FORM 10-Q

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

(Mark One)

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

For the quarterly period ended June 30, 2000

- OR -

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

For the transition period from ___________________ to ________________

Commission file number 1-6075

UNION PACIFIC CORPORATION
(Exact name of registrant as specified in its charter)

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

1416 DODGE STREET, OMAHA, NEBRASKA
(Address of principal executive offices)

68179
(Zip Code)

(402) 271-5777
(Registrant's telephone number, including area code)

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

YES X NO

As of July 31, 2000, there were 247,860,433 shares of the Registrant's Common Stock outstanding.

UNION PACIFIC CORPORATION
AND SUBSIDIARY COMPANIES
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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

STATEMENT OF CONSOLIDATED INCOME (Unaudited)
Union Pacific Corporation and Subsidiary Companies
For the Three Months Ended June 30, 2000 and 1999

	Millions, Except Per Share and Ratios	2000	1999
OPERATING REVENUES	Rail, trucking and other (Note 2)	$ 2,979	$ 2,773
OPERATING EXPENSES	Salaries, wages and employee benefits	1,040	1,057
	Equipment and other rents	321	325
	Depreciation	283	268
	Fuel and utilities (Note 4)	311	202
	Materials and supplies	155	146
	Casualty costs	84	95
	Other costs	243	239
	Total	2,437	2,332
INCOME	Operating Income	542	441
	Other income (Note 7)	24	24
	Interest expense	(180)	(184)
	Income before Income Taxes	386	281
	Income taxes	(142)	(87)
	Net Income	$ 244	$ 194
EARNINGS PER SHARE	Basic - Net Income	$ 0.99	$ 0.79
(NOTE 6)	Diluted - Net Income	$ 0.96	$ 0.77
	Weighted Average Number of Shares (Basic)	246.4	246.5
	Weighted Average Number of Shares (Diluted)	269.4	270.6
	Cash Dividends Per Share	$ 0.20	$ 0.20
	Ratio of Earnings to Fixed Charges (Note 8)	2.7	2.2

The accompanying notes to the financial statements are an integral part of these statements.

STATEMENT OF CONSOLIDATED INCOME (Unaudited)
Union Pacific Corporation and Subsidiary Companies
For the Six Months Ended June 30, 2000 and 1999

	Millions, Except Per Share and Ratios	2000	1999
OPERATING REVENUES	Rail, trucking and other (Note 2)	$ 5,892	$ 5,513
OPERATING EXPENSES	Salaries, wages and employee benefits	2,105	2,133
	Equipment and other rents	648	656
	Depreciation	565	538
	Fuel and utilities (Note 4)	622	391
	Materials and supplies	311	290
	Casualty costs	178	206
	Other costs	469	496
	Total	4,898	4,710
INCOME	Operating Income	994	803
	Other income (Note 7)	44	49
	Interest expense	(362)	(370)
	Income before Income Taxes	676	482
	Income taxes	(247)	(159)
	Net Income	$ 429	$ 323
EARNINGS PER SHARE	Basic - Net Income	$ 1.74	$ 1.31
(NOTE 6)	Diluted - Net Income	$ 1.70	$ 1.31
	Weighted Average Number of Shares (Basic)	246.4	246.4
	Weighted Average Number of Shares (Diluted)	269.4	247.7
	Cash Dividends Per Share	$ 0.40	$ 0.40
	Ratio of Earnings to Fixed Charges (Note 8)	2.6	2.0

The accompanying notes to the financial statements are
an integral part of these statements.

STATEMENT OF CONSOLIDATED FINANCIAL POSITION
Union Pacific Corporation and Subsidiary Companies

	Millions of Dollars	(Unaudited) June 30, 2000	Dec. 31, 1999
ASSETS			
Current Assets	Cash and temporary investments	$ 72	$ 175
	Accounts receivable (Note 4)	569	581
	Inventories	324	337
	Current deferred tax asset	114	111
	Other current assets	115	110
	Total	1,194	1,314
Investments	Investments in and advances to affiliated companies	599	657
	Other investments	107	96
	Total	706	753
Properties	Cost	34,964	34,370
	Accumulated depreciation	(7,139)	(6,851)
	Net	27,825	27,519
Other	Other assets	477	302
	Total Assets	$ 30,202	$ 29,888
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities	Accounts payable	$ 633	$ 598
	Accrued wages and vacation	430	409
	Accrued casualty costs	394	385
	Income and other taxes	253	256
	Dividends and interest	258	290
	Debt due within one year	206	214
	Other current liabilities	668	733
	Total	2,842	2,885
Other Liabilities and Stockholders' Equity	Debt due after one year (Note 5)	8,365	8,426
	Deferred income taxes	6,921	6,715
	Accrued casualty costs	873	934
	Retiree benefit obligations	794	791
	Other long-term liabilities	568	636
	Company-obligated Mandatorily Redeemable Convertible Preferred Securities (Note 5)	1,500	1,500
	Common stockholders' equity (Page 5)	8,339	8,001
	Total Liabilities and Stockholders' Equity	$ 30,202	$ 29,888

The accompanying notes to the financial statements are
an integral part of these statements.

STATEMENT OF CONSOLIDATED CASH FLOWS (Unaudited)
Union Pacific Corporation and Subsidiary Companies
For the Six Months Ended June 30, 2000 and 1999

	Millions of Dollars	2000	1999
CASH PROVIDED BY OPERATIONS	Net Income	$ 429	$ 323
	Non-cash charges to income:		
	Depreciation	565	538
	Deferred income taxes	200	161
	Other - net	(172)	(174)
	Changes in current assets and liabilities	(26)	130
	Cash Provided by Operations	996	978
INVESTING ACTIVITIES	Capital investments	(817)	(824)
	Other - net	(117)	(17)
	Cash Used in Investing Activities	(934)	(841)
EQUITY AND FINANCING ACTIVITIES	Dividends paid	(101)	(98)
	Debt repaid	(539)	(528)
	Net financings	478	642
	Other - net	(3)	2
	Cash Provided by (Used in) Equity and Financing Activities	(165)	18
	Net Change in Cash and Temporary Investments	(103)	155
	Cash at Beginning of Period	175	176
	Cash at End of Period	$ 72	$ 331
CHANGES IN CURRENT ASSETS AND LIABILITIES	Accounts receivable	$ 12	$ 82
	Inventories	13	2
	Other current assets	(8)	(10)
	Accounts, wages and vacation payable	56	106
	Debt due within one year	(8)	34
	Other current liabilities	(91)	(84)
	Total	$ (26)	$ 130

The accompanying notes to the financial statements are an integral part of these statements.

