<b>2008</b>	<b>2007</b>
Unrecognized tax benefits that would reduce the effective tax rate	<b>\$ 79</b>	<b>\$ 142</b>
Unrecognized tax benefits that would not reduce the effective tax rate	<b>(53)</b>	19
Total unrecognized tax benefits	<b>\$ 26</b>	<b>\$ 161</b>

We recognize interest and penalties as part of income tax expense. Total accrued liabilities for interest and penalties were \$10 million and \$78 million at December 31, 2008 and 2007, respectively. Total interest and penalties recognized as part of income tax expense (benefit) were \$(9) million for 2008 and \$3 million for 2007.

For all federal income tax years prior to 1995, the Internal Revenue Service (IRS) examinations have been completed and the statute of limitations bars any additional tax assessments. We filed interest refund claims in 2007 for years 1986 through 1994, and we received the refunds in April of 2008. However, some interest calculation issues remain open back to 1986. In the third quarter of 2008, we signed a closing agreement resolving all tax matters at IRS Appeals for tax years 1995 through 1998. In connection with the settlement, in the fourth quarter of 2008 we paid the IRS \$52 million of tax and \$67 million of interest, which substantially reduced our liability for unrecognized tax benefits. The settlement

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had an immaterial effect on our income tax expense. The statute of limitations for these years will expire in 2009, except for calculations of interest.

The IRS has completed its examinations and issued notices of deficiency for tax years 1999 through 2004. We disagree with many of their proposed adjustments, and we are at IRS Appeals for these years. The IRS is examining our tax returns for tax years 2005 and 2006. Additionally, several state tax authorities are examining our state income tax returns for tax years 2000 through 2006.

We do not expect that the amount of unrecognized tax benefits will change significantly during the next 12 months, although it is reasonably possible that we may resolve several state tax disputes that could reduce unrecognized tax benefits by approximately \$5 - 10 million. Of the \$26 million balance at December 31, 2008, \$7 million is classified as current in the Consolidated Statement of Financial Position, primarily for state payments related to the settlement for tax years 1995 through 1998 described above.

### 7. Earnings Per Share

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

<i>Millions of Dollars, Except Per Share Amounts</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Net income	\$ 2,338	\$ 1,855	\$ 1,606
Weighted-average number of shares outstanding:			
Basic	510.6	531.9	538.9
Dilutive effect of stock options	3.4	4.2	4.0
Dilutive effect of retention shares and units	1.0	0.7	1.0
Diluted	515.0	536.8	543.9
Earnings per share – basic	\$ 4.58	\$ 3.49	\$ 2.98
Earnings per share – diluted	\$ 4.54	\$ 3.46	\$ 2.95

Common stock options totaling 1.0 million, 0.8 million, and 2.8 million for 2008, 2007, and 2006, respectively, were excluded from the computation of diluted earnings per share because the exercise prices of these options exceeded the average market price of our common stock for the respective periods, and the effect of their inclusion would be anti-dilutive.

[Table of Contents](#)**8. Comprehensive Income/(Loss)**

Comprehensive income/(loss) was as follows:

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Net income	\$ 2,338	\$ 1,855	\$ 1,606
Other comprehensive income/(loss):			
Defined benefit plans	(604)	65	170
Foreign currency translation	(26)	2	(4)
Derivatives	-	1	1
Total other comprehensive income/(loss) [a]	(630)	68	167
Total comprehensive income	\$ 1,708	\$ 1,923	\$ 1,773

[a] Net of deferred taxes of \$390 million, \$52 million, and \$102 million during 2008, 2007, and 2006, respectively.

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

<i>Millions of Dollars</i>	<i>Dec. 31, 2008</i>	<i>Dec. 31, 2007</i>
Defined benefit plans	\$ (659)	\$ (55)
Foreign currency translation	(41)	(15)
Derivatives	(4)	(4)
Total	\$ (704)	\$ (74)

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**9. Properties**

The following table lists the major categories of property and equipment, as well as the average composite depreciation rate for each category:

<i>Millions of Dollars, Except Percentages</i>	<i>Dec. 31, 2008</i>	<i>Dec. 31, 2007</i>	<i>Depreciation Rate for 2008</i>
Land	\$ 4,861	\$ 4,760	N/A
Road			
Rail and other track material	11,366	10,622	4.2%
Ties	6,827	6,354	2.7%
Ballast	3,635	3,369	2.9%
Other [a]	12,520	11,865	2.3%
Total Road	34,348	32,210	3.1%
Equipment			
Locomotives	5,157	5,092	4.7%
Freight cars	1,985	2,059	4.1%
Work equipment and other	158	157	3.6%
Total Equipment	7,300	7,308	4.5%
Technology and other	468	441	12.7%
Construction in progress	938	935	N/A
Total properties	\$ 47,915	\$ 45,654	N/A
Accumulated depreciation	(12,214)	(11,496)	N/A
Net properties	\$ 35,701	\$ 34,158	N/A

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

**Property and Depreciation** – Our rail operations are highly capital intensive. Each year we develop a capital program for the acquisition or construction of fixed assets. Assets purchased or constructed throughout the year that were not part of the original program are capitalized if they meet applicable minimum units of property criteria, which are approved by the STB. Properties are carried at cost, and we follow the group method of depreciation. Our large base of homogeneous, network-type assets turns over on a continuous basis. The group method of depreciation treats each asset class as a pool of resources, not as singular items. Under group depreciation, all items with similar physical characteristics, use, and expected life are grouped together in a single asset class, and are depreciated using composite depreciation rates. The cost (net of salvage) of depreciable rail property retired or replaced in the ordinary course of business is charged to accumulated depreciation and no gain or loss is recognized. A gain or loss is recognized in other income for all other property upon disposition because the gain or loss is not part of rail operations.

We compute depreciation principally on the straight-line method based on estimated service lives of depreciable property. We use a unit of production convention to depreciate rail in high-density traffic corridors. We calculate service lives using Company-specific retirement data. We perform and submit depreciation rate studies to the STB at least every three years for equipment and every six years for road property (i.e., rail and other track material, ties, and ballast). These rate studies, are reviewed and approved by the STB. These studies are used to develop our approved composite depreciation rates by asset class.

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When we purchase an asset, we capitalize all costs necessary to make the asset ready for its intended use. However, many of our assets are self-constructed. A large portion of our capital expenditures is for track structure expansion (capacity projects) and replacement (program projects), which is typically performed by our employees. Approximately 13% of our full-time equivalent employees are dedicated to the construction of capital assets. Costs that are directly attributable or overhead costs that relate directly to capital projects are capitalized. Direct costs that are capitalized as part of self-constructed assets include material, labor, and work equipment. Indirect costs are capitalized if they clearly relate to the construction of the asset. These costs are allocated using appropriate statistical bases. The capitalization of indirect costs is consistent with FASB Statement No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*.

General and administrative expenditures are expensed as incurred. Normal repairs and maintenance are also expensed as incurred, while costs incurred that extend the useful life of an asset, improve the safety of our operations or improve operating efficiency are capitalized.

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

### 10. Accounts Payable and Other Current Liabilities

<i>Millions of Dollars</i>	<i>Dec. 31, 2008</i>	<i>Dec. 31, 2007</i>
Accounts payable	\$ 629	\$ 732
Accrued wages and vacation	367	394
Accrued casualty costs	390	371
Income and other taxes	207	343
Dividends and interest	328	284
Equipment rents payable	93	103
Other	546	675
Total accounts payable and other current liabilities	\$ 2,560	\$ 2,902

### 11. Fair Value Measurements

During the first quarter of 2008, we fully adopted FASB Statement No. 157, *Fair Value Measurements* (FAS 157). FAS 157 established a framework for measuring fair value and expanded disclosures about fair value measurements. The adoption of FAS 157 had no impact on our financial position or results of operations.

FAS 157 applies to all assets and liabilities that are measured and reported on a fair value basis. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that each asset and liability carried at fair value be classified into one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

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At December 31, 2008, the fair value of our derivative asset was approximately \$19 million (see note 12). We determined the fair value of our derivative financial instrument position based upon current fair values as quoted by recognized dealers or the present value of expected future cash flows. As prescribed by FAS 157, we recognize the fair value of our derivative assets as a Level 2 valuation.

### 12. 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.

**Market and Credit Risk** – We address market risk related to derivative financial instruments by selecting instruments with value fluctuations that highly correlate with the underlying hedged item. We manage credit risk related to derivative financial instruments, which is minimal, by requiring high credit standards for counterparties and periodic settlements. At December 31, 2008 and 2007, we were not required to provide collateral, nor had we received collateral, relating to our hedging activities.

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

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

Swaps allow us to convert debt from fixed rates to variable rates and thereby hedge the risk of changes in the debt's fair value attributable to the changes in interest rates. We account for swaps as fair value hedges using the short-cut method pursuant to FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*; therefore, we do not record any ineffectiveness within our Consolidated Financial Statements.

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

<i>Millions of Dollars, Except Percentages</i>	<b>2008</b>	<b>2007</b>
Amount of debt hedged	<b>\$ 250</b>	<b>\$ 250</b>
Percentage of total debt portfolio	<b>3%</b>	<b>3%</b>
Gross fair value asset position	<b>\$ 19</b>	<b>\$ 2</b>

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**Interest Rate Cash Flow Hedges** – We report changes in the fair value of cash flow hedges in accumulated other comprehensive loss until the hedged item affects earnings. At both December 31, 2008 and 2007, we had reductions of \$4 million recorded as an accumulated other comprehensive loss that is being amortized on a straight-line basis through September 30, 2014. As of December 31, 2008 and 2007, we had no interest rate cash flow hedges outstanding.

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

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
(Increase)/decrease in interest expense from interest rate hedging	\$ 1	\$ (8)	\$ (8)
(Increase)/decrease in fuel expense from fuel derivatives	1	(1)	3
Increase/(decrease) in pre-tax income	\$ 2	\$ (9)	\$ (5)

**Fair Value of Debt Instruments** – The fair value of our short- and long-term debt was estimated using quoted market prices, where available, or current borrowing rates. At December 31, 2008, the fair value of total debt is approximately \$247 million less than the carrying value. At December 31, 2007, the fair value of total debt exceeded the carrying value by approximately \$96 million. At December 31, 2008 and 2007, approximately \$320 million and \$181 million, respectively, of fixed-rate debt securities contained call provisions that allowed us to retire the debt instruments prior to final maturity, with the payment of fixed call premiums, or in certain cases, at par.

**Sale of Receivables** – The Railroad transfers most of its accounts receivable to Union Pacific Receivables, Inc. (UPRI), a bankruptcy-remote subsidiary, as part of a sale of receivables facility. UPRI sells, without recourse on a 364-day revolving basis, an undivided interest in such accounts receivable to investors. The total capacity to sell undivided interests to investors under the facility was \$700 million and \$600 million at December 31, 2008 and 2007, respectively. The value of the outstanding undivided interest held by investors under the facility was \$584 million and \$600 million at December 31, 2008 and 2007, respectively. UPRI reduced the outstanding undivided interest held by investors due to a decrease in available receivables at December 31, 2008. The value of the outstanding undivided interest held by investors is not included in our Consolidated Financial Statements. The value of the undivided interest held by investors was supported by \$1,015 million and \$1,071 million of accounts receivable held by UPRI at December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, the value of the interest retained by UPRI was \$431 million and \$471 million, respectively. This retained interest is included in accounts receivable in our Consolidated Financial Statements. The interest sold to investors is sold at carrying value, which approximates fair value, and there is no gain or loss recognized from the transaction.

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

The Railroad services the sold receivables; however, the Railroad does not recognize any servicing asset or liability as the servicing fees adequately compensate us for these responsibilities. The Railroad collected approximately \$17.8 billion and \$16.1 billion during the years ended December 31, 2008 and 2007, respectively. UPRI used certain of these proceeds to purchase new receivables under the facility.

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The costs of the sale of receivables program are included in other income and were \$23 million, \$35 million, and \$33 million for 2008, 2007, and 2006, respectively. The costs include interest, program fees paid to banks, commercial paper issuing costs, and fees for unused commitment availability.

The investors have no recourse to the Railroad's other assets except for customary warranty and indemnity claims. Creditors of the Railroad do not have recourse to the assets of UPRI. In October 2008, we extended the sale of receivables program to August 2009 without any significant changes in terms, except to increase the capacity to sell undivided interests to \$660 million. The capacity was increased to \$700 million in December 2008. At January 16, 2009 the amount utilized under the sale of receivables program was \$560 million.

### 13. Debt

Total debt as of December 31, 2008 and 2007, net of interest rate swaps designated as fair value hedges, is summarized below:

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>
Notes and debentures, 3.0% to 7.9% due through 2054 [a]	\$ 6,934	\$ 5,968
Capitalized leases, 4.7% to 9.5% due through 2028	1,270	1,219
Equipment obligations, 6.2% to 8.1% due through 2031	255	291
Tax-exempt financings, 4.0% to 5.7% due through 2026	185	188
Commercial paper, 3.35% to 4.3% due through 2009	100	-
Floating rate term loan, due through 2013	100	-
Medium-term notes, 9.2% to 10.0% due through 2020	61	61
Mortgage bonds, 4.8% due through 2030	58	59
Other [b]	76	-
Unamortized discount	(112)	(104)
<b>Total debt [a]</b>	<b>\$ 8,927</b>	<b>\$ 7,682</b>
Less current portion	(320)	(139)
<b>Total long-term debt</b>	<b>\$ 8,607</b>	<b>\$ 7,543</b>

[a] 2008 and 2007 included a write-up of \$19 million and \$2 million, respectively, due to market value adjustments for debt with qualifying fair value hedges that are recorded on the Consolidated Statements of Financial Position.

[b] This amount was repaid during January of 2009.



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**Debt Maturities** – The following table presents aggregate debt maturities as of December 31, 2008, excluding market value adjustments.

*Millions of Dollars*

2009	\$	720
2010		465
2011		555
2012		746
2013		713
Thereafter		5,728
<b>Total debt</b>	<b>\$</b>	<b>8,927</b>

As of December 31, 2008, we have reclassified as long-term debt approximately \$400 million of debt due within one year that we intend to refinance. This reclassification reflects our ability and intent to refinance any short-term borrowings and certain current maturities of long-term debt on a long-term basis. At December 31, 2007, we reclassified as long-term debt approximately \$550 million of debt due within one year that we intended to refinance at that time.

**Mortgaged Properties** – Equipment with a carrying value of approximately \$2.7 billion and \$2.8 billion at December 31, 2008 and 2007, respectively, serves as collateral for capital leases and other types of equipment obligations in accordance with the secured financing arrangements utilized to acquire such railroad equipment.

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

**Credit Facilities** – On December 31, 2008, we had \$1.9 billion of credit available under our revolving credit facility (the facility). The facility is designated for general corporate purposes and supports the issuance of commercial paper. We did not draw on the facility during 2008. 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 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 December 31, 2008, and December 31, 2007 (and at all times during these periods), we were in compliance with this covenant.

The definition of debt used for purposes of calculating the debt-to-net-worth coverage ratio includes, among other things, certain credit arrangements, capital leases, guarantees and unfunded and vested pension benefits under Title IV of ERISA. At December 31, 2008, the debt-to-net-worth coverage ratio allowed us to carry up to \$30.9 billion of debt (as defined in the facility), and we had \$9.9 billion of debt (as defined in the facility) outstanding at that date. Under our current capital plans, we expect to continue to satisfy the debt-to-net-worth coverage ratio; however, many factors beyond our reasonable control (including the Risk Factors in Item 1A of this report) could affect our ability to comply with this provision in the future. The facility does not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require us to post collateral. The

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facility also includes a \$75 million cross-default provision and a change-of-control provision. The term of the facility will expire in April 2012, and we currently intend to replace the facility with a substantially similar credit agreement on or before the expiration date, which is consistent with our past practices with respect to our credit facilities.

At December 31, 2008, we had \$100 million of commercial paper outstanding. Our commercial paper balance is supported by our revolving credit facility but does not reduce the amount of borrowings available under the facility. During 2008, we issued \$600 million of commercial paper, including \$300 million issued in September and October as the credit and financial markets deteriorated, and repaid \$500 million.

**Shelf Registration Statement and Significant New Borrowings** – Under our current shelf registration statement, 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. In July 2008, our Board of Directors authorized the issuance of an additional \$3 billion of debt securities under our shelf registration. At December 31, 2008, we had authority to issue up to \$3 billion of debt securities.

During 2008, we issued the following unsecured, fixed-rate debt securities under our current shelf registration:

<i>Date</i>	<i>Description of Securities</i>
February 5, 2008	\$750 million of 5.70% Notes due August 15, 2018
October 7, 2008	\$750 million of 7.875% Notes due January 15, 2019

The net proceeds from these offerings were for general corporate purposes, including the repurchase of common stock pursuant to our share repurchase program. These debt securities include change-of-control provisions.

We have no immediate plans to issue equity securities; however, we will continue to explore opportunities to replace existing debt or access capital through issuances of debt securities under our shelf registration, and, therefore, we may issue additional debt securities at any time.

On April 17, 2008, we borrowed \$100 million under a 5-year-term loan facility (the loan). The loan has a floating rate based on London Interbank Offered Rates, plus a spread, and is prepayable in whole or in part without a premium prior to maturity. The agreement documenting the loan has provisions similar to our revolving credit facility, including identical debt-to-net-worth covenant and change-of-control provisions and similar customary default provisions. The agreement does not include any other financial restrictions, credit rating triggers, or any other provision that would require us to post collateral.

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### 14. Leases

We lease certain locomotives, freight cars, and other property. The Consolidated Statement of Financial Position as of December 31, 2008 and 2007 included \$2,024 million, net of \$869 million of amortization, and \$2,062 million, net of \$887 million of amortization, respectively, for properties held under capital leases. A charge to income resulting from the amortization for assets held under capital leases is included within depreciation expense in our Consolidated Statements of Income. Future minimum lease payments for operating and capital leases with initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2008 were as follows:

<i>Millions of Dollars</i>	<i>Operating Leases</i>	<i>Capital Leases</i>
2009	\$ 657	\$ 188
2010	614	168
2011	580	178
2012	465	122
2013	389	152
Later years	3,204	1,090
Total minimum lease payments	\$ 5,909	\$ 1,898
Amount representing interest	N/A	628
Present value of minimum lease payments	N/A	\$ 1,270

The majority of capital lease payments relate to locomotives. Rent expense for operating leases with terms exceeding one month was \$747 million in 2008, \$810 million in 2007, and \$798 million in 2006. When cash rental payments are not made on a straight-line basis, we recognize variable rental expense on a straight-line basis over the lease term. Contingent rentals and sub-rentals are not significant.

### 15. Commitments and Contingencies

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

**Personal Injury** – The cost of personal injuries to employees and others related to our activities is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use third-party actuaries to assist us in measuring 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 related to asserted claims, and approximately 12% related to unasserted claims at December 31, 2008. Because of the uncertainty surrounding the ultimate outcome of personal injury claims, it is reasonably possible that future costs to settle these claims may range from

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approximately \$621 million to \$677 million. We believe that the \$621 million liability recorded at December 31, 2008, is the best estimate of the present value of the future settlement costs of personal injury claims. Our personal injury liability activity was as follows:

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Beginning balance	\$ 593	\$ 631	\$ 619
Accruals	201	165	240
Payments	(173)	(203)	(228)
Ending balance at December 31	\$ 621	\$ 593	\$ 631
Current portion, ending balance at December 31	\$ 186	\$ 204	\$ 233

**Asbestos** – We are a defendant in a number of lawsuits in which current and former employees and other parties allege exposure to asbestos. We engage a third party with extensive experience in estimating resolution costs for asbestos-related claims to assist us in assessing our potential liability. 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.

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Beginning balance	\$ 265	\$ 302	\$ 311
Accruals/(credits)	(42)	(20)	-
Payments	(10)	(17)	(9)
Ending balance at December 31	\$ 213	\$ 265	\$ 302
Current portion, ending balance at December 31	\$ 12	\$ 11	\$ 13

Our liability for asbestos-related claims is not discounted to present value due to the uncertainty surrounding the timing of future payments. Approximately 17% of the recorded liability related to asserted claims and approximately 83% related to unasserted claims at December 31, 2008. These claims are expected to be paid out over the next 30 years. In conjunction with the liability update performed in 2008, we also reassessed estimated insurance recoveries. We have recognized an asset for estimated insurance recoveries at December 31, 2008 and 2007. We will continue to review actual experience and adjust our estimate as warranted.

We believe that our estimates of liability for asbestos-related claims and insurance recoveries are reasonable and probable. The amounts recorded for asbestos-related liabilities and related insurance recoveries were based on currently known facts. However, future events, such as the number of new claims to be filed each year, average settlement costs, and insurance coverage issues, could cause the actual costs and insurance recoveries to be higher or lower than the projected amounts. Estimates also may vary in the future if strategies, activities, and outcomes of asbestos litigation materially change;

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federal and state laws governing asbestos litigation increase or decrease the probability or amount of compensation of claimants; and there are material changes with respect to payments made to claimants by other defendants.

**Environmental** – We are subject to federal, state, and local environmental laws and regulations. We identified 339 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, 18 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. Our environmental liability activity was as follows:

<i>Millions of Dollars</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Beginning balance	\$ 209	\$ 210	\$ 213
Accruals	46	41	39
Payments	(46)	(42)	(42)
Ending balance at December 31	\$ 209	\$ 209	\$ 210
Current portion, ending balance at December 31	\$ 58	\$ 63	\$ 54

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 we can reasonably estimate such costs. We do not discount our environmental liabilities when the timing of the anticipated cash payments is not fixed or readily determinable. At December 31, 2008, approximately 13% of our environmental liability was discounted at 3.53%, while approximately 13% of our environmental liability was discounted at 4.15% at December 31, 2007.

The liability includes future costs for remediation and restoration of sites, as well as ongoing monitoring costs, but excludes any anticipated recoveries from third parties. Cost estimates are based on information available for each site, financial viability of other potentially responsible parties, and existing technology, laws, and regulations. The ultimate liability for remediation is difficult to determine because of the number of potentially responsible parties, site-specific cost sharing arrangements with other potentially responsible parties, the degree of contamination by various wastes, the scarcity and quality of volumetric data related to many of the sites, and the speculative nature of remediation costs. Estimates of liability may vary over time due to changes in federal, state, and local laws governing environmental remediation. Current obligations are not expected to have a material adverse effect on our consolidated results of operations, financial condition, or liquidity.

**Guarantees** – At December 31, 2008, we were contingently liable for \$449 million in guarantees. We have recorded a liability of \$4 million and \$5 million for the fair value of these obligations as of December 31, 2008 and 2007, 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.

**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

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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.

### 16. Share Repurchase Program

On January 30, 2007, our Board of Directors authorized the repurchase of up to 40 million shares of Union Pacific Corporation common stock through the end of 2009. On May 1, 2008, our Board of Directors authorized the repurchase of an additional 40 million common shares by March 31, 2011. As of December 31, 2008, we have repurchased a total of \$3 billion of Union Pacific Corporation common stock since the original repurchase plan was authorized. Our assessments of market conditions and other pertinent facts guide the timing and volume of all repurchases. We expect to fund our common stock repurchases through cash generated from operations, the sale or lease of various operating and non-operating properties, debt issuances, and cash on hand.

	Number of Shares Purchased [a]		Average Price Paid [a]	
	2008	2007	2008	2007
First quarter	6,512,278	4,088,000	\$ 61.83	\$ 49.34
Second quarter	6,337,197	7,299,400	75.83	58.20
Third quarter	5,943,111	9,064,042	74.85	57.97
Fourth quarter	3,383,282	4,795,600	58.72	63.68
Total	22,175,868	25,247,042	\$ 68.84	\$ 57.72
Remaining number of shares that may yet be repurchased [a]				32,577,090

[a] All share numbers and prices have been restated to reflect the stock split completed on May 28, 2008 (see Note 2).

### 17. Accounting Pronouncements

In March 2008, FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (FAS 161). FAS 161 amends and expands the disclosure requirements of FAS 133 to clarify how and why companies use derivative instruments. In addition, FAS 161 requires more disclosures regarding how companies account for derivative instruments and the impact derivatives have on a company's financial statements. This statement is effective for us beginning in 2009 and will only impact our disclosures. It will have no impact on our financial position, results of operations and cash flows.

In May 2008, the FASB issued Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (FAS 162). FAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States. FAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of 'Present Fairly in Conformity with Generally Accepted Accounting Principles'". FAS 162 is not expected to have a material impact on our financial statements.

In June 2008, the FASB released FSP EITF 03-6-1 on Emerging Issues Task Force Issue 03-6, *Participating Securities and the Two-Class Method under FASB Statement No. 128* (EITF 03-6). The staff position concludes that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities as defined in EITF 03-6; and therefore,

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should be included in computing earnings per share using the two-class method. As discussed in note 3, we pay nonforfeitable dividends on our unvested retention awards and performance retention awards. This staff position will be effective for us beginning in 2009. We expect that this staff position will result in additional disclosure only and not affect our consolidated financial position, results of operations, or cash flows.

In December 2008, the FASB issued FSP FAS 132(R)-1, *Employers' Disclosure about Postretirement Benefit Plan Assets*, which amends Statement 132(R) to require more detailed disclosures about employers' pension plan assets. New disclosures will include more information on investment strategies, major categories of plan assets, concentrations of risk within plan assets and valuation techniques used to measure the fair value of plan assets. This new standard requires new disclosures only, and will have no impact on our consolidated financial position, results of operations or cash flows. These new disclosures will be required for us beginning in our 2009 Form 10-K.

### 18. Selected Quarterly Data (Unaudited)

*Millions of Dollars, Except Per Share Amounts*

<i>2008</i>	<i>Mar. 31</i>	<i>Jun. 30</i>	<i>Sep. 30</i>	<i>Dec. 31</i>
Operating revenues	\$ 4,270	\$ 4,568	\$ 4,846	\$ 4,286
Operating income	788	931	1,215	1,141
Net income	443	531	703	661
Net income per share				
Basic	0.86	1.03	1.39	1.31
Diluted	0.85	1.02	1.38	1.31
<i>2007</i>	<i>Mar. 31</i>	<i>Jun. 30</i>	<i>Sep. 30</i>	<i>Dec. 31</i>
Operating revenues	\$ 3,849	\$ 4,046	\$ 4,191	\$ 4,197
Operating income	719	787	1,005	864
Net income	386	446	532	491
Net income per share				
Basic	0.71	0.83	1.01	0.94
Diluted	0.71	0.82	1.00	0.93

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

None.

**Item 9A. Controls and Procedures**

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

Additionally, the CEO and CFO determined that there 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.

**Item 9B. Other Information**

None.



**MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

The Corporation’s management assessed the effectiveness of the Corporation’s internal control over financial reporting as of December 31, 2008. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on our assessment management believes that, as of December 31, 2008, the Corporation’s internal control over financial reporting is effective based on those criteria.

The Corporation’s independent registered public accounting firm has issued an attestation report on the effectiveness of the Corporation’s internal control over financial reporting. This report appears on page 90.

February 4, 2009

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Union Pacific Corporation, its Directors, and Shareholders:

We have audited the internal control over financial reporting of Union Pacific Corporation and Subsidiary Companies (the Corporation) as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

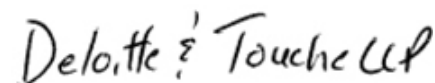
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material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

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

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

In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2008 of the Corporation and our report dated February 5, 2009 expressed an unqualified opinion on those financial statements and financial statement schedule and included an explanatory paragraph regarding the Corporation's adoption, in 2006, of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.



Omaha, Nebraska  
February 5, 2009

**PART III**

**Item 10. Directors, Executive Officers, and Corporate Governance**

(a) Directors of Registrant.

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

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

(b) Executive Officers of Registrant.

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

(c) Section 16(a) Compliance.

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

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

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

**Item 11. Executive Compensation**

Information concerning compensation received by our directors and our named executive officers is presented in the Compensation Discussion and Analysis, Summary Compensation Table, Grants of Plan-Based Awards in Fiscal Year 2008, Outstanding Equity Awards at 2008 Fiscal Year-End, Option Exercises and Stock Vested in Fiscal Year 2008, Pension Benefits at 2008 Fiscal Year-End, Nonqualified Deferred Compensation at 2008 Fiscal Year-End, Potential Payments Upon Termination or Change in Control and Director Compensation in Fiscal Year 2008 segments of the Proxy Statement and is incorporated herein by reference. Additional information regarding compensation of directors, including Board committee members, is set forth in the By-Laws of UPC and the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, both of which are included as exhibits to this report. Information regarding the Compensation Committee is set forth in the Compensation Committee Interlocks and Insider Participation and Compensation Committee Report segments of the Proxy Statement and is incorporated herein by reference.

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

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

The following table summarizes the equity compensation plans under which Union Pacific Corporation common stock may be issued as of December 31, 2008.

<i>Plan Category</i>	<i>Number of securities to be issued upon exercise of outstanding options, warrants and rights</i> <i>(a)</i>	<i>Weighted-average exercise price of outstanding options, warrants and rights</i> <i>(b)</i>	<i>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</i> <i>(c)</i>
Equity compensation plans approved by security holders	13,477,830 [1]	\$ 40.81 [2]	36,961,123
Total	13,477,830	\$ 40.81	36,961,123

[1] Includes 1,494,925 retention units that do not have an exercise price. Does not include 1,419,554 retention shares that are actually issued and outstanding.

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

### **Item 13. Certain Relationships and Related Transactions and Director Independence**

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

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

### **Item 14. Principal Accountant Fees and Services**

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

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

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

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

(1) Financial Statements

The financial statements filed as part of this filing are listed on the index to the Financial Statements and Supplementary Data, Item 8, on page 53.

(2) Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts

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

(3) Exhibits

Exhibits are listed in the exhibit index beginning on page 96. The exhibits include management contracts, compensatory plans and arrangements required to be filed as exhibits to the Form 10-K by Item 601 (10) (iii) of Regulation S-K.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 6<sup>th</sup> day of February, 2009.

UNION PACIFIC CORPORATION

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, on this 6<sup>th</sup> day of February, 2009, by the following persons on behalf of the registrant and in the capacities indicated.

PRINCIPAL EXECUTIVE OFFICER  
AND DIRECTOR:

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

PRINCIPAL FINANCIAL OFFICER:

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

PRINCIPAL ACCOUNTING OFFICER:

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

**DIRECTORS:**

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

Charles C. Krulak\*  
Michael W. McConnell\*  
Thomas F. McLarty III\*  
Steven R. Rogel\*

\* By /s/ Thomas E. Whitaker  
Thomas E. Whitaker, Attorney-in-fact

[Table of Contents](#)**SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS***Union Pacific Corporation and Subsidiary Companies*

<i>Millions of Dollars, for the Years Ended December 31,</i>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Allowance for doubtful accounts:</b>			
Balance, beginning of period	\$ 75	\$ 99	\$ 126
Charges/(reduction) to expense	23	(7)	(7)
Net recoveries/(write-offs)	7	(17)	(20)
Balance, end of period	\$ 105	\$ 75	\$ 99
Allowance for doubtful accounts are presented in the Consolidated Statements of Financial Position as follows:			
Current	\$ 10	\$ 3	\$ 6
Long-term	95	72	93
Balance, end of period	\$ 105	\$ 75	\$ 99
<b>Accrued casualty costs:</b>			
Balance, beginning of period	\$ 1,170	\$1,277	\$1,354
Charges to expense	322	328	417
Cash payments and other reductions	(286)	(435)	(494)
Balance, end of period	\$ 1,206	\$1,170	\$1,277
Accrued casualty costs are presented in the Consolidated Statements of Financial Position as follows:			
Current	\$ 390	\$ 371	\$ 409
Long-term	816	799	868
Balance, end of period	\$ 1,206	\$1,170	\$1,277

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### UNION PACIFIC CORPORATION Exhibit Index

Exhibit No.            Description

Filed with this Statement

10(a)	Form of 2009 Long Term Plan Stock Unit Agreement.
10(b)	Form of Stock Unit Agreement for Executives dated February 5, 2009.
10(c)	Supplemental Thrift Plan (409A Non-Grandfathered Component) of Union Pacific Corporation, effective as of January 1, 2009.
10(d)	Supplemental Thrift Plan (409A Grandfathered Component) of Union Pacific Corporation, as amended and restated in its entirety effective as of January 1, 2009.
10(e)	Supplemental Pension Plan for Officers and Managers (409A Non-Grandfathered Component) of Union Pacific Corporation and Affiliates, as amended and restated in its entirety effective as of January 1, 1989, including all amendments adopted through January 1, 2009.
10(f)	Supplemental Pension Plan for Officers and Managers (409A Grandfathered Component) of Union Pacific Corporation and Affiliates, as amended and restated in its entirety effective as of January 1, 1989, including all amendments adopted through January 1, 2009.
10(g)	Union Pacific Corporation Executive Incentive Plan, effective May 5, 2005, amended and restated effective January 1, 2009.
10(h)	Deferred Compensation Plan (409A Non-Grandfathered Component) of Union Pacific Corporation, effective as January 1, 2009.
10(i)	Deferred Compensation Plan (409A Grandfathered Component) of Union Pacific Corporation, as amended and restated in its entirety, effective as January 1, 2009.
10(j)	Union Pacific Corporation 2000 Directors Plan, effective as of April 21, 2000, as amended November 16, 2006, January 30, 2007 and January 1, 2009.
10(k)	Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors (409A Non-Grandfathered Component), effective as of January 1, 2009.
10(l)	Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors (409A Grandfathered Component), as amended and restated in its entirety, effective as of January 1, 2009.
10(m)	Union Pacific Corporation 2004 Stock Incentive Plan, originally effective as of April 16, 2004 and amended and restated effective January 1, 2009.
10(n)	Union Pacific Corporation Key Employee Continuity Plan, dated as of November 16, 2000, as amended and restated effective as of January 1, 2009.