STATEMENT OF CHANGES IN COMMON STOCKHOLDERS' EQUITY (Unaudited)
Union Pacific Corporation and Subsidiary Companies
For the Six Months Ended June 30, 2000

Millions of Dollars	[a] Common Shares	Paid-in-Surplus	Retained Earnings	[b] Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance at December 31, 1999...........	$ 691	$ 4,019	$ 5,053	$ (1,756)	$ (6)	$ 8,001
Net Income.............................	--	--	429	--	--	429
Other Comprehensive Income:						
Foreign Currency Translation........	--	--	--	--	4	4
Comprehensive Income...................	--	--	--	--	--	433
Conversions, exercises of stock options, forfeitures and other.......	--	--	--	3	--	3
Dividends declared ($0.40 per share)...	--	--	(98)	--	--	(98)
Balance at June 30, 2000...............	$ 691	$ 4,019	$ 5,384	$ (1,753)	$ (2)	$ 8,339

[a] Common stock $2.50 par value; 500,000,000 shares authorized; 276,294,217 shares issued at beginning of period; 276,321,151 shares issued at end of period.

[b] 28,477,845 treasury shares at end of period, at cost.

The accompanying notes to the financial statements are an integral part of these statements.

UNION PACIFIC CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. RESPONSIBILITIES FOR FINANCIAL STATEMENTS - The Consolidated Financial Statements are unaudited and reflect all adjustments (consisting only of normal and recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods presented. The Statement of Consolidated Financial Position at December 31, 1999 is derived from audited financial statements. The Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto contained in the Union Pacific Corporation's (the Corporation or UPC) Annual Report to Shareholders incorporated by reference in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999. The results of operations for the three months and six months ended June 30, 2000 are not necessarily indicative of the results for the entire year ending December 31, 2000.

2. SEGMENTATION - Union Pacific Corporation consists of one reportable segment, rail transportation, and UPC's other product lines (Other Operations). The rail segment includes the operations of the Corporation's wholly owned subsidiary, Union Pacific Railroad Company (UPRR) and UPRR's subsidiaries and rail affiliates (the Railroad). Other Operations include the trucking product line (Overnite Transportation Company or Overnite), as well as the "other" product lines that include technology, self-insurance activities, corporate holding company operations, which largely support the Railroad, and all appropriate consolidating entries.

The following table details reportable financial information for UPC's rail transportation segment and Other Operations for the three months and six months ended June 30, 2000 and 1999:

	Six Months Ended		Six Months Ended	
	June 30, 2000	June 30, 1999	June 30, 2000	June 30, 1999
Net sales and revenues from external customers [a]:				
Rail	$ 2,687	$ 2,491	$ 5,324	$ 4,970
Trucking	283	273	552	526
Other [b]	9	9	16	17
Consolidated	$ 2,979	$ 2,773	$ 5,892	$ 5,513
Net income (loss):				
Rail	$ 264	$ 206	$ 478	$ 355
Trucking	13	11	15	20
Other [b]	(33)	(23)	(64)	(52)
Consolidated	$ 244	$ 194	$ 429	$ 323
Assets:				
Rail	$ 29,087	$ 28,640	$ 29,087	$ 28,640
Trucking	888	869	888	869
Other [b]	227	278	227	278
Consolidated	$ 30,202	$ 29,787	$ 30,202	$ 29,787

[a] The Corporation does not have significant intercompany sales activities.

[b] Included in the "Other" product line are the results of the corporate holding company; Union Pacific Technologies, a provider of transportation-related technologies; Wasatch Insurance Limited, a captive insurance company; and all necessary consolidating entries.

3. ACQUISITIONS

SOUTHERN PACIFIC RAIL CORPORATION (SOUTHERN PACIFIC OR SP) - UPC consummated the acquisition of Southern Pacific in September 1996. The acquisition of SP was accounted for as a purchase and was fully consolidated into UPC's results beginning in October 1996.

Merger Consolidation Activities - In connection with the acquisition and continuing integration of UPRR and Southern Pacific's rail operations, UPC is in the process of eliminating 5,200 duplicate positions, which are primarily employees involved in activities other than train, engine and yard activities. In addition, UPC is relocating 4,700 positions, merging or disposing of redundant facilities, and disposing of certain rail lines. The Corporation is also canceling uneconomical and duplicative SP contracts.

To date, UPC has eliminated 3,600 positions and relocated 4,500 employees due to merger consolidation activities. UPC recognized a $958 million pre-tax liability as part of the SP purchase price allocation for costs associated with SP's portion of these activities. In addition, the Railroad expects to incur between $10 million and $30 million over the remaining merger implementation period in pre-tax, acquisition-related costs for severing or relocating UPRR employees, disposing of certain UPRR facilities, training and equipment upgrading. Earnings for the three months ended June 30, 2000 and 1999 included $5 million and $8 million after-tax, respectively, and the six months ended June 30, 2000 and 1999, included $11 million and $17 million, after-tax, respectively, for acquisition-related costs for UPRR consolidation activities.

The components of the merger liability as of June 30, 2000 were as follows:

Millions of Dollars	Original Reserve	Cumulative Activity	Current Reserve
Labor protection related to legislated and contractual obligations...	$ 361	$ 361	$ --
Severance costs..	343	269	74
Contract cancellation fees and facility and line closure costs.......	145	141	4
Relocation costs...	109	94	15
Total..	$ 958	$ 865	$ 93

Merger liability activity reflects cash payments for merger consolidation activities and reclassification of contractual obligations from merger liabilities to contractual liabilities. In addition, where merger implementation has varied from the original merger plan, the Corporation has adjusted the merger liability and the fair value allocation of SP's purchase price to fixed assets to eliminate the variance. Where the merger implementation has caused the Corporation to incur more costs than were envisioned in the original merger plan, such costs are charged to expense in the period incurred. The Corporation charged $2 million and $6 million against the merger liability during the three and six months ended June 30, 2000, respectively. The Corporation expects that the remaining merger payments will be made over the course of the next 18 months as labor negotiations are completed and implemented, and related merger consolidation activities are finalized.

MEXICAN RAILWAY CONCESSION - During 1997, the Corporation's rail subsidiary, UPRR, and a consortium of partners were granted a 50-year concession to operate the Pacific-North and Chihuahua Pacific lines in Mexico and a 25% stake in the Mexico City Terminal Company at a price of $525 million. The consortium assumed operational control of both lines in 1998. In March 1999, UPRR purchased an additional 13% ownership interest for $87 million from one of its partners. The Railroad now holds a 26% ownership share in the consortium. The investment is accounted for under the equity method. The Corporation's portion of the consortium's assets and liabilities is translated into U.S. dollars using the exchange rate in effect at the balance sheet date. The Corporation's portion of the consortium's net income is translated into U.S. dollars at weighted-average exchange rates prevailing during the year. The resulting translation adjustments are reflected within the stockholders' equity component, accumulated other comprehensive income.

4. FINANCIAL INSTRUMENTS

STRATEGY AND RISK - The Corporation and its subsidiaries use derivative financial instruments in limited instances and for other than trading purposes to manage risk related to changes in fuel prices and interest rates. The Corporation uses swaps, futures and/or forward contracts to mitigate the downside risk of adverse price and rate movements; however, the use of these instruments also limits future gains from favorable movements. The purpose of these programs is to protect the Corporation's operating margins and overall profitability from adverse fuel price changes or interest rate fluctuations. The Corporation manages its overall exposure to fluctuations in interest rates by adjusting the proportion of fixed and floating rate debt instruments within its debt portfolio over a given period. Derivatives are used in limited circumstances as one of the tools to obtain the targeted mix. The mix of fixed and floating rate debt is largely managed through the issuance of targeted amounts of each as debt matures or as incremental borrowings are required. The Corporation also obtains additional flexibility in managing interest costs and the interest rate mix within its debt portfolio by issuing callable fixed-rate debt securities.

MARKET AND CREDIT RISK - The Corporation addresses market risk related to these instruments by selecting instruments whose value fluctuations highly correlate with the underlying item being hedged. Credit risk related to derivative financial instruments, which is minimal, is managed by requiring high credit standards for counterparties and periodic settlements. The total credit risk associated with the Corporation's counterparties was $27 million at June 30, 2000. The Corporation has not been required to provide collateral; however, UPC has received collateral relating to its hedging activity where the concentration of credit risk was substantial.

DETERMINATION OF FAIR VALUE - The fair market values of the Corporation's derivative financial instrument positions at June 30, 2000 and December 31, 1999, detailed below, were determined based upon current fair market values as quoted by recognized dealers or developed based upon the present value of expected future cash flows discounted at the applicable U.S. Treasury rate and swap spread.

The following is a summary of the Corporation's derivative financial instruments at June 30, 2000 and December 31, 1999:

Millions Except Percentages and Average Commodity Prices	June 30, 2000	December 31, 1999
Interest Rate Hedging:		
Amount of debt hedged	$ --	$ 54
Percentage of total debt portfolio	--	1%
Rail Fuel Hedging:		
Number of gallons hedged for 2000	63	126
Percentage of forecasted 2000 fuel consumption hedged	9%	10%
Average price of 2000 hedges outstanding (per gallon) [a]	$ 0.40	$ 0.40
Trucking Fuel Hedging:		
Number of gallons hedged for 2000	3	5
Percentage of forecasted 2000 fuel consumption hedged	9%	10%
Average price of 2000 hedges outstanding (per gallon) [a]	$ 0.39	$ 0.39

[a] Excluding taxes, transportation costs and regional pricing spreads.

The asset and liability positions of the Corporation's outstanding derivative financial instruments at June 30, 2000 and December 31, 1999 were as follows:

Millions of Dollars	June 30, 2000	December 31, 1999
Interest Rate Hedging:		
Gross fair market asset position	$ --	$ 56
Gross fair market (liability) position	--	(1)
Rail Fuel Hedging:		
Gross fair market asset position	26	22
Gross fair market (liability) position	--	--
Trucking Fuel Hedging:		
Gross fair market asset position	1	1
Gross fair market (liability) position	--	--
Total net asset position	$ 27	$ 78

The Corporation's use of derivative financial instruments had the following impact on pre-tax income for the three months and six months ended June 30, 2000 and 1999:

Millions of Dollars	Three Months Ended June 30, 2000	Three Months Ended June 30, 1999	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
Increase in interest expense from interest rate hedging	$ --	$ 1	$ --	$ 1
Increase (decrease) in fuel expense from Rail fuel hedging	(10)	--	(20)	19
Increase (decrease) in fuel expense from Trucking fuel hedging	--	--	(1)	1
Reduction (Increase) in pre-tax income	$ (10)	$ 1	$ (21)	$ 21

SALE OF RECEIVABLES - The Railroad has sold, on a revolving basis, an undivided percentage ownership interest in a designated pool of accounts receivable to third parties through a bankruptcy-remote subsidiary (the Subsidiary). The Subsidiary is collateralized by a $66 million note from UPRR. The amount of receivables sold fluctuates based upon the availability of the designated pool of receivables and is directly affected by changing business volumes and credit risks. At June 30, 2000 and December 31, 1999, accounts receivable are presented net of $576 million receivables sold.

5. DEBT

CREDIT FACILITIES - On June 30, 2000, the Corporation had $2.0 billion in revolving credit facilities, of which $1.0 billion expires in 2001, with the remaining $1.0 billion expiring in 2004. The facilities, which were entered into during March 2000, are designated for general corporate purposes and replaced a $2.8 billion facility due to expire in 2001.

CONVERTIBLE PREFERRED SECURITIES - Union Pacific Capital Trust (the Trust), a statutory business trust sponsored and wholly owned by the Corporation, has issued $1.5 billion aggregate liquidation amount of 6-1/4% Convertible Preferred Securities (the CPS). Each of the CPS has a stated liquidation amount of $50 and is convertible, at the option of the holder, into shares of UPC's common stock, par value $2.50 per share (the Common Stock), at the rate of 0.7257 shares of Common Stock for each of the CPS, equivalent to a conversion price of $68.90 per share of Common Stock, subject to adjustment under certain circumstances. The CPS accrue and pay cash distributions quarterly in arrears at the annual rate of 6-1/4% of the stated liquidation amount. The Corporation owns all of the common securities of the Trust. The proceeds from the sale of the CPS and the common securities of the Trust were invested by the Trust in $1.5 billion aggregate principal amount of the Corporation's Convertible Junior Subordinated Debentures due 2028, which debentures represent the sole assets of the Trust. For financial reporting purposes, the Corporation has recorded distributions payable on the CPS as an interest charge to earnings in the statement of consolidated income.