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10(o)	2006 Long Term Plan Amended and Restated Stock Unit Agreement.
10(p)	2007 Long Term Plan Amended and Restated Stock Unit Agreement.
10(q)	2008 Long Term Plan Amended and Restated Stock Unit Agreement.
12	Ratio of Earnings to Fixed Charges.
21	List of the Corporation's significant subsidiaries and their respective states of incorporation.
23	Independent Registered Public Accounting Firm's Consent.
24	Powers of attorney executed by the directors of UPC.
31(a)	Certifications Pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - James R. Young.
31(b)	Certifications Pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Robert M. Knight, Jr.
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - James R. Young and Robert M. Knight, Jr.

## Incorporated by Reference

3(a)	By-Laws of UPC, as amended, effective September 25, 2008, are incorporated herein by reference to Exhibit 3.2 to the Corporation's Current Report on Form 8-K dated September 30, 2008.
3(b)	Revised Articles of Incorporation of UPC, as amended through May 1, 2008, are incorporated herein by reference to Exhibit 3(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.
4(a)	Indenture, dated as of December 20, 1996, between UPC and Wells Fargo Bank, National Association, as successor to Citibank, N.A., as Trustee, is incorporated herein by reference to Exhibit 4.1 to UPC's Registration Statement on Form S-3 (No. 333-18345).
4(b)	Indenture, dated as of April 1, 1999, between UPC and The Bank of New York, as successor to JP Morgan Chase Bank, formerly The Chase Manhattan Bank, as Trustee, is incorporated herein by reference to Exhibit 4.2 to UPC's Registration Statement on Form S-3 (No. 333-75989).
4(c)	Form of Debt Security is incorporated herein by reference to Exhibit 4.3 to UPC's Registration Statement on Form S-3 (No. 33-59323).
4(d)	Form of Debt Security (Note) is incorporated by reference to Exhibit 4.1 to the Corporation's Current Report of Form 8-K, dated February 5, 2008.

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- 4(e) Form of Debt Security (Note) is incorporated by reference to Exhibit 4.1 to UPC's Current Report of Form 8-K, dated October 7, 2008.
- Certain instruments evidencing long-term indebtedness of UPC are not filed as exhibits because the total amount of securities authorized under any single such instrument does not exceed 10% of the Corporation's total consolidated assets. UPC agrees to furnish the Commission with a copy of any such instrument upon request by the Commission.
- 10(r) The 1993 Stock Option and Retention Stock Plan of UPC, as amended November 16, 2006, is incorporated herein by reference to Exhibit 10 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.
- 10(s) UPC 2001 Stock Incentive Plan, as amended November 16, 2006, is incorporated herein by reference to Exhibit 10(e) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006.
- 10(t) Amended and Restated Registration Rights Agreement, dated as of July 12, 1996, among UPC, UP Holding Company, Inc., Union Pacific Merger Co. and Southern Pacific Rail Corporation (SP) is incorporated herein by reference to Annex J to the Joint Proxy Statement/Prospectus included in Post-Effective Amendment No. 2 to UPC's Registration Statement on Form S-4 (No. 33-64707).
- 10(u) Agreement, dated September 25, 1995, among UPC, UPRR, Missouri Pacific Railroad Company (MPRR), SP, Southern Pacific Transportation Company (SPT), The Denver & Rio Grande Western Railroad Company (D&RGW), St. Louis Southwestern Railway Company (SLSRC) and SPCSL Corp. (SPCSL), on the one hand, and Burlington Northern Railroad Company (BN) and The Atchison, Topeka and Santa Fe Railway Company (Santa Fe), on the other hand, is incorporated by reference to Exhibit 10.11 to UPC's Registration Statement on Form S-4 (No. 33-64707).
- 10(v) Supplemental Agreement, dated November 18, 1995, between UPC, UPRR, MPRR, SP, SPT, D&RGW, SLSRC and SPCSL, on the one hand, and BN and Santa Fe, on the other hand, is incorporated herein by reference to Exhibit 10.12 to UPC's Registration Statement on Form S-4 (No. 33-64707).
- 10(w) The Pension Plan for Non-Employee Directors of UPC, as amended January 25, 1996, is incorporated herein by reference to Exhibit 10(w) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995.
- 10(x) The Executive Life Insurance Plan of UPC, as amended October 1997, is incorporated herein by reference to Exhibit 10(t) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997.
- 10(y) Charitable Contribution Plan for Non-Employee Directors of Union Pacific Corporation is incorporated herein by reference to Exhibit 10(z) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995.

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- 10(z) Form of Non-Qualified Stock Option Agreement for Executives is incorporated herein by reference to Exhibit 10(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
- 10(aa) Form of Stock Unit Agreement for Executives is incorporated herein by reference to Exhibit 10(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
- 10(bb) Form of Non-Qualified Stock Option Agreement for Directors is incorporated herein by reference to Exhibit 10(d) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
- 10(cc) Form of Stock Unit Agreement for Executives, is incorporated herein by reference to Exhibit 10(b) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2005.
- 10(dd) Form of Non-Qualified Stock Option Agreement for Executives, is incorporated herein by reference to Exhibit 10(c) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2005.
- 10(ee) Executive Incentive Plan (2005) – Deferred Compensation Program, dated December 21, 2005, is incorporated herein by reference to Exhibit 10(g) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2005.
- 99 U.S. \$1,900,000,000 5-year revolving credit agreement, dated as of April 20, 2007, is incorporated herein by reference to Exhibit 99 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

**2009 LONG TERM PLAN**  
**STOCK UNIT AGREEMENT**

Dated: February 5, 2009

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

**STOCK UNITS**

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

2. **RESTRICTION PERIOD.** The period during which the restrictions set forth herein and in the Plan shall apply to your right to receive the Stock Units granted to you shall commence on the date hereof and expire February 5, 2012 if the Performance Criteria described below for such Stock Units have been satisfied (the "Restriction Period"), subject to the provisions of Section 6 hereof. During the Restriction Period, you may be entitled to receive Dividend Equivalent Payments, subject to the provisions of Section 4 hereof.

3. **PERFORMANCE CRITERIA.** The Performance Criteria is annual Return on Invested Capital ("ROIC"). However, such Performance Criteria are of no force and effect unless and until the Company has operating income ("Operating Income") in one or more of fiscal years 2009, 2010 or 2011. The definition and calculation of annual ROIC and Operating Income shall be determined in accordance with the Long Term Plan document approved and adopted by the Compensation and Benefits Committee of the Company's Board of Directors (the "Committee").

For the fiscal year ending December 31, 2009, you may earn up to one-third of your Stock Unit Target Award as shown on Exhibit A for those Stock Units which have

met the applicable ROIC Performance Criteria. For the fiscal year ending December 31, 2010, you may earn up to a total of two-thirds of your Stock Unit Target Award as shown on Exhibit A based on the average of the first two fiscal years of ROIC performance achieved less any Stock Units earned in the first fiscal year. For the fiscal year ending December 31, 2011, you may earn up to two hundred percent of your Stock Unit Target Award as shown on Exhibit A based on the average of all three fiscal years (2009, 2010, and 2011) of ROIC performance achieved less any Stock Units earned in the first two fiscal years.

4. **DIVIDEND EQUIVALENT RIGHTS.** During the Restriction Period, for those Stock Units which have met the applicable Performance Criteria, unless otherwise determined by the Committee, you shall be entitled to receive Dividend Equivalent Payments. Once such Stock Units are earned, Dividend Equivalent Payments shall be made on the payment date established by the Board of Directors for the underlying dividend payments; provided, however, that if you have elected to defer receipt of such Stock Units in accordance with the terms of the Deferred Compensation Plan of Union Pacific Corporation (the "Deferred Compensation Plan"), payment of such Dividend Equivalent Payments shall be made in accordance with the provisions of Section 11 of the Plan.

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

6. **LAPSE OF RESTRICTIONS AND PAYMENT OF STOCK UNITS.** (i) At the end of the Restriction Period and provided you have remained continuously employed by the Company or a Subsidiary, unless otherwise determined by the Committee, shares of Common Stock equal to the number of Stock Units which have met the applicable Performance Criteria shall be delivered to you (through your account at the

Company's third party stock plan administrator, if applicable) free of all restrictions, provided the Company has Operating Income in one or more of the fiscal years 2009, 2010 or 2011. The payment of the Stock Units under this Section 6(i) shall be made in accordance with the provisions of Section 9(f) of the Plan.

(ii) If you have a separation from service with the Company or a Subsidiary prior to the end of the Restriction Period and prior to a Change in Control because you die or become disabled (as determined under the provisions of the Company's or a Subsidiary's long-term disability plan), unless otherwise determined by the Committee, you, your estate or your beneficiary, as the case may be, shall be entitled to receive shares of Common Stock equal to the number of Stock Units which have met the applicable Performance Criteria through the end of the fiscal year ending prior to the date of your death or disability, as the case may be, provided the Company has Operating Income in one or more of the fiscal years 2009, 2010 or 2011 and further provided that such fiscal year precedes the date of your death or disability. The payment of the Stock Units under this Section 6(ii) shall be made in accordance with the payment provisions of Section 9(c) of the Plan, subject, to the extent applicable, to Section 6(v) of this Agreement.

(iii) If a Change in Control occurs prior to the end of the Restriction Period and prior to your death, disability or having retired after attaining Retirement Status (as defined in Section 2 of the Plan with respect to Stock Units granted in 2009), shares of Common Stock equal to the number of Stock Units that would have been deliverable if the Performance Criteria shall have been satisfied at the greater of one hundred percent of your Stock Unit Target Award as shown on Exhibit A or the number of Stock Units that would have been delivered based on the Performance Criteria satisfied through the end of each fiscal year prior to the occurrence of such Change in Control and through the end of the most recent fiscal quarter ending prior to the date of the Change in Control shall be delivered to you (through your account at the Company's third party administrator, if applicable) free of all restrictions, provided the Company has Operating Income in one or more of the calendar years 2009, 2010 or 2011 and further provided that any such calendar year precedes the date of the Change in Control. In either event following the Change in Control no greater Performance Criteria may be earned under this Agreement. Shares of Common Stock to which you are entitled pursuant to this Section 6(iii) shall be delivered to you in accordance with the payment provisions set forth in Section 9(d) of the Plan, subject, to the extent applicable, to Section 6(v) of this Agreement.

(iv) If you have a separation from service with the Company or a Subsidiary for any other reason, with or without cause, prior to the earlier of the end of the Restriction

Period or a Change in Control, you will forfeit all Stock Units and all of your rights to such Stock Units shall terminate without further obligation on the part of the Company.

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

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

8. **SUBJECT TO PLAN.** The award confirmed by this Agreement is subject to the terms and conditions of the Plan, as the same may be amended from time to time in accordance with Section 19 thereof.

#### **PROTECTION OF CONFIDENTIALITY**

9. **CONFIDENTIAL INFORMATION; TRADE SECRETS.** By electronically accepting this Agreement, you acknowledge that the Company regards certain information relating to its business and operations as confidential. This includes all information that the Company could reasonably be expected to keep confidential and whose disclosure to third parties would likely be disparaging or detrimental to the Company ("Confidential Information"). Your electronic signature also acknowledges that the Company has certain information that derives economic value from not being known to the general public or to others who could obtain economic value from its disclosure or use, which the Company takes reasonable efforts to protect the secrecy of ("Trade Secrets").

10. **TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS.** By electronically accepting this Agreement, you acknowledge that you developed or have had or will have access to one or more of the following types of Confidential Information or Trade Secrets: information about rates or costs; customer or supplier agreements and negotiations; business opportunities; scheduling and delivery methods; business and marketing plans; financial information or plans; communications within the attorney-client privilege or other privileges; operating procedures and methods; construction methods and plans; proprietary computer systems design, programming or software; strategic plans; succession plans; proprietary company training programs; employee performance, compensation or benefits; negotiations or strategies

relating to collective bargaining agreements and/or labor disputes; and internal or external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. By electronically accepting this Agreement, you agree that any disclosures by you to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct within the meaning of the Plan.

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

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

13. **FAILURE TO COMPLY.** By electronically accepting this Agreement, you agree that, if you fail to comply with any of the promises that you made in Section 11



or 12 above, you will return to the Company any shares of Common Stock (or the market value of any shares of Common Stock received) which you received at any time from 180 days prior to the earlier of (i) the date when you leave the Company or (ii) the date you fail to comply with any such promise you made in Section 11 or 12 to 180 days after the date when the Company learns that you have not complied with any such promise. You agree that you will return such shares of Common Stock to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to set off the market value of any such shares of Common Stock against any amount that might be owed to you by the Company.

#### **NO DIRECT COMPETITION**

14. **SOLICITATION OF CUSTOMERS; NO EMPLOYMENT WITH WESTERN ROADS.** By electronically accepting this Agreement, you agree for a period of one year following your departure from the Company, you will not (directly or in association with others) call on or solicit the business of any of the Company's customers with whom you actually did business or otherwise had personal contact while you were employed by the Company, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Company in the states in which the Company now operates. You further agree that for the same time period, you will not become an employee, contractor or consultant for any of the following companies, which compete directly with the Company: Burlington Northern Santa Fe Corporation; Kansas City Southern Industries, Inc.; Dakota, Minnesota & Eastern Railway Company; Illinois Central Corporation; and Texas Mexican Railway Company (including their respective affiliates and subsidiaries or any company which acquires or is acquired by any such company) (the "Western Roads"). This Section 14 is not intended to prevent you from working for any employer other than a Western Road. This Section does not apply to employees who work in California at the time when this Agreement is electronically signed or when their employment with the Company ends.

15. **ACKNOWLEDGMENT; INJUNCTIVE RELIEF.** By electronically accepting this Agreement, you acknowledge that Section 14 will not prevent you from being gainfully employed after you leave the Company, because you will remain free to work in any occupation, profession, trade, or business so long as you comply with your promises in Section 14. You also agree that because money damages would not be adequate to compensate the Company if you violate any of your promises in Section 14, the Company would be entitled to an injunction from a Court to enforce those promises.

16. **VIOLATION OF PROMISES.** By electronically accepting this Agreement, you agree that if you violate any of your promises in Section 14, then you

will return to the Company any shares of Common Stock (or the fair market value thereof) granted to you by this Agreement which you received at any time from 180 days prior to the date when you leave the Company to 180 days after the date when the Company learns that you have not complied with the promises you made in Section 14. You agree that you will return such shares of Common Stock (or the fair market value thereof) to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to set off the market value of any such shares of Common Stock against any amount that might be owed to you by the Company.

#### GENERAL

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

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

19. **CHOICE OF LAW.** All questions pertaining to the construction, regulation, validity, and effect of this Agreement shall be determined in accordance with the laws of the State of Utah, without regard to the conflict of laws doctrine.

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

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

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

**STOCK UNIT AGREEMENT**

Dated: February 5, 2009

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

**STOCK UNITS**

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

2. **RESTRICTION PERIOD.** The restriction period shall be 48 months, commencing on the date hereof and terminating on February 5, 2013, unless sooner terminated under provisions of the Plan (the "Restriction Period").

3. **DIVIDEND EQUIVALENT RIGHTS.** During the Restriction Period, unless otherwise determined by Compensation and Benefits Committee of the Company's Board of Directors (the "Committee"), you shall be entitled to receive Dividend Equivalent Payments. Such Dividend Equivalent Payments shall be made on the payment date established by the Board of Directors for the underlying dividend payments; provided, however, that if you have elected to defer receipt of the Stock Units in accordance with the terms of the Deferred Compensation Plan of Union Pacific Corporation (the "Deferred Compensation Plan"), payment of such Dividend Equivalent Payments shall be made in accordance with the provisions of Section 11 of the Plan.

4. **RESTRICTIONS.** (i) Except as provided in Section 9 of the Plan, you shall not be entitled to delivery of the stock until the expiration of the Restriction Period; (ii) none of the Stock Units may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of; (iii) your right to receive Dividend Equivalent Payments shall terminate without further obligation on the part of the Company at the earlier of your separation from service with the Company or a Subsidiary (as defined in the Plan), or at the end of the Restriction Period; and (iv) all of the Stock Units shall be forfeited and all of your rights to such Stock Units and the right to receive Common Stock shall terminate without further obligation on the part of the Company

unless you remain in the continuous employment of the Company or a Subsidiary, as defined in the Plan, for the entire Restriction Period, except as provided by Section 9 of the Plan.

5. **PAYMENT OF STOCK UNITS.** At the end of the Restriction Period or at such earlier time as provided for in Sections 9(c), 9(d) or 9(f) of the Plan, and subject to Section 6 hereof, shares of Common Stock equal to the number of Stock Units shall be delivered to you (through your account at the Company's third party stock plan administrator, if applicable) or your beneficiary or estate, as the case may be, free of all restrictions in accordance with Section 9(f) of the Plan.

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

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

8. **SUBJECT TO PLAN.** The award confirmed by this Agreement is subject to the terms and conditions of the Plan, as the same may be amended from time to time in accordance with Section 19 thereof.

#### **PROTECTION OF CONFIDENTIALITY**

9. **CONFIDENTIAL INFORMATION; TRADE SECRETS.** By electronically accepting this Agreement, you acknowledge that the Company regards certain information relating to its business and operations as confidential. This includes all information that the Company could reasonably be expected to keep confidential and whose disclosure to third parties would likely be disparaging or detrimental to the Company ("Confidential Information"). Your electronic signature also acknowledges that the Company has certain information that derives economic value from not being known to the general public or to others who could obtain economic value from its disclosure or use, which the Company takes reasonable efforts to protect the secrecy of ("Trade Secrets").

10. **TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS.** By electronically accepting this Agreement, you acknowledge that you developed or have had or will have access to one or more of the following types of Confidential Information or Trade Secrets: information about rates or costs; customer or supplier agreements and negotiations; business opportunities; scheduling and delivery methods; business and marketing plans; financial information or plans; communications within the attorney-client privilege or other privileges;

operating procedures and methods; construction methods and plans; proprietary computer systems design, programming or software; strategic plans; succession plans; proprietary company training programs; employee performance, compensation or benefits; negotiations or strategies relating to collective bargaining agreements and/or labor disputes; and internal or external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. By electronically accepting this Agreement, you agree that any disclosures by you to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct within the meaning of the Plan.

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

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

13. **FAILURE TO COMPLY.** By electronically accepting this Agreement, you agree that, if you fail to comply with any of the promises that you made in Section 11 or 12

above, you will return to the Company any shares of Common Stock (or the market value of any shares of Common Stock received) which you received at any time from 180 days prior to the earlier of (i) the date when you leave the Company or (ii) the date you fail to comply with any such promise you made in Section 11 or 12 to 180 days after the date when the Company learns that you have not complied with any such promise. You agree that you will return such shares of Common Stock to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to set off the market value of any such shares of Common Stock against any amount that might be owed to you by the Company.

#### **NO DIRECT COMPETITION**

14. **SOLICITATION OF CUSTOMERS; NO EMPLOYMENT WITH WESTERN ROADS.** By electronically accepting this Agreement, you agree that for a period of one year following your departure from the Company, you will not (directly or in association with others) call on or solicit the business of any of the Company's customers with whom you actually did business or otherwise had personal contact while you were employed by the Company, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Company in the states in which the Company now operates. You further agree that for the same time period, you will not become an employee, contractor or consultant for any of the following companies, which compete directly with the Company: Burlington Northern Santa Fe Corporation; Kansas City Southern Industries, Inc.; Dakota, Minnesota & Eastern Railway Company; Illinois Central Corporation; and Texas Mexican Railway Company (including their respective affiliates and subsidiaries or any company which acquires or is acquired by any such company) (the "Western Roads"). This Section 14 is not intended to prevent you from working for any employer other than a Western Road. This Section does not apply to employees who work in California at the time when this Agreement is electronically signed or when their employment with the Company ends.

15. **ACKNOWLEDGMENT; INJUNCTIVE RELIEF.** By electronically accepting this Agreement, you acknowledge that Section 14 will not prevent you from being gainfully employed after you leave the Company, because you will remain free to work in any occupation, profession, trade, or business so long as you comply with your promises in Section 14. You also agree that because money damages would not be adequate to compensate the Company if you violate any of your promises in Section 14, the Company would be entitled to an injunction from a Court to enforce those promises.

16. **VIOLATION OF PROMISES.** By electronically accepting this Agreement, you agree that if you violate any of your promises in Section 14, then you will return to the Company any shares of Common Stock (or the fair market value thereof) granted to you by this Agreement which you received at any time from 180 days prior to the date when you leave the

Company to 180 days after the date when the Company learns that you have not complied with the promises you made in Section 14. You agree that you will return such shares of Common Stock (or the fair market value thereof) to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to set off the market value of any such shares of Common Stock against any amount that might be owed to you by the Company.

**GENERAL**

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

18. **CHOICE OF LAW**. All questions pertaining to the construction, regulation, validity, and effect of this Agreement shall be determined in accordance with the laws of the State of Utah, without regard to the conflict of laws doctrine.

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

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



**SUPPLEMENTAL THRIFT PLAN  
(409A Non-Grandfathered Component)**

**of**

**UNION PACIFIC CORPORATION**

(Effective as January 1, 2009)



## ARTICLE ONE

### Scope of Plan and Definitions

- 1.1 Purpose and Scope of Plan** - The purpose of the Plan (this and other capitalized terms having the meanings set forth below) is to provide benefits to Eligible Employees who participate in the Thrift Plan in excess of those permitted under the Thrift Plan because of the limitations set forth in Sections 401(a)(17) and 415 of the Code. To the extent that benefits are provided under the Plan, solely because of the limitations set forth in Section 415 of the Code, the Company intends to maintain the Plan as an “excess benefit plan” as that term is defined in Section 3(36) of ERISA. The rights of each Participant and his Beneficiaries to benefits under the Plan shall be governed by the Plan as set forth herein and as it may hereafter be amended from time to time. This Plan is effective January 1, 2009, unless expressly provided otherwise herein.
- 1.2 Applicability** - The Supplemental Thrift Plan was bifurcated into two components, effective January 1, 2009. As reflected in the terms of this Plan, one such component is applicable solely to those amounts that were not, as of December 31, 2004, both credited to a Participant’s Account and fully vested or as to which the Participant had a vested right in accordance with the terms of the Supplemental Thrift Plan as in effect on December 31, 2004 (including related investment gains and losses occurring thereafter). With respect to any other amounts credited to a Participant’s account under the Supplemental Thrift Plan, the rights of the Participant and his Beneficiaries shall be governed by the component of the Supplemental Thrift Plan known as the “Supplemental Thrift Plan (409A Grandfathered Component) of Union Pacific Corporation, as amended and restated effective January 1, 2009.” Prior to January 1, 2009, with respect to all amounts credited under the Supplemental Thrift Plan that were subject to section 409A of the Code, the Supplemental Thrift Plan was administered in good faith compliance with section 409A of the Code.
- 1.3 Definitions** - As used in the Plan, the following terms shall have the meanings set forth below, unless a different meaning is plainly required by the context:
- (a)** “Account” shall mean the entries maintained on the books of the Company which represent a Participant’s interest under the Plan. The term “Account” shall refer, as the context indicates, to either or both of the following:
- (1)** “A Account” shall mean the Account which shows amounts credited to a Participant pursuant to Section 2.1, valued in accordance with Section 2.4 and adjusted for payments made pursuant to Article Four.
  - (2)** “B Account” shall mean the Account which shows amounts credited to a participant pursuant to Section 2.2, valued in accordance with Section 2.4 and adjusted for payments made pursuant to Article Four.

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

- (b) "Beneficiary" shall mean the person designated by a Participant to receive his interest under the Thrift Plan in the event of his death, unless the Participant designates a different person to be his Beneficiary hereunder pursuant to procedures adopted by the Named Fiduciary-Plan Administration. If a Participant has made no such designation under the Thrift Plan, the Participant shall designate the person to be his Beneficiary hereunder pursuant to procedures adopted by the Named Fiduciary-Plan Administration. Absent such designation, the Participant's Beneficiary shall be his estate.
- (c) "Compensation" shall mean the fixed and basic salary or wage paid by the Company or any Affiliated Company to an Employee during a Plan Year, exclusive of (1) overtime, (2) bonuses, (3) fees, (4) retainers, (5) incentive payments, lump-sum merit awards or any other form of extra remuneration, (6) cash payments received under the Long-Term Disability Plan of Union Pacific, and (7) any amounts that the Employee receives with respect to periods when he is not an Eligible Employee. Notwithstanding the above, Compensation shall be determined prior to giving effect to any salary reduction election made pursuant to the Thrift Plan or pursuant to the Union Pacific Flexible Benefits Program and prior to giving effect to any Compensation reduction agreement hereunder. Compensation shall be determined prior to giving effect to any salary reduction election made pursuant to the Union Pacific Transportation Spending Account Program.
- (d) "Eligible Employee" shall mean an Eligible Employee as defined in the Thrift Plan (1) for whom the Named Fiduciary-Plan Administration determines that the contributions that would be made and allocated under the Thrift Plan for a month if the limitations set forth in Sections 401(a)(17) and 415 of the Code did not apply might exceed his After-Tax Employee Contribution, Before-Tax Contribution and Matching Contribution made and allocated for the month, and (2) whom the Named Fiduciary-Plan Administration has designated as eligible to participate in this Plan.
- (e) "Participant" shall mean (1) any Eligible Employee for whom credits have been or are being made hereunder, or (2) any former Eligible Employee for whom credits have been made hereunder and who either (A) continues to be employed by the Company or an Affiliated Company, or (B) has an interest in all or a portion of his Account which has not been distributed pursuant to Article Four.
- (f) "Plan" shall mean the Union Pacific Corporation Supplemental Thrift Plan (409A Non-Grandfathered Component), effective as of January 1, 2009 as set forth herein, and as it may hereafter be amended from time to time.

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

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

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

## **ARTICLE TWO**

### **Deferrals and Credits**

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

- (a) An Eligible Employee may, with respect to any Plan Year, elect to make deferrals to be credited under the Plan by filing a Compensation reduction agreement with the Named Fiduciary-Plan Administration on such form and at such time in advance as may be prescribed by the Named Fiduciary-Plan Administration for such purpose. Such agreement shall authorize the Company or the Affiliated Company by which the Eligible Employee is employed to reduce the Eligible Employee's Compensation by the percentage elected by the Eligible Employee, with such percentage being not less than the minimum deferral percentage permitted under the Thrift Plan and not more than the maximum deferral

percentage permitted under the Thrift Plan, commencing as of the date determined pursuant to subparagraph (c)(1) below. The Company shall credit such amount to the Eligible Employee's A Account under the Plan.

- (b) Any election made by an Eligible Employee to defer Compensation made pursuant to paragraph (a) above must be made prior to the beginning of the calendar year in which the Eligible Employee performs the services for which the Compensation is payable. An Eligible Employee's election shall remain in effect until the earlier of: 1) when his status as an Eligible Employee ends; or 2) December 31 of the Plan Year to which the election pertains.
- (c) At an Eligible Employee's election, his deferrals under paragraph (a) above shall:
  - (1) commence at the earlier of when (A) the Eligible Employee's Compensation for the Plan Year to which such election applies equals the limitation set forth in Section 401(a)(17) of the Code or (B) the percentage of Compensation the Eligible Employee elected to defer under the Thrift Plan has resulted in annual additions on behalf of the Eligible Employee (including such additions attributable to Matching Contributions under the Thrift Plan as in effect on the first day of such Plan Year) equal to the limit set forth in Section 415 of the Code; and
  - (2) equal the percentage of the Eligible Employee's Compensation for the period following the commencement date of such deferral determined pursuant to subparagraph (c)(1) above as elected by the Eligible Employee pursuant to paragraph (a) above.

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

2.3 **Timing of Credits** - Credits for a month under Sections 2.1 and 2.2 shall be made as of the same date that such amounts would have been allocated to the Participant's accounts under the Thrift Plan had such amounts been included in the Participant's After-Tax Employee Contributions, Before-Tax Contributions and Matching Contributions for the month.

2.4 **Valuation of Accounts** - Pending distribution pursuant to Article Four, the value of amounts credited to a Participant's A and B Accounts as of any subsequent date shall be determined by the Named Fiduciary-Plan Administration as follows:

- (a) except as provided in (b) and (c) below, as if such amounts had instead been actually contributed to the Thrift Plan and been invested in accordance with the investment provisions set forth in Article VI (effective August 8, 2007, without regard to Section 6.05A) thereof, provided that investment elections for purposes

of the Plan may differ from those made by such Participant under the Thrift Plan; or

- (b) except as provided in (c) below, after a Participant's accounts under the Thrift Plan are transferred to another defined contribution plan maintained within the controlled group of corporations of which the Company is the common parent, as if such Accounts had been actual investments transferred to such transferee plan and been invested in accordance with the investment provisions set forth in such transferee plan (effective August 8, 2007, without regard to a provision, if any, in such transferee plan permitting participants in such transferee plan to participate in the Vanguard Advisers Managed Account Program), provided that investment elections for purposes of the Plan may differ from those made by such Participant under such transferee plan; or
- (c) effective May 1, 1991 for a Participant who is subject to the restrictions under Section 16 of the Securities Exchange Act of 1934, as if such amounts had instead been actually contributed to the Thrift Plan and been invested in accordance with the investment provisions set forth in Article VI (effective August 8, 2007, without regard to Section 6.05A) thereof except that the Participant must make separate investment elections for purposes of this Plan so that no amount will be treated as if it were actually invested in the Company common stock fund and may make other investment elections for purposes of the Plan that differ from those made under the Thrift Plan.

### ARTICLE THREE

#### Vesting

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

### ARTICLE FOUR

#### Payments

- 4.1 **Payments on Separation from Service** -
  - (a) A Participant who fails to make a timely election described in subparagraph (b) shall be deemed to have elected to receive the value of his Account at the time of

his Separation from Service in a single lump-sum payment in cash. Such payment shall be made as soon as administratively practicable following the completion of the first valuation of a Participant's Account pursuant to Section 2.4 which coincides with or next follows the Participant's Separation from Service, but in no event later than the end of the calendar year in which the Participant's Separation from Services occurs or, if later, ninety (90) days after such Separation from Service.

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

**(2)** A Participant who is not eligible to make an election under subparagraph (b)(1) above, may elect in writing, according to such rules and using such forms as may be prescribed by the Named Fiduciary-Plan Administration to have his Account paid to him in one of the forms specified in paragraph (c) below. Such election must be made no later than the December 31 immediately preceding the calendar year in which his initial deferral election under Section 2.1 becomes effective and shall apply to the Participant's entire Account payable at the Participant's Separation from Service, subject to paragraph (d) below.

**(c)** A Participant may elect to have his Account paid to him in accordance with one of the following forms:

**(1)** A single lump-sum distribution as provided in subparagraph (a) payable in the year of the Participant's Separation from Service or, if elected by the Participant, January of the next year following such Separation from Service;

**(2)** Annual installments over a period not to exceed fifteen (15) years (such installment period to be elected by the Participant), beginning (i) as soon as administratively practicable following the Participant's Separation from Service, but in no event later than the end of the calendar year in which the Participant's Separation from Service occurs or, if later, ninety (90) days after such Separation from Service, or (ii) if elected by the Participant, January of the next year following such Separation from Service, with (under either option) subsequent installments paid in January of each subsequent year, provided that all subsequent installments will be paid in the next succeeding January, with each installment determined by dividing the value of the Participant's Account by the number of installments remaining to be made; or

- (3) A single lump-sum distribution payable in January of a year following the Participant's Separation of Service that is not earlier than two (2) years, and not later than fifteen (15) years following the Participant's Separation from Service, such year to be elected by the Participant. The amount of such distribution shall equal the balance in the Participant's Account at such specified date. Pending the lump-sum distribution as aforesaid, the Participant's Account shall continue to be invested in accordance with Section 2.4. At the end of each calendar quarter following the Participant's Separation from Service, the net increase or decrease in the value of the Participant's Account, measured from the first valuation of the Participant's Account pursuant to Section 2.4 which coincides with or next follows the Participant's Separation from Service, shall be determined. Subject to subparagraph (d)(1)(A), the amount of any such net increase for any calendar quarter shall be distributed to the Participant within thirty (30) days following the end of such calendar quarter.
- (d) A Participant who has made the election or the deemed election described in subparagraphs (b) or (a) respectively may elect in writing to change the form of payment and/or the payment commencement date in accordance with the following rules:
- (1) When a Participant's existing form of payment
- (A) is described in subparagraphs (a), (c)(1) or (c)(2) above, a Participant may elect to receive the Participant's Account in any form set forth in paragraph (c) above, provided that any election of the form described in subparagraph (c)(3) above shall not provide separate quarterly payments of investment income; and
- (B) is described in subparagraph (c)(3) above, a Participant may elect to receive the Participant's Account in the form described in subsection (c)(2) above or change the date as of which the Participant will be paid a single lump-sum under subparagraph (c)(3) above.
- (2) A Participant's election to modify a prior election shall be made both prior to his Separation from Service and at least twelve (12) months prior to the date on which payments would have commenced in accordance with his prior election.
- (3) Notwithstanding the payment date indicated by the form of payment elected thereby, a Participant's modification election to alter the form of payment and/or the date on which his payments will commence must have the effect of postponing the payment commencement date by at least five (5) years, and shall be administered accordingly. No such election shall be permitted if the payment commencement date that was previously elected was more than ten (10) years after the Participant's Separation from Service.