SHELF REGISTRATION STATEMENT - Under currently effective shelf registration statements, the Corporation may issue, from time to time, any combination of debt securities, preferred stock, or warrants for debt securities or preferred stock in one or more offerings. At June 30, 2000, the Corporation had $600 million remaining for issuance under the shelf registration. The Corporation has no immediate plans to issue equity securities.

SIGNIFICANT NEW BORROWINGS - During June 2000, the Corporation issued $250 million of floating rate debt under its shelf registration statement with a maturity date of July 1, 2002. The proceeds from the issuance of this debt were used for repayment of debt and other general corporate purposes.

6. EARNINGS PER SHARE - The following table provides a reconciliation between basic and diluted earnings per share for the three months and six months ended June 30, 2000 and 1999:

Millions, Except Per Share Amounts	Three Months Ended June 30, 2000	1999
Income Statement Data:		
Net income available to common stockholders - Basic	$ 244	$ 194
Dilutive effect of interest associated with the CPS	15	15
Net income available to common stockholders - Diluted	$ 259	$ 209
Weighted-Average Number of Shares Outstanding:		
Basic	246.4	246.5
Dilutive effect of common stock equivalents	23.0	24.1
Diluted	269.4	270.6
Earnings Per Share:		
Basic - net income	$ 0.99	$ 0.79
Diluted - net income	$ 0.96	$ 0.77

Millions, Except Per Share Amounts	Six Months Ended June 30, 2000	1999
Income Statement Data:		
Net income available to common stockholders - Basic	$ 429	$ 323
Dilutive effect of interest associated with the CPS [a]	30	--
Net income available to common stockholders - Diluted	$ 459	$ 323
Weighted-Average Number of Shares Outstanding:		
Basic	246.4	246.4
Dilutive effect of common stock equivalents [b]	23.0	1.3
Diluted	269.4	247.7
Earnings Per Share:		
Basic - net income	$ 1.74	$ 1.31
Diluted - net income	$ 1.70	$ 1.31

[a] In 1999, the effect of $30 million of interest associated with the CPS was anti-dilutive (Note 5).

[b] 1999 excludes the effect of anti-dilutive common stock equivalents related to the CPS, which were 21.8 million.

7. OTHER INCOME - Other income included the following for the three months and six months ended June 30, 2000 and 1999:

Millions of Dollars	Three Months Ended June 30, 2000	1999
Net gain on asset dispositions	$ 12	$ 7
Rental income	15	13
Interest income	3	4
Other - net	(6)	--
Total	$ 24	$ 24

Millions of Dollars	Six Months Ended June 30, 2000	1999
Net gain on asset dispositions	$ 22	$ 18
Rental income	29	25
Interest income	5	8
Other - net	(12)	(2)
Total	$ 44	$ 49

8. RATIO OF EARNINGS TO FIXED CHARGES - The ratio of earnings to fixed charges has been computed on a consolidated basis. Earnings represent net income less equity in undistributed earnings of unconsolidated affiliates, plus income taxes and fixed charges. Fixed charges represent interest, amortization of debt discount and the estimated interest portion of rental charges.

9. COMMITMENTS AND CONTINGENCIES - There are various claims and lawsuits pending against the Corporation and certain of its subsidiaries. The Corporation is also subject to federal, state and local environmental laws and regulations, pursuant to which it is currently participating in the investigation and remediation of numerous sites. In addition, the Corporation and its subsidiaries also periodically enter into financial and other commitments in connection with their businesses, and have retained certain contingent liabilities upon the disposition of formerly owned operations. It is not possible at this time for the Corporation to determine fully the effect of all unasserted claims on its consolidated financial condition, results of operations or liquidity; however, to the extent possible, where unasserted claims can be estimated and where such claims are considered probable, the Corporation has recorded a liability. The Corporation does not expect that any known lawsuits, claims, environmental costs, commitments or guarantees will have a material adverse effect on its consolidated financial condition, results of operations or liquidity. Certain potentially significant contingencies relating to the Corporation's and its subsidiaries' businesses are detailed below.

Customer Claims - Some customers have submitted claims for damages related to shipments delayed by the Railroad as a result of congestion problems in 1997 and 1998, and certain customers have filed lawsuits seeking relief related to such delays. Some customers also asserted that they have the right to cancel contracts as a result of alleged material breaches of such contracts by the Railroad. The Corporation accrued amounts for these claims in 1997 and 1998. No additional amounts were accrued in 1999 or the six months ended June 30, 2000.

Environmental Issues - For environmental sites where remediation costs can be reasonably determined, and where such remediation is probable, the Corporation has recorded a liability.

Shareholder Lawsuits - UPC and certain of its directors and officers (who are also directors of the Railroad) are defendants in two purported class actions that have been consolidated into one proceeding (the "Class Action"). The consolidated complaint alleges, among other things, that UPC violated the federal securities laws by failing to disclose material facts and making materially false and misleading statements concerning the service, congestion and safety problems encountered following UPC's acquisition of Southern Pacific in 1996. These lawsuits were filed in late 1997 in the United States District Court for the Northern District of Texas and seek to recover unspecified amounts of damages. Management believes that the plaintiffs' claims are without merit and has been defending them vigorously. The defendants moved to dismiss this action, and the motion was briefed and submitted to the Court for decision in 1998. In February 2000, prior to a ruling on the motion, the parties jointly advised the Court that they were engaged in discussions concerning the possible settlement of the action and asked the Court to defer ruling on the motion to dismiss pending the outcome of these discussions. The Court entered an order dated February 29, 2000 agreeing to such deferral, subject to the motion of either party to reactivate the action and the pending motion to dismiss at any time.

In addition to the Class Action, a purported derivative action was filed on behalf of UPC and the Railroad in September 1998 in the District Court for Tarrant County, Texas, naming as defendants the then-current and certain former directors of UPC and the Railroad and, as nominal defendants, UPC and the Railroad (the "Derivative Action" and together with the Class Action, the "Actions"). The derivative action alleges, among other things, that the named directors breached their fiduciary duties to UPC and the Railroad by approving and implementing the Southern Pacific merger without informing themselves of its impact or ensuring that adequate controls were put in place and by causing UPC and the Railroad to make misrepresentations about the Railroad's service problems to the financial markets and regulatory authorities. UPC's Board of Directors established a special litigation committee consisting of three independent directors to review the plaintiff's allegations and determine whether it was in UPC's best interest to pursue them. In February 1999, the committee rendered its report, in which it unanimously concluded that further prosecution of the derivative action on behalf of UPC and the Railroad was not in the best interest of either such company. Accordingly, UPC and the Railroad have filed a motion with the Court to dismiss the derivative action. The individual defendants also believe that these claims are without merit and have defended them vigorously.

As of June 28, 2000, counsel for UPC, the Railroad and certain officers and directors of UPC and the Railroad entered into a Memorandum of Understanding, with counsel for the plaintiffs in the Class Action and Derivative Action. The Memorandum of Understanding provides, among other things, that the Class Action will be settled for $34,025,000 in cash (the "Settlement Payment"), the full amount of which is expected to be covered by UPC's insurance carriers. The fees and expenses of counsel for the plaintiffs in the Class Action will be paid out of the Settlement Payment. The Memorandum of Understanding also provides that, in settlement of the Derivative Action, UPC will adopt certain additional procedures which will reinforce its continuing effort to ensure both the effective implementation of its merger with Southern Pacific and its ongoing commitment to rail safety. In addition, in the event of any proposed merger or other transaction involving consolidation of UPC and a rail system of greater than 1,000 miles in length of road, UPC will commission a study, to be completed in advance of any formal application to a U.S., Canadian or Mexican federal regulatory board, to analyze prospective safety and congestion-related issues. As part of the terms of the Derivative Action settlement, counsel for the plaintiffs will receive such fees and expenses as may be awarded by the Court, up to an aggregate amount of $975,000. Such amount is also expected to be fully covered by UPC's insurance carriers.

The settlement of each of the Actions is subject to, among other conditions, the negotiation and execution of definitive Stipulations of Settlement and such other documentation as may be required in connection with such settlement and the approval of each settlement by the respective courts in which each Action is pending. Notwithstanding the existence of the Memorandum of Understanding, there can be no assurances that a definitive settlement will be consummated with respect to either Action. UPC, the Railroad and the individual defendants named in the Actions entered into the Memorandum of Understanding solely for the purpose of avoiding the further expense, inconvenience, burden and uncertainty of the Actions, and their decision to do so is not an admission or concession or evidence of any liability or wrongdoing on the part of any party to either Action, which liability and wrongdoing have consistently been, and continue to be, denied.

10. ACCOUNTING PRONOUNCEMENTS - In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), that would

have been effective January 1, 2000. In June 1999, the FASB issued Statement No. 137, "Accounting for Derivatives Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133" postponing the effective date for implementing FAS 133 to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (FAS 138). FAS 138 addresses certain issues related to the implementation of FAS 133, but does not change the basic model of FAS 133 or further delay the implementation of FAS 133. Management has determined that FAS 133 and FAS 138 will increase the volatility of the Corporation's asset, liability and equity (comprehensive income) positions as the change in the fair market value of all financial instruments the Corporation uses for fuel or interest rate hedging purposes will, upon adoption of FAS 133 and FAS 138, be recorded in the Corporation's Statement of Financial Position (Note 4). In addition, to the extent fuel hedges are ineffective due to pricing differentials resulting from the geographic dispersion of the Corporation's operations, income statement recognition of the ineffective portion of the hedge position will be required. Management does not anticipate that the final adoption of FAS 133 and FAS 138 will have a material impact on UPC's consolidated financial statements.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101 (SAB 101), "Revenue Recognition". SAB 101 provides additional guidance on revenue recognition criteria and related disclosure requirements. This SAB is effective beginning in the fourth quarter of 2000. When the SAB becomes effective, it will require implementation as of the beginning of the current fiscal year. If the impact is material, the SAB requires retroactive application to all periods presented. Management is currently assessing the impact that SAB 101 will have on the Corporation's consolidated financial statements.

In March 2000, the FASB issued Interpretation No. 44 (FIN 44), "Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25". The Interpretation clarifies the application of APB Opinion 25 for certain issues involving employee stock compensation. The Interpretation is generally effective July 1, 2000. Management does not anticipate that FIN 44 will have a material impact on the Corporation's consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES
RESULTS OF OPERATIONS

THREE AND SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO
THREE AND SIX MONTHS ENDED JUNE 30, 1999

Union Pacific Corporation (UPC or the Corporation) consists of one reportable segment, rail transportation, and UPC's other product lines (Other Operations). The rail segment includes the operations of Union Pacific Railroad Company (UPRR), its subsidiaries and rail affiliates (collectively, the Railroad). Other Operations include the trucking product line (Overnite Transportation Company or Overnite), as well as the "other" product lines that include technology and self-insurance activities, corporate holding company operations, which largely support the Railroad, and all appropriate consolidating entries (see Note 2 to the Consolidated Financial Statements).

CONSOLIDATED

NET INCOME - Net income for the three and six month periods ended June 30, 2000 was $244 million ($0.96 per diluted share) and $429 million ($1.70 per diluted share), respectively, compared to $194 million ($0.77 per diluted share) and $323 million ($1.31 per diluted share) for the comparable periods in 1999. These increases resulted primarily from revenue growth and productivity gains at the Railroad, partially offset by higher fuel prices. Net income for the second quarter of 1999 included a $19 million one-time after-tax gain related to prior year tax settlements.

OPERATING REVENUES - Operating revenues increased $206 million (7%) and $379 million (7%) for the three and six month periods ended June 30, 2000, respectively, over the comparable periods in 1999. These gains reflect higher revenues in five of the six business groups at the Railroad as well as increased revenue at Overnite.

OPERATING EXPENSES - For the three and six month periods ended June 30, 2000, operating expenses increased $105 million (5%) and $188 million (4%), respectively, over the comparable periods in 1999. These increases resulted from higher fuel prices and increased volume at the Railroad. Continued improvement in productivity and service levels partially offset the higher fuel prices and volume increase at the Railroad. Operating expense comparisons by category for the quarters ending June 30, 2000 and June 30, 1999 are discussed below. The factors primarily responsible for the increase or decrease in each category are substantially the same for both the three and six month periods, except as noted.