- (4) In the case of a Participant who desires to (A) change the form of payment from a single lump-sum distribution to annual installments, or (B) postpone the payment commencement date of annual installments that he previously elected, the maximum number of annual installments shall be fifteen (15), minus the number of years (with a fractional year rounded up to a full year) between the Participant's Separation from Service and the postponed payment commencement date.
- (5) For purposes of this paragraph (d),
- (A) the date as of which payments to a Participant would have commenced, absent the election provided by this paragraph, shall be deemed to be the first possible date as of which such payments could have been made to the Participant;
- (B) the quarterly payment of investment income provided under paragraph (c)(3) above shall be treated as a separate form of payment from the single lump-sum distribution provided by such paragraph; and
- (C) the entitlement to a series of installment payments shall be treated as the entitlement to a single form of payment.
- (e) On the death of a Participant who has not received payment of his full Account under subparagraphs (a) or (c), the Named Fiduciary-Plan Administration shall cause the unpaid balance of the Participant's Account to be paid in a single lump-sum payment to such Participant's Beneficiaries. Such payment shall be made as soon as administratively practicable following completion of the first valuation of the Participant's Account pursuant to Section 2.4 which coincides with or next follows the Participant's date of death, but in no event later than the end of the calendar year in which the Participant's date of death occurs or, if later, ninety (90) days after such date of death.
- 4.2 **No Payments Prior to Separation From Service** - Under no circumstances shall a Participant receive any payment from the Plan prior to his Separation from Service.
- 4.3 **Specified Employee Restriction** - Notwithstanding anything in the Plan to the contrary, no payment shall be made to a "specified employee" (as determined in accordance with a uniform policy adopted by the Company with respect to all arrangements subject to Section 409A of the Code maintained by the Company and its Affiliated Companies) until six (6) months plus one day following such specified employee's Separation from Service; provided however, that in the event of the specified employee's death before his payment commencement date, this provision shall not prevent payment of death benefits at the time prescribed by Section 4.1(e).
- 4.4 **Deferrals from STD Payments Subsequent to Separation from Service** - To the extent that a Participant's deferral election under Section 2.1 applies to Compensation



paid to him following a Separation from Service that consists of short-term disability benefits under a short-term disability plan of the Company or an Affiliated Company, the amount credited to his Account from such deferral for a calendar year, valued in accordance with Section 2.4, shall be paid to such Participant in a single lump-sum payment in cash in January of the next year following such deferral.

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

## ARTICLE FIVE

### Administration

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

## ARTICLE SIX

### Amendment and Termination

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

## ARTICLE SEVEN

### General Provisions

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

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



**SUPPLEMENTAL THRIFT PLAN  
(409A Grandfathered Component)**

**of**

**UNION PACIFIC CORPORATION**

**(As amended and restated in its entirety,  
effective as January 1, 2009)**

## ARTICLE ONE

### Scope of Plan and Definitions

- 1.1 Purpose and Scope of Plan** - The purpose of the Plan (this and other capitalized terms having the meanings set forth below) is to provide benefits to Eligible Employees who participate in the Thrift Plan in excess of those permitted under the Thrift Plan because of the limitations set forth in Sections 401(a)(17) and 415 of the Code. To the extent that benefits are provided under the Plan, solely because of the limitations set forth in Section 415 of the Code, the Company intends to maintain the Plan as an “excess benefit plan” as that term is defined in Section 3(36) of ERISA. The rights of each Participant and his Beneficiaries to benefits under the Plan shall be governed by the Plan as set forth herein and as it may hereafter be amended from time to time. This Plan is effective January 1, 2009, unless expressly provided otherwise herein.
- 1.2 Applicability** - The Supplemental Thrift Plan was bifurcated into two components, effective January 1, 2009. As reflected in the terms of this Plan, one such component is applicable solely to those amounts that were, as of December 31, 2004, both credited to a Participant’s Account and fully vested in accordance with the terms of the Supplemental Thrift Plan as in effect on December 31, 2004 (including related investment gains and losses occurring thereafter), which terms were not materially modified after October 3, 2004. With respect to any other amounts credited to a Participant’s account under the Supplemental Thrift Plan, the rights of the Participant and his Beneficiaries shall be governed by the component of the Supplemental Thrift Plan known as the “Supplemental Thrift Plan (409A Non-Grandfathered Component) of Union Pacific Corporation, effective January 1, 2009.” Prior to January 1, 2009, with respect to all amounts credited under the Supplemental Thrift Plan that were subject to section 409A of the Code, the Supplemental Thrift Plan was administered in good faith compliance with section 409A of the Code.
- 1.3 Definitions** - As used in the Plan, the following terms shall have the meanings set forth below, unless a different meaning is plainly required by the context:
- (a)** “Account” shall mean the entries maintained on the books of the Company which represent a Participant’s interest under the Plan. The term “Account” shall refer, as the context indicates, to either or both of the following:
- (1)** “A Account” shall mean the Account which shows amounts credited to a Participant pursuant to Section 2.1 of the Supplemental Thrift Plan as in effect on December 31, 2004, valued in accordance with Section 2.1 and adjusted for payments made pursuant to Section 3.1.
  - (2)** “B Account” shall mean the Account which shows amounts credited to a participant pursuant to Section 2.2 of the Supplemental Thrift Plan as in

effect on December 31, 2004, valued in accordance with Section 2.1 and adjusted for payments made pursuant to Section 3.1.

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

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

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

**1.5 Other Definitional Provisions** - The terms defined in Sections 1.3 and 1.4 of the Plan shall be equally applicable to both the singular and plural forms of the terms defined. The

masculine pronoun, whenever used, shall include the feminine and *vice versa*. The words “hereof,” “herein” and “hereunder” and words of similar import when used in the Plan shall refer to the Plan as a whole and not to any particular provision of the Plan, unless otherwise specified.

## ARTICLE TWO

### Valuation of Accounts

- 2.1 **Valuation of Accounts** - Pending distribution pursuant to Section 3.1, the value of amounts credited to a Participant’s A and B Accounts as of any subsequent date shall be determined by the Named Fiduciary-Plan Administration as follows:
- (a) except as provided in (b) and (c) below, as if such amounts had instead been actually contributed to the Thrift Plan and been invested in accordance with the investment provisions set forth in Article VI (effective August 8, 2007, without regard to Section 6.05A) thereof, provided that investment elections for purposes of the Plan may differ from those made by such Participant under the Thrift Plan; or
  - (b) except as provided in (c) below, after a Participant’s accounts under the Thrift Plan are transferred to another defined contribution plan maintained within the controlled group of corporations of which the Company is the common parent, as if such Accounts had been actual investments transferred to such transferee plan and been invested in accordance with the investment provisions set forth in such transferee plan (effective August 8, 2007, without regard to a provision, if any, in such transferee plan permitting participants in such transferee plan to participate in the Vanguard Advisers Managed Account Program), provided that investment elections for purposes of the Plan may differ from those made by such Participant under such transferee plan; or
  - (c) effective May 1, 1991 for a Participant who is subject to the restrictions under Section 16 of the Securities Exchange Act of 1934, as if such amounts had instead been actually contributed to the Thrift Plan and been invested in accordance with the investment provisions set forth in Article VI (effective August 8, 2007, without regard to Section 6.05A) thereof except that the Participant must make separate investment elections for purposes of this Plan so that no amount will be treated as if it were actually invested in the Company common stock fund and may make other investment elections for purposes of the Plan that differ from those made under the Thrift Plan.

## ARTICLE THREE

### Payments

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

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



with or next follows the Participant's Separation from Service, shall be determined. The amount of any such net increase for any calendar quarter shall be distributed to the Participant within thirty (30) days following the end of such calendar quarter.

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

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

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

## **ARTICLE FOUR**

### **Administration**

**4.1 Responsibilities and Powers of the Named Fiduciary-Plan Administration** - The Named Fiduciary-Plan Administration shall be solely responsible for the operation and administration of the Plan and shall have all powers necessary and appropriate to carry out her responsibilities in operating and administering the Plan. Without limiting the generality of the foregoing, the Named Fiduciary-Plan Administration shall have the responsibility and power to interpret the Plan, to make factual determinations and to determine whether a credit should be made on behalf of a Participant, the amount of the credit and the value of the amount so credited on any subsequent date. The determination of the Named Fiduciary-Plan Administration, made in good faith, shall be conclusive and binding on all persons, including Participants and their Beneficiaries.

**4.2 Outside Services** - The Named Fiduciary-Plan Administration may engage counsel and such clerical, medical, financial, investment, accounting and other specialized services as she may deem necessary or desirable to the operation and administration of the Plan. The Named Fiduciary-Plan Administration shall be entitled to rely, and shall be fully protected in any action or determination or omission taken or made or omitted in good

faith in so relying, upon any opinions, reports or other advice which is furnished by counsel or other specialist engaged for that purpose.

- 4.3 **Indemnification** - The Company shall indemnify the Named Fiduciary-Plan Administration against any and all claims, loss, damages, expense (including reasonable counsel fees) and liability arising from any action or failure to act or other conduct in her official capacity, except when the same is due to her own gross negligence or willful misconduct.
- 4.4 **Claims Procedures** - The claims procedures set forth in Article XIII of the Thrift Plan shall apply to any claim for benefits hereunder, subject to such changes as the Named Fiduciary-Plan Administration deems necessary or appropriate.

## ARTICLE FIVE

### **Amendment and Termination**

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

## ARTICLE SIX

### **General Provisions**

- 6.1 **Source of Payments** - The Plan shall not be funded and all payments hereunder to Participants and their Beneficiaries shall be paid from the general assets of the Company. The Company shall not, by virtue of any provisions of the Plan or by any action of any

person hereunder, be deemed to be a trustee or other fiduciary of any property for any Participant or his Beneficiaries and the liabilities of the Company to any Participant or his Beneficiaries pursuant to the Plan shall be those of a debtor only pursuant to such contractual obligations as are created by the Plan and no such obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. To the extent that any Participant or his Beneficiaries acquire a right to receive a payment from the Company under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

- 6.2 No Warranties** - Neither the Named Fiduciary-Plan Administration nor the Company warrants or represents in any way that the value of each Participant's Account will increase or not decrease. Such Participant assumes all risk in connection with any change in such value.
- 6.3 Inalienability of Benefits** - No benefit payable under, or interest in, the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge and any attempt to do so shall be void; nor shall any such benefit or interest be in any manner liable for or subject to garnishment, attachment, execution or levy or liable for or subject to the debts, contracts, liabilities, engagements or torts of any Participant or his Beneficiaries. In the event that the Named Fiduciary-Plan Administration shall find that any Participant or his Beneficiaries has become bankrupt or that any attempt has been made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit payable under, or interest in, the Plan, the Named Fiduciary-Plan Administration shall hold or apply such benefit or interest or any part thereof to or for the benefit of such Participant or his Beneficiaries, his spouse, children, parents or other relatives or any of them.
- 6.4 Expenses** - The Company shall pay all costs and expenses incurred in operating and administering the Plan, including the expense of any counsel or other specialist engaged by the Named Fiduciary-Plan Administration.
- 6.5 No Right of Employment** - Nothing herein contained nor any action taken under the provisions hereof shall be construed as giving any Participant the right to be retained in the employ of the Company or any Affiliated Company.
- 6.6 Limitations on Obligations** - Neither the Company, nor any Affiliated Company, nor any officer or employee of either, nor any member of the Board of Directors nor the Named Fiduciary-Plan Administration shall be responsible or liable in any manner to any Participant, Beneficiary or any person claiming through them for any action taken or omitted in connection with the granting of benefits or the interpretation and administration of the Plan.
- 6.7 Withholding** - The Company shall, on its own behalf or on behalf of the Affiliated Companies, withhold from any payment hereunder the required amounts of income and other taxes.

- 6.8 Headings** - The headings of the Sections in the Plan are placed herein for convenience of reference and, in the case of any conflict, the text of the Plan, rather than such heading, shall control.
- 6.9 Construction** - The Plan shall be construed, regulated and administered in accordance with the laws of the State of Utah, without regard to the choice of law principles thereof.
- 6.10 Payments to Minors, Etc.** - Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person and such payment shall fully discharge the Named Fiduciary-Plan Administration, the Company, all Affiliated Companies and all other parties with respect thereto.

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

**For Officers and Managers**

**of**

**Union Pacific Corporation**

**and**

**Affiliates**

**(As amended and restated in its entirety  
effective as of January 1, 1989, including all amendments  
adopted through January 1, 2009)**

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## ARTICLE ONE

### Scope of Supplemental Plan and Definitions

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

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

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

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

(b) “Administrator” means the Senior Vice President-Human Resources of Union Pacific or, if there is no such Senior Vice President - Human Resources, such person or persons appointed by the Board of Directors of Union Pacific or, in the absence of any such appointment, Union Pacific, who shall administer this Supplemental Plan.

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

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

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

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

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

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

(i) "Incentive Compensation" means:

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(q) "Surviving Spouse" means:

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

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

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

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

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

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

(s) "Total Credited Service" means:

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

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

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

(iv) such additional years of service as may be credited to the Participant pursuant to Section 2.7.

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

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

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

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

## ARTICLE TWO

### Amount and Payment of Pension

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

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

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

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

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

### 2.2 Early Supplemental Pension.

(a) Participant Retires on Early Retirement Date. Subject to the provisions of Articles Three, Five and Eleven, a Participant who has a Separation from Service on an Early Retirement Date under the Pension Plan shall receive an Early Supplemental Pension, in the form of a single life annuity commencing on the first day of the month following the later of the Participant's Separation from Service or the Participant's attainment of age 55. The Early Supplemental Pension shall be computed in the same manner as the Normal Supplemental Pension, but with the amounts described in Section 2.1 adjusted for payment as of the early benefit start date in accordance with Section 6.03 of the Pension Plan (whether or not the Participant's Pension Plan benefit or Supplemental Plan (409A Grandfathered Component) benefit starts on that date), taking into account any additional years of age described in Section

1.3(e)(ii) solely for purposes of adjusting both the gross and offset portions of the benefit in Section 2.1(a).

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

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

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

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

#### 2.4 Disabled Participants.

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

(b) Additional Disability Pay. To the extent that a Disabled Participant accrues a benefit under this Supplemental Plan (409A Non-Grandfathered Component) in excess of the amount described in Section 2.4(a) (due to the continued crediting of service for Disabled

Participants), such additional benefit shall be paid at the same time and in the same form as the Participant's Pension Plan benefit, as described in Section 6.05 of the Pension Plan. Such Additional Disability Pay Benefit may include, by way of example, any early retirement subsidy with respect to the Supplemental Plan benefit described in Section 2.4(a) that the Disabled Participant accrues after his or her Disability Date.

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

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

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

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

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

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

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

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

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

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

#### 2.8 Additional Age and Service for Certain Participants.

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

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

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

(d) Participant Jerry Everett shall be deemed to have attained an age two (2) years, three (3) months older than his actual age, up to a maximum age 65 and shall receive an additional two (2) years service (up to a maximum of 40 years of service), which service shall be



treated as part of the Participant's Total Credited Service in the way described in Section 1.3(s)(iii); and

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

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

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

## ARTICLE THREE

### Manner of Payment

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

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

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

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

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

The election described in this Section 3.2 must be made in writing, in the form prescribed by the Administrator, at least six (6) months before, and no later than the tax year of the Participant immediately preceding, the benefit start date for the Supplemental Pension. Any optional form of benefit described in this Section 3.2 shall be the actuarial equivalent of the normal form of benefit described in Section 3.1, disregarding the value of any subsidized survivor annuity benefit, and based on the actuarial equivalence factors set forth in Appendix A of the Pension Plan.

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

## ARTICLE FOUR

### Vesting

#### 4.1 Termination Prior to Vesting.

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

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

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

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

#### 4.3 Form of Vested Benefit.

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

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

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

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

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

ARTICLE FIVE

**Certain Employee Transfers**

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

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

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

## ARTICLE SIX

### **Pre-Retirement Survivor's Benefit**

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

#### 6.2 Surviving Spouse's Benefit.

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

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

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

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

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

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

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

Supplemental Plan (409A Non-Grandfathered Component) benefits begin to the Surviving Spouse under Section 6.3.

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

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

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



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## ARTICLE SEVEN

### **Funding**

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

## ARTICLE EIGHT

### Administration

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

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

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

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

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

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

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

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

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

carrying out responsibilities hereunder by the persons so designated by the Administrator shall have the same force and effect for all purposes as if such action or determinations had been made or taken by the Administrator.

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

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

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

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

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

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ARTICLE NINE

**Amendment or Termination**

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

## ARTICLE TEN

### General Provisions

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

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

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

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

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

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

10.7 Severability. If any provisions of the Supplemental Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part, the unlawfulness, invalidity, or unenforceability shall not affect any provision of the Plan or part thereof, each of which shall remain in full force and effect.

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

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

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**ARTICLE ELEVEN**

**Transfers to Non-Covered Employment**

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

## ARTICLE TWELVE

### Claims Procedure

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

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

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

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

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

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

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

(B) A claimant shall be given written notice in which the claimant shall be advised as to whether the claim is granted or denied, in whole or in part. If a claim is denied, in whole or in part, the claimant shall be given written notice which shall contain (I) the specific reasons for the denial, (II) references to the specific Supplemental Plan provisions upon which the denial is based, (III) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary, (IV) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information



relevant to the claim, (V) the claimant's rights to seek review of the denial and time limits and other aspects of the Supplemental Plan's claim review procedures, and (VI) a statement of the claimant's right to bring a civil action under ERISA section 502(a) following an adverse determination upon review.

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

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

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

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

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

**For Officers and Managers**

**of**

**Union Pacific Corporation**

**and**

**Affiliates**

**(As amended and restated in its entirety effective as of January 1, 1989,  
including all amendments adopted through January 1, 2009)**

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**ARTICLE ONE**

**Scope of Supplemental Plan and Definitions**

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

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

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

(a) “Administrator” means the Senior Vice President-Human Resources of Union Pacific or, if there is no such Senior Vice President - Human Resources, such person or persons appointed by the Board of Directors of Union Pacific or, in the absence of any such appointment, Union Pacific, who shall administer this Supplemental Plan.

(b) “Company” means Union Pacific and any Affiliated Company which is included in the Supplemental Plan by written action of (i) its board of directors and (ii) either the Board of Directors of Union Pacific or the Administrator acting on behalf of the Board of Directors of Union Pacific; provided, however, that if an Affiliated Company (other than an Affiliated Company that would remain such if the phrase “100 percent” were substituted for the phrase “at least 80 percent” in section 1563(a)(1) of the Code, which is then incorporated by

reference in sections 414(b) and (c) of the Code) is included in the Supplemental Plan by virtue of action by the Administrator, unless the Board of Directors of Union Pacific ratifies such action not later than its first regularly scheduled meeting held subsequent to the taking of such action by the Administrator, such Affiliated Company shall cease to be so included as of the close of business on the last day of the month in which such meeting occurs and no employee of such Affiliated Company shall accrue a benefit under the Supplemental Plan.

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

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

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

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

(g) "Incentive Compensation" means:

(i) incentive compensation awarded to a Participant (and in which the Participant was vested) on or before December 31, 2004 under the Executive Incentive Plan of Union Pacific Corporation and Subsidiaries, as amended and restated as of April 15, 1988 and as it may thereafter be amended from time to time and any successor thereto (the "Executive Incentive Plan");

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

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

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

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

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

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

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

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

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

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

(v) who is credited with additional years of age as described in Section 1.3(c)(ii), and

who has been designated by the Administrator as eligible to participate in the Supplemental Plan.

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

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

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

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

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

(n) "Surviving Spouse" means:

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

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

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

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

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

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

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

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

(p) "Total Credited Service" means:

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

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

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

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

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



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

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

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

**ARTICLE TWO**

**Amount and Payment of Pension**

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

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

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

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

2.2 Early Supplemental Pension.

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

(i) Benefit Payable on Normal Retirement Date. Subject to the provisions of Articles Three, Five and Eleven, a Participant retiring on such an Early Retirement Date under the Pension Plan shall be entitled to receive a Normal Supplemental Pension in the

form of a single life annuity commencing at Normal Retirement Date, computed in accordance with Section 2.1 based on Total Credited Service, Total Offset Service, etc. A Participant retiring on an Early Retirement Date shall include a Participant who has become a Disabled Participant under the Pension Plan and who ceases to be a Disabled Participant on an Early Retirement Date.

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

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

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

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

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

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

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

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

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

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

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

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

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

**2.3 Postponed Supplemental Pension.** Subject to the provisions of Articles Three, Five and Eleven, a Participant who retires on a Postponed Retirement Date shall be entitled to a Postponed Supplemental Pension, in the form of a single life annuity commencing at the Postponed Retirement Date, which is equal to the Normal Supplemental Pension, computed in accordance with Section 2.1 based on his Total Credited Service, Total Offset Service, etc. as of the Participant's Postponed Retirement Date (instead of his Normal Retirement Date), or, if earlier, as of his Required Beginning Date. If a Participant's benefits begin on his Required Beginning Date and prior to his termination of Employment, the Participant's benefits shall be adjusted thereafter as described in Section 8.06 of the Pension Plan.

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

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

such Spouse in equal monthly payments for life, commencing on the first day of the month immediately following the death of such Participant.

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

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

#### 2.5 Suspension of Benefits.

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

(b) Resumption of Payments. Upon the resumption of payment of such pension hereunder to such Participant, the resumed benefits shall be recalculated taking into account any increases in the Participant's Total Credited Service, Total Offset Service, Incentive Compensation, age and so forth. However, no actuarial or other adjustment shall be made to

reflect such suspension. The resumed benefit shall be offset, in a manner prescribed by the Administrator, by (i) any benefit paid during a month in which benefits should have been suspended but were not, which has not previously been repaid to the Company by the Participant, and (ii) the Actuarial Equivalent of any benefits paid prior to Normal Retirement Date.

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

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

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

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

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

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

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

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

2.9 1999 Window Program.

(a) 1999 5x5 Program.

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

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

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

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

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

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

existing termination agreement in effect or is not on a leave of absence (except those granted a leave under the Family and Medical Leave Act or as an accommodation under the Americans with Disabilities Act);

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

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

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

<b>Departments</b>	<b>Departmental Limit</b>
Corporate Relations (excluding Government Affairs)	4
Engineering (excluding employees who report directly to a Regional office)	80
Finance (excluding Accounting, Real Estate and Tax)	3
Human Resources - Development & Training	5
Human Resources - Other	8
Information Technologies/Union Pacific Technologies (excluding UPT employees working exclusively on commercial business)	100
Labor Relations	24
Law (excluding Little Rock)	10
Marketing & Sales - - Damage Prevention	3
Marketing & Sales - - Marketing Services (including NDMC)	20



<b>Departments</b>	<b>Departmental Limit</b>
Marketing & Sales - - NCSC (excluding ICSC)	13
Marketing & Sales - - Agricultural Products	7
Mechanical - Car (excluding employees who report directly to a Regional office)	15
Mechanical - Locomotive (excluding employees who report to directly to a Regional office)	18
Network Design and Integration	20
Risk Management - Police	10
Risk Management - Other	21
Supply	21
Operating Support Services/Quality	6

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

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

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

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

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

(b) 1999 5x5 Program II.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(D) for purposes of calculating benefits payable under this Supplemental Plan (409A Grandfathered Component), have the Railroad Retirement Annuity

used for his governmental offset described in Section 5.01(b) of the Pension Plan determined as if his termination of Employment occurred on December 31, 1999.

#### 2.10 2000 VERP

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

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

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

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

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

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

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

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

(ii) The requirements of this subparagraph are satisfied by a Covered Employee who, as of April 1, 2000, is employed in one of the following departments, provided that the number of Covered Employees of such department satisfying subparagraph (i) or the comparable requirements set forth in the Pension Plan for Covered Employees whose 1999 Compensation, as defined in Section 2.18(c) of the Pension Plan, is less than \$110,000 do not

exceed the department's numerical limit set forth below. The departments referred to below consist entirely of Union Pacific Railroad Covered Employees, unless indicated to the contrary.

<b>Department</b>	<b>Total Eligible Employees</b>	<b>Departmental Limit</b>
Network Design & Integration - Business Planning (Bulk), Service Scheduling	2	2
Network Design & Integration - Car Management	8	4
Harriman Dispatching Center - Administrative Support in Locomotive Management, Bulk Operations & Operations Support - Administration	2	1
Harriman Dispatching Center - Directors in Locomotive Management, Bulk Operations and Operations Support - Administration	2	1
Harriman Dispatching Center - Managers in Locomotive Management, Bulk Operations and Operations Support - Administration	21	8
Mechanical Department- Car - Perishables - UPFE	4	4
Risk Management - UPRR - Police	51	4

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

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

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

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

(iii) be treated as having been a Covered Employee for 60 full consecutive months for purposes of Section 4.02(c)(3) of the Pension Plan when calculating

2.11 2001 VERP

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

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

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

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

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

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

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

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

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

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

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

<b>Department</b>	<b>Sub Group</b>	<b>Departmental Limit</b>
	Energy - Logistics	1
	Industrial Products	12
	Interline	2
	Intermodal	6
	NCSC	10
	Revenue Information Mgt.	1
	UPDS	2
Operating	Car	15
	CMS & Timekeeping	6
	Engineering	135
	HDC (excluding Train Dispatchers)	23
	Locomotive - North Little Rock	4
	Locomotive - Oper. Regions	5
	Locomotive - All Other	9
	Operating Practices & Safety	7
	Operating Region - Northern (excluding Train Dispatchers & Metra)	--
	Telecommunications	1
	Signal	1
	All Other	46
	Operating Region - Southern (excluding Train Dispatchers)	55
	Operating Region - Western (excluding Train Dispatchers):	--
	Admin. & Train Mgt.	2
	Car	6
	Engineering - Bridge	1
	Engineering - Environmental	2
	Engineering - Signal	2
	Engineering - Track	5
	Locomotive	2



<b>Department</b>	<b>Sub Group</b>	<b>Departmental Limit</b>
	Region Staff	5
	Transportation	19
	Risk Mgt. - Claims & Health Services	18
	Risk Mgt. - Police (excluding Internal Placement)	1
	Support Serv. - Jt. Fac. & NRPC Op.	1
	Support Serv. - All Other	1
NDI	All	15
Supply	All	17
UPC	Corporate Audit	1

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

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

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

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

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

(c) Effective April 1, 2001:

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

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

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

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

2.12 Railroad 1996 Voluntary Early Retirement Program.

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) for purposes of calculating Vesting Service, Total Credited Service and Total Offset Service and determining actuarial reductions for payments beginning before Normal Retirement Date, receive an additional 10 years in the aggregate (other than for purposes

of determining any actuarial reduction for payment before Normal Retirement Date for any governmental or other offset described in Section 5.01(a)(1)(C) or in Table I, Section XII, Part 1 C or D of the Pension Plan), which shall first be applied to the Covered Employee's age (up to a maximum of age 65) then to service (up to a maximum of 40 years of service);

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

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

## **ARTICLE THREE**

### **Manner of Payment**

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

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

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

## ARTICLE FOUR

### Vesting

#### 4.1 Termination Prior to Vesting.

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

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

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

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

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

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

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

to the Participant's Normal Retirement Date on which the Participant elects to start payment of his Supplemental Pension.

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

#### 4.3 Form of Vested Benefit.

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

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

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

**ARTICLE FIVE**

**Certain Employee Transfers**

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

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

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



**ARTICLE SIX**

**Pre-Retirement Survivor's Benefit**

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

6.2 Surviving Spouse's Benefit.

(a) Subsidized Death Benefits.

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

who dies:

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

Pension Plan;

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

Plan;

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

or

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

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

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

than under

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

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

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

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

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

(ii) On or after the earliest date, if any, on which the Surviving Spouse is eligible to start any survivor benefit payable under the Pension Plan, the amount described in (i), above, reduced by any survivor benefit that the Surviving Spouse is entitled to receive from the Pension Plan attributable to the Participant's accrued benefit under the Pension Plan as of the earlier of the Participant's Separation from Service or December 31, 2004 beginning on such

earliest date (whether or not such survivor benefit begins on the earliest date under the Pension Plan).

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

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

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

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

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

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**ARTICLE SEVEN**

**Funding**

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

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

## ARTICLE EIGHT

### Administration

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

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

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

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

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

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

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

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

8.4 Designation and Delegation. The Administrator may designate other persons to carry out such of the responsibilities hereunder for the operating and administration of the Supplemental Plan as the Administrator deems advisable and delegate to the persons so

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

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

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

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

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

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

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**ARTICLE NINE**

**Amendment or Termination**

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

**ARTICLE TEN**

**General Provisions**

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

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

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

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

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

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

10.7 Severability. If any provisions of the Supplemental Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part, the unlawfulness, invalidity, or unenforceability shall not affect any provision of the Plan or part thereof, each of which shall remain in full force and effect.



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

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**ARTICLE ELEVEN**

**Transfers to Non-Covered Employment**

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

## ARTICLE TWELVE

### Claims Procedure

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Within a reasonable period of time, but not later than 60 days after a request for review is received, the review shall be made and the claimant shall be advised in writing of the decision on review, unless special circumstances require an extension of time for processing the review. If an extension is needed, the claimant shall be given a written

notification within such initial 60-day period specifying the reasons for the extension and when such review shall be completed (provided that such review shall be completed within 120 days after the date on which the request for review was filed). However, if the period for deciding the claim has been extended under this paragraph (i) due to a claimant's failure to provide information necessary to decide a claim, the period for making a decision on review shall be tolled from the date the claimant is sent written notice of the extension until the date on which the claimant responds to the request for information (or such earlier date as may be prescribed by the Administrator in accordance with applicable law and regulations).

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

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

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

**UNION PACIFIC CORPORATION  
EXECUTIVE INCENTIVE PLAN**

**Effective May 5, 2005**

**Amended and Restated Effective January 1, 2009**

**UNION PACIFIC CORPORATION**

**EXECUTIVE INCENTIVE PLAN**

**(as Amended and Restated Effective January 1, 2009)**

Union Pacific Corporation, a corporation existing under the laws of the State of Utah (the "Company"), heretofore established and adopted the Union Pacific Corporation Executive Incentive Plan, effective as of May 5, 2005, as amended (the "Plan"). The Plan is hereby amended and restated, effective as of January 1, 2009, to reflect the provisions of Section 409A of the Code.

**1. PURPOSE**

The purposes of the Plan are to provide personal incentive and financial rewards to executives who, because of the extent of their responsibilities, can and do make significant contributions to the success of the Company and its Subsidiaries by their ability, industry, loyalty and exceptional services. Making such executives participants in that success will advance the interests of the Company and its shareholders and will assist the Company in attracting and retaining such executives.

**2. DEFINITIONS**

The following terms shall have the following meanings:

"Award" means an opportunity granted to a Participant under Section 5 to receive an amount under the Plan.

"Board" means the Board of Directors of the Company.

"Certification" shall have the meaning set forth in Section 5(c).

"Chief Executive Officer" means the chief executive officer of the Company, or the person performing the function of the principal executive officer of the Company, as of the end of the year.

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

"Committee" means the Compensation and Benefits Committee of the Board, or such other committee of the Board as may from time to time be designated by the Board to administer the Plan pursuant to Section 4.

"Covered Employee" means, with respect to any year, the Chief Executive Officer and any other employee who as of the end of a Year is an "executive officer" of the Company as defined under Rule 3b-7, or any successor provision thereto, under the Securities Exchange Act of 1934.

“Maximum Payment” shall have the meaning set forth in Section 5(b).

“Operating Income,” with respect to any Year, means the Company’s annual operating income (operating revenues less operating expenses) for the Year as prepared pursuant to generally accepted accounting principles applicable in the United States (“GAAP”), but excluding the effect of any (a) accruals for amounts payable in respect of the Plan, (b) gains or losses arising from or related to the extinguishment of debt, the disposal of real estate, restructurings and extraordinary items as disclosed in the Company’s consolidated statement of operations, notes to the consolidated financial statements or management’s discussion and analysis with respect to the consolidated financial statements for the applicable Year or in another Company filing with the Securities and Exchange Commission, and (c) the cumulative effect of changes in accounting principles. Operating Income excludes the effect of any discontinued operations reported in the Company’s consolidated statement of operations. For purposes solely of this definition of “Operating Income,” a “restructuring” shall be deemed to mean any event described in or reported pursuant to Item 2.05 of Securities and Exchange Commission Form 8-K.

“Participant” means any executive of the Company or of a Subsidiary of the Company selected by the Committee pursuant to Section 5(a) to receive an Award under this Plan with respect to any given Year. A Participant may be a person who becomes an executive during the Year. An executive must be employed by the Company or any Subsidiary on November 1 of the Year in which the executive is selected by the Committee pursuant to Section 5(a) to receive an Award under this Plan and need not be employed on any date thereafter.

“Shares” means the shares of the Company’s common stock, par value \$2.50 per share, or a stock-based award, issued pursuant to and subject to the limitations of the Union Pacific Corporation 2004 Stock Incentive Plan or another stockholder-approved plan of the Company.

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

“Year” means a fiscal year (which is the period January 1 to December 31).

### 3. ELIGIBILITY

The individuals entitled to participate in the Plan shall be the Company’s Chief Executive Officer and such other Participants as shall be selected from time to time by the Committee.

### 4. ADMINISTRATION

a. **Composition of the Committee.** The Plan shall be administered by the Committee, as appointed from time to time. The Board shall fill vacancies on, and from time to time may remove or add members to, the Committee. The Committee shall act pursuant to a majority vote or unanimous written consent. The Committee shall consist of two or more directors, each of whom is an “outside director” as such term is defined under Section 162(m) of the Code.

b. **Powers of the Committee.** The Committee shall have full power and authority, subject to the provisions of the Plan and subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to: (i) select the



Participants to whom Awards may from time to time be granted hereunder; (ii) determine the terms of an Award and whether an Award shall be paid in cash or Shares, not inconsistent with the provisions of the Plan; (iii) determine the time when Awards will be made; (iv) establish the incentive pool in respect of a Year; (v) determine the total amount of incentives to be awarded in respect of a Year; (vi) certify the Maximum Payment for each Covered Employee in respect of a Year; (vii) interpret and administer the Plan; (viii) correct any defect, supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent that the Committee shall deem desirable to carry it into effect; (ix) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

c. **Decisions of the Committee.** Decisions of the Committee shall be final, conclusive and binding on all persons or entities, including the Company and any Participant.

d. **Delegation of Authority.** To the extent not inconsistent with the applicable provisions of Section 162(m) of the Code, the Committee may delegate to a subcommittee or to one or more officers of the Company or any of its Subsidiaries the authority to take actions on its behalf pursuant to the Plan.

## 5. AWARDS

a. **Establishment of Incentive Program.** Not later than 90 days after the commencement of each Year, the Committee may establish the incentive program under this Plan for the Year by determining (i) the performance criteria to be used to determine the amount payable under the Plan, which may be applicable for purposes of determining the aggregate amount payable to all Participants (an “incentive pool”) or may be applicable on an individual Participant basis, and (ii) any other conditions or criteria applicable to Awards. Notwithstanding the foregoing, the amount payable under any Award may be adjusted by the Committee (including to zero) as it determines in its discretion. Furthermore, the amount payable under the Plan may be increased by the Committee based upon amounts payable but not paid under the annual incentive program from the previous Year. Determinations of the Committee under this Section 5(a) shall be reviewed and approved by the Board.

b. **Maximum Payment for Covered Employees.** Notwithstanding any other provision of the Plan to the contrary, the maximum amount payable under an Award to any Covered Employee for any Year (such amount, the “Maximum Payment”), regardless of when actually paid, shall not exceed 0.25% of Operating Income for that Year in the case of the Chief Executive Officer or 0.15% of Operating Income for that Year in the case of each other Covered Employee.

c. **Certification.** As soon as reasonably practicable following the conclusion of each Year, the Committee shall certify, in writing, Operating Income for purposes of the Plan, the size of the Maximum Payments for each Covered Employee for such Year and, to the extent required by Section 162(m) of the Code, that any other material terms were satisfied (the “Certification”).

d. **Payment of Awards.** Following the Certification, the Committee shall determine in its discretion the amount, if any, actually to be paid under an Award to a Participant. The

amount payable to a Covered Employee shall not exceed the Maximum Payment applicable to such Covered Employee. The actual amount of the Award determined by the Committee for a Year shall be paid to each Participant at such time as determined by the Committee in its discretion, provided that payment shall, unless deferred in accordance with the separate deferral program referred to in Section 6.c, in all events be made to a Participant no later than two and one-half (2 1/2) months following the close of the Year for which the Participant performed services to which the Award relates. Awards shall be paid in cash or, in the Committee's discretion, in Shares, or any combination thereof.

## 6. GENERALLY APPLICABLE PROVISIONS

a. **Amendment and Termination of the Plan.** The Board may, from time to time, alter, amend, suspend or terminate the Plan in whole or in part and, if suspended or terminated, may reinstate any or all of its provisions, except that without the consent of the Participant, no amendment, suspension or termination of the Plan shall be made which materially adversely affects Awards previously made to the Participant. Notwithstanding the foregoing, no amendment which is material for purposes of shareholder approval imposed by applicable law, including the requirement of Section 162(m) of the Code, shall be effective in the absence of action by the shareholders of the Company.

b. **Section 162(m) of the Code.** Unless otherwise determined by the Committee, the provisions of this Plan shall be administered and interpreted in accordance with Section 162(m) of the Code to ensure the deductibility by the Company or its Subsidiaries of the payment of Awards to Covered Employees.

c. **Section 409A of the Code.** The provisions of this Plan shall be administered and interpreted so that the Awards made hereunder shall not constitute a "deferral of compensation" within the meaning of Section 409A of the Code, except that that Company may establish a separate program or programs (e.g. the Deferred Compensation Plan of Union Pacific Corporation) by which Participants may be eligible to elect to defer all or a portion of an Award, subject to the requirements of Section 409A of the Code, and such deferral may be paid in cash or Shares. Any such deferral shall be made, administered and interpreted in accordance with the terms of such separate program or programs.

d. **Tax Withholding.** The Company or any Subsidiary shall have the right to make all payments or distributions pursuant to the Plan to a Participant, net of any applicable Federal, State and local taxes required to be paid or withheld. The Company or any Subsidiary shall have the right to withhold from wages, Awards or other amounts otherwise payable to such Participant such withholding taxes as may be required by law, or to otherwise require the Participant to pay such withholding taxes. If the Participant shall fail to make such tax payments as are required, the Company or any Subsidiary shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to such Participant or to take such other action as may be necessary to satisfy such withholding obligations.

e. **Right of Discharge Reserved: Claims to Awards.** Nothing in the Plan nor the grant of an Award hereunder shall confer upon any Participant the right to continue in the employment of the Company or any Subsidiary or affect any right that the Company or any

Subsidiary may have to terminate the employment of (or to demote or exclude from future Awards under the Plan) any such Participant at any time for any reason. No Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants under the Plan.

f. **Other Plans.** Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

g. **Severability.** If any provision of the Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (a) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (b) not affect any other provision of the Plan or part thereof, each of which shall remain in full force and effect. If the making of any payment or the provision of any other benefit required under the Plan shall be held unlawful or otherwise invalid or unenforceable by a court of competent jurisdiction, such unlawfulness, invalidity or unenforceability shall not prevent any other payment or benefit from being made or provided under the Plan, and if the making of any payment in full or the provision of any other benefit required under the Plan in full would be unlawful or otherwise invalid or unenforceable, then such unlawfulness, invalidity or unenforceability shall not prevent such payment or benefit from being made or provided in part, to the extent that it would not be unlawful, invalid or unenforceable, and the maximum payment or benefit that would not be unlawful, invalid or unenforceable shall be made or provided under the Plan.

h. **Construction.** All references in the Plan to “*Section*” or “*Section*” are intended to refer to the Section or Sections, as the case may be, of the Plan. As used in the Plan, the words “*include*” and “*including*” and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words “*without limitation.*”

i. **Unfunded Status of the Plan.** The Plan is intended to constitute an “unfunded” plan for incentive compensation. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

j. **Governing Law.** The Plan and all determinations made and actions taken thereunder, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Utah and construed accordingly.

k. **Effective Date of Plan.** The Plan was originally effective as of May 5, 2005, and is restated effective January 1, 2009 to reflect the provisions of section 409A of the Code.

l. **Captions.** The captions in the Plan are for convenience of reference only, and are not intended to narrow, limit or affect the substance or interpretation of the provisions contained herein.



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

**of**

**UNION PACIFIC CORPORATION**

*(Effective as January 1, 2009)*

## 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 (or, in the case of an Award under EIP, a portion of such Award) to be credited under the Plan by filing an Award deferral agreement with the Committee on such form as may 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.

- (d) If the Company reasonably anticipates that its deduction with respect to an Award to a Participant would be reduced or eliminated by Code section 162(m), such Award (or in the case of an Award under EIP, all or the portion thereof to which the Code section 162(m) deduction limitation applies) shall be deemed to be deferred by such Participant and shall be payable in accordance with Section 4.3(d).

### **ARTICLE THREE**

#### **Valuation of Accounts**

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

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

## ARTICLE FOUR

### Payments

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

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

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

- (1)** When a Participant's existing form of payment
- (A) is described in subparagraphs (a), (c)(2) or (c)(3) above, a Participant may elect to receive the Participant's Award Account in the form set forth in paragraph (c)(2), (c)(3) and (c)(4) above, provided that any election of the form described in subparagraph (c)(4) above shall not provide separate quarterly payments of investment income,
- (B) is described in subparagraph (c)(1) above, a Participant may (i) elect to receive the Participant's Award Account in a single lump sum distribution in July of a later year, provided such July occurs before the Participant's Separation from Service or (ii) elect to receive the Participant's Award Account in the form described in subparagraph (c)(2), (c)(3) or (c)(4) above, provided that any election of the form described in subsection (c)(4) above shall not provide separate payments of investment income, and
- (C) is described in subparagraph (c)(4) above, a Participant may elect to receive the Participant's Account in the form described in subsection (c)(3) above or change to a later date as of which the Participant will be paid a single lump-sum under subparagraph (c)(4) above.
- (2)** A Participant's modification election shall be made both prior to his Separation from Service and at least twelve (12) months prior to the date on which payments would have commenced in accordance with his prior election.
- (3)** Notwithstanding the payment date indicated by the form of payment elected thereby, a Participant's modification election to alter the date on which his payments will commence and/or the form in which payment is made must have the effect of postponing the payment commencement date by at least five (5) years, and shall be administered accordingly. A Participant shall be permitted to make a modification election or elections with respect to (i) all of his Award Accounts with respect to amounts deferred from the SIP that are payable at the same time and in the same form; (ii) all of his Award Accounts with respect to amounts deferred from the EIP that are payable at the same time and in the same form, and (iii) fifty percent (50%) of the balance as of the applicable payment date of the Award Account(s) attributable to deferrals from the SIP or EIP, as the case may be, that are payable in accordance with subparagraph 4.1(c)(1) in the same year elected by the Participant in accordance with subparagraph 4.1(c)(1), each of which shall be considered a separately identified amount to which the Participant is entitled to payment on a determinable date with the meaning of Treas. Reg. § 1.409A-2(b)(2)(i), in accordance with 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.

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 deferred until such Participant has a Separation from Service, and shall, subject to Section 4.2, be paid in a single lump-sum distribution as soon as administratively practicable following the Participant's Separation from Service, but in no event later than the end of the calendar year or the 15<sup>th</sup> day of the third calendar month following the Participant's Separation from Service. An Award deferred in accordance with Section 2.1(d) shall be paid at the time and in the manner described in the preceding sentence.
- 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.



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

**of**

**UNION PACIFIC CORPORATION**

*(As amended and restated in its entirety,  
effective as January 1, 2009)*

## ARTICLE ONE

### Scope of Plan and Definitions

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

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

- 1.4 **Terms Defined in the Thrift Plan** - For all purposes of the Plan, the following terms shall have the meanings specified in the Thrift Plan, unless a different meaning is plainly required by the context: “Affiliated Company”; “Board of Directors”; “Code”; “Company”; “ERISA”; and “Separation from Service”; provided, however, that in determining if a Separation from Service has occurred, the initial public offering of Overnite Corporation that is the subject of Form S-1 Registration Statement No. 333-107614 shall be disregarded.
- 1.5 **Other Definitional Provisions** - The terms defined in Sections 1.3 and 1.4 of the Plan shall be equally applicable to both the singular and plural forms of the terms defined. The masculine pronoun, whenever used, shall include the feminine and *vice versa*. The words “hereof,” “herein” and “hereunder” and words of similar import when used in the Plan shall refer to the Plan as a whole and not to any particular provision of the Plan, unless otherwise specified.

## ARTICLE TWO

### **Valuation of Accounts**

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

Committee, and the value of each Participant's Account shall be determined by reference to the portion of the Participant's Account allocable to each investment fund. The value of each Participant's interest in an investment fund may be measured in units, shares or dollars.

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

### ARTICLE THREE

#### Payments

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

- (a)** Except as provided in subparagraph (b), as soon as administratively practicable following the Participant's Separation from Service, the value of the Participant's Award Account(s) under the Grandfathered Plan at the time of such Separation from Service shall be paid to the Participant or, if such Participant is not living at the time of payment, to such Participant's Beneficiaries in a single lump-sum payment.
- (b)** A Participant may have any Award Account paid to him or, if such Participant is not living at the time of payment, to such Participant's Beneficiaries, in one of the payment options described in subparagraph (b)(1) by making an election of such payment option in accordance with the procedures set forth in subparagraph (b)(2).
  - (1)** The payment options for any Award Account are described below.
    - (i)** A single lump sum distribution as provided in subparagraph (a) payable at the earlier of (A) July of the year elected by the Participant or (B) the Participant's Separation from Service.
    - (ii)** A single lump-sum distribution as provided in subparagraph (a) payable in the year of the Participant's Separation from Service or (if elected by the Participant) January of the next year following such Separation from Service.
    - (iii)** Annual installments over a period not to exceed fifteen (15) years (such installment period to be elected by the Participant) beginning as soon as administratively practicable following the: (A) Participant's Separation from Service or (B), if elected by the Participant, January of the next year following such Separation from Service, with (under either option) subsequent installments paid in January of each subsequent year,

provided that all subsequent installments will be paid in the next succeeding January, with each installment determined by dividing the value of the Participant's then-undistributed Award Account by the number of installments remaining to be made.

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

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

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

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

SIP or EIP, as the case may be, shall apply to all subsequent deferrals from the SIP or EIP, as applicable, unless the Participant elects the payment option described in subparagraph (b)(1)(i) for such subsequent deferral.

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

- (c) On the death of a Participant whose Award Account is payable under (b)(1)(iii) or (iv), the Committee, in its sole discretion, may accelerate one or more installments or payments, and change the form of payment or distribution in accordance with this Section 3.1, of any balance of a Participant's Award Account.
- (d) At any time before or after Separation from Service of a Participant who has one or more Award Accounts, the Committee, if it finds in its sole discretion that continued deferral of such Award Account(s) would result in undue hardship to such Participant or his Beneficiary, may accelerate and pay in cash all or any part of such Award Account(s). If payment of part of an Award Account is made pursuant to this Subsection 3.1(d), such payment shall be made pro-rata from the Investment Funds established under Section 2.1 in which such Award Account is invested at the time of the payment.
- (e) In the event of relevant changes in the Federal income tax laws, regulations and rulings, or upon termination of the Plan, the Committee may, in its sole discretion, so accelerate or change the form of payment of any or all Award Accounts.

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

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



## ARTICLE FOUR

### Administration

- 4.1 **Responsibilities and Powers of the Committee** - The Committee shall be solely responsible for the operation and administration of the Plan and shall have all powers necessary and appropriate to carry out her 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.
- 4.2 **Outside Services** - The Committee may engage counsel and such clerical, medical, financial, investment, accounting and other specialized services as she may deem necessary or desirable to the operation and administration of the Plan. The Committee shall be entitled to rely, and shall be fully protected in any action or determination or omission taken or made or omitted in good faith in so relying, upon any opinions, reports or other advice which is furnished by counsel or other specialist engaged for that purpose.
- 4.3 **Indemnification** - The Company shall indemnify the Committee against any and all claims, loss, damages, expense (including reasonable counsel fees) and liability arising from any action or failure to act or other conduct in her official capacity, except when the same is due to her own gross negligence or willful misconduct.
- 4.4 **Claims Procedures** - The claims procedures set forth in Article XIII of the Thrift Plan shall apply to any claim for benefits hereunder, subject to such changes as the Committee deems necessary or appropriate.

## ARTICLE FIVE

### Amendment and Termination

- 5.1 **Amendment** - The Board of Directors reserves the right at any time and from time to time, and retroactively if deemed necessary or appropriate to conform with governmental regulations or other policies, to modify or amend in whole or in part any or all of the provisions of the Plan. In addition, 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.

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

## ARTICLE SIX

### General Provisions

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

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

- 6.7 Withholding** - The Company shall, on its own behalf or on behalf of the Affiliated Companies, withhold from any payment hereunder the required amounts of income and other taxes.
- 6.8 Headings** - The headings of the Sections in the Plan are placed herein for convenience of reference and, in the case of any conflict, the text of the Plan, rather than such heading, shall control.
- 6.9 Construction** - The Plan shall be construed, regulated and administered in accordance with the laws of the State of Utah, without regard to the choice of law principles thereof.
- 6.10 Payments to Minors, Etc.** - Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receiving therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person and such payment shall fully discharge the Committee, the Company, all Affiliated Companies and all other parties with respect thereto.
- 6.11 Rule of Interpretation** - This Grandfathered Plan is intended to qualify as a grandfathered arrangement not subject to section 409A of the Code, and shall be interpreted and construed so as to realize such intent. The Committee is empowered to amend the terms of this Grandfathered Plan in order to ensure that the Award Accounts under the Plan are not subject to the restrictions and limitations of section 409A of the Code.

UNION PACIFIC CORPORATION

2000 DIRECTORS STOCK PLAN

Effective as of April 21, 2000

As amended November 16, 2006, January 30, 2007 and January 1, 2009

**UNION PACIFIC CORPORATION  
2000 DIRECTORS STOCK PLAN**

1. PURPOSE

The purpose of the Union Pacific Corporation 2000 Directors Stock Plan (the "Plan") is to advance the interests of Union Pacific Corporation, a Utah corporation (the "Company"), by enabling the Company to attract, retain and motivate qualified individuals to serve on the Company's Board of Directors and to align the financial interests of such individuals with those of the Company's stockholders by providing for or increasing their proprietary interest in the Company.

The Plan was initially established effective April 21, 2000 and has been amended on several subsequent occasions. The Plan is restated effective January 1, 2009 to incorporate all amendments and to reflect the provisions of Section 409A of the Code.

2. DEFINITIONS

- (a) "Board" means the Board of Directors of the Company.
- (b) "Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor statute.
- (c) "Committee" means the Board and/or a committee of the Board acting pursuant to its authorization to administer this Plan under Section 7.
- (d) "Common Stock" means the Company's Common Stock, par value \$2.50, as presently constituted, subject to adjustment as provided in Section 8.
- (e) "Fair Market Value" means as of any date, the value of the Common Stock determined as follows: (i) if the Common Stock is listed on any established stock exchange, system or market, its Fair Market Value shall be the closing price for the Common Stock as quoted on such exchange, system or market as reported in the Wall Street Journal or such other source as the Committee deems reliable; and (ii) in the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Committee by the reasonable application of a reasonable valuation method, taking into account factors consistent with Treas. Reg. § 409A-1(b)(5)(iv)(B) as the Committee deems appropriate.
- (f) "Non-Employee Director" means a member of the Board who is not at the time also an employee or former employee of the Company or any of its direct or indirect majority-owned subsidiaries (regardless of whether such subsidiary is organized as a corporation, partnership or other entity).
- (g) "Restricted Shares" means shares of Common Stock granted under Section 6(c) of the Plan.

- (h) "Restricted Share Units" means the right to receive in the future a share of Common Stock granted under Section 6(c) of the Plan.
- (i) "Retirement" of a Participant means separation from service as a director of the Company other than for cause, if (A) the Participant at the time of termination was ineligible for continued service as a director under the Company's Retirement Policy, or (B) the Participant had served as a director of the Company for at least three years from the date Restricted Shares were granted to such Participant, and such termination is (i) due to Participant's taking a position with or providing services to a governmental, charitable or educational institution whose policies prohibit continued service on the Board, (ii) due to the fact that continued service as a director would be a violation of law, or (iii) not due to the voluntary resignation or refusal to stand for reelection by the Participant.
- (j) "Stock Grant" means the grant of 1,000 Restricted Shares or Restricted Share Units, as determined by the Committee.

3. SHARES SUBJECT TO THE PLAN

Subject to adjustment as provided in Section 8, the maximum number of shares of Common Stock which may be issued pursuant to this Plan shall not exceed 550,000, no more than 50,000 of which may be issued as Stock Grants. Shares issued under this Plan may be authorized and unissued shares of Common Stock or shares of Common Stock reacquired by the Company. All or any shares of Common Stock subject to a stock option under the Plan which for any reason are not issued may again be made subject to a stock option or Stock Grant under the Plan.

4. PARTICIPANTS

Any person who is a Non-Employee Director shall be a participant hereunder (each a "Participant").

5. AWARDS

- (a) (i) Unless determined otherwise as set forth below, commencing January 1, 2001, each Participant shall receive annually, on the date of the first meeting of the Board of Directors of a calendar year, an option to purchase a number of shares of Common Stock determined by dividing 60,000 by 1/3 of the Fair Market Value on the date of each annual meeting of one share of Common Stock, with the resulting quotient rounded (up or down, as the case may be) to the nearest 50 shares; and
- (ii) Each Non-Employee Director shall upon his or her initial election to the Board receive a Stock Grant effective as of the date of such election. A Participant shall not be required to make any Payment for a Stock Grant granted hereunder.

- (b) Subject always to Section 5(c), the Board may in its discretion adjust the formula set forth in Section 5(a)(i) pursuant to which the number of shares subject to an option shall be determined; provided that no such adjustment shall affect any stock option then outstanding under the Plan.
- (c) Subject to adjustment pursuant to Section 8, the maximum number of shares of Common Stock subject to stock options awarded under this Plan during any calendar year to any person on account of his or her service as a Non-Employee Director shall not exceed 5,000 shares.

6. TERMS AND CONDITIONS OF AWARDS

- (a) General Terms and Conditions: Stock options and Stock Grants made pursuant to the Plan need not be identical but each stock option and Stock Grant shall be subject to the following general terms and conditions.
  - (i) Terms and Restrictions Upon Shares: The Board may provide that the shares of Common Stock issued upon exercise of a stock option or receipt of a Stock Grant shall be subject to such further conditions, restrictions or agreements as the Board in its discretion may specify prior to the exercise of such stock option or receipt of a Stock Grant, including with limitation, conditions on vesting or transferability, and forfeiture or repurchase provisions.
  - (ii) Other Terms and Conditions: Except as set forth herein, no holder of a stock option or Stock Grant shall have any rights as a stockholder with respect to any shares of Common Stock subject to the stock option or Stock Grant hereunder until said shares have been issued. Stock options or Stock Grants may also contain such other provisions, which shall not be inconsistent with any of the foregoing terms, as the Board or the Committee shall deem appropriate. The Board may waive conditions to and/or accelerate exercisability of a stock option or vesting of a Stock Grant, either automatically upon the occurrence of specified events (including in connection with a change of control of the Company) or otherwise in its discretion. No stock option or Stock Grant, however, nor anything contained in the Plan, shall confer upon any Participant any right to serve as a director of the Company.
- (b) Terms and Conditions of Stock Options:
  - (i) Term of Stock Options: Each stock option granted pursuant to the Plan shall have a term of ten years from the date of grant.
  - (ii) Transferability of Stock Options: Unless otherwise provided by the Committee, each stock option shall be transferable only by will or the laws of descent and distribution.
  - (iii) Vesting of Stock Options: Unless otherwise provided by the Committee in awarding a stock option, each stock option granted pursuant to the Plan shall vest in full on the first anniversary of the grant date for such stock option;



provided, however, that, unless otherwise provided by the Committee, in the event of the death or disability (as determined by the Committee) of a Participant, any unvested stock option granted pursuant to the Plan shall vest immediately.

(iv) Exercise of Stock Option after Termination of Service: Unless otherwise provided by the Committee in awarding a stock option, in the event a Non-Employee Director ceases to be a director of the Company for any reason, such Non-Employee Director shall be able to exercise any stock options held by such Non-Employee Director and vested on the date of such termination for a period of five years\* after the date of such termination; provided that (i) in no event shall any stock option be exercisable after expiration of such option's ten year term and (ii) any unexercised stock option shall expire immediately upon a Participant's removal for cause from the Board.

( \*Beginning with options granted after May 30, 2002, stock option agreements include language providing an exercise period for the remaining life of the option.)

(v) Stock Option Exercise Price: The exercise price for each stock option shall be the Fair Market Value of the Common Stock on the date of grant. The exercise price for a stock option previously awarded under the Plan may not be adjusted or amended, except as provided in Section 8. The exercise price shall be payable in cash, by payment under an arrangement with a broker where payment is made pursuant to an irrevocable direction to the broker to deliver all or part of the proceeds from the sale of the shares of Common Stock underlying the stock option to the Company, by the surrender of shares of Common Stock owned by the Participant exercising the stock option, and having a Fair Market Value on the date of exercise equal to the exercise price, but only if such will not result in an accounting charge to the Company, or by any combination of the foregoing. In addition, the exercise price shall be payable in such other form(s) of consideration as the Committee in its discretion shall specify.

(i) Dividend Equivalents. Dividend equivalents shall not be paid with respect to stock options.

(c) Stock Grant Terms:

(i) Unless otherwise provided by the Committee in its discretion, at the time of grant of Restricted Shares to a Participant, a certificate representing 1,000 shares of Common Stock shall be registered in such Participant's name and shall be held by the Company for his or her account. Unless otherwise provided by the Committee in its discretion, the Participant shall have the entire beneficial ownership interest in, and all rights and privileges of a stockholder as to, such Restricted Shares, including the right to vote such Restricted Shares and the right to receive dividends, subject to the following restrictions: (A) the Participant shall not be entitled to delivery of such stock certificate until the expiration of the Restriction Period (as hereinafter defined); (B) none of the Restricted Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of

during the Restriction Period; and (C) all of the Restricted Shares shall be forfeited and all rights of the Participant to such Restricted Shares shall terminate without further obligation on the part of the Company if the Participant ceases to be a director of the Company for any reason other than death, disability (as determined by the Committee), or Retirement. Any shares of Common Stock or other securities or property received as a result of a transaction listed in Section 8 hereof shall be subject to the same restrictions as such Restricted Shares.

(ii) At the end of the Restriction Period, all restrictions applicable to the Restricted Shares shall lapse, and a stock certificate for a number of shares of Common Stock equal to the number of Restricted Shares, free of all restrictions, shall be delivered to the Participant or his beneficiary, as the case may be, as soon as administratively practicable following the end of the Restriction Period. "Restriction Period" shall mean the period commencing on the date of grant of Restricted Shares and ending on the date such director ceases to be a director of the Company by reason of death, disability (as determined by the Committee) or Retirement.

(iii) Awards of Restricted Share Units shall be payable in shares of Common Stock. The provisions of Section 6(c)(i) and 6(c)(ii) of the Plan relating to the vesting and forfeiture of Restricted Shares shall apply to any award of Restricted Stock Units. Any award of Restricted Share Units may provide the Participant with the right to receive dividend payments or dividend equivalent payments on the Common Stock subject to the award, whether or not such award has vested. Such payments may be made in cash or may be credited to a Participant's account and later settled in cash or Common Stock or a combination thereof, as determined by the Committee. Such payments and credits may be subject to such conditions and contingencies as the Committee may establish. Payment of Restricted Share Units shall be made as soon as administratively practicable, but in all cases within sixty (60) days following the Participant's death, disability (as determined by the Committee; provided that such determination will comply with the requirements of Section 409A of the Code), or Retirement. Dividend equivalent payments shall be paid at the time the underlying dividend is otherwise paid to holders of Common Stock, or at the same time as the Restricted Share Units to which the dividend equivalents relate, as determined by the Committee at the time the Restricted Share Units are awarded.

## 7. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Board, except that as provided herein the Plan may be administered by a Committee of the Board, as appointed from time to time by the Board. The Board shall fill vacancies on and from time to time may remove or add members to the Committee. The Committee shall act pursuant to a majority vote or unanimous written consent.

Subject to the express provisions of this Plan, the Committee shall be authorized and empowered to do all things necessary or desirable in connection with the administration

of this Plan, including, without limitation: (a) to prescribe, amend and rescind rules relating to this Plan and to define terms not otherwise defined herein; (b) to prescribe the form of documentation used to evidence any stock option or Stock Grant awarded hereunder, including provision for such terms as it considers necessary or desirable, not inconsistent with the terms established by the Board; (c) to establish and verify the extent of satisfaction of any conditions to exercisability applicable to stock options or to receipt or vesting of Stock Grants; (d) to determine whether, and the extent to which, adjustments are required pursuant to Section 8 hereof; and (e) to interpret and construe this Plan, any rules and regulations under the Plan and the terms and conditions of any stock option or Stock Grant awarded hereunder, and to make exceptions to any procedural provisions in good faith and for the benefit of the Company. Notwithstanding any provision of this Plan, the Board may at any time limit the authority of the Committee to administer this Plan.

All decisions, determinations and interpretations by the Board or, except as to the Board, the Committee regarding the Plan, any rules and regulations under the Plan and the terms and conditions of any stock option or Stock Grant awarded hereunder, shall be final and binding on all Participants and holders of stock options or Stock Grants. The Board and the Committee may consider such facts as it deems relevant, in its sole and absolute discretion, in making such decisions, determinations and interpretations including without limitation, the recommendations or advice of any officer or other employee of the Company and such attorneys, consultants and accountants as it may select.

All questions pertaining to the construction, regulation, validity and effect of the Plan shall be determined in accordance with the laws of the State of Utah.

8. ADJUSTMENT OF AND CHANGES IN THE STOCK

If the outstanding securities of the class then subject to this Plan are increased, decreased or exchanged for or converted into cash, property or a different number or kind of shares or securities, or if cash, property or shares or securities are distributed in respect of such outstanding securities, in either case as a result of a reorganization, reclassification, dividend (other than a regular cash dividend), or other distribution, stock split, reverse stock split, spin-off or the like, or if substantially all of the property and assets of the Company are sold, or any equity restructuring transaction, as that term is defined in Statement of Financial Accounting Standards No. 123 (revised), occurs, then the Committee shall adjust the following in a manner that is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan: (i) the number and type of shares of Common Stock (or other securities or property) which thereafter may be made the subject of awards hereunder, including the individual limits set forth in Section 2(i), Section 3 and Section 5(c); (ii) the number and type of shares of Common Stock (or other securities or property) subject to outstanding awards under the Plan; (iii) the grant, purchase, or exercise price with respect to any award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding award; provided, however, that the number of shares of Common Stock subject to any award shall always be a whole number; and (iv) other value determinations applicable to outstanding awards. The

Committee's adjustment shall be effective and binding for all purposes of this Plan; provided, that no such adjustment shall constitute (i) a modification of a stock right within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(B) so as to constitute the grant of a new stock right, (ii) an extension of a stock right, including the addition of any feature for the deferral of compensation, within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(C), or (iii) an impermissible acceleration of a payment date or a subsequent deferral of a stock right subject to Code Section 409A within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(E). Furthermore, no adjustment as the result of a change in capitalization shall cause the exercise price to be less than the Fair Market Value of such shares of Common Stock (as adjusted to reflect the change in capitalization) on the date of grant, and any adjustment as the result of the substitution of a new stock right or the assumption of an outstanding stock right pursuant to a corporate transaction shall satisfy the conditions described in Treas. Reg. Section 1.409A-1(b)(5)(v)(D).

No right to purchase or receive fractional shares shall result from any adjustment in stock options or Stock Grants pursuant to this Section 8. In case of any such adjustment, the shares subject to the stock option or Stock Grant shall be rounded down to the nearest whole share of Common Stock, and cash in lieu of any fractional share shall be paid to the Participant.

9. REGISTRATION, LISTING OR QUALIFICATION OF STOCK

In the event that the Board or the Committee determines in its discretion that the registration, listing or qualification of the shares of Common Stock issuable under the Plan on any securities exchange or under any applicable law or governmental regulation is necessary as a condition to the issuance of such shares under the stock option or Stock Grant, the stock option or Stock Grant shall not be exercisable or exercised in whole or in part unless such registration, listing, qualification, consent or approval has been unconditionally obtained.

10. EFFECTIVE DATE, AMENDMENT AND TERMINATION OF PLAN

This Plan shall become effective upon its approval by the Company's stockholders at the Company's 2000 annual meeting of stockholders.

The Board may periodically amend the Plan as determined appropriate, without further action by the Company's stockholders except to the extent required by applicable law. Notwithstanding the foregoing, and subject to adjustment pursuant to Section 8, the Plan may not be amended to materially increase the number of shares of Common Stock authorized for issuance under the Plan, or otherwise amended in a manner that requires stockholder approval under the rules of the securities exchange(s) on which the Company's Common Stock is then listed, unless any such amendment is approved by the Company's stockholders. The Plan may be terminated at such time as the Board may determine. Termination and expiration of the Plan will not affect the rights and obligations arising under stock options or Stock Grants theretofore awarded and then in effect.

The Committee may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue or terminate, any award theretofore granted, prospectively or retroactively, without the consent of any Participant or holder or beneficiary of an award, provided, however, that no such action shall impair any material rights of a Participant or holder or beneficiary under any award theretofore granted under the Plan, and; provided, further, that no Participant consent shall be required if the Committee determines in its sole discretion that such action either (1) is required or advisable in order for the Company, Plan or the award to satisfy any law or regulation or to meet the requirements of any accounting standard, or (2) is not reasonably likely to significantly diminish the benefits provided under such award, or that any such diminishment has been adequately compensated. Notwithstanding the foregoing, no waiver, amendment, alteration, suspension, discontinuation or termination of the award by the Committee shall constitute (i) a modification of a stock right within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(B) so as to constitute the grant of a new stock right, (ii) an extension of a stock right, including the addition of any feature for the deferral of compensation, within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(C), or an impermissible acceleration of a payment date or a subsequent deferral of a stock right subject to Code Section 409A within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(E). Furthermore, in no event may the Committee exchange awards previously granted for awards of a different type.

UNION PACIFIC CORPORATION  
STOCK UNIT GRANT AND DEFERRED COMPENSATION PLAN  
FOR THE  
BOARD OF DIRECTORS  
(409A Non-Grandfathered Component)  
(Effective as of January 1, 2009)

Union Pacific Corporation  
Stock Unit Grant and Deferred Compensation Plan for the Board of Directors  
(409A Non-Grandfathered Component)  
Effective as of January 1, 2009

1. Purpose

The purpose of this Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors (409A Non-Grandfathered Component) (the “Plan” or “Non-Grandfathered Plan”) is to permit grants of Stock Units to Directors to align their interests with those of stockholders, and to provide a means for deferring payment of all or a portion of any cash compensation, excluding expenses, payable to Directors for their service on the Board of Directors (the “Board”) of Union Pacific Corporation (the “Company”) in accordance with Article II, Section 4 of the By-Laws of Union Pacific Corporation. Such compensation eligible to be deferred, not including any Stock Unit grants under Section 4, is referred to herein as “Compensation.”