Salaries, wages, and employee benefits declined due to lower employment levels and improved productivity at the Railroad and Overnite, partially offset by higher rail volume and inflation. Equipment and other rents expense also decreased as a result of improved rail cycle times and lower rental rates, partially offset by higher rail volumes. Depreciation expense increased as a result of the Railroad's capital program in 1999 and the first half of 2000. Fuel and utilities costs were higher as significantly higher fuel prices and increased volume costs were partially offset by favorable fuel hedging (see Note 4 to the Consolidated Financial Statements). The increase in materials and supplies reflects more locomotive overhauls and higher volume-related repair costs. Casualty costs were down due to lower than expected settlement costs at the Railroad. Other costs increased slightly for the three-month period due to higher state and local taxes and volume-related costs, partially offset by improved productivity and better cost control. For the six-month period, other costs decreased as productivity, joint facility and cost control offset higher volume costs and state and local taxes.

OPERATING INCOME - Operating income increased $101 million (23%) and $191 million (24%) for the three and six month periods ended June 30, 2000, respectively, over the comparable periods in 1999, as revenue growth and productivity gains at the Railroad and Overnite more than offset higher fuel prices and rail volume costs.

NON-OPERATING ITEMS - Non-operating income increased $4 million (2%) and $3 million (1%) for the three and six months ended June 30, 2000, respectively. The gains were primarily the result of lower interest expense, higher income from real estate sales and rents, partially offset by higher losses from other miscellaneous items. Income taxes for the three and six month periods of 2000 increased $55 million (63%) and $88 million (55%) over the comparable periods of 1999 as a result of higher pre-tax income levels and a one-time $19 million after-tax gain in the second quarter of 1999 related to prior-year tax settlements at the Railroad. The increase was partially offset by favorable state tax incentive credits at the Railroad in the first six months of 2000.

RAIL SEGMENT

NET INCOME - Rail operations reported net income of $264 million and $478 million for the three and six months ended June 30, 2000, respectively, compared to net income of $206 million for the second quarter of 1999 and $355 million for the six month period in 1999. The increases resulted primarily from higher commodity and other revenue, combined with productivity gains, partially offset by higher fuel prices and volume-related costs.

OPERATING REVENUES - Rail operating revenues increased $196 million (8%) to a record $2.7 billion and $354 million (7%) to a record $5.3 billion for the three and six month periods ended June 30, 2000, respectively, over the comparable periods in 1999. Revenue carloads increased 5% for the three and six month periods over the comparable periods in 1999. Other revenue gains were the result of higher subsidiary revenues and reduced billing claims from customers and other railroads.

The following tables summarize rail commodity revenue, revenue carloads and average revenue per car for the periods indicated:

Three Months Ended June 30, 2000	Three Months Ended June 30, 1999	% Change	Commodity Revenue In Millions	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999	% Change
$ 334	$ 328	2	Agricultural	$ 684	$ 675	1
307	275	12	Automotive	597	528	13
424	395	7	Chemicals	836	796	5
490	533	(8)	Energy	1,019	1,097	(7)
525	475	11	Industrial Products	1,017	924	10
471	426	11	Intermodal	912	814	12
$ 2,551	$ 2,432	5	Total	$ 5,065	$ 4,834	5

			Revenue Carloads In Thousands			
213	214	--	Agricultural	434	437	(1)
214	184	16	Automotive	413	354	17
244	233	5	Chemicals	476	458	4
439	448	(2)	Energy	919	925	(1)
376	353	7	Industrial Products	731	680	7
727	681	7	Intermodal	1,414	1,307	8
2,213	2,113	5	Total	4,387	4,161	5

			Average Revenue Per Car			
$ 1,568	$ 1,536	2	Agricultural	$ 1,575	$ 1,544	2
1,437	1,492	(4)	Automotive	1,446	1,492	(3)
1,741	1,701	2	Chemicals	1,759	1,741	1
1,115	1,188	(6)	Energy	1,109	1,185	(6)
1,398	1,345	4	Industrial Products	1,392	1,359	2
647	624	4	Intermodal	645	622	4
$ 1,153	$ 1,151	--	Total	$ 1,155	$ 1,162	(1)

Agricultural - Agricultural revenue increased for both the three and six months periods of 2000 over the comparable periods in 1999 despite a slight decline in carloads. Carloads decreased primarily due to reduced market demand for wheat and a lack of producer selling in anticipation of higher future prices. Carload growth for corn, beverages, and fresh fruits and vegetables partially offset these declines. Average revenue per car increased primarily due to longer hauls and declines in lower average revenue per car wheat movements.

Automotive - The Railroad recorded back-to-back record quarters for automotive revenue and carloads in the first six months of 2000. The year-over-year gain resulted from increased share in a market characterized by record vehicle sales. Average revenue per car decreased principally due to an increase in lower average revenue per car materials moves and greater use of containers, rather than boxcars, to haul materials shipments.

Chemical - Chemical revenue and carloads increased for both the three and six month periods of 2000 over the comparable periods in 1999 due to improved service levels, customer plant expansions and strength in the economy, especially the plastics and liquid and dry chemical markets. Average revenue per car increased reflecting growth in high average revenue per car plastics moves and selected price increases ranging from 2% to 5%.

Energy - Energy carloads decreased for both the three and six month periods in 2000 over the comparable periods in 1999. Market growth was more than offset by mine production problems, high coal inventory levels at utilities as a result of Y2K concerns and mild winter weather. Revenue was down due to the lower volume and lower average revenue per car as a result of contract pricing provisions with certain major customers, which are expected to impact year-over-year commodity revenue comparisons through the third quarter of 2000.

Industrial Products - Industrial Products revenue increased for both the three and six month periods of 2000 over the comparable periods in 1999 due to stronger commodity demand and improved service. Carloads of steel and ferrous scrap increased with the mild recovery of the domestic steel market. Increases in carloads of lumber, cement, roofing materials and other construction products resulted from strong construction activity and mild weather. Average revenue per car increased due to gains in high average revenue per car steel and lumber and selected price increases.

Intermodal - Intermodal revenue increased for both the three and six month periods of 2000 over the comparable periods in 1999 as a result of increased carloads and higher average revenue per car, setting quarterly records for both measures. Carloads improved due to strong growth in imports from Asia and service improvements. Average revenue per car increased as a result of gains in the premium segment of the business and demand-driven price increases.

OPERATING EXPENSES - Operating expenses increased $94 million (5%) and $151 million (4%) for the three and six month periods ended June 30, 2000, respectively. Operating expense comparisons by category for the quarter and six-month period ending June 30, 2000 and 1999 are discussed below. The factors primarily responsible for the increase or decrease in each category are substantially the same for both the three and six month periods, except as noted.

Salaries, Wages and Employee Benefits - Costs decreased $17 million (2%) and $38 million (2%) for the three and six month periods, respectively, over the comparable periods in 1999. The lower expenses were driven primarily by merger-related workforce reductions, higher train crew productivity, and lower training expenses.

Equipment and Other Rents - Expenses decreased $7 million (2%) and $17 million (3%) for the three and six month periods, respectively, due primarily to improvements in cycle time, lower prices, and increased rent receipts from other railroads. Higher volume costs partially offset these decreases.

Depreciation - Depreciation increased $15 million (6%) and $26 million (5%) for the three and six month periods, respectively, over comparable periods in 1999, as a result of the Railroad's capital program in 1999 and the first half of 2000. Capital spending was $812 million in the six months ended June 30, 2000 compared to $802 million in the six months ended June 30, 1999.

Fuel and utilities - Expenses were up $104 million (55%) and $219 million (60%) for the three and six month periods, respectively. Higher fuel prices added $89 million of expense in the second quarter and $189 million of expense in the first six months of 2000 over comparable periods in 1999. Volume costs and a higher consumption rate added $7 million for the second quarter and $17 million for the first six months of 2000 compared to 1999. The Railroad hedged approximately 10% of its fuel consumption for the three and six month periods, which decreased fuel costs by $10 million and $20 million, respectively. As of June 30, 2000, expected fuel consumption for the remaining six months of 2000 is 9% hedged at 40 cents per gallon excluding taxes, transportation costs and regional pricing spreads (see Note 4 to the Consolidated Financial Statements).

Materials and Supplies - Expenses increased $9 million (7%) and $20 million (8%) for the three and six month periods, respectively, due to volume-related increases in locomotive overhauls and repairs.

Casualty Costs - Expenses declined $10 million (12%) and $26 million (14%) for the three and six month periods, respectively, primarily due to the effect of lower than expected settlement and insurance costs.

Other Costs - Expenses were flat for the second quarter of 2000 and down $33 million (7%) for the first six months compared to comparable periods in 1999. Cost control and productivity gains offset volume-related cost increases and higher state and local taxes.

OPERATING INCOME - Operating income increased $102 million to $539 million and $203 million to $1.0 billion for the three and six months ended June 30, 2000, respectively. The operating ratio for the second quarter of 2000 was 79.9%, 2.6 percentage points better than 1999's 82.5% operating ratio. The operating ratio for the first six months of 2000 was 81.1%, 2.8 percentage points better than 1999's 83.9%.

NON-OPERATING ITEMS - Non-operating expense decreased $13 million (9%) and $15 million (6%) for the three and six months ended June 30, 2000, respectively. The gains were primarily the result of lower interest expense, higher income from real estate sales and rents, partially offset by higher losses from other miscellaneous items. Income taxes increased $57 million for the second quarter and $95 for the first six months of 2000 reflecting higher income levels and a one-time, $19 million after-tax gain in the second quarter of 1999 related to prior year tax settlements. The increase was partially offset by favorable state tax incentive credits in the first six months of 2000.

OTHER OPERATIONS

TRUCKING PRODUCT LINE

NET INCOME - Trucking net income was $13 million and $15 million, for the three and six month periods ended June 30, 2000, respectively, up from $11 million and down from $20 million for the comparable periods in 1999. Net income, although significantly improved from the first quarter of 2000, continued to be impacted by expenses resulting from higher fuel prices and the International Brotherhood of Teamsters (Teamsters) job action and related activity.

OPERATING REVENUES - For the three and six month periods ended June 30, 2000, trucking revenues increased $10 million (4%) to $283 million and $26 million (5%) to $552 million, respectively, over the comparable periods in 1999. The growth resulted primarily from a fuel surcharge and a general rate increase instituted in September of 1999. Revenue growth was achieved despite a 6% and 5% decline in volume in the second quarter and first six-month period of 2000, respectively, over comparable periods in 1999.

OPERATING EXPENSES - For the three and six month periods ended June 30, 2000, operating expenses increased $8 million (3%) to $266 million and $34 million (7%) to $535 million, respectively, over the comparable periods in 1999. For the quarter, salaries, wages and employee benefit costs decreased $2 million (1%) to $165 million due to lower volume-related employee levels, partially offset by wage increases. For the six-month period, salaries, wages and employee benefits increased $5 million (2%) to $330 million as wage and benefit increases more than offset lower employee levels. Fuel and utilities costs increased $6 million (55%) to $17 million for the quarter and $13 million (59%) to $35 million for the six-month period. This increase was a result of higher fuel prices (83 cents per gallon in the second quarter of 2000 compared to 51 cents in the second quarter of 1999) and increased volume-related consumption (longer average haul), partially offset by favorable hedge activity. Nine percent of estimated remaining 2000 fuel purchases are hedged at an average of 39 cents per gallon excluding taxes, transportation costs and regional pricing spreads (see Note 4 to the Consolidated Financial Statements). Equipment and other rents increased $2 million (9%) for the quarter and $7 million (18%) for the six-month period over 1999 due to increased purchased transportation costs. For the three and six month periods, other expenses increased $1 million (4%) and $8 million (17%), respectively, primarily due to higher security, legal and travel expenses related to the Teamsters activity.

OPERATING INCOME - Trucking operations generated operating income of $17 million in the three-month period and $17 million for the first six months of 2000 compared to $15 million and $25 million for the comparable periods in 1999. The operating ratio for trucking decreased to 94.1% in 2000 from 94.5% in 1999 for the second quarter and increased to 96.9% in 2000 from 95.2% in 1999 for the six months ended June 30, 2000.