2. Applicability

The Stock Unit Grant and Deferred Compensation Plan for the Board of Directors was bifurcated into two components, effective January 1, 2009. As reflected in the terms of this Plan, one such component is applicable solely to those amounts that were not, as of December 31, 2004, credited to a Director’s Account(s), or as to which the Director did not have a vested right on such date in accordance with the terms of the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors as in effect on December 31, 2004 (including related investment gains and losses occurring thereafter). With respect to any other amounts credited to a Director’s Account(s) under the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, the right of the Director and his beneficiaries shall be governed by the component of the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors known as the “Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors (409A Grandfathered Component), as Amended and Restated Effective January 1, 2009.” Prior to January 1, 2009, with respect to all amounts credited thereunder that were subject to Section 409A of the Code, the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors was administered in good faith compliance with section 409A of the Code. Under no circumstances shall a Director’s Account under this Non-Grandfathered Plan be deemed to include amounts (including investment gains and losses thereon) which under the terms of the Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors were credited or as to which the Director had a vested right as of December 31, 2004.

3. Eligibility

Any individual (a “Director”) serving as a member of the Board as of the effective date of the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, or who subsequently becomes a member, is eligible under the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, other than members of the Board who are

employees of the Company or any of its subsidiaries. This Non-Grandfathered Plan applies to amounts deferred and credited hereunder on and after January 1, 2005.

4. Stock Unit Grants

Each full quarterly installment of a Director's Compensation shall be accompanied by the grant of an amount of whole Stock Units equal to \$25,000 (as such amount may be changed from time to time by the Board) divided by the Fair Market Value of one share of the Company's Common Stock on the first business day of the month following the quarter in which such Compensation was earned, plus cash in lieu of any fractional Stock Unit resulting from such calculation. A pro-rata grant of Stock Units will accompany any partial quarterly Compensation installment. "Fair Market Value" on a date means the average of the high and low trading prices per share on that date, as reported in The Wall Street Journal listing of consolidated trading for New York Stock Exchange issues. Stock Units and cash so granted shall be credited to such Director's Stock Unit Account referred to in paragraph 7, and shall be paid in cash to the Director following Separation from Service at the time and in the manner described in Section 8.

5. Deferral Election

An election to defer Compensation is to be made on or before December 31 of any year for Compensation for services as a member of the Board for the following and later calendar years. Effective for deferrals with respect to calendar years beginning with 2005, such deferred Compensation shall be paid, or begin to be paid, at the time described in Section 8(a), and such deferral election shall designate the manner of payment from among the options described at Section 8(b). Such deferral election and/or designation of the manner of payment, once made, shall be irrevocable.

A Director's election to defer, as well as a Director's designation of the manner of payment, is a continuing election until changed by the Director on or before December 31 of any year for the then following and later calendar years. Any such change shall be prospective only, as to amounts deferred with respect to Compensation for services as a member of the Board rendered in a calendar year or years following the date of the election or designation. Once an election or designation is made (and effective), subsequent elections or designation will have no effect on the amounts, timing and manner of payment covered by the previous election or designation.

Any newly elected Director who was not a Director on the preceding December 31 may elect, before his term begins, to defer Compensation for services as a member of the Board for the balance of the calendar year following such election.

Forms shall be made available to Directors each year for the purpose of making or changing their deferral elections.

6. Amount

All or any portion, in multiples of 1%, of a Director's Compensation may be deferred.



7. Deferred Accounts

Each Director shall have a Stock Unit Account and may have one or more Other Accounts (together, the "Accounts"). Amounts deferred pursuant to paragraph 5 may be credited to any Account, at the election of the Director made at the time of the deferral election, in multiples of 1% of such Director's Compensation. A Director may change the Account to which any quarterly installment of such Director's Compensation so deferred is to be credited at any time on or before the fifth business day prior to the date such quarterly installment is to be credited. Amounts deferred and credited to the Stock Unit Account shall be converted into whole Stock Units on the basis of the Fair Market Value of the Company's Common Stock on the first business day of the month following the quarter in which the Compensation was earned, and cash shall be credited to the Stock Unit Account in lieu of any fractional Stock Unit. In addition, (i) at any time, a Director may transfer all or any part of the balance of any of his or her Other Accounts to another of his or her Other Accounts subject to any regulations regarding such transfer adopted by the Board and (ii) at any time on or after the 30th day after the date of a Director's termination from the Board, such Director may transfer all or any part of the balance of any of his or her Accounts to another of his or her Accounts, pursuant to any regulations regarding such transfers adopted by the Board.

On the payment date for each cash dividend or other cash distribution with respect to the Company's Common Stock, each Director's Stock Unit Account shall be credited with an amount equal to the amount of the per share dividend or distribution, multiplied by the number of Stock Units in such Account, and, if such Director is then serving as a member of the Board, shall be converted into whole Stock Units on the basis of the Fair Market Value of the Company's Common Stock on the payment date for such dividend or distribution, and cash shall be credited to the Stock Unit Account in lieu of any fractional Stock Units. If a Director has a Separation from Service on or before the payment date for such dividend or distribution, the amount representing such dividend or distribution shall be paid out of the Stock Unit Account to such Director within thirty (30) days after the payment date for such dividend or distribution.

Except as provided in the preceding sentence, any cash credited to a Director's Stock Unit Account shall be added to other cash credited to such Account and converted into a whole Stock Unit on the date sufficient cash exists to purchase a whole Stock Unit, based on the Fair Market Value of the Company's Common Stock on such date. In the event of a subdivision or combination of shares of Company Stock, the number of Stock Units credited to the Stock Unit Accounts on the effective date of such subdivision or combination shall be proportionately subdivided or combined as the case may be. No adjustment shall be made in Stock Units in connection with the issuance by the Company of any rights or options to acquire additional shares of Company Common Stock or securities convertible into Company Common Stock. In the event of any stock dividend or reclassification of Company Common Stock, any merger or consolidation to which the Company is a party, or any spinoff of shares or distribution of property other than cash with respect to the Company Common Stock, the Committee shall cause appropriate adjustments, if any, to be made in the Stock Units to reflect such stock dividend, reclassification, merger or consolidation, spinoff or distribution of property.

Other Accounts shall have such name, and be charged or credited pursuant to such method, as the Board shall determine upon establishment of such Other Account, and the Board may change

such name or method for any such Other Account, but no such change shall reduce any amount previously accrued in a Director's Other Account.

#### 8. Distribution

All distributions from Accounts shall be made in cash, less applicable withholdings, if any. For purposes of distributions from the Stock Unit Account, each Stock Unit shall be converted into an amount of cash equal to the Fair Market Value of one share of the Company's Common Stock on the first business day of the month in which such distribution is made. The Director must elect the manner of payment: (a) in the case of deferred Compensation, at the same time and on the same form he elects a deferral of Compensation under Section 5, and (ii) in the case of a Stock Unit grant under Section 4, on or prior to the time an election to defer the accompanying Compensation would have been required to be made. If the Director has not made an election, his or her Account will be distributed in a single lump sum in the January of the year following the year of his or her Separation from Service as a Director (subject to Section 9).

- (a) Timing of Payment: Subject to Section 9, a Director shall receive, or begin to receive, distributions from the Accounts in the January of the year following the year of the Director's Separation from Service.
- (b) Manner of Payment: The Director may elect to receive payment from his or her Accounts in one of the following forms, payable as of the payment commencement date described in paragraph (a):
  - (i) a single lump sum; or
  - (ii) approximately equal annual installments over a period not to exceed fifteen (15) years (such installment period to be elected by the Directors).

Such election of the form of payment shall, once made, be irrevocable.

The lump sum or first installment is to be paid in January of the year following the year of Separation from Service, and any remaining installments in January of each succeeding year until the total balance is paid. Distributions from the Stock Unit Account in installments shall be based on equal numbers of Stock Units in each installment.

In the event of the death of a Director then serving as a member of the Board or a Director who has a Separation from Service and entitled to a distribution under this Plan, the balance of the Accounts shall be payable to the estate or designated beneficiary in full during the calendar year of such Director's death, or if later, ninety (90) days after such date of death.

The Director may designate his beneficiary at the same time he or she elects deferral of Compensation. However, the latest designated beneficiary will be the beneficiary or beneficiaries for the total of all distributions from the Accounts. The designated beneficiary may be changed at any time on a form provided by the

9. Specified Employee Restrictions

Notwithstanding anything in the Plan to the contrary, no payment shall be made to a Director who is, on his Separation from Service, a "specified employee" (as determined in accordance with a uniform policy adopted by the Company with respect to all arrangements subject to Section 409A of the Code maintained by the Company and its Affiliated Companies) until the six (6) months plus one day following such specified employee's Separation from Service; provided however, that in the event of the specified employee's death before his payment commencement date, this provision shall not prevent payment of death benefits at the time prescribed by Section 8.

10. Separation from Service

For purposes of this Plan, a Separation from Service means the Director's separation from service as a member of the Board, consistent with Section 409A of the Code and the regulations promulgated thereunder.

11. Unfunded Plan

The liability of the Union Pacific Corporation to any Director, terminated Director, retired Director or his estate or designated beneficiary under the Plan shall be that of a debtor only pursuant to such contractual obligations as are created by the Plan, and no such obligation of Union Pacific Corporation shall be deemed to be secured by any assets, pledges, or other encumbrances on any property of Union Pacific Corporation.

12. Inalienability of Deferred Compensation

Except to the extent of the rights of a designated beneficiary, no distribution pursuant to, or interest in, the Plan may be transferred, assigned, pledged or otherwise alienated and no such distribution or interest shall be subject to legal process or attachment for the payment of any claims against any individual entitled to receive the same.

13. Controlling State Law

All questions pertaining to the construction, regulation, validity and effect of the Plan shall be determined in accordance with the laws of the State of Utah.

14. Amendment

The Board of Directors of the Union Pacific Corporation at its sole discretion may amend, suspend or terminate the Plan at any time. However, any such amendment, suspension or termination of the Plan may not adversely affect any Director's or his beneficiary's rights with respect to Compensation previously deferred.

15. Administration

Administration of the Plan will be coordinated by the Corporate Finance Department. Administration will include, but not be limited to, crediting of deferred compensation, dividends and accrued interest to individual Director accounts and ultimate disbursement of deferred amounts.

16. Effective Date

This Plan shall be effective January 1, 2009.

UNION PACIFIC CORPORATION  
STOCK UNIT GRANT AND DEFERRED COMPENSATION PLAN  
FOR THE  
BOARD OF DIRECTORS  
(409A Grandfathered Component)  
(As amended and restated in its entirety, effective as of January 1, 2009)

Union Pacific Corporation  
Stock Unit Grant and Deferred Compensation Plan  
for the Board of Directors  
(409A Grandfathered Component)  
(As Amended and Restated Effective as of January 1, 2009)

1. Purpose

The purpose of this Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors (409A Grandfathered Component) (the “Plan” or “Grandfathered Plan”) is to permit grants of Stock Units to Directors to align their interests with those of stockholders, and to provide a means for deferring payment of all or a portion of any cash compensation, excluding expenses, payable to Directors for their service on the Board of Directors (the “Board”) of Union Pacific Corporation (the “Company”) in accordance with Article II, Section 4 of the By-Laws of Union Pacific Corporation. Such compensation eligible to be deferred, not including any Stock Unit grants under Section 4, is referred to herein as “Compensation”.

2. Applicability

The Stock Unit Grant and Deferred Compensation Plan for the Board of Directors was bifurcated into two components, effective January 1, 2009. As reflected in the terms of this Grandfathered Plan, one such component is applicable solely to those amounts that were, as of December 31, 2004, credited to a Director’s Account(s) or as to which the Director had a vested right on such date in accordance with the terms of the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors as in effect on December 31, 2004 (including related investment gains and losses occurring thereafter). The terms of the Grandfathered Plan have not been materially modified after October 3, 2004. With respect to any other amounts credited to a Director’s Account(s) under the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors, the right of the Director and his beneficiaries shall be governed by the component of the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors known as the “Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors (409A Non-Grandfathered Component), effective as of January 1, 2009.” Prior to January 1, 2009, with respect to all amounts credited thereunder that were subject to Section 409A of the Code, the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors was administered in good faith compliance with section 409A of the Code. Under no circumstances shall a Director’s Account under this Grandfathered Plan be deemed to include amounts (including investment gains and losses thereon) which under the terms of the Union Pacific Corporation Stock Unit Grant and Deferred Compensation Plan for the Board of Directors were credited after December 31, 2004 or were not vested as of that date.

3. Participation

Any individual (a "Director") who is a current or former member of the Board and has one or more Accounts referred to in Section 6 which has not been distributed pursuant to Section 7 is a participant in the Grandfathered Plan.

4. Stock Unit Grants

Prior to January 1, 2005, Stock Unit grants were made in accordance with the terms of the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors as in effect at such time. Such Stock Unit grants were deferred and credited to the Stock Unit Account described in Section 6.

5. Deferral Election

Prior to January 1, 2005, a Director was permitted to defer Compensation in accordance with the terms of the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors in effect at such time. Such deferred Compensation was credited to the Accounts described in Section 6.

6. Deferred Accounts

Each Director shall have a Stock Unit Account and may have one or more Other Accounts (together, the "Accounts"). At any time, a Director may transfer all or any part of the balance of any of his or her Other Accounts to another of his or her Other Accounts subject to any regulations regarding such transfer adopted by the Board. In addition, at any time on or after the 30th day after the date of a Director's termination from the Board, such Director may transfer all or any part of the balance of any of his or her Accounts to another of his or her Accounts, pursuant to any regulations regarding such transfers adopted by the Board.

On the payment date for each cash dividend or other cash distribution with respect to the Company's Common Stock, each Director's Stock Unit Account shall be credited with an amount equal to the amount of the per share dividend or distribution, multiplied by the number of Stock Units in such Account, and, if such Director is then serving as a member of the Board, shall be converted into whole Stock Units on the basis of the Fair Market Value of the Company's Common Stock on the payment date for such dividend or distribution, and cash shall be credited to the Stock Unit Account in lieu of any fractional Stock Units. If a Director is no longer serving as a member of the Board on the payment date for such dividend or distribution, the amount representing such dividend or distribution shall be paid out of the Stock Unit Account to such Director as soon as practicable after the payment date for such dividend or distribution.

Except as provided in the preceding sentence, any cash credited to a Director's Stock Unit Account shall be added to other cash credited to such Account and converted into a whole Stock Unit on the date sufficient cash exists to purchase a whole Stock Unit, based on the Fair Market Value of the Company's Common Stock on such date. In the event of a subdivision or combination of shares of Company Stock, the number of Stock Units

credited to the Stock Unit Accounts on the effective date of such subdivision or combination shall be proportionately subdivided or combined as the case may be. No adjustment shall be made in Stock Units in connection with the issuance by the Company of any rights or options to acquire additional shares of Company Common Stock or securities convertible into Company Common Stock. In the event of any stock dividend or reclassification of Company Common Stock, any merger or consolidation to which the Company is a party, or any spinoff of shares or distribution of property other than cash with respect to the Company Common Stock, the Committee shall cause appropriate adjustments, if any, to be made in the Stock Units to reflect such stock dividend, reclassification, merger or consolidation, spinoff or distribution of property.

Other Accounts shall have such name, and be charged or credited pursuant to such method, as the Board shall determine upon establishment of such Other Account, and the Board may change such name or method for any such Other Account, but no such change shall reduce any amount previously accrued in a Director's Other Account.

7. Distribution

All distributions from Accounts shall be made in cash, less applicable withholdings, if any. For purposes of distributions from the Stock Unit Account, each Stock Unit shall be converted into an amount of cash equal to the Fair Market Value of one share of the Company's Common Stock on the first business day of the month in which such distribution is made. The Director must elect the timing and manner of payment: (a) in the case of deferred Compensation, at the same time and on the same form he elects a deferral of Compensation, (b) in the case of a Stock Unit grant under Section 4, in accordance with the terms of the Stock Unit Grant and Deferred Compensation Plan for the Board of Directors in effect at the time of such grant.

Timing of Payment: Directors may elect to begin distributions from the Accounts (a) following termination from the Board, (b) in a year specified by the Director which, in the case of distributions from the Stock Unit Account, must be after termination from the Board, or (c) in the case of distributions from any Other Account, following retirement from the Director's principal occupation.

Manner of Payment: The Director may elect to receive payment from the Accounts in a lump sum or in a number of equal annual installments, not to exceed fifteen. A Director may change the foregoing election, provided that any such change must be made: (i) in the case of payments commencing on termination from the Board, one year prior to termination, (ii) in the case of payments commencing in a specified year, one year prior to the earlier to occur of termination from the Board and the commencement of such specified year, and (iii) in the case of payments commencing upon retirement from a principal occupation, one year prior to the earlier to occur of termination from the Board and the such retirement.

The lump sum or first installment is to be paid in January of the year following the year of termination or retirement or in January of the year selected by the Director, as applicable, and any remaining installments in January of each succeeding year until the



total balance is paid. Distributions from the Stock Unit Account in installments shall be based on equal numbers of Stock Units in each installment.

In the event of the death of a Director then serving as a member of the Board or a terminated or retired Director entitled to a distribution under this Plan, the balance of the Accounts shall be payable to the estate or designated beneficiary in full during the January of the year following the year of such Director's, terminated Director's or retired Director's death.

The Director may designate his beneficiary at the same time he elects deferral of Compensation. However, the latest designated beneficiary will be the beneficiary or beneficiaries for the total of all distributions from the Accounts. The designated beneficiary may be changed at any time on a form provided by the Corporate Secretary, provided that no designation will be effective unless it is filed with the Corporate Secretary prior to the Director's death.

8. Early Withdrawal with Penalty

A Director may request a withdrawal from an Other Account (not to include the Director's Stock Unit Account) prior to the date specified in the Director's deferral election by filing a request in writing with the Corporate Secretary. Payment will be made to the Director within thirty (30) days of such request. Any withdrawal under this Section will be charged with a 10% early withdrawal penalty that will be withheld from the amount withdrawn and such amount withheld shall be irrevocably forfeited.

9. Unfunded Plan

The liability of the Union Pacific Corporation to any Director, terminated Director, retired Director or his estate or designated beneficiary under the Plan shall be that of a debtor only pursuant to such contractual obligations as are created by the Plan, and no such obligation of Union Pacific Corporation shall be deemed to be secured by any assets, pledges, or other encumbrances on any property of Union Pacific Corporation.

10. Inalienability of Deferred Compensation

Except to the extent of the rights of a designated beneficiary, no distribution pursuant to, or interest in, the Plan may be transferred, assigned, pledged or otherwise alienated and no such distribution or interest shall be subject to legal process or attachment for the payment of any claims against any individual entitled to receive the same.

11. Controlling State Law

All questions pertaining to the construction, regulation, validity and effect of the Plan shall be determined in accordance with the laws of the State of Utah.

12. Amendment

The Board of Directors of the Union Pacific Corporation at its sole discretion may amend, suspend or terminate the Plan at any time. However, any such amendment, suspension or termination of the Plan may not adversely affect any Director's or his beneficiary's rights with respect to Compensation previously deferred.

13. Administration

Administration of the Plan will be coordinated by the Corporate Finance Department. Administration will include, but not be limited to, crediting of deferred compensation, dividends and accrued interest to individual Director accounts and ultimate disbursement of deferred amounts.

14. Effective Date

The Stock Unit Grant and Deferred Compensation Plan for the Board of Directors was originally effective December 1, 1978, applicable only to compensation for services after December 31, 1978, provided that the provisions hereof related to Stock Units were first effective January 1, 1995. The Plan is amended and restated in its entirety effective as of January 1, 2009.

**UNION PACIFIC CORPORATION  
2004 STOCK INCENTIVE PLAN**

**Originally effective as of April 16, 2004, and  
amended and restated effective as of January 1, 2009**

**UNION PACIFIC CORPORATION**  
**2004 STOCK INCENTIVE PLAN**

**1. PURPOSE**

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

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

**2. DEFINITIONS**

The following terms shall have the following meanings:

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

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

"Approved Leave of Absence" means a leave of absence of definite length approved by the Senior Vice President—Human Resources of the Company, or by any other officer of the Company to whom the Committee delegates such authority.

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

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

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

"Board" means the Board of Directors of the Company.

"Change in Control" means the occurrence of any one of the following:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in-the securities beneficially owned by such Person any

securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) or (B) of paragraph (iii) below; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Person” shall have the meaning given in Section 3(a)(9) of the Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

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

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

“Qualifying Performance Criteria” means the criteria set forth in Section 14.

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

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

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

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

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

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

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

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

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

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

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

“Unit Vesting Condition” means any condition to the vesting of Stock Units established by the Committee pursuant to Section 9.

“Vesting Condition” means any condition to the vesting of Retention Shares established by the Committee pursuant to Section 8.

### 3. ADMINISTRATION

**a. Composition of Committee.** This Plan shall be administered by the Compensation and Benefits Committee of the Board (the “Committee”), as appointed from time

to time by the Board. The Board shall fill vacancies on, and from time to time may remove or add members to, the Committee. The Committee shall act pursuant to a majority vote or unanimous written consent. The Board, in its sole discretion, may exercise any authority of the Committee under this Plan in lieu of the Committee's exercise thereof and in such instances references herein to the Committee shall refer to the Board. The Committee shall consist of two or more directors each of whom is a "non-employee director" (as such term is defined in Rule 16b-3 promulgated under the Act, as such Rule may be amended from time to time) and an "outside director" (as such term is defined under Section 162(m) of the Code). The Committee may designate the Senior Vice President-Human Resources of the Company or other Company employees to assist the Committee in the administration of the Plan, and may grant authority to such persons to execute agreements or other documents evidencing Awards made under this Plan or other documents entered into under this Plan on behalf of the Committee or the Company.

**b. Powers of the Committee.** Subject to the express provisions and limitations set forth in this Plan, the Committee shall be authorized and empowered to do all things necessary or desirable, in its sole discretion, in connection with the administration of this Plan, including, without limitation, the following:

- (i) to prescribe, amend and rescind rules and regulations relating to this Plan and to define terms not otherwise defined herein;
- (ii) to determine which persons are Participants, to which of such Participants, if any, Awards shall be granted hereunder and the timing of any such Awards, and to grant Awards;
- (iii) to grant Awards to Participants and determine the terms and conditions thereof, including the number of Shares subject to Awards and the exercise or purchase price of such Shares and the circumstances under which Awards become exercisable or vested or are forfeited or expire, which terms may but need not be conditioned upon the passage of time, continued employment, the satisfaction of performance criteria, the occurrence of certain events (including events which the Board or the Committee determine constitute a Change in Control), or other factors;
- (iv) to establish and verify the extent of satisfaction of any performance goals or other conditions applicable to the grant, issuance, exercisability, vesting and/or ability to retain any Award;
- (v) to prescribe and amend the terms of the agreements or other documents evidencing Awards made under this Plan (which need not be identical) and the terms of or form of any document or notice required to be delivered to the Company by Participants under this Plan;
- (vi) to determine whether, and the extent to which, adjustments are required pursuant to Section 13;
- (vii) to interpret and construe this Plan, any rules and regulations under this Plan and the terms and conditions of any Award granted hereunder, and to make exceptions to any such provisions in good faith and for the benefit of the Company;



(viii) to make all other determinations deemed necessary or advisable for the administration of this Plan; and

(ix) Notwithstanding anything in this Plan to the contrary, with respect to any Award that is “deferred compensation” under Code section 409A, the Committee shall exercise its discretion in a manner that causes such Awards to be compliant with the requirements of such Code section.

**c. Determinations of the Committee.** All decisions, determinations and interpretations by the Committee regarding this Plan shall be final and binding on all Participants and Beneficiaries. The Committee shall consider such factors as it deems relevant to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any director, officer or employee of the Company and such attorneys, consultants and accountants as it may select.

**d. Delegations to Subcommittees.** The Committee may delegate to one or more separate committees (any such committee a “Subcommittee”) composed of one or more directors of the Company (who may but need not be members of the Committee) the ability to grant Awards and take the other actions described in Section 3(b) with respect to non-executive employees, and such actions shall be treated for purposes of Section 3(c) as if taken by the Committee.

#### **4. ELIGIBILITY**

To be eligible for selection by the Committee to participate in the Plan an individual must be an employee of the Company or a Subsidiary. Directors who are not full-time salaried employees shall not be eligible. The Committee may grant Awards of Options, Stock Appreciation Rights, Retention Shares, Stock Units or Incentive Bonuses to eligible employees.

#### **5. STOCK SUBJECT TO THIS PLAN**

**a. Aggregate Limits.** The aggregate number of Shares of the Company’s Common Stock that shall be available for grant under this Plan shall be 21,000,000, plus any Shares subject to awards made under Prior Plans that are outstanding on the effective date of this Plan and become available pursuant to Section 5(c). Any Shares granted as Options or Stock Appreciation Rights shall be counted against this limit as one (1) Share for every one (1) Share granted. Any Shares granted as Awards other than Options or Stock Appreciation Rights shall be counted against this limit as one and four-tenths (1.4) Shares for every one (1) Share granted. The aggregate number of Shares available for grant under this Plan and the number of Shares subject to outstanding Awards shall be subject to adjustment as provided in Section 13. In addition, the aggregate number of Shares available for grant under this Plan shall not be reduced by Shares subject to Awards granted upon the assumption of or in substitution for awards granted by a business or entity that is acquired by, or whose assets are acquired by, the Company. The Shares issued pursuant to Awards granted under this Plan may be Shares that either were reacquired by the Company, including Shares purchased in the open market, or authorized but unissued Shares.

**b. Tax Code Limits.** The aggregate number of Shares that may be granted as Options or Stock Appreciation Rights under this Plan during any consecutive 36-month period to any one Participant shall not exceed 3,000,000. The aggregate number of Shares that may be granted as Retention Shares or Stock Units under this Plan during any consecutive 36-month period to any one Participant shall not exceed 750,000. Notwithstanding anything to the contrary in this Plan, the foregoing limitations shall be subject to adjustment under Section 13, but only to the extent that such adjustment will not affect the status of any Award intended to qualify as “performance-based compensation” under Section 162(m) of the Code. The foregoing limitations shall not apply to the extent that they are no longer required in order for compensation in connection with Awards under this Plan to be treated as “performance-based compensation” under Section 162(m) of the Code.

**c. Share Add-Backs.** For purposes of this Section 5, the aggregate number of Shares available for Awards under this Plan at any time shall not be reduced by (i) Shares subject to Awards that have been canceled, expired, forfeited or settled in cash, (ii) Shares subject to Awards that have been retained by the Company in payment or satisfaction of the purchase price or tax withholding obligation of an Award, or (iii) Shares subject to Awards that otherwise do not result in the issuance of Shares in connection with payment or settlement of an Award. Any Shares that again become available for grant pursuant to clauses (i) through (iii) of this Section 5(c) shall be added back as one (1) Share if such Shares were subject to Options or Stock Appreciation Rights and as one and four-tenths (1.4) Shares if such Shares were subject to Awards other than Options and Stock Appreciation Rights. In addition, Shares that have been delivered (either actually or constructively by attestation) to the Company in payment or satisfaction of the purchase price or tax withholding obligation of an Award or an award under any of the Prior Plans and Shares repurchased in the open market with Option Proceeds from Awards or awards under any of the Prior Plans shall be available for Awards under this Plan; provided, however, that the increase in the aggregate number of Shares available for grant pursuant to the repurchase of Shares with Option Proceeds shall not be greater than the amount of such proceeds divided by the Fair Market Value of a Share on the date of exercise of the option giving rise to such proceeds. Shares subject to awards made under Prior Plans that do not result in the issuance of Shares for the reasons listed in clauses (i) through (iii) of this Section 5(c) shall be available for grant under this Plan. Each Share that again becomes available for grant in connection with awards under Prior Plans shall be added back as one (1) Share.

## **6. TERMS AND CONDITIONS OF OPTIONS**

The Committee may grant an Option or provide for the grant of an Option, either from time to time in the discretion of the Committee or automatically upon the occurrence of specified events, including, without limitation, the achievement of performance goals, the satisfaction of an event or condition within the control of the recipient of the Award or within the control of others. All Options under the Plan shall be granted subject to the following terms and conditions:

**a. Exercise Price.** The exercise price per Share with respect to each Option shall be determined by the Committee but shall not be less than 100% of the Fair Market Value of the Common Stock on the date the Option is granted, provided, however, that the exercise price per share with respect to an Option that is granted in connection with a merger, stock exchange, or other acquisition as a substitute or replacement award for options held by optionees of the

acquired entity may be less than 100% of Fair Market Value on the date the Option is granted as long as it is equal to or greater than the fair market value of the substitute or replacement award at its date of grant.

**b. Duration.** The Committee shall establish the term of an Option, provided that in no event shall any Option be exercisable subsequent to the tenth anniversary of the date on which it is granted.

**c. Exercise.** Except as provided in Section 6(g), the Shares covered by an Option may not be purchased prior to the first anniversary of the date on which the Option is awarded, or such longer period or periods, and subject to such conditions, as the Committee may determine, but thereafter may be purchased at one time or in such installments over the balance of the option period as may be provided in the Option Document. Any Shares not purchased on the applicable installment date may, unless the Committee shall have determined otherwise, be purchased thereafter at any time prior to the final expiration of the Option. To the extent that the right to purchase Shares has accrued thereunder, Options may be exercised from time to time by notice to the Company stating the number of Shares with respect to which the Option is being exercised.

**d. Payment.** Except as set forth herein, Shares purchased under Options shall, at the time of purchase, be paid for in full in cash. All, or any portion, of the option price may, at the discretion of the Committee, be paid (i) under an arrangement with the Stock Administrator where payment is made pursuant to an irrevocable direction to the Stock Administrator to deliver all or part of the proceeds from the sale of Shares issuable under the Option to the Company or (ii) by the surrender (either actually or constructively by attestation) to the Company, at the time of exercise, of Shares of previously acquired Common Stock owned by the Participant, to the extent that such payment does not require the surrender of a fractional share of such previously acquired Common Stock or (iii) by authorizing the Company to withhold Common Stock otherwise issuable on exercise of the Option. Such Shares previously acquired and used to pay the option price shall be valued at Fair Market Value on the date the Option is exercised or as otherwise determined in accordance with the procedures to be established by the Committee. A Participant shall have none of the rights of a shareholder until the Shares are issued to him or her.

**e. Restrictions.** The Committee shall determine, with respect to each Option, the nature and extent of the restrictions, if any, to be imposed on the Shares that may be purchased thereunder. Without limiting the generality of the foregoing, the Committee may impose conditions restricting absolutely or conditionally the transferability of Shares acquired through the exercise of Options for such periods, and subject to such conditions, including continued employment of the Participant by the Company or a Subsidiary, as the Committee may determine.

**f. Non-Transferability of Options.** During a Participant's lifetime, Options may be exercised only by the Participant and shall not be transferable, except for exercise by the Participant's Beneficiaries following a Participant's death or as otherwise authorized by the Committee.

**g. Termination of Employment.** Unless the Committee shall determine otherwise, upon the termination of a Participant's employment for any reason and except as provided in clause (ii), (iii) or (vi) below, Options shall expire immediately as to those Shares for which they were not then exercisable, and as to the remaining Shares for which the Options were exercisable at the time of such termination of employment, such Options shall expire on the earlier of the expiration of the term of the Options or according to the following schedule:

(i) **Retirement.** If a Participant ceases to be an employee of the Company or a Subsidiary by reason of retirement under the provisions of the Company's or a Subsidiary's pension plan, the Options shall expire, unless exercised, five (5) years after such termination of employment.

(ii) **Death or Disability.** If (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of the holding period required by Section 6(c) by reason of death or disability under the provisions of the Company's or a Subsidiary's long-term disability plan, and (B) upon such termination all conditions to exercisability of the Options required pursuant to Section 6(c) other than such holding period have been satisfied, the holding period required pursuant to Section 6(c) shall automatically be deemed to have been satisfied, and the Options shall expire, unless exercised by the Participant, or if such termination was as a result of Participant's death, by Participant's legal representatives or heirs, five (5) years after such termination of employment.

(iii) **Disposition of Business.** Subject to Section 6(g)(vi) with respect to a Change in Control of the Company, in the case of a termination that is deemed to occur upon the disposition by the Company or any of its Subsidiaries of all or a part of its interest in, or the discontinuance of a business of, a Subsidiary, division or other business unit, (A) if an Option is unexercisable because the holding period or other conditions required by Section 6(c) have not been satisfied in accordance with their original schedule, such Option shall not be forfeited automatically, but the holding period or other conditions required by Section 6(c) shall continue in accordance with their original schedule and the Option shall expire, unless exercised, five (5) years after the date of such termination and (B) if an Option is exercisable, the exercise period of the Option shall expire, unless exercised, five (5) years after the date of such termination;

(iv) **Force Reduction Program.** Subject to Section 6(g)(vi), in the case of a termination (other than retirement) resulting from a force reduction program instituted by the Company or any of its Subsidiaries, the Option shall expire, unless exercised, three (3) years from the date of termination.

(v) **Gross Misconduct.** Options shall expire upon receipt by the Participant of the notice of termination if he or she is terminated for deliberate, willful or gross misconduct as determined by the Company.

(vi) **Change in Control.** Notwithstanding anything to the contrary in this Section 6(g), unless the Committee shall expressly provide otherwise in the Option Document at the time of grant, in the event a Participant's employment is involuntarily terminated by the Company or any of its Subsidiaries (other than termination as a result

of disability or gross misconduct, but including a termination described in subsection (iii) and (iv) above) within (2) years following a Change in Control, any holding period or other condition required pursuant to Section 6(c) shall automatically be deemed to have been satisfied, the Options shall become fully vested and exercisable, and the Options shall remain exercisable for a period of three (3) years following such termination (or five (5) years following such termination in the case of a termination described in Subsection (i), (ii) or (iii) above) but in no event after the expiration of the term of the Option.

(vii) **All Other Terminations.** Options shall expire, unless exercised, three (3) months after the date of such termination.

**h. Option Document.** Each Option Document shall contain provisions regarding (i) the number of Shares that may be issued upon exercise of the Option, (ii) the purchase price of the Shares and the means of payment for the Shares, (iii) the term of the Option, (iv) such terms and conditions on the vesting and/or exercisability of an Option, (v) restrictions on the transfer of the Option and forfeiture provisions and (vi) such further terms and conditions, in each case not inconsistent with this Plan as may be determined from time to time by the Committee.

**i. No Option Repricing.** Without the approval of shareholders, the Company shall not reprice any Options, except for adjustments under Section 13 as determined by the Committee. For purposes of this Plan, the term “reprice” shall mean lowering the exercise price of previously awarded Options within the meaning of Item 402(i) under Securities and Exchange Commission Regulation S-K, and shall also include any transactions deemed “repricings” under the relevant rules of the New York Stock Exchange. Notwithstanding the foregoing, in no event shall the Company take action to reprice any Option which constitutes (i) a modification of a stock right within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(B) so as to constitute the grant of a new stock right, (ii) an extension of a stock right, including the addition of a feature for the deferral of compensation within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(C), or (iii) an impermissible acceleration of a payment date or a subsequent deferral of a stock right subject to Code Section 409A within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(E).

## 7. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS

A “Stock Appreciation Right” means a right that entitles the Participant to receive, in cash or Shares (as determined by the Committee), value equal to or otherwise based on the excess of, (i) the Fair Market Value of a specified number of Shares at the time of exercise over (ii) the exercise price of the right, as established by the Committee on the date of grant. Stock Appreciation Rights may be granted to Participants either alone (“freestanding”) or in addition to or in tandem with other Awards granted under the Plan and may, but need not, relate to a specific Option granted under Section 6. The provisions of Stock Appreciation Rights need not be the same with respect to each grant or each recipient. Any Stock Appreciation Right granted in tandem with an Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. All Stock Appreciation Rights under the Plan shall be granted subject to the same terms and conditions applicable to Options as set forth in Section 6, including without limitation the terms and conditions set forth in Sections 6(a), 6(b)

and 6(c) relating to option price, duration and exercise conditions; provided, however, that Stock Appreciation Rights granted in tandem with a previously granted Option shall have the terms and conditions of such Option. Subject to the provisions of Section 6, the Committee may impose such other conditions or restrictions on any Stock Appreciation Right as it shall deem appropriate. Stock Appreciation Rights may be settled in Shares or cash as determined by the Committee.

## 8. TERMS AND CONDITIONS OF AWARDS OF RETENTION SHARES

**a. General.** Retention Shares may be granted to reward the attainment of individual, Company or Subsidiary goals, or to attract or retain officers or other employees of the Company or any Subsidiary, and shall be granted subject to the attainment of performance goals unless the Committee shall determine otherwise. The Committee may specify that the grant, vesting or retention of any or all Retention Shares is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code, provided that the performance criteria for the grant, vesting or retention of any such Retention Shares shall be a measure based on one or more Qualifying Performance Criteria selected by the Committee and specified at the time the Retention Shares are granted. The Committee shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any Retention Shares that are intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code.

### **b. Restrictions.**

(i) **Restriction Period and Vesting Conditions.** With respect to each grant of Retention Shares under the Plan, the Committee shall determine the period or periods, including any conditions for determining such period or periods, during which the restrictions set forth in Section 8(b) shall apply, provided that in no event, other than as provided in Section 8(c), shall such restrictions terminate prior to three (3) years after the date of grant (the “Restriction Period”), and the Committee may also specify any other terms or conditions, including the attainment of performance goals, to the right of the Participant to receive such Retention Shares (“Vesting Conditions”). Subject to Section 8(c) and any such Vesting Condition, a grant of Retention Shares shall be effective for the Restriction Period and may not be revoked; provided, however, in the event of a Change in Control of the Company (i) with respect to Retention Shares (other than Retention Shares granted pursuant to any future long term incentive plan (“LTP”)), the Restriction Period shall end with respect to that number of such Retention Shares calculated by multiplying the total number of such Retention Shares by the fraction obtained by dividing the number of full months from the commencement of such Restriction Period through the date of such Change in Control by the total number of months contained in such Restriction Period (determined without regard to this proviso), and (ii) any Retention Shares granted to such Participant pursuant to an LTP shall be subject to the terms of the applicable agreement issued under an LTP. In the event a payment becomes due, the Committee may, in its sole discretion, elect to make such payment either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

(ii) **Rights in Retention Shares.** At the time of grant of Retention Shares to a Participant, an electronic account representing the number of Shares granted shall be registered in the Participant's name but shall be held by the Company for his or her account. The Participant shall have the entire beneficial ownership interest in, and all rights and privileges of a shareholder as to, such Retention Shares, including the right to vote such Retention Shares and, unless the Committee shall determine otherwise, the right to receive dividends thereon, subject to the following restrictions, except as provided by Sections 8(b) and 8(c): (A) the Participant shall not be entitled to delivery of the Shares until the expiration of the Restriction Period and the satisfaction of any Vesting Conditions; (B) none of the Retention Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restriction Period or prior to the satisfaction of any Vesting Conditions; and (C) all of the Retention Shares shall be forfeited and all rights of the Participant to such Retention Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company or a Subsidiary for the entire Restriction Period and any applicable Vesting Conditions have been satisfied. Any Shares or other securities or property received as a result of a transaction listed in Section 13 shall be subject to the same restrictions as such Retention Shares unless the Committee shall determine otherwise.

If the grant of Retention Shares includes a right to receive dividends, the payment of dividends with respect to Retention Shares shall be made, on and after the date of grant without regard to whether the Participant has satisfied the Restriction Period and Vesting Condition requirements, and shall be paid (prior to vesting and delivery of the Retention Shares) within thirty (30) days of the date such dividends are declared.

**c. Termination of Employment.** Unless the Committee shall determine otherwise, upon the termination of a Participant's employment, Retention Shares shall be treated as provided below:

(i) **Retirement.** If (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period, by reason of retirement under the provisions of the Company's or a Subsidiary's pension plan at or after actual age 65, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest and all restrictions applicable to such Retention Shares shall lapse. The Shares shall be delivered to the Participant in accordance with the provisions of Section 8(d).

(ii) **Death or Disability.** If (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period by reason of death or disability under the provisions of the Company's or a Subsidiary's long-term disability plan, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest for the Participant or in his or her Beneficiary, as the case may be, and all restrictions applicable to such Retention Shares shall lapse. The Shares shall be delivered to the Participant's Beneficiary in accordance with the provisions of Section 8(d).

(iii) **Vesting Conditions.** If a Participant ceases to be an employee of the Company or a Subsidiary for any reason prior to the satisfaction of any Vesting Conditions (other than as a result of a Change in Control as described in subsection (iv) below), the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 8(b) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant whose employment has so terminated to retain any or all of the Retention Shares then subject to the restrictions of Section 8(b) and all restrictions applicable to such Retention Shares shall lapse. The Shares shall be delivered to the Participant in accordance with the provisions of Section 8(d).

(iv) **Change in Control.** Notwithstanding anything to the contrary in this Section 8(c), unless the Committee shall expressly provide otherwise in the document(s) evidencing Retention Shares at the time of grant, in the event a Participant's employment is involuntarily terminated by the Company or any of its Subsidiaries (other than a termination as a result of gross misconduct, but including a termination described in subsection (i) and (ii) above) within two (2) years following a Change in Control, the remaining restrictions with respect to Retention Shares, Original Retention Shares and Premium Retention Shares, including any remaining Restriction Period, or Vesting Conditions, shall lapse and the Committee may, in its sole discretion, elect to satisfy its obligations either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

(v) **All Other Terminations.** If a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period for any reason other than death, disability or retirement at or after actual age 65 as provided in Section 8(c)(i) and (ii) or a termination pursuant to Section 8(c)(iv), the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 8(b) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant whose employment has so terminated to retain any or all of the Retention Shares to the extent that the Restriction Period set forth in Section 8(b) has been satisfied and all Vesting Conditions applicable to such Retention Shares shall lapse the Shares shall be delivered to the Participant in accordance with the provisions of Section 8(d).

**d. Payment of Retention Shares.** At the end of the Restriction Period and after all Vesting Conditions have been satisfied, or at such earlier time as provided for in Section 8(c), all restrictions applicable to the Retention Shares shall lapse, and the Shares equal to the number of Retention Shares, free of all restrictions, shall be delivered to the Participant or his or her Beneficiary, as the case may be, within thirty (30) days of the date all such restrictions applicable to the Retention Shares lapsed.

## 9. STOCK UNITS

**a. Grant of Stock Units.** The Committee may also grant Awards of Stock Units under the Plan. With respect to each grant of Stock Units, the Committee shall determine the period or periods, including any conditions for determining such period or periods, during which



any restrictions on vesting shall apply, provided that in no event, except as otherwise provided in Sections 9(c), 9(d) or 9(e), shall such period or periods be less than three (3) years (the "Unit Restriction Period"). The Committee may also make any Award of Stock Units subject to the satisfaction of other conditions, including the attainment of performance goals, or contingencies ("Unit Vesting Condition"), in order for a Participant to receive payment of such Stock Unit Award, which shall be established by the Committee at the time of the Stock Unit Award. The Committee may specify that the grant, vesting or retention of any or all Stock Units is intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code, provided that the performance criteria for the grant, vesting or retention of any such Stock Units shall be a measure based on one or more Qualifying Performance Criteria selected by the Committee and specified at the time the Stock Units are granted. The Committee shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any Stock Units that are intended to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code. Awards of Stock Units shall be payable in Shares or cash as determined by the Committee. For any Stock Unit Award which is intended to satisfy the requirements for "performance-based compensation" under section 162(m) of the Code, no such Award shall be considered vested unless and until the Qualifying Performance Criteria and Unit Restriction Period (as may be modified in Subsections 9(c), (d) or (e)) have been satisfied.

(i) **Affect of Unit Restriction Period.** Except as provided by Section 9(c), (d) or (e), (A) the Participant shall not be entitled to payment of the Stock Units until the expiration of the Unit Restriction Period and the satisfaction of any Unit Vesting Conditions; (B) none of the Stock Units may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Unit Restriction Period or prior to the satisfaction of any Unit Vesting Conditions; and (C) all of the Stock Units shall be forfeited and all rights of the Participant to such Stock Units shall terminate without future obligation on the part of the Company or a Subsidiary unless the Participant remains in the continuous employment of the Company or a Subsidiary for the entire Unit Restriction Period and any applicable Unit Vesting Conditions have been satisfied. If the number of a Participant's Stock Units are adjusted as the result of a transaction listed in Section 13, such adjusted Stock Units shall be subject to the same restrictions as had applied prior to such adjustment, unless the Committee shall determine otherwise consistent with the requirements of that Section.

(ii) **Dividend Equivalents.** If the award of Stock Units includes a right to receive dividend equivalents, the payment of such dividend equivalents shall be as provided for in the agreement describing the Stock Unit Award, subject to Section 11 hereof; provided that such right to receive dividend equivalents conforms to the requirements of Section 409A of the Code and the regulations thereunder, and shall be deemed modified to the extent necessary to conform to such requirements.

**b. Deferral.** A Participant may elect to defer receipt of payment of an Award of Stock Units pursuant to the terms of the Deferred Compensation Plan of Union Pacific Corporation with respect to the SIP.

c. **Separation from Service.** Unless the Committee provides otherwise at the time an Award of Stock Units to a Participant is made, Stock Units shall be treated as provided below:

(i) **Death or Disability.**

(A) If a Participant has a Separation from Service prior to the end of a Unit Restriction Period by reason of death and all Unit Vesting Conditions have been satisfied, the Stock Units granted to such Participant shall immediately vest in his or her Beneficiary, and all restrictions applicable to such Stock Units shall lapse. The Stock Unit Award shall be paid to the Participant's Beneficiary within thirty (30) days of the Participant's death.

(B) If a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Unit Restriction Period by reason of disability under the provisions of the Company's or a Subsidiary's long-term disability plan, and all Unit Vesting Conditions have been satisfied, the Stock Units granted to such Participant shall immediately vest for the Participant and all restrictions applicable to such Stock Units shall lapse and, in the event such Participant did not make a deferral election with respect to such Stock Unit, it shall be paid as follows:

(1) in the event the Participant has not attained Retirement Status before qualifying for long-term disability benefits under the Company's or a Subsidiary's long-term disability plan, then such Stock Unit shall be paid to the Participant within thirty (30) days of such Participant's qualifying for long-term disability under the Company's or Subsidiary's long-term disability plan; and

(2) in the event the Participant has attained Retirement Status before qualifying for long-term disability benefits under the Company's or a Subsidiary's long-term disability plan: (X) if such Stock Unit is nonetheless "deferred compensation" under Code Section 409A, then such Stock Unit shall be paid in accordance with Subsection 9(f)(iii); or (Y) if such Stock Unit is not "deferred compensation" under Code Section 409A, such Stock Unit shall be paid to the Participant within thirty (30) days of such Participant's qualifying for long-term disability under the Company's or Subsidiary's long-term disability plan.

(ii) **Unit Vesting Conditions.** If a Participant has a Separation from Service with the Company or a Subsidiary for any reason prior to the satisfaction of any Unit Vesting Conditions (other than as a result of a Change in Control as described in subsection (d)(ii) below), the Participant shall immediately forfeit all Stock Units then subject to the restrictions of Subsection 9(a) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant who has had a Separation from Service to retain any or all of the Stock Units then subject to the restrictions of Subsection 9(a) and all restrictions applicable to such Stock Units shall lapse. The Stock Unit Award shall be paid in accordance with provisions of Subsection 9(f).

(iii) **All Other Separations from Service.** If a Participant has a Separation from Service prior to the end of a Unit Restriction Period for any reason other than (A) a Separation from Service after attaining Retirement Status described in subsection 9(e) below, (B) a Separation from Service described in subsection (c)(i) above, or (C) a Separation from Service pursuant to Section 9(d)(ii), the Participant shall immediately forfeit all Stock Units then subject to the restrictions of Section 9(a) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant who has a Separation from Service to retain any or all of the Stock Units to the extent that the Unit Restriction Period set forth in Section 9(a) has been satisfied and all Unit Vesting Conditions applicable to such Stock Units shall lapse. The Stock Unit Award shall be paid in accordance with provisions of Subsection 9(f).

**d. Change in Control.**

(i) In the event of a Change in Control of the Company (i) with respect to Stock Units (other than Stock Units granted pursuant to any current or future long term incentive plan (“LTP”)), the Unit Restriction Period shall end with respect to that number of such Stock Units calculated by multiplying the total number of such Stock Units by the fraction obtained by dividing the number of full months from the commencement of such Unit Restriction Period through the date of such Change in Control by the total number of months contained in such Unit Restriction Period (determined without regard to this proviso), and (ii) any Stock Units granted to such Participant pursuant to an LTP shall be subject to the terms of the applicable agreement issued under an LTP. In the event a Stock Unit becomes payable under this subparagraph (d)(i) and the Participant did not make a deferral election with respect to such Stock Unit, such Stock Unit shall be paid as follows:

(A) in the event the Participant has not attained Retirement Status before the date on which the Change in Control occurs, then such Stock Unit shall be paid to the Participant within thirty (30) days of the date on which the Change in Control occurs; and

(B) in the event the Participant has attained Retirement Status before the date on which the Change in Control occurs: (X) if such Stock Unit is nonetheless “deferred compensation” under Code Section 409A, then such Stock Unit Award shall be paid in accordance with Subsection 9(f)(iii); or (Y) if such Stock Unit is not “deferred compensation” under Code Section 409A, then such Stock Unit shall be paid to the Participant within thirty (30) days of the date on which the Change in Control occurs.

The Committee may, in its sole discretion, elect to make such payment either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

(ii) Notwithstanding anything to the contrary in Section 9(c), unless the Committee shall expressly provide otherwise in the document(s) evidencing Stock Unit Awards at the time of grant, in the event a Participant has an involuntary Separation from Service from the Company or any of its Subsidiaries (other than a Separation from Service as a result of gross misconduct, but including a Separation from Service after attaining Retirement Status described in subsection 9(e) below and a Separation from Service described in subsection (c)(i) above) within two (2) years following a Change in Control, the remaining restrictions with respect to Stock Units, including any remaining Unit Restriction Period, or Unit Vesting Conditions, shall lapse. Unless the Participant made a deferral election with respect to such Stock Units, the Stock Units shall be paid within thirty (30) days of the Participant's Separation from Service, subject to Subsection 9(f)(iv). The Committee may, in its sole discretion, elect to satisfy its obligations either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

**e. Attainment of Retirement Status.** Unless the Committee provides otherwise at the time an Award of Stock Units to a Participant is made:

(i) In the event a Participant attains Age 65 Retirement Status while in the employ of the Company or a Subsidiary, the Unit Restriction Period with respect to the applicable Stock Units granted to such Participant shall be deemed satisfied on the date Age 65 Retirement Status is attained.

(ii) In the event a Participant attains 60/10 Retirement Status while in the employ of the Company or a Subsidiary, the Unit Restriction Period with respect to the applicable Stock Unit grant shall be deemed satisfied as provided in accordance with the terms of the 2006 Stock Unit Agreement and 2006 Long Term Plan Stock Unit Agreement, each dated January 26, 2006, as amended from time to time and/or the 2007 Stock Unit Agreement and 2007 Long Term Plan Stock Unit Agreement, each dated January 30, 2007 as amended from time to time, as applicable.

(iii) Assuming and to the extent that any Unit Vesting Conditions have been satisfied, payment of the Stock Units for which Retirement Status has been attained in accordance with subparagraphs 9(e)(i) or 9(e)(ii) shall be made in accordance with Subsection 9(f).

**f. Payment.** Except as otherwise provided in Subsections 9(c) or 9(d), payment of Stock Unit Awards shall be made as follows:

(i) **Payment if Stock Unit Award Not Deferred Compensation.** If the Participant has not elected to defer payment of a Stock Unit Award and the Stock Unit Award is not otherwise “deferred compensation” under Code Section 409A (“Non-409A Stock Unit Award”):

(A) the Non-409A Stock Unit Award will be paid as soon as practicable following the date the Unit Restriction Period has been satisfied and all Unit Vesting Conditions have been satisfied, but in no event later than two and one-half (2 1/2) months following the end of the calendar year that includes the date that all such restrictions applicable to the Non-409A Stock Unit Award lapsed.

(B) Notwithstanding the foregoing, if the Participant has attained Retirement Status during the Unit Restriction Period for such Non-409A Stock Unit Award, but remains employed, the Stock Unit Award shall, assuming all Unit Vesting Conditions have been satisfied, be paid within thirty (30) days of the earlier of (A) the Participant’s Separation from Service or (B) the date the Unit Restriction Period would have otherwise ended, but for the application of the special rules in Subsection 9(e).

(ii) **Payment if deferred.** If the Participant has elected to defer payment of the Stock Unit Award, then the Award will (provided the Unit Restriction Period has been satisfied and all Unit Vesting Conditions have been satisfied) be paid in accordance with the Participant’s deferral consistent with the terms of the Deferred Compensation Plan of Union Pacific Corporation.

(iii) **Payment if Stock Unit Award Is Deferred Compensation.** If the Participant has not made a deferral election with respect to a Stock Unit Award but such Stock Unit Award is nevertheless “deferred compensation” under Code Section 409A and assuming the Unit Restriction Period has been satisfied and all Unit Vesting Conditions have been satisfied, such Stock Unit Award shall be paid within thirty (30) days of the earlier of (A) the Participant’s Separation from Service or (B) the date the Unit Restriction Period would have otherwise ended but for the application of the special rules in Subsections 9(c), 9(d) or 9(e), as applicable, subject to the Specified Employee Restriction described in Section 9(f)(iv).

(iv) **Specified Employee Restriction.** Notwithstanding anything in this Plan to the contrary, no payment of a Stock Unit that is “deferred compensation” under Code Section 409A triggered by Separation from Service shall be made to a “specified employee” (as determined in accordance with a uniform policy adopted by the Company with respect to all arrangements subject to Section 409A of the Code maintained by the Company and its Affiliated Companies) until six (6) months plus one day following such specified employee’s Separation from Service (the “Specified Employee Restriction”); provided, however, in the event of the specified employee’s death before the date a Stock Unit Award payable under this Section 9 is paid, this provision shall not prevent payment of such Stock Unit Award at the time otherwise prescribed in this Section 9.

## 10. TERMS AND CONDITIONS OF INCENTIVE BONUSES

Each Incentive Bonus Award will confer upon the Participant the opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a performance period established by the Committee.

**a. Incentive Bonus Document.** Each Incentive Bonus Document shall contain provisions regarding (i) the target and maximum amount payable to the Participant as an Incentive Bonus, (ii) the performance criteria and level of achievement versus these criteria that shall determine the amount of such payment, (iii) the term of the performance period as to which performance shall be measured for determining the amount of any payment, (iv) the timing of any payment earned by virtue of performance, (v) restrictions on the alienation or transfer of the Incentive Bonus prior to actual payment, (vi) forfeiture provisions and (vii) such further terms and conditions, in each case not inconsistent with this Plan, as may be determined from time to time by the Committee.

**b. Performance Criteria.** The Committee shall establish the performance criteria and level of achievement versus these criteria that shall determine the target and maximum amount payable under an Incentive Bonus Award, which criteria may be based on financial performance and/or personal performance evaluations. The maximum amount payable as an Incentive Bonus may be a multiple of the target amount payable. The maximum amount payable as an Incentive Bonus under this Plan during any calendar year to any one Participant shall not exceed \$10 million unless such limitation is no longer required under Section 162(m) of the Code. The Committee may specify the percentage of the target Incentive Bonus that is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code, provided that the performance criteria for any portion of an Incentive Bonus that is intended by the Committee to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code shall be a measure based on one or more Qualifying Performance Criteria selected by the Committee and specified at the time the Incentive Bonus Award is granted. The Committee shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any Incentive Bonus that is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code.

**c. Timing and Form of Payment.** The Committee shall determine the timing of payment of any Incentive Bonus; provided, however, that Incentive Bonuses shall be paid to the Participant as soon as practicable following the satisfaction of the performance criteria (including the satisfaction of any Qualifying Performance Criteria as certified by the Committee) and/or performance period as set forth in the Incentive Bonus Document (the “Performance End Date”), but in no event later than two and one-half (2 1/2) months following the end of the calendar year that includes the Performance End Date. An Incentive Bonus may be payable in Shares or in cash. Any Incentive Bonus that is paid in cash shall not affect the number of Shares otherwise available for issuance under this Plan.

(i) **Deferrals.** A Participant may elect to defer receipt of payment of all or part of any Incentive Bonus pursuant to the terms of the Deferred Compensation Plan of Union Pacific Compensation with respect to the SIP.

**d. Discretionary Adjustments.** Notwithstanding satisfaction of any performance goals, the amount paid under an Incentive Bonus Award on account of either financial performance or personal performance evaluations may be reduced by the Committee on the basis of such further considerations as the Committee shall determine.

## **11. DIVIDENDS AND DIVIDEND EQUIVALENTS**

Any Award, other than an Option or Stock Appreciation Right, may provide the Participant with the right to receive dividend payments or dividend equivalent payments on the Common Stock subject to the Award, whether or not such Award has been exercised or is vested. Except as described in subsection (a), such payments shall be made in cash or Shares on the payment date established by the Board for the underlying dividends. Such payments may be subject to such conditions and contingencies as the Committee may establish, provided however, that such payments shall in all events satisfy the “short-term deferral” exception to Code Section 409A described in Treas. Reg. § 1.409A-(a)(4).

**a. If Stock Units are Deferred.** Notwithstanding the foregoing, if a Participant elects to defer receipt of payment of an Award of Stock Units pursuant to the terms of the Deferred Compensation Plan of Union Pacific Corporation (the “Deferred Compensation Plan”), dividend equivalents with respect to such deferred Stock Unit Award which relate to dividends paid on and after the date of the deferral of such Stock Unit Award (i.e., the date that the Stock Unit Award would have been payable to the Participant under this Plan had such amount not been deferred under the Deferred Compensation Plan) shall be reinvested as part of the Award Account under the Deferred Compensation Plan, and shall be deferred for payment at the same time as the Award Account is paid under the terms of the Deferred Compensation Plan.

## **12. REGULATORY APPROVALS AND LISTING**

The Company shall not be required to issue to a Participant or a Beneficiary, as the case may be, any certificate for any Shares upon exercise of an Option or Stock Appreciation Right or for any Retention Shares granted under this Plan or to make any payment with respect to any Incentive Bonus or Stock Unit granted under this Plan prior to (a) the obtaining of any approval from any governmental agency which the Company, in its sole discretion, shall determine to be necessary or advisable, (b) the admission of such Shares to listing on any stock exchange on which the Common Stock may then be listed, and (c) the completion of any registration or other qualification of such Shares under any state or federal law or rulings or regulations of any governmental body which the Company, in its sole discretion, shall determine to be necessary or advisable.

## **13. CHANGES IN CAPITAL STRUCTURE**

**a. Corporate Actions Unimpaired.** The existence of outstanding Awards (including any Options) shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, exchanges, or other changes in the Company’s capital structure or its business, or any merger or consolidation of the Company, or any issuance of Shares or other securities or subscription rights thereto, or any issuance of bonds, debentures, preferred or prior preference stock ahead of or

affecting the Shares or other securities of the Company or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. Further, except as expressly provided herein or by the Committee, (i) the issuance by the Company of shares of stock or any class of securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, (ii) the payment of a dividend in property other than Shares, or (iii) the occurrence of any similar transaction, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to Options or other Awards theretofore granted or the purchase price per Share, unless the Committee shall determine, in its sole discretion, that an adjustment is necessary to provide equitable treatment to a Participant.

**b. Adjustments Upon Certain Events.** If the outstanding Shares or other securities of the Company, or both, for which the Award is then exercisable or as to which the Award is to be settled shall at any time be changed or exchanged by declaration of a stock dividend, stock split, combination of shares, extraordinary dividend of cash and/or assets, recapitalization, or reorganization, the Committee may, and if such event occurs after a Change of Control, the Committee shall, appropriately and equitably adjust the number and kind of Shares or other securities which are subject to this Plan or subject to any Awards theretofore granted, and the exercise or settlement prices of such Awards, so as to maintain the proportionate number of Shares or other securities without changing the aggregate exercise or settlement price. The Committee's adjustment shall be effective and binding for all purposes of this Plan, provided that no such adjustment shall constitute (i) a modification of a stock right within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(B) so as to constitute the grant of a new stock right, (ii) an extension of a stock right, including the addition of any feature for the deferral of compensation within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(C), or (iii) an impermissible acceleration of a payment date or a subsequent deferral of a stock right subject to Code Section 409A within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(E). Furthermore, no adjustment as the result of a change in capitalization shall cause the exercise price to be less than the Fair Market Value of such shares (as adjusted to reflect the change in capitalization) on the date of grant, and any adjustment as the result of the substitution of a new stock right or the assumption of an outstanding stock right pursuant to a corporate transaction shall satisfy the conditions described in Treas. Reg. Section 1.409A-1(b)(5)(v)(D).

#### **14. QUALIFYING PERFORMANCE CRITERIA**

For purposes of this Plan, the term "Qualifying Performance Criteria" shall mean any one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee in the Award: (a) cash flow (before or after dividends), (b) earnings per share (including earnings before interest, taxes, depreciation and amortization), (c) stock price, (d) return on equity, (e) total shareholder return, (f) return on capital (including return on total capital or return on



invested capital), (g) return on assets or net assets, (h) market capitalization, (i) total enterprise value (market capitalization plus debt), (j) economic value added, (k) debt leverage (debt to capital), (l) revenue, (m) income or net income, (n) operating income, (o) operating profit or net operating profit, (p) operating margin or profit margin, (q) return on operating revenue, (r) cash from operations, (s) operating ratio, (t) commodity or operating revenue, (u) market share, (v) customer service index, (w) service delivery index, (x) productivity and (y) safety. To the extent consistent with Section 162(m) of the Code, the Committee may appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude any of the following events that occurs during a performance period: (z) asset write-downs, (aa) litigation, claims, judgments or settlements, (bb) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (cc) accruals for reorganization and restructuring programs and (dd) any extraordinary, unusual or non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to shareholders for the applicable year.

#### 15. TANDEM STOCK OR CASH RIGHTS

Either at the time an Award is granted or by subsequent action, the Committee may, but need not, provide that an Award shall contain as a term thereof, a right, either in tandem with the other rights under the Award or as an alternative thereto, of the Participant to receive, without payment to the Company, a number of Shares, cash or a combination thereof, the amount of which is determined by reference to the value of the Award; provided, however, that no such tandem stock or cash rights shall be made in connection with an Option or Stock Appreciation Right.

#### 16. TAXES

**a. Withholding Requirements.** The Committee may make such provisions or impose such conditions as it may deem appropriate for the withholding or payment by a Participant or Beneficiary of any taxes that the Committee determines are required in connection with the grant, vesting, exercise, payment or settlement of any Award under this Plan, and a Participant's or Beneficiary's rights in any Award and in any Shares or other benefits thereunder shall be subject to satisfaction of such conditions.

**b. Payment of Withholding Taxes.** Notwithstanding the terms of Section 16(a), the Committee may provide in the agreement or other document evidencing an Award or otherwise that all or any portion of the taxes required to be withheld or, if and to the extent permitted by the Committee, desired to be paid by the Participant, in connection with the exercise, vesting, settlement or transfer of any Award may be paid by withholding Shares otherwise issuable or subject to such Award, or by the Participant's delivering previously acquired Shares (either actually or constructively by attestation), in each case having a Fair Market Value equal to the amount required or elected to be withheld or paid, or by the Stock Administrator paying such amount pursuant to an irrevocable commitment by the Stock Administrator to deliver to the Company proceeds from the sale of the Shares issuable under the Award. Any such election is subject to such conditions or procedures as may be established by the Committee and may be subject to approval by the Committee.

## **17. TRANSFERABILITY**

Unless the agreement or other document evidencing an Award (or an amendment thereto authorized by the Committee) expressly states that the Award is transferable as provided hereunder, no Award granted under this Plan, nor any interest in such Award, may be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner prior to the vesting or lapse of any and all restrictions applicable thereto, other than by will or the laws of descent and distribution. Further, any Stock Units deferred under Section 9, or Incentive Bonuses deferred under Section 10(c) shall not be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner.

## **18. TERM OF THIS PLAN**

No Awards shall be granted pursuant to the Plan after April 16, 2014, but any Award theretofore granted may extend beyond that date and the terms and conditions of this Plan shall continue to apply thereto.

## **19. TERMINATION OR AMENDMENT OF THIS PLAN**

The Board may amend, alter or discontinue the Plan and the Board or the Committee may to the extent permitted by the Plan amend any agreement or other document evidencing an Award made under this Plan but, except as provided pursuant to the anti-dilution adjustment provisions of Section 13(b), no such amendment shall, without the approval of the shareholders of the Company:

- (a) increase the maximum number of Shares for which Awards may be granted under this Plan;
- (b) reduce the price at which Options may be granted below the price provided for in Section 6(a);
- (c) reduce the option price of outstanding Options;
- (d) extend the term of this Plan;
- (e) change the class of persons eligible to be Participants;
- (f) add a new type of award to this Plan; or
- (g) increase the individual maximum limits in Sections 5(b) and 10(b).

The Board may amend, alter or discontinue the Plan and the Board or the Committee may to the extent permitted by the Plan amend any agreement evidencing an Award made under this Plan, but no amendment or alteration shall be made which would impair the rights of any Participant, without such Participant's consent, under any Award theretofore granted, provided that no such consent shall be required if the Committee determines in its sole discretion and prior to the date of any Change in Control that such amendment or alteration either (i) is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation or to

meet the requirements of any accounting standard, or (ii) is not reasonably likely to significantly diminish the benefits provided under such Award, or that any such diminishment has been adequately compensated.

## 20. LEAVE OF ABSENCE

Except as is necessary to comply with Code Section 409A, unless the Committee shall determine otherwise, a leave of absence other than an Approved Leave of Absence shall be deemed a termination of employment for purposes of this Plan. An Approved Leave of Absence shall not be deemed a termination of employment for purposes of this Plan, but the period of such Approved Leave of Absence shall not be counted toward satisfaction of any Restriction Period or Unit Restriction Period or any holding period described in Section 6(c).

## 21. GENERAL PROVISIONS

**a. Employment At Will.** Neither the Plan nor the grant of any Award nor any action by the Company, any Subsidiary or the Committee shall be held or construed to confer upon any person any right to be continued in the employ of the Company or a Subsidiary. The Company and each Subsidiary expressly reserve the right to discharge, without liability but subject to his or her rights under this Plan, any Participant whenever in the sole discretion of the Company or a Subsidiary, as the case may be, its interest may so require.

**b. Governing Law.** This Plan and any agreements or other documents hereunder shall be interpreted and construed in accordance with the laws of the State of Utah and applicable federal law. The Committee may provide that any dispute as to any Award shall be presented and determined in such forum as the Committee may specify, including through binding arbitration. Any reference in this Plan or in the agreement or other document evidencing any Award to a provision of law or to a rule or regulation shall be deemed to include any successor law, rule or regulation of similar effect or applicability.