OTHER PRODUCT LINES

Other operations include the technology product lines and self-insurance activities, as well as the corporate holding company operations and all necessary consolidating entries (see Note 2 to the Consolidated Financial Statements). For the three and six month periods ended June 30, 2000, operating income decreased $2 million and $4 million, respectively, reflecting decreased revenue at UP Technologies and slightly increased expenses at the corporate holding company.

CHANGES IN FINANCIAL CONDITION AND OTHER DEVELOPMENTS

FINANCIAL CONDITION - During the first six months of 2000, cash provided by operations was $996 million, compared to $978 million in 1999. Higher net income was partially offset by working capital increases, associated with higher business levels, and higher casualty related payments.

Cash used in investing activities was $934 million during the first six months of 2000, compared to $841 million in 1999. Capital spending was approximately even with 1999. However, the receipt of a cash dividend from an affiliate was more than offset by acquired equipment awaiting financing. 1999 reflects the purchase of an additional 13% ownership interest in the consortium operating the Pacific-North and Chihuahua Pacific lines in Mexico for $87 million.

Cash used by equity and financing activities was $165 million in the first six months of 2000, compared to cash provided of $18 million in 1999. This increase in usage is the result of slightly higher debt payments ($539 million in 2000 compared to $528 million in 1999) coupled with lower net borrowings ($478 million in 2000 versus $642 million in 1999).

Including the Convertible Preferred Stock as an equity instrument, the ratio of debt to total capital employed was 46.6% at June 30, 2000 and 47.6% at December 31, 1999.

FINANCING ACTIVITIES

CREDIT FACILITIES - As of June 30, 2000, the Corporation had $2.0 billion in revolving credit facilities, of which $1.0 billion expires in 2001, with the remaining $1.0 billion expiring in 2004. The facilities, which were entered into during March 2000, are designated for general corporate purposes and replaced a $2.8 billion facility due to expire in 2001.

SHELF REGISTRATION - Under currently effective shelf registration statements, the Corporation may issue, from time to time, up to $600 million in the aggregate of any combination of debt securities, preferred stock or warrants for debt securities or preferred stock in one or more offerings. The Corporation has no immediate plans to issue equity securities.

SIGNIFICANT NEW BORROWINGS - During June 2000, the Corporation issued $250 million of floating rate debt under its shelf registration statement with a maturity date of July 1, 2002. The proceeds from the issuance of this debt were used for repayment of debt and other general corporate purposes.

OTHER MATTERS

COMMITMENTS AND CONTINGENCIES - There are various claims and lawsuits pending against the Corporation and certain of its subsidiaries. In addition, the Corporation and its subsidiaries are subject to various federal, state and local environmental laws and are currently participating in the investigation and remediation of various sites. A discussion of certain claims, lawsuits, guarantees and contingencies is set forth in Note 9 to the Consolidated Financial Statements, which is incorporated herein by reference.

ACCOUNTING PRONOUNCEMENTS - In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), that would have been effective January 1, 2000. In June 1999, the FASB issued Statement No. 137, "Accounting for Derivatives Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133" postponing the effective date for implementing FAS 133 to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (FAS 138). FAS 138 addresses certain issues related to the implementation of FAS 133, but does not change the basic model of FAS 133 or further delay the implementation of FAS 133. Management has determined that FAS 133 and FAS 138 will increase the volatility of the Corporation's asset, liability and equity (comprehensive income) positions as the change in the fair market value of all financial instruments the Corporation uses for fuel or interest rate hedging purposes will, upon adoption of FAS 133 and FAS 138, be recorded in the Corporation's Statement of Financial Position (Note 4). In addition, to the extent fuel hedges are ineffective due to pricing differentials resulting from the geographic dispersion of the Corporation's operations, income statement recognition of the ineffective portion of the hedge position will be required. Management does not anticipate that the final adoption of FAS 133 and FAS 138 will have a material impact on UPC's consolidated financial statements.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101 (SAB 101), "Revenue Recognition". SAB 101 provides additional guidance on revenue recognition criteria and related disclosure requirements. This SAB is effective beginning in the fourth quarter of 2000. When the SAB becomes effective, it will require implementation as of the beginning of the current fiscal year. If the impact is material, the SAB requires retroactive application to all periods presented. Management is currently assessing the impact that SAB 101 will have on the Corporation's consolidated financial statements.

In March 2000, the FASB issued Interpretation No. 44 (FIN 44), "Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25". The Interpretation clarifies the application of APB Opinion 25 for certain issues involving employee stock compensation. The Interpretation is generally effective July 1, 2000. Management does not anticipate that FIN 44 will have a material impact on the Corporation's consolidated financial statements.

CERTAIN OTHER MATTERS - On May 27, 2000 a Union Pacific train carrying hazardous materials derailed near Eunice, Louisiana causing a fire and explosion that resulted in the evacuation of approximately 3,800 residents of the surrounding area and numerous claims for personal injuries, property damage and business interruption. Investigation into the cause and impact of the derailment is proceeding. To date, 25 lawsuits, most containing class action allegations, have been filed and are currently pending in the United States District Court for the District of Western Louisiana. While it is not possible to predict the ultimate outcome of these proceedings, the Railroad believes it has substantial defenses and, although losses may exceed self-insured retention amounts, the Railroad believes its insurance coverage is adequate to cover material damage claims. In addition to the claims asserted by private parties, the release of hazardous materials into the environment caused by the derailment could result in the imposition of fines and penalties by state and/or federal agencies. On July 14, 2000 the Railroad received a Notice of Potential Penalty of an unspecified amount from the State of Louisiana. Whether any fines or penalties will be imposed and, if imposed, the amount of such any such fines or penalties is uncertain.

FENIX LLC - During the second quarter of 2000, UPC announced the formation of a new subsidiary, Fenix LLC, to develop and expand UPC's technology and telecommunication assets beyond UPC's core transportation businesses. UPC's three existing technology companies will become members of the Fenix group, and it is anticipated that a telecommunications company, which will also be a member of the Fenix group, will be formed.

CAUTIONARY INFORMATION

Certain statements in this report are, and statements in other material filed or to be filed with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Corporation) are or will be, forward-looking within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements include, without limitation, statements regarding: expectations as to operational improvements; expectations as to cost savings, revenue growth and earnings; the time by which certain objectives will be achieved; estimates of costs relating to environmental remediation and restoration; expectations as to product applications; expectations