**c. Resale or Transfer of Shares.** The Committee may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Shares received in connection with an Award, including without limitation (i) restrictions under an insider trading policy, (ii) restrictions designed to delay and/or coordinate the timing and manner of sales by the Participant and other participants and (iii) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

## 22. NON-EXCLUSIVITY OF PLAN

Neither the adoption of this Plan by the Board nor the submission of this Plan to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable, including without limitation, the granting of stock options, stock appreciation rights, restricted stock, stock units or incentive bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

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**23. COMPLIANCE WITH OTHER LAWS AND REGULATIONS**

This Plan, the grant and exercise of Awards thereunder, and the obligation of the Company to sell, issue or deliver Shares under such Awards, shall be subject to all applicable federal, state and local laws, rules and regulations and to such approvals by any governmental or regulatory agency as may be required. The Company shall not be required to register in a Participant's name or deliver any Shares prior to the completion of any registration or qualification of such Shares under any federal, state or local law or any ruling or regulation of any government body which the Committee shall determine to be necessary or advisable. This Plan is intended to constitute an unfunded arrangement for a select group of management and other key employees. No Option shall be exercisable unless a registration statement with respect to the Option is effective or the Company has determined that such registration is unnecessary. Unless the Awards and Shares covered by this Plan have been registered under the Securities Act of 1933, as amended, or the Company has determined that such registration is unnecessary, each person receiving an Award and/or Shares pursuant to any Award may be required by the Company to give a representation in writing that such person is acquiring such Shares for his or her own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof.

**24. LIABILITY OF COMPANY**

The Company and any Affiliate which is in existence or hereafter comes into existence shall not be liable to a Participant or other persons as to: (a) the non-issuance or sale of Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder; and (b) any tax consequence expected, but not realized, by any Participant or other person due to the receipt, exercise or settlement of any Option or other Award granted hereunder.

**25. EFFECTIVE DATE**

The Plan became effective on the Original Effective Date.

**UNION PACIFIC CORPORATION  
KEY EMPLOYEE CONTINUITY PLAN**

Dated as of November 16, 2000  
(as amended and restated effective as of January 1, 2009)

(The severance benefits provided under this Plan are subject to the terms and limitation of the Board of Director's Policy Regarding Shareholder Approval of Future Severance Agreements, adopted on September 25, 2003)

**UNION PACIFIC CORPORATION**  
**KEY EMPLOYEE CONTINUITY PLAN**  
**(as amended and restated effective as of January 1, 2009)**

The Company heretofore adopted, effective as of November 16, 2000, the Union Pacific Corporation Key Employee Continuity Plan for the benefit of certain employees of the Company and its Affiliates (the "Plan"). The Plan is hereby amended and restated in its entirety, effective as of January 1, 2009, to reflect the requirements of Section 409A of the Code. All capitalized terms used herein are defined in Section 1 hereof. The Plan, as a "severance pay arrangement" within the meaning of Section 3(2)(B)(i) of ERISA, is intended to be excepted from the definitions of "employee pension benefit plan" and "pension plan" set forth under Section 3(2) of ERISA, and is intended to meet the descriptive requirements of a plan constituting a "severance pay plan" within the meaning of regulations published by the Secretary of Labor at Title 29, Code of Federal Regulations, § 2510.3-2(b).

**SECTION 1. DEFINITIONS.** As hereinafter used:

**SECTION 1.1** "Affiliate" shall have the meaning set forth in Rule 12b-2 under Section 12 of the Exchange Act.

**SECTION 1.2** "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

**SECTION 1.3** "Board" means the Board of Directors of the Company.

**SECTION 1.4** "Cause" means (i) the willful and continued failure by the Eligible Employee to substantially perform the Eligible Employee's duties with the Employer (other than any such failure resulting from the Eligible Employee's incapacity due to physical or mental illness), or (ii) the willful engaging by the Eligible Employee in conduct which is demonstrably injurious to the Company, monetarily or otherwise. For purposes of this definition, no act, or failure to act, on the Eligible Employee's part shall be deemed "willful" unless done, or omitted to be done, by the Eligible Employee not in good faith or without reasonable belief that the Eligible Employee's act, or failure to act, was in the best interest of the Company.

**SECTION 1.5** A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

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

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving; individuals who, on November 16, 2000, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds ( $\frac{2}{3}$ ) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

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

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

**SECTION 1.6** "Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

**SECTION 1.7** "Company" means Union Pacific Corporation, a Utah corporation, or any successors thereto.

**SECTION 1.8** "Eligible Employee" means any employee who is a Tier 1, Tier 2 or Tier 3 Employee. An Eligible Employee becomes a "Severed Employee" once he or she incurs a Severance.

**SECTION 1.9** "Employer" means the Company or any of its Affiliates which is an employer of an Eligible Employee.

**SECTION 1.10** “Equity Award” shall mean stock options, restricted stock, restricted stock units and other similar equity-based awards which are granted to an Eligible Employee by the Company (excluding, however, restricted stock unit awards made under the Company’s 2006 Long Term Plan, 2007 Long Term Plan, 2008 Long Term Plan, or any similar awards with performance criteria made under a long term incentive plan adopted by the Company subsequent to the date hereof).

**SECTION 1.11** “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time.

**SECTION 1.12** “Excise Tax” shall mean any excise tax imposed under section 4999 of the Code or any successor provision thereto.

**SECTION 1.13** “Good Reason” means the occurrence, on or after the date of a Change in Control and without the affected Eligible Employee’s written consent, of any of the following: (i) the assignment to the Eligible Employee of duties that are materially inconsistent with the Eligible Employee’s duties immediately prior to the Change in Control (other than pursuant to a transfer or promotion to a position of equal or enhanced responsibility or authority) or any material diminution in the nature or scope of the Eligible Employee’s responsibilities from those in effect immediately prior to the Change in Control; (ii) a reduction by the Employer (or any member of the Parent Group) in the Eligible Employee’s annual base salary or annual incentive opportunity from that in effect immediately prior to the Change in Control; provided, however, that such reduction results in a material diminution in the total package of compensation and benefits provided to the Eligible Employee for performing services from that in effect immediately prior to the Change in Control; (iii) a material reduction by the Employer (or any member of the Parent Group) in the pension, thrift, medical or long term disability benefits provided to the Eligible Employee from those provided to the Eligible Employee immediately prior to the Change in Control; provided, however, that such reduction results in a material diminution in the total package of compensation and benefits provided to the Eligible Employee for performing services from that in effect immediately prior to the Change in Control; or (iv) the failure by any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise), to all or substantially all of the business and/or assets of the Company, to expressly assume and agree to perform this Plan in the same manner and to the same extent that the Company would be required to perform it if no succession had taken place.

(a) The Eligible Employee must notify the Employer of the existence of the reason or condition that the Eligible Employee believes would permit a separation from service for Good Reason within ninety (90) days of the initial existence of such reason or condition. The Employer (or member of the Parent Group, as applicable) shall, following receipt of such notice, have a period of not less than thirty (30) days to cure the condition and not be required to pay the Severance Payment or provide any other payment or benefit described in Section 2 that is conditioned on the Eligible Employee’s Severance. The Employer may establish procedures with respect to the notice and cure provisions described above, consistent with Treas. Reg. § 1.409A-1(n), and may in appropriate circumstances waive part or all of the above-described cure period.

**SECTION 1.14** “Gross-Up Payment” shall have the meaning set forth in Section 2.5 hereof.



**SECTION 1.15** “Parent” shall mean the ultimate parent, if any, of the Company after a Change in Control.

**SECTION 1.16** “Parent Group” shall mean, collectively, the Parent and its Affiliates.

**SECTION 1.17** “Person” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

**SECTION 1.18** “Plan” means the Union Pacific Corporation Key Employee Continuity Plan, as set forth herein, as it may be amended from time to time.

**SECTION 1.19** “Plan Administrator” means the person or persons appointed from time to time by the Board which appointment may be revoked at any time by the Board.

**SECTION 1.20** A “Potential Change in Control” shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(b) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(c) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates) representing fifteen (15%) or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company’s then outstanding securities; or

(d) the Board adopts a resolution to the effect that a Potential Change in Control has occurred.

**SECTION 1.21** “Severance” means the separation from service (as such term is defined in section 409A of the Code and the regulations promulgated thereunder) of an Eligible Employee from the Employer on or within two years following the date of the Change in Control, (i) by the Employer, other than for Cause or pursuant to mandatory retirement policies of the Employer that existed prior to the Change of Control, or (ii) by the Eligible Employee for Good Reason. An Eligible Employee will not be considered to have incurred a Severance if his or her employment is (a) discontinued by reason of the Eligible Employee’s death or a physical or mental condition causing such Eligible Employee’s inability to substantially perform his or her

duties with the Employer, including, without limitation, such condition entitling him or her to benefits under any sick pay or disability income policy or program of the Employer or (b) discontinued by reason of the divestiture of a facility, sale of a business or business unit, or the outsourcing of a business activity with which the Eligible Employee is affiliated, if the Eligible Employee is offered comparable employment by the entity which acquires such facility, business or business unit or which succeeds to such outsourced business activity and such entity agrees to assume the obligations of the Employer to the Eligible Employee under this Plan.

**SECTION 1.22** "Severance Date" means the date on or after the date of the Change in Control on which an Eligible Employee incurs a Severance.

**SECTION 1.23** "Severance Payment" means the payment determined pursuant to Section 2.1 hereof.

**SECTION 1.24** "Tier 1 Employee" means any employee of the Employer designated as such by a resolution of the Board.

**SECTION 1.25** "Tier 2 Employee" means any employee of the Employer designated as such by a resolution of the Board.

**SECTION 1.26** "Tier 3 Employee" means any employee of the Employer designated as such by a resolution of the Board.

**SECTION 1.27** "Total Payments" means any payments contemplated by and as defined in Section 2.5(a) hereof.

**SECTION 2. BENEFITS.**

**SECTION 2.1** (a) Each Eligible Employee who incurs a Severance shall be entitled, subject to Section 2.9 hereof, to receive a Severance Payment equal to the product of (i) the sum of (A) such Eligible Employee's annual base salary as in effect immediately prior to such Severance, plus (B) the average annual incentive compensation earned (or foregone at the election of the Eligible Employee) by such Eligible Employee in respect of the three (or fewer, as hereinafter described) annual incentive compensation determinations (including determinations that no annual incentive compensation will be awarded) immediately preceding the Severance (or, if higher, in respect of the three (or fewer, as hereinafter described) annual incentive compensation determinations immediately preceding the Change in Control) multiplied by (ii) in the case of a Tier 1 Employee, three (3), in the case of a Tier 2 Employee, two (2); and in the case of a Tier 3 Employee, one and one-half (1.5). For purposes of clause (A) above, annual base salary shall be determined immediately prior to the Severance (without regard to any reductions therein which constitute Good Reason) and for purposes of clause (B) above, annual incentive compensation determinations prior to 2000 (with respect to annual incentive compensation earned for plan years prior to 1999) shall be disregarded.

(b) The Severance Payment shall be paid to a Severed Employee in a cash lump sum, within twenty (20) business days immediately following the expiration of the revocation period, if any, applicable to such Severed Employee's release described in Section 2.9; but in no event later than March 15<sup>th</sup> of the year following the calendar year in which the Severance Date occurs.

**SECTION 2.2** Each Eligible Employee who incurs a Severance and who is, at the time of such Severance, a participant in the Supplemental Pension Plan for Officers and Managers of Union Pacific Corporation and Affiliates (the "UPC SERP") shall, for purposes of the UPC SERP, (i) be deemed to have accumulated an additional thirty-six (36) months of age and service credit beyond the Severance Date solely for purposes of determining the amount of any UPC SERP benefit (but in no event beyond age 65 and in no event shall aggregate service under the UPC SERP exceed forty (40) years), and (ii) be deemed to be fully vested under such SERP.

**SECTION 2.3** For a period of three years following a Severed Employee's Severance Date (or, if sooner, until such Severed Employee attains the age of fifty-two (52), at which time the Severed Employee shall become entitled to receive benefits under the Company's retiree medical benefit plans if such Severed Employee's original hire date with (A) the Company or (B) any Affiliate that on December 31, 2003 was a participating employer in the Flexible Benefits Program for Full-Time Salaried and Full-Time Hourly Employees of Union Pacific Corporation and Affiliates, is before January 1, 2004), the Company shall provide such Severed Employee and anyone entitled to claim under or through such Severed Employee all benefits under any medical or dental program to the same extent as if such Severed Employee had continued to be an employee during such period; provided, however, (a) that such Severed Employee shall pay the fair market value for such coverage (active or retiree, as applicable), as determined under section 61 of the Code and the regulations promulgated thereunder, and (b) the benefit amounts otherwise receivable by or in respect of a Severed Employee hereunder shall be reduced to the extent benefits of the same type are received by such Severed Employee from a subsequent employer (and the Severed Employee shall report the receipt of such benefits to the Company). The coverage period for purposes of the group health continuation requirements of section 4980B of the Code shall commence on the Severance Date.

**SECTION 2.4** (a) Subject to Section 2.9 hereof, in the event an Eligible Employee incurs a Severance, the Eligible Employee shall become fully vested in all outstanding Equity Awards that are, at the Severance Date, unvested or subject to forfeiture restrictions. In the case of an Equity Award consisting of a stock option, such option shall continue to be exercisable for a period of three years from the Severance Date (or such longer period as may be prescribed in the plan or agreement governing such option), but in no event later than the expiration date of such option. In the case of an Equity Award consisting of restricted stock, the Company shall make payment of such restricted stock within five (5) business days following lapse of any revocation period for the release contemplated by Section 2.9.

(b) In the case of an Equity Award (or any part thereof) that is a Stock Unit (as defined in the Company's 2004 Stock Incentive Plan, as amended (the "Stock Plan")) granted to an Eligible Employee who incurs a Severance under this Plan, such Stock Unit shall, subject to Section 2.9 and the final sentence of this paragraph (b) regarding deferrals, be paid within five (5) business days following lapse of any revocation period for the release

contemplated by Section 2.9. Notwithstanding the foregoing, in the event that such a Severed Employee has attained Retirement Status (as defined below) prior to the Exempt Date (as defined below), the Stock Unit shall not be paid prior to six months and one day after the Severance Date, subject to Section 2.9 and the final sentence of this paragraph (b) regarding deferrals. "Retirement Status" means, for Eligible Employees who were granted Stock Unit Equity Awards in 2006 and/or 2007 under the Stock Plan, an individual who, during the Restriction Period for such Equity Award, attained age 60 with eligibility for retirement under the provisions of the Company's or a subsidiary's pension plan (or who had attained such age and eligibility at the time the Stock Unit Equity Award was granted), and for Eligible Employees who were granted Stock Unit Equity Awards in 2005, 2008, or any subsequent year under the Stock Plan, or any successor thereto adopted by the Company, an individual who, during the Restriction Period for such Equity Award, attained age 65 (or who had attained such age at the time the Stock Unit Equity Award was granted). "Exempt Date" means January 1 of the calendar year in which the Restriction Period ends, or, in the case of a Restriction Period that ends such that payment would be made by March 15 of the calendar year in which such Restriction Period ends, January 1 of the preceding year. If a Severed Employee has previously elected to defer receipt of a Stock Unit to a date beyond the applicable payment date referenced herein, payment of such Stock Unit will be made on the later of (A) the deferred payment date selected by the Severed Employee (which, for this purpose, will be the first deferred payment date selected by the Severed Employee in the event the Severed Employee elected to receive installment payments) and (B) the date established in this subparagraph (b).

(c) The amount of any cash incentive bonus awarded under any Company long-term incentive plan or program shall be calculated in accordance with the applicable plan document and paid, subject to Section 2.9, to an Eligible Employee who has a Severance within five (5) business days following the lapse of any revocation period for the release contemplated by Section 2.9, or, in the event such cash incentive bonus is "deferred compensation" under Section 409A of the Code because the Eligible Employee elected to defer payment of such bonus in accordance with the terms of a deferral program applicable to such bonus, at such other date as provided under the terms of the Eligible Employee's payment election made in accordance with such deferral program.

**SECTION 2.5** (a) Whether or not the Eligible Employee becomes entitled to the Severance Payment, if any payment or benefit received or to be received by the Eligible Employee in connection with a Change in Control or the Eligible Employee's separation from service (whether pursuant to the terms of this Plan or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) (all such payments and benefits, including the Severance Payment, being hereinafter called "Total Payments") will be subject (in whole or part) to the Excise Tax, then, subject to the provisions of subsection (b) of this Section 2.5, the Company shall pay to the Eligible Employee an additional amount (the "Gross-Up Payment") such that the net amount retained by the Eligible Employee, after deduction of any Excise Tax on the Total Payments and any federal, state and local income and employment taxes and Excise Tax upon the Gross-Up Payment, shall be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Eligible Employee shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year

in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Eligible Employee's residence on the Severance Date (or if there is no Severance Date, then the date on which the Gross-Up Payment is calculated for purposes of this Section 2.5), net of the maximum reduction in federal income tax which could be obtained from deduction of such state and local taxes.

(b) In the event that the amount of the Total Payments exceeds 100% of, but does not exceed 110% of, the largest amount that would result in no portion of the Total Payments being subject to the Excise Tax (the "Safe Harbor"), then subsection (a) of this Section 2.5 shall not apply and the Severance Payments under Section 2.1 shall be reduced (if necessary, to zero) so that the amount of the Total Payments is equal to the Safe Harbor.

(c) For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Total Payments shall be treated as "parachute payments" within the meaning of section 280G(b)(2) of the Code, unless in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Eligible Employee and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), such other payments or benefits (in whole or in part) do not constitute parachute payments, including by reason of section 280G(b)(4)(A) of the Code, (ii) all "excess parachute payments" within the meaning of section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of Tax Counsel, such excess parachute payments (in whole or in part) represent "reasonable compensation for services actually rendered", within the meaning of section 280G(b)(4)(B) of the Code, in excess of the "base amount" within meaning of Section 280G(b)(3) of the Code allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax, and (iii) the value of any noncash benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code. Prior to the payment date set forth in Section 2.6 hereof, the Company shall provide the Eligible Employee with its calculation of the amounts referred to in this Section 2.5(c) and such supporting materials as are reasonably necessary for the Eligible Employee to evaluate the Company's calculations. If the Eligible Employee disputes the Company's calculations (in whole or in part), the reasonable opinion of Tax Counsel with respect to the matter in dispute shall prevail.

(d) In the event that the Excise Tax is finally determined to be less than the amount taken into account hereunder in calculating the Gross-Up Payment, and after giving effect to such redetermination, the Severance Payment under Section 2.1 are to be reduced pursuant to subsection (b) of this Section 2.5, the Eligible Employee shall repay to the Company, within five (5) business days following the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income and employment taxes imposed on the Gross-Up Payment being repaid by the Eligible Employee), to the extent that such repayment results in (i) no portion of the Total Payments being subject to the Excise Tax and (ii) a dollar-for-dollar reduction in the Eligible Employee's taxable income and wages for purposes of federal, state and local income and employment taxes, plus interest on the amount of such repayment at the rate provided in section 1274(b)(2)(b) of the Code. In the event that (x) the Excise Tax is finally determined to exceed the amount taken into

account hereunder at the time of the Eligible Employee's separation from service (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment) and (y) after giving effect to such redetermination, the Severance Payment under Section 2.1 should not have been reduced pursuant to subsection (b) of this Section 2.5, the Company shall make the previously reduced Severance Payment and shall make an additional Gross-Up Payment in respect of such excess and in respect of any portion of the Excise Tax with respect to which the Company had not previously made a Gross-Up Payment (plus any interest, penalties or additions payable by the Eligible Employee with respect to such excess and such portion) within five (5) business days following the time that the amount of such excess is finally determined; provided, however, that such final determination shall be made such that any such additional Gross-Up Payment can be made by the end of the calendar year following the calendar year in which the Employee pays the Excise Tax to which the Gross-Up Payment relates.

**SECTION 2.6** The payments provided in subsection (a) of Section 2.5 hereof shall be made not later than the fifth business day following the date of the event that triggers the Severed Employee's right to the benefit that generates the Excise Tax; provided, however, that if the amounts of such payments, and the limitations on such payments set forth in Section 2.5 hereof, cannot be finally determined on or before such day, the Company shall pay to the Eligible Employee on such day an estimate of the minimum amount of such payments to which the Eligible Employee is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at the rate provided in section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the date of the event that triggers the Severed Employee's right to the benefit that generates the Excise Tax.

**SECTION 2.7** The Company shall reimburse the Eligible Employee for all reasonable legal fees and expenses incurred by the Eligible Employee in seeking to obtain or enforce any benefit or right provided by this Plan, so long as the Eligible Employee's claim is not frivolous. The Company shall reimburse the Eligible Employee for all reasonable legal fees and expenses incurred by the Eligible Employee in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided hereunder. Reimbursement of such fees and expenses shall be subject to the following restrictions: (i) the amount of fees and expenses eligible for reimbursement during any calendar year shall not affect the fees and expenses eligible for reimbursement in any other calendar year; (ii) the reimbursement of an eligible fee or expense shall be made as soon as practicable by the Company after the Eligible Employee submits the request for reimbursement including appropriate documentation, but not later than December 31 of the calendar year following the calendar year in which the fee or expense was incurred and (iii) the Company's obligation to reimburse such fees and expenses is not subject to the liquidation or exchange for another benefit.

**SECTION 2.8** In the event of a claim for benefits hereunder by an Eligible Employee, such Eligible Employee shall present the reason for his or her claim in writing to the Plan Administrator. The Plan Administrator shall, within thirty (30) days after receipt of such written

claim, send a written notification to the Eligible Employee as to its disposition. In the event the claim is wholly or partially denied, such written notification shall (a) state the specific reason or reasons for the denial, (b) make specific reference to pertinent Plan provisions on which the denial is based, (c) provide a description of any additional material or information necessary for the Eligible Employee to perfect the claim and an explanation of why such material or information is necessary, and (d) set forth the procedure by which the Eligible Employee may appeal the denial of his or her claim. In the event an Eligible Employee wishes to appeal the denial of his or her claim, he or she may request a review of such denial by making application in writing to the Plan Administrator within sixty (60) days after receipt of such denial. Such Eligible Employee (or his or her duly authorized legal representative) may, upon written request to the Plan Administrator, review any documents pertinent to his or her claim, and submit in writing, issues and comments in support of his or her position. Within forty-five (45) days after receipt of a written appeal (unless special circumstances, such as the need to hold a hearing, require an extension of time, but in no event more than one hundred twenty (120) days after such receipt), the Plan Administrator shall notify the Eligible Employee of the final decision. The final decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based.

**SECTION 2.9** No Severed Employee shall be eligible to receive a Severance Payment or other benefits under the Plan that are subject to this Section 2.9 unless he or she first executes a written release substantially in the form attached hereto as Schedule A. Payments made under this Plan that are contingent on the Severed Employee's execution of the release shall in all events be paid no later than two and one-half months following the end of the calendar year in which the Severance Date, or other triggering event for the payment, occurs. In order to ensure compliance with the foregoing, the Company shall provide the release described in this Section 2.9 to the Severed Employee in sufficient time so that the Severed Employee can consider the release for the full consideration period required by applicable law, and have the ability to revoke such release during the revocation period(s) required by applicable law, before payment is made by the deadline of two and one-half months following the end of the calendar year in which the Severance Date or other triggering event occurs. Further, with respect to any benefits under the Plan that are "deferred compensation" under section 409A of the Code, 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 Affiliates) on account of a separation from service until six months plus one day following such employee's "separation from service" as defined in the regulations promulgated under section 409A of the Code.

**SECTION 2.10** An Employer shall be entitled to withhold from amounts to be paid to the Severed Employee hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold.

**SECTION 3. PLAN ADMINISTRATION.**

**SECTION 3.1** The Plan Administrator shall administer the Plan and may interpret the Plan, prescribe, amend and rescind rules and regulations under the Plan and make all other determinations necessary or advisable for the administration of the Plan, subject to all of the provisions of the Plan.

**SECTION 3.2** The Plan Administrator may delegate any of its duties hereunder to such person or persons from time to time as it may designate.

**SECTION 3.3** The Plan Administrator is empowered, on behalf of the Plan, to engage accountants, legal counsel and such other personnel as it deems necessary or advisable to assist it in the performance of its duties under the Plan. The functions of any such persons engaged by the Plan Administrator shall be limited to the specified services and duties for which they are engaged, and such persons shall have no other duties, obligations or responsibilities under the Plan. Such persons shall exercise no discretionary authority or discretionary control respecting the management of the Plan. All reasonable expenses thereof shall be borne by the Employer.

**SECTION 4. PLAN MODIFICATION OR TERMINATION.**

The Plan may be amended or terminated by the Board at any time; provided, however, that, during the following periods, the Plan may not be terminated nor may the Plan be amended in any manner adverse to the interests of any Eligible Employee (including, without limitation, any adverse changes to a person's status as an Eligible Employee) without such Eligible Employee's written consent (and any such termination or amendment shall be void and of no force and effect): (i) within one year preceding a Potential Change in Control (in the case of any action (other than in connection with a separation from service) pursuant to which an individual ceases to be designated as an Eligible Employee or is designated in a lower tier of Eligible Employee) or within 90 days preceding a Potential Change in Control (in the case of termination of the Plan or any other amendment which is adverse to the interests of any Eligible Employee), (ii) during the pendency of or within 90 days following the cessation of a Potential Change in Control or (iii) within two years following a Change in Control. This Plan shall terminate automatically two years and one day after a Change in Control. No Plan termination shall, without such Eligible Employee's written consent, adversely affect any rights of any Eligible Employee which accrued under this Plan prior to such termination.

**SECTION 5. GENERAL PROVISIONS.**

**SECTION 5.1** Except as otherwise provided herein or by law, no right or interest of any Eligible Employee under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of any Eligible Employee under the Plan shall be liable for, or subject to, any obligation or liability of such Eligible Employee. When a payment is due under this Plan to a Severed Employee who is unable to care for his or her affairs, payment may be made directly to his or her legal guardian or personal representative.



**SECTION 5.2** If an Employer is obligated by law, contract, policy or otherwise to pay severance pay, a termination indemnity, notice pay, or the like, or if an Employer is obligated by law to provide advance notice of separation (“Notice Period”), then any Severance Payment hereunder shall be reduced by the amount of any such severance pay, termination indemnity, notice pay or the like, as applicable, and by the amount of any compensation received during any Notice Period.

**SECTION 5.3** Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Eligible Employee, or any person whomsoever, the right to be retained in the service of the Employer, and all Eligible Employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

**SECTION 5.4** If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and this Plan shall be construed and enforced as if such provisions had not been included.

**SECTION 5.5** This Plan shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Eligible Employee, present and future, and any successor to the Employer. If a Severed Employee shall die while any amount would still be payable to such Severed Employee hereunder if the Severed Employee had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to the executor, personal representative or administrators of the Severed Employee’s estate.

**SECTION 5.6** The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

**SECTION 5.7** The Plan shall not be funded. No Eligible Employee shall have any right to, or interest in, any assets of any Employer which may be applied by the Employer to the payment of benefits or other rights under this Plan.

**SECTION 5.8** Any notice or other communication required or permitted pursuant to the terms hereof shall have been duly given when delivered or mailed by United States mail, first class, postage prepaid, addressed to the intended recipient at his, her or its last known address.

**SECTION 5.9** This Plan shall be construed and enforced according to the laws of Nebraska, to the extent not preempted by federal law, which shall otherwise control.

**SCHEDULE A**

**WAIVER AND RELEASE OF CLAIMS AGREEMENT**

**YOU HAVE BEEN ADVISED TO CONSULT AN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT.**

**YOU HAVE [FORTY-FIVE] [TWENTY-ONE] DAYS AFTER RECEIVING THIS AGREEMENT TO CONSIDER WHETHER TO SIGN IT.**

**AFTER SIGNING THIS AGREEMENT, YOU HAVE ANOTHER SEVEN DAYS IN WHICH TO REVOKE IT, AND IT DOES NOT TAKE EFFECT UNTIL THOSE SEVEN DAYS HAVE ENDED.**

In consideration of, and subject to, the payments to be made to me by [Name of Employer Corporation] (“Union Pacific”) or any of its subsidiaries, pursuant to the Union Pacific Corporation Key Employee Continuity Plan (the “Plan”), which I acknowledge that I would not otherwise be entitled to receive, I hereby waive any claims I may have for employment or re-employment by Union Pacific or any subsidiary or parent of Union Pacific after the date hereof, and I further agree to and do release and forever discharge Union Pacific or any subsidiary or parent of Union Pacific and their respective past and present officers, directors, shareholders, employees and agents from any and all claims and causes of action, known or unknown, arising out of or relating to my employment with Union Pacific or any subsidiary or parent of Union Pacific or the termination thereof, including, but not limited to, by reason of any event, matter, cause or thing which has occurred to the date of execution of this Release relating in any way to my employment relationship with Union Pacific or to my termination of employment thereof, whether for severance or based on statutory or common law claims for employment discrimination, wrongful discharge, breach of contract or any other theory, whether legal or equitable, or arising under any statute or regulation, including the Age Discrimination in Employment Act of 1967, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974, and the Family Medical Leave Act of 1993, each as amended, or any other federal, state or local law, regulation, ordinance or common law.

Notwithstanding the foregoing or any other provision hereof, nothing in this Waiver and Release of Claims Agreement shall adversely affect (i) my rights under the Plan; (ii) my rights to benefits other than severance benefits under plans, programs and arrangements of Union Pacific or any subsidiary or parent of Union Pacific; or (iii) my rights to indemnification under any indemnification agreement, applicable law and the certificates of incorporation and bylaws of Union Pacific and any subsidiary or parent of Union Pacific, and my rights under any director’s and officer’s liability insurance policy covering me.

I acknowledge that I have signed this Waiver and Release of Claims Agreement voluntarily, knowingly, of my own free will and without reservation or duress, and that no

promises or representations, written or oral, have been made to me by any person to induce me to do so other than the promise of payment set forth in the first paragraph above and Union Pacific's acknowledgment of my rights reserved under the second paragraph above.

I understand that this release will be deemed to be an application for benefits under the Plan, and that my entitlement thereto shall be governed by the terms and conditions of the Plan, and I expressly hereby consent to such terms and conditions.

I acknowledge that I have been given not less than [forty-five (45)] [twenty-one (21)] days to review and consider this Waiver and Release of Claims Agreement, and that I have had the opportunity to consult with an attorney or other advisor of my choice and have been advised by Union Pacific to do so if I choose. I may revoke this Waiver and Release of Claims Agreement seven days or less after its execution by providing written notice to Union Pacific.

Finally, I acknowledge that I have carefully read this Waiver and Release of Claims Agreement and understand all of its terms. This is the entire Agreement between the parties and is legally binding and enforceable.

This Waiver and Release of Claims Agreement shall be governed and interpreted under federal law and the laws of Nebraska.

I knowingly and voluntarily sign this Waiver and Release of Claims Agreement.

**Date Delivered to Employee:**

[Name of Employer Corporation]

\_\_\_\_\_

**Date Signed by Employee:**

**By:** \_\_\_\_\_

\_\_\_\_\_

**Title:** \_\_\_\_\_

**Seven-Day Revocation Period Ends:**

\_\_\_\_\_

**Signed:** \_\_\_\_\_

**Date:** \_\_\_\_\_

\_\_\_\_\_  
(Print Employee's Name)

**2006 LONG TERM PLAN**  
**AMENDED AND RESTATED STOCK UNIT AGREEMENT**

Dated: January 26, 2006

This Letter Agreement (the "Agreement") will confirm an award to you of stock units ("Stock Units"), as of the date hereof, by Union Pacific Corporation (the "Company"), under the 2004 Stock Incentive Plan of the Company, as amended from time to time (the "Plan"), a copy of which is included in this database and made a part hereof. This Agreement has been amended and restated by the Company in accordance with Section 19 of the Plan, effective as of January 1, 2009, to reflect the provisions of Section 409A of the Internal Revenue Code, as amended (the "Code").

**STOCK UNITS**

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

2. **RESTRICTION PERIOD.** The period during which the restrictions set forth herein and in the Plan shall apply to your right to receive the Stock Units granted to you shall commence on the date hereof and expire on January 31, 2009 if the Performance Criteria described below for such Stock Units have been satisfied (the "Restriction Period"), subject to the provisions of Section 6 hereof. During the Restriction Period, you may be entitled to receive Dividend Equivalent Payments, subject to the provisions of Section 4 hereof.

3. **PERFORMANCE CRITERIA.** The Performance Criteria is annual Return on Invested Capital ("ROIC"). However, such Performance Criteria are of no force and effect unless and until the Company has operating income ("Operating Income") in one or more of fiscal years 2006, 2007 or 2008. The definition and calculation of annual ROIC and Operating Income shall be determined in accordance with the Long Term Plan document approved and adopted by the Compensation and Benefits Committee of the Company's Board of Directors (the "Committee").

For the fiscal year ending December 31, 2006, you may earn up to one-third of your Stock Unit Target Award as shown on Exhibit A for those Stock Units which have met the

applicable ROIC Performance Criteria. For the fiscal year ending December 31, 2007, you may earn up to a total of two-thirds of your Stock Unit Target Award as shown on Exhibit A based on the average of the first two fiscal years of ROIC performance achieved less any Stock Units earned in the first fiscal year. For the fiscal year ending December 31, 2008, you may earn up to two hundred percent of your Stock Unit Target Award as shown on Exhibit A based on the average of all three fiscal years (2006, 2007, and 2008) of ROIC performance achieved less any Stock Units earned in the first two fiscal years.

4. **DIVIDEND EQUIVALENT RIGHTS.** During the Restriction Period, for those Stock Units which have met the applicable Performance Criteria, unless otherwise determined by the Committee, you shall be entitled to receive Dividend Equivalent Payments. Once such Stock Units are earned, Dividend Equivalent Payments shall be made on the payment date established by the Board of Directors for the underlying dividend payments; provided, however, that if you have elected to defer receipt of such Stock Units in accordance with the terms of the Deferred Compensation Plan of Union Pacific Corporation (the "Deferred Compensation Plan"), payment of such Dividend Equivalent Payments shall be made in accordance with the provisions of Section 11 of the Plan.

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

6. **LAPSE OF RESTRICTIONS AND PAYMENT OF STOCK UNITS.** (i) At the end of the Restriction Period and provided you have remained continuously employed by the Company or a Subsidiary, unless otherwise determined by the Committee, shares of Common Stock equal to the number of Stock Units which have met the applicable Performance Criteria shall be delivered to you (through your account at the Company's third party stock plan administrator, if applicable) free of all restrictions, provided the Company has Operating Income in one or more of the fiscal years 2006, 2007 or 2008. The payment of the Stock Units under this Section 6(i) shall be made in accordance with the provisions of Section 9(f) of the Plan.

(ii) (A) If you have a separation from service with the Company or a Subsidiary prior to the end of the Restriction Period and prior to a Change in Control because you die or become disabled (as determined under the provisions of the Company's or a Subsidiary's long-term disability plan), unless otherwise determined by the Committee, you, your estate or your beneficiary, as the case may be, shall be entitled to receive shares of Common Stock equal to the number of Stock Units which have met the applicable Performance Criteria through the end of the fiscal year ending prior to the date of your death or disability, as the case may be, provided the Company has Operating Income in one or more of the fiscal years 2006, 2007 or 2008 and further provided that such fiscal year precedes the date of your death or disability. The payment of the Stock Units under this Section 6(ii)(A) shall be made in accordance with the payment provisions of Section 9(c) of the Plan, subject, to the extent applicable, to Section 6(v) of this Agreement. (B) Section 9(e)(i) of the Plan pertaining to the vesting of Stock Units upon retirement at or after actual age 65 shall not be applicable. However, if you remain continuously employed and retire at or after actual age 60 under the provisions of the Company's or a Subsidiary's pension plan, you shall be entitled to receive the number of Stock Units which have met the applicable Performance Criteria through the end of the fiscal year ending prior to the date of your retirement, provided the Company has Operating Income in one or more of the fiscal years 2006, 2007 or 2008 and further provided that such fiscal year precedes the date of your retirement. The payment of the Stock Units under this Section 6(ii)(B) shall be made in accordance with the provisions of Section 9(f) of the Plan.

(iii) If a Change in Control occurs prior to the end of the Restriction Period and prior to your death, disability or having retired after attaining Retirement Status (as defined in Section 2 of the Plan with respect to Stock Units granted in 2006), shares of Common Stock equal to the number of Stock Units that would have been deliverable if the Performance Criteria shall have been satisfied at the greater of one hundred percent of your Stock Unit Target Award as shown on Exhibit A or the number of Stock Units that would have been delivered based on the Performance Criteria satisfied through the end of each fiscal year prior to the occurrence of such Change in Control and through the end of the most recent fiscal quarter ending prior to the date of the Change in Control shall be delivered to you (through your account at the Company's third party administrator, if applicable) free of all restrictions, provided the Company has Operating Income in one or more of the calendar years 2006, 2007 or 2008 and further provided that any such calendar year precedes the date of the Change in Control. In either event following the Change in Control no greater Performance Criteria may be earned under this Agreement. Shares of Common Stock to which you are entitled pursuant to this Section 6(iii) shall be delivered to you in accordance with the payment provisions set forth in Section 9(d) of the Plan, subject, to the extent applicable, to Section 6(v) of this Agreement.

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

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

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

8. **SUBJECT TO PLAN.** The award confirmed by this Agreement is subject to the terms and conditions of the Plan, as the same may be amended from time to time in accordance with Section 19 thereof.

#### **PROTECTION OF CONFIDENTIALITY**

9. **CONFIDENTIAL INFORMATION; TRADE SECRETS.** By electronically signing Exhibit A to this Agreement, you acknowledge that the Company regards certain information relating to its business and operations as confidential. This includes all information that the Company could reasonably be expected to keep confidential and whose disclosure to third parties would likely be disparaging or detrimental to the Company ("Confidential Information"). Your electronic signature also acknowledges that the Company has certain information that derives economic value from not being known to the general public or to others who could obtain economic value from its disclosure or use, which the Company takes reasonable efforts to protect the secrecy of ("Trade Secrets").

10. **TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS.** By electronically signing Exhibit A, you acknowledge that you developed or have had or will have access to one or more of the following types of Confidential Information or Trade Secrets: information about rates or costs; customer or supplier agreements and negotiations; business opportunities; scheduling and delivery methods; business and marketing plans; financial information or plans; communications within the attorney-client privilege or other privileges; operating procedures and methods; construction methods and plans; proprietary computer systems design, programming or software; strategic plans; succession plans; proprietary company training programs; employee performance, compensation or benefits; negotiations or strategies relating to collective bargaining agreements and/or labor disputes; and internal or

external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. By electronically signing Exhibit A, you agree that any disclosures by you to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct within the meaning of the Plan.

11. **PRIOR CONSENT REQUIRED.** By electronically signing Exhibit A, you agree that you will not, unless you receive prior consent from the Company's Senior Vice President, Human Resources & Secretary or such other person designated by the Company (hereinafter collectively referred to as the "Sr. VP-HR & S"), or unless ordered by a court or government agency, (i) disclose to any subsequent employer or unauthorized person any Confidential Information or Trade Secrets, or (ii) retain or take with you when you leave the Company any property of the Company or any documents (including any electronic or computer records) relating to any Confidential Information or Trade Secrets.

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

13. **FAILURE TO COMPLY.** By electronically signing Exhibit A, you agree that, if you fail to comply with any of the promises that you made in Section 11 or 12 above, you will return to the Company any shares of Common Stock (or the market value of any shares of Common Stock received) which you received at any time from 180 days prior to the earlier of (i) the date when you leave the Company or (ii) the date you fail to comply with any such promise you made in Section 11 or 12 to 180 days after the date when the Company learns that you have



not complied with any such promise. You agree that you will return such shares of Common Stock to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to set off the market value of any such shares of Common Stock against any amount that might be owed to you by the Company.

#### **NO DIRECT COMPETITION**

14. **SOLICITATION OF CUSTOMERS; NO EMPLOYMENT WITH WESTERN ROADS.** By electronically signing Exhibit A, you agree for a period of one year following your departure from the Company, you will not (directly or in association with others) call on or solicit the business of any of the Company's customers with whom you actually did business or otherwise had personal contact while you were employed by the Company, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Company in the states in which the Company now operates. You further agree that for the same time period, you will not become an employee, contractor or consultant for any of the following companies, which compete directly with the Company: Burlington Northern Santa Fe Corporation; Kansas City Southern Industries, Inc.; Dakota, Minnesota & Eastern Railway Company; Illinois Central Corporation; and Texas Mexican Railway Company (including their respective affiliates and subsidiaries or any company which acquires or is acquired by any such company) (the "Western Roads"). This Section 14 is not intended to prevent you from working for any employer other than a Western Road. This Section does not apply to employees who work in California at the time when this Agreement is electronically signed or when their employment with the Company ends.

15. **ACKNOWLEDGMENT; INJUNCTIVE RELIEF.** By electronically signing Exhibit A, you acknowledge that Section 14 will not prevent you from being gainfully employed after you leave the Company, because you will remain free to work in any occupation, profession, trade, or business so long as you comply with your promises in Section 14. You also agree that because money damages would not be adequate to compensate the Company if you violate any of your promises in Section 14, the Company would be entitled to an injunction from a Court to enforce those promises.

16. **VIOLATION OF PROMISES.** By electronically signing Exhibit A, you agree that if you violate any of your promises in Section 14, then you will return to the Company any shares of Common Stock (or the fair market value thereof) granted to you by this Agreement which you received at any time from 180 days prior to the date when you leave the Company to 180 days after the date when the Company learns that you have not complied with the promises you made in Section 14. You agree that you will return such shares of Common Stock (or the fair market value thereof) to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to set off the market value of

any such shares of Common Stock against any amount that might be owed to you by the Company.

#### **GENERAL**

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

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

19. **CHOICE OF LAW.** All questions pertaining to the construction, regulation, validity, and effect of this Agreement shall be determined in accordance with the laws of the State of Utah, without regard to the conflict of laws doctrine.

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

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

**2007 LONG TERM PLAN**  
**AMENDED AND RESTATED STOCK UNIT AGREEMENT**

Dated: January 30, 2007

This Letter Agreement (the "Agreement") will confirm an award to you of stock units ("Stock Units"), as of the date hereof, by Union Pacific Corporation (the "Company"), under the 2004 Stock Incentive Plan of the Company, as amended from time to time (the "Plan"), a copy of which is included in this database and made a part hereof. This Agreement has been amended and restated by the Company in accordance with Section 19 of the Plan, effective as of January 1, 2009, to reflect the provisions of Section 409A of the Internal Revenue Code, as amended (the "Code").

**STOCK UNITS**

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

2. **RESTRICTION PERIOD.** The period during which the restrictions set forth herein and in the Plan shall apply to your right to receive the Stock Units granted to you shall commence on the date hereof and expire on January 31, 2010 if the Performance Criteria described below for such Stock Units have been satisfied (the "Restriction Period"), subject to the provisions of Section 6 hereof. During the Restriction Period, you may be entitled to receive Dividend Equivalent Payments, subject to the provisions of Section 4 hereof.

3. **PERFORMANCE CRITERIA.** The Performance Criteria is annual Return on Invested Capital ("ROIC"). However, such Performance Criteria are of no force and effect unless and until the Company has operating income ("Operating Income") in one or more of fiscal years 2007, 2008 or 2009. The definition and calculation of annual ROIC and Operating Income shall be determined in accordance with the Long Term Plan document approved and adopted by the Compensation and Benefits Committee of the Company's Board of Directors (the "Committee").

For the fiscal year ending December 31, 2007, you may earn up to one-third of your Stock Unit Target Award as shown on Exhibit A for those Stock Units which have met the

applicable ROIC Performance Criteria. For the fiscal year ending December 31, 2008, you may earn up to a total of two-thirds of your Stock Unit Target Award as shown on Exhibit A based on the average of the first two fiscal years of ROIC performance achieved less any Stock Units earned in the first fiscal year. For the fiscal year ending December 31, 2009, you may earn up to two hundred percent of your Stock Unit Target Award as shown on Exhibit A based on the average of all three fiscal years (2007, 2008, and 2009) of ROIC performance achieved less any Stock Units earned in the first two fiscal years.

**4. DIVIDEND EQUIVALENT RIGHTS.** During the Restriction Period, for those Stock Units which have met the applicable Performance Criteria, unless otherwise determined by the Committee, you shall be entitled to receive Dividend Equivalent Payments. Once such Stock Units are earned, Dividend Equivalent Payments shall be made on the payment date established by the Board of Directors for the underlying dividend payments; provided, however, that if you have elected to defer receipt of such Stock Units in accordance with the terms of the Deferred Compensation Plan of Union Pacific Corporation (the "Deferred Compensation Plan"), payment of such Dividend Equivalent Payments shall be made in accordance with the provisions of Section 11 of the Plan.

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

**6. LAPSE OF RESTRICTIONS AND PAYMENT OF STOCK UNITS.** (i) At the end of the Restriction Period and provided you have remained continuously employed by the Company or a Subsidiary, unless otherwise determined by the Committee, shares of Common Stock equal to the number of Stock Units which have met the applicable Performance Criteria shall be delivered to you (through your account at the Company's third party stock plan administrator, if applicable) free of all restrictions, provided the Company has Operating Income in one or more of the fiscal years 2007, 2008 or 2009. The payment of the Stock Units under this Section 6(i) shall be made in accordance with the provisions of Section 9(f) of the Plan.

(ii) (A) If you have a separation from service with the Company or a Subsidiary prior to the end of the Restriction Period and prior to a Change in Control because you die or become disabled (as determined under the provisions of the Company's or a Subsidiary's long-term disability plan), unless otherwise determined by the Committee, you, your estate or your beneficiary, as the case may be, shall be entitled to receive shares of Common Stock equal to the number of Stock Units which have met the applicable Performance Criteria through the end of the fiscal year ending prior to the date of your death or disability, as the case may be, provided the Company has Operating Income in one or more of the fiscal years 2007, 2008 or 2009 and further provided that such fiscal year precedes the date of your death or disability. The payment of the Stock Units under this Section 6(ii)(A) shall be made in accordance with the payment provisions of Section 9(c) of the Plan, subject, to the extent applicable, to Section 6(v) of this Agreement. (B) Section 9(e)(i) of the Plan pertaining to the vesting of Stock Units upon retirement at or after actual age 65 shall not be applicable. However, if you remain continuously employed and retire at or after actual age 60 under the provisions of the Company's or a Subsidiary's pension plan, you shall be entitled to receive the number of Stock Units which have met the applicable Performance Criteria through the end of the fiscal year ending prior to the date of your retirement, provided the Company has Operating Income in one or more of the fiscal years 2007, 2008 or 2009 and further provided that such fiscal year precedes the date of your retirement. The payment of the Stock Units under this Section 6(ii)(B) shall be made in accordance with the provisions of Section 9(f) of the Plan.

(iii) If a Change in Control occurs prior to the end of the Restriction Period and prior to your death, disability or having retired after attaining Retirement Status (as defined in Section 2 of the Plan with respect to Stock Units granted in 2007), shares of Common Stock equal to the number of Stock Units that would have been deliverable if the Performance Criteria shall have been satisfied at the greater of one hundred percent of your Stock Unit Target Award as shown on Exhibit A or the number of Stock Units that would have been delivered based on the Performance Criteria satisfied through the end of each fiscal year prior to the occurrence of such Change in Control and through the end of the most recent fiscal quarter ending prior to the date of the Change in Control shall be delivered to you (through your account at the Company's third party administrator, if applicable) free of all restrictions, provided the Company has Operating Income in one or more of the calendar years 2007, 2008 or 2009 and further provided that any such calendar year precedes the date of the Change in Control. In either event following the Change in Control no greater Performance Criteria may be earned under this Agreement. Shares of Common Stock to which you are entitled pursuant to this Section 6(iii) shall be delivered to you in accordance with the payment provisions set forth in Section 9(d) of the Plan, subject, to the extent applicable, to Section 6(v) of this Agreement.

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

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

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

8. **SUBJECT TO PLAN.** The award confirmed by this Agreement is subject to the terms and conditions of the Plan, as the same may be amended from time to time in accordance with Section 19 thereof.

#### **PROTECTION OF CONFIDENTIALITY**

9. **CONFIDENTIAL INFORMATION; TRADE SECRETS.** By electronically signing Exhibit A to this Agreement, you acknowledge that the Company regards certain information relating to its business and operations as confidential. This includes all information that the Company could reasonably be expected to keep confidential and whose disclosure to third parties would likely be disparaging or detrimental to the Company ("Confidential Information"). Your electronic signature also acknowledges that the Company has certain information that derives economic value from not being known to the general public or to others who could obtain economic value from its disclosure or use, which the Company takes reasonable efforts to protect the secrecy of ("Trade Secrets").

10. **TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS.** By electronically signing Exhibit A, you acknowledge that you developed or have had or will have access to one or more of the following types of Confidential Information or Trade Secrets: information about rates or costs; customer or supplier agreements and negotiations; business opportunities; scheduling and delivery methods; business and marketing plans; financial information or plans; communications within the attorney-client privilege or other privileges; operating procedures and methods; construction methods and plans; proprietary computer systems design, programming or software; strategic plans; succession plans; proprietary company training programs; employee performance, compensation or benefits; negotiations or strategies relating to collective bargaining agreements and/or labor disputes; and internal or

external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. By electronically signing Exhibit A, you agree that any disclosures by you to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct within the meaning of the Plan.

11. **PRIOR CONSENT REQUIRED.** By electronically signing Exhibit A, you agree that you will not, unless you receive prior consent from the Company's Senior Vice President, Human Resources & Secretary or such other person designated by the Company (hereinafter collectively referred to as the "Sr. VP-HR & S"), or unless ordered by a court or government agency, (i) disclose to any subsequent employer or unauthorized person any Confidential Information or Trade Secrets, or (ii) retain or take with you when you leave the Company any property of the Company or any documents (including any electronic or computer records) relating to any Confidential Information or Trade Secrets.

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

13. **FAILURE TO COMPLY.** By electronically signing Exhibit A, you agree that, if you fail to comply with any of the promises that you made in Section 11 or 12 above, you will return to the Company any shares of Common Stock (or the market value of any shares of Common Stock received) which you received at any time from 180 days prior to the earlier of (i) the date when you leave the Company or (ii) the date you fail to comply with any such promise you made in Section 11 or 12 to 180 days after the date when the Company learns that you have

not complied with any such promise. You agree that you will return such shares of Common Stock to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to set off the market value of any such shares of Common Stock against any amount that might be owed to you by the Company.

#### **NO DIRECT COMPETITION**

14. **SOLICITATION OF CUSTOMERS; NO EMPLOYMENT WITH WESTERN ROADS.** By electronically signing Exhibit A, you agree for a period of one year following your departure from the Company, you will not (directly or in association with others) call on or solicit the business of any of the Company's customers with whom you actually did business or otherwise had personal contact while you were employed by the Company, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Company in the states in which the Company now operates. You further agree that for the same time period, you will not become an employee, contractor or consultant for any of the following companies, which compete directly with the Company: Burlington Northern Santa Fe Corporation; Kansas City Southern Industries, Inc.; Dakota, Minnesota & Eastern Railway Company; Illinois Central Corporation; and Texas Mexican Railway Company (including their respective affiliates and subsidiaries or any company which acquires or is acquired by any such company) (the "Western Roads"). This Section 14 is not intended to prevent you from working for any employer other than a Western Road. This Section does not apply to employees who work in California at the time when this Agreement is electronically signed or when their employment with the Company ends.

15. **ACKNOWLEDGMENT; INJUNCTIVE RELIEF.** By electronically signing Exhibit A, you acknowledge that Section 14 will not prevent you from being gainfully employed after you leave the Company, because you will remain free to work in any occupation, profession, trade, or business so long as you comply with your promises in Section 14. You also agree that because money damages would not be adequate to compensate the Company if you violate any of your promises in Section 14, the Company would be entitled to an injunction from a Court to enforce those promises.

16. **VIOLATION OF PROMISES.** By electronically signing Exhibit A, you agree that if you violate any of your promises in Section 14, then you will return to the Company any shares of Common Stock (or the fair market value thereof) granted to you by this Agreement which you received at any time from 180 days prior to the date when you leave the Company to 180 days after the date when the Company learns that you have not complied with the promises you made in Section 14. You agree that you will return such shares of Common Stock (or the fair market value thereof) to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to set off the market value of



any such shares of Common Stock against any amount that might be owed to you by the Company.

#### **GENERAL**

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

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

19. **CHOICE OF LAW.** All questions pertaining to the construction, regulation, validity, and effect of this Agreement shall be determined in accordance with the laws of the State of Utah, without regard to the conflict of laws doctrine.

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

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

**2008 LONG TERM PLAN**  
**AMENDED AND RESTATED STOCK UNIT AGREEMENT**

Dated: January 31, 2008

This Letter Agreement (the "Agreement") will confirm an award to you of stock units ("Stock Units"), as of the date hereof, by Union Pacific Corporation (the "Company"), under the 2004 Stock Incentive Plan of the Company, as amended from time to time (the "Plan"), a copy of which is included in this grant package on this website and made a part hereof. This Agreement has been amended and restated by the Company in accordance with Section 19 of the Plan, effective as of January 1, 2009, to reflect the provisions of Section 409A of the Internal Revenue Code, as amended (the "Code").

**STOCK UNITS**

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

2. **RESTRICTION PERIOD.** The period during which the restrictions set forth herein and in the Plan shall apply to your right to receive the Stock Units granted to you shall commence on the date hereof and expire January 31, 2011 if the Performance Criteria described below for such Stock Units have been satisfied (the "Restriction Period"), subject to the provisions of Section 6 hereof. During the Restriction Period, you may be entitled to receive Dividend Equivalent Payments, subject to the provisions of Section 4 hereof.

3. **PERFORMANCE CRITERIA.** The Performance Criteria is annual Return on Invested Capital ("ROIC"). However, such Performance Criteria are of no force and effect unless and until the Company has operating income ("Operating Income") in one or more of fiscal years 2008, 2009 or 2010. The definition and calculation of annual ROIC and Operating Income shall be determined in accordance

with the Long Term Plan document approved and adopted by the Compensation and Benefits Committee of the Company's Board of Directors (the "Committee").

For the fiscal year ending December 31, 2008, you may earn up to one-third of your Stock Unit Target Award as shown on Exhibit A for those Stock Units which have met the applicable ROIC Performance Criteria. For the fiscal year ending December 31, 2009, you may earn up to a total of two-thirds of your Stock Unit Target Award as shown on Exhibit A based on the average of the first two fiscal years of ROIC performance achieved less any Stock Units earned in the first fiscal year. For the fiscal year ending December 31, 2010, you may earn up to two hundred percent of your Stock Unit Target Award as shown on Exhibit A based on the average of all three fiscal years (2008, 2009, and 2010) of ROIC performance achieved less any Stock Units earned in the first two fiscal years.

**4. DIVIDEND EQUIVALENT RIGHTS.** During the Restriction Period, for those Stock Units which have met the applicable Performance Criteria, unless otherwise determined by the Committee, you shall be entitled to receive Dividend Equivalent Payments. Once such Stock Units are earned, Dividend Equivalent Payments shall be made on the payment date established by the Board of Directors for the underlying dividend payments; provided, however, that if you have elected to defer receipt of such Stock Units in accordance with the terms of the Deferred Compensation Plan of Union Pacific Corporation (the "Deferred Compensation Plan"), payment of such Dividend Equivalent Payments shall be made in accordance with the provisions of Section 11 of the Plan.

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

**6. LAPSE OF RESTRICTIONS AND PAYMENT OF STOCK UNITS.** (i) At the end of the Restriction Period and provided you have remained continuously employed by the Company or a Subsidiary, unless otherwise determined by the Committee, shares of Common Stock equal to the number of Stock Units which have met the applicable Performance Criteria shall be delivered to you (through your account at the Company's third party stock plan administrator, if applicable) free of all restrictions, provided the Company has Operating Income in one or more of the fiscal years 2008, 2009 or 2010. The payment of the Stock Units under this Section 6(i) shall be made in accordance with the provisions of Section 9(f) of the Plan.

(ii) If you have a separation from service with the Company or a Subsidiary prior to the end of the Restriction Period and prior to a Change in Control because you die or become disabled (as determined under the provisions of the Company's or a Subsidiary's long-term disability plan), unless otherwise determined by the Committee, you, your estate or your beneficiary, as the case may be, shall be entitled to receive shares of Common Stock equal to the number of Stock Units which have met the applicable Performance Criteria through the end of the fiscal year ending prior to the date of your death or disability, as the case may be, provided the Company has Operating Income in one or more of the fiscal years 2008, 2009 or 2010 and further provided that such fiscal year precedes the date of your death or disability. The payment of the Stock Units under this Section 6(ii) shall be made in accordance with the payment provisions of Section 9(c) of the Plan, subject, to the extent applicable, to Section 6(v) of this Agreement.

(iii) If a Change in Control occurs prior to the end of the Restriction Period and prior to your death, disability or having retired after attaining Retirement Status (as defined in Section 2 of the Plan with respect to Stock Units granted in 2008), shares of Common Stock equal to the number of Stock Units that would have been deliverable if the Performance Criteria shall have been satisfied at the greater of one hundred percent of your Stock Unit Target Award as shown on Exhibit A or the number of Stock Units that would have been delivered based on the Performance Criteria satisfied through the end of each fiscal year prior to the occurrence of such Change in Control and through the end of the most recent fiscal quarter ending prior to the date of the Change in Control shall be delivered to you (through your account at the Company's third party administrator, if applicable) free of all restrictions, provided the Company has Operating Income in one or more of the calendar years 2008, 2009 or 2010 and further provided that any such calendar year precedes the date of the Change in Control. In either event following the Change in Control no greater Performance Criteria may be earned under this Agreement. Shares of Common Stock to which you are entitled pursuant to this Section 6(iii) shall be

delivered to you in accordance with the payment provisions set forth in Section 9(d) of the Plan, subject, to the extent applicable, to Section 6(v) of this Agreement.

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

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

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

8. **SUBJECT TO PLAN.** The award confirmed by this Agreement is subject to the terms and conditions of the Plan, as the same may be amended from time to time in accordance with Section 19 thereof.

### **PROTECTION OF CONFIDENTIALITY**

9. **CONFIDENTIAL INFORMATION; TRADE SECRETS.** By electronically accepting this Agreement, you acknowledge that the Company regards certain information relating to its business and operations as confidential. This includes all information that the Company could reasonably be expected to keep confidential and whose disclosure to third parties would likely be disparaging or detrimental to the Company ("Confidential Information"). Your electronic signature also acknowledges that the Company has certain information that derives economic value from not being known to the general public or to others who could obtain economic value from its disclosure or use, which the Company takes reasonable efforts to protect the secrecy of ("Trade Secrets").

10. **TYPES OF CONFIDENTIAL INFORMATION OR TRADE SECRETS.** By electronically accepting this Agreement, you acknowledge that you developed or have had or will have access to one or more of the following types of Confidential Information or Trade Secrets: information about rates or costs; customer or supplier agreements and negotiations; business opportunities; scheduling and delivery methods; business and marketing plans; financial information or plans; communications

within the attorney-client privilege or other privileges; operating procedures and methods; construction methods and plans; proprietary computer systems design, programming or software; strategic plans; succession plans; proprietary company training programs; employee performance, compensation or benefits; negotiations or strategies relating to collective bargaining agreements and/or labor disputes; and internal or external claims or complaints regarding personal injuries, employment laws or policies, environmental protection, or hazardous materials. By electronically accepting this Agreement, you agree that any disclosures by you to any third party of such Confidential Information or Trade Secrets would constitute gross misconduct within the meaning of the Plan.

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

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

such employment could reasonably be expected to be performed without improper disclosure of the Company's Confidential Information or Trade Secrets.

13. **FAILURE TO COMPLY.** By electronically accepting this Agreement, you agree that, if you fail to comply with any of the promises that you made in Section 11 or 12 above, you will return to the Company any shares of Common Stock (or the market value of any shares of Common Stock received) which you received at any time from 180 days prior to the earlier of (i) the date when you leave the Company or (ii) the date you fail to comply with any such promise you made in Section 11 or 12 to 180 days after the date when the Company learns that you have not complied with any such promise. You agree that you will return such shares of Common Stock to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to set off the market value of any such shares of Common Stock against any amount that might be owed to you by the Company.

#### **NO DIRECT COMPETITION**

14. **SOLICITATION OF CUSTOMERS; NO EMPLOYMENT WITH WESTERN ROADS.** By electronically accepting this Agreement, you agree for a period of one year following your departure from the Company, you will not (directly or in association with others) call on or solicit the business of any of the Company's customers with whom you actually did business or otherwise had personal contact while you were employed by the Company, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Company in the states in which the Company now operates. You further agree that for the same time period, you will not become an employee, contractor or consultant for any of the following companies, which compete directly with the Company: Burlington Northern Santa Fe Corporation; Kansas City Southern Industries, Inc.; Dakota, Minnesota & Eastern Railway Company; Illinois Central Corporation; and Texas Mexican Railway Company (including their respective affiliates and subsidiaries or any company which acquires or is acquired by any such company) (the "Western Roads"). This Section 14 is not intended to prevent you from working for any employer other than a Western Road. This Section does not apply to employees who work in California at the time when this Agreement is electronically signed or when their employment with the Company ends.

15. **ACKNOWLEDGMENT; INJUNCTIVE RELIEF.** By electronically accepting this Agreement, you acknowledge that Section 14 will not prevent you from being gainfully employed after you leave the Company, because you will remain free to work in any occupation, profession, trade, or business so long as you comply with your promises in Section 14. You also agree that because money damages would not be

adequate to compensate the Company if you violate any of your promises in Section 14, the Company would be entitled to an injunction from a Court to enforce those promises.

16. **VIOLATION OF PROMISES.** By electronically accepting this Agreement, you agree that if you violate any of your promises in Section 14, then you will return to the Company any shares of Common Stock (or the fair market value thereof) granted to you by this Agreement which you received at any time from 180 days prior to the date when you leave the Company to 180 days after the date when the Company learns that you have not complied with the promises you made in Section 14. You agree that you will return such shares of Common Stock (or the fair market value thereof) to the Company on such terms and conditions as may be required by the Company. You further agree that the Company will be entitled to set off the market value of any such shares of Common Stock against any amount that might be owed to you by the Company.

#### **GENERAL**

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

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

19. **CHOICE OF LAW.** All questions pertaining to the construction, regulation, validity, and effect of this Agreement shall be determined in accordance with the laws of the State of Utah, without regard to the conflict of laws doctrine.

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



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

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

<i>Millions of Dollars, Except for Ratios</i>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Fixed charges:</b>					
Interest expense including amortization of debt discount	\$ 511	\$ 482	\$ 477	\$ 504	\$ 527
Portion of rentals representing an interest factor	226	237	243	220	206
<b>Total fixed charges</b>	<b>\$ 737</b>	<b>\$ 719</b>	<b>\$ 720</b>	<b>\$ 724</b>	<b>\$ 733</b>
<b>Earnings available for fixed charges:</b>					
Net income	\$ 2,338	\$ 1,855	\$ 1,606	\$ 1,026	\$ 604
Equity earnings net of distributions	(53)	(69)	(59)	(48)	(47)
Income taxes	1,318	1,154	919	410	252
Fixed charges	737	719	720	724	733
<b>Earnings available for fixed charges</b>	<b>\$ 4,340</b>	<b>\$ 3,659</b>	<b>\$ 3,186</b>	<b>\$ 2,112</b>	<b>\$ 1,542</b>
<b>Ratio of earnings to fixed charges</b>	<b>5.9</b>	<b>5.1</b>	<b>4.4</b>	<b>2.9</b>	<b>2.1</b>

**SIGNIFICANT SUBSIDIARIES OF UNION PACIFIC CORPORATION**

Name of Corporation

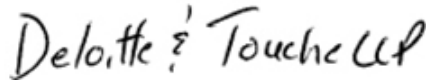
Union Pacific Railroad Company  
Southern Pacific Rail Corporation

State of Incorporation

Delaware  
Utah

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 33-12513, Registration Statement No. 33-53968, Registration Statement No. 33-49785, Registration Statement No. 33-49849, Registration Statement No. 33-51071, Registration Statement No. 333-10797, Registration Statement No. 333-13115, Registration Statement No. 333-16563, Registration Statement No. 333-88225, Registration Statement No. 333-88709, Registration Statement No. 333-57958, Registration Statement No. 333-61856, Registration Statement No. 333-42768, Registration Statement No. 333-106707, Registration Statement No. 333-106708, Registration Statement No. 333-105714, Registration Statement No. 333-105715, Registration Statement No. 333-116003, Registration Statement No. 333-132324 and Registration Statement No. 333-155708 on Forms S-8 and Registration Statement No. 333-88666, Amendment No. 1 to Registration Statement No. 333-88666, Registration Statement No. 333-111185, and Registration Statement No. 333-141084 on Forms S-3 of our reports dated February 5, 2009, relating to the consolidated financial statements and financial statement schedule of Union Pacific Corporation and Subsidiary Companies (the Corporation) (which report expressed an unqualified opinion and included an explanatory paragraph relating to the Corporation's adoption, in 2006, of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*) and the effectiveness of the Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Union Pacific Corporation and Subsidiary Companies for the year ended December 31, 2008.

Handwritten signature of Deloitte & Touche LLP in black ink.

Omaha, Nebraska  
February 5, 2009

**UNION PACIFIC CORPORATION**

**Powers of Attorney**

Each of the undersigned directors of Union Pacific Corporation, a Utah corporation (the Company), do hereby appoint each of James R. Young, Barbara W. Schaefer, and Thomas E. Whitaker his or her true and lawful attorney-in-fact and agent, to sign on his or her behalf the Company's Annual Report on Form 10-K, for the year ended December 31, 2008, and any and all amendments thereto, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the undersigned have executed this Power of Attorney as of February 5, 2009.

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

/s/ Charles C. Krulak  
Charles C. Krulak

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

/s/ Michael W. McConnell  
Michael W. McConnell

/s/ Thomas J. Donohue  
Thomas J. Donohue

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

/s/ Archie W. Dunham  
Archie W. Dunham

/s/ Steven R. Rogel  
Steven R. Rogel

/s/ Judith Richards Hope  
Judith Richards Hope

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, James R. Young, certify that:

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

Date: February 6, 2009

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

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, Robert M. Knight, certify that:

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

Date: February 6, 2009

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

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

In connection with the accompanying Annual Report of Union Pacific Corporation (the Corporation) on Form 10-K for the period ending December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, James R. Young, Chairman, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

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

February 6, 2009

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

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

In connection with the accompanying Annual Report of Union Pacific Corporation (the Corporation) on Form 10-K for the period ending December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Robert M. Knight, Jr., Executive Vice President – Finance and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

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

February 6, 2009

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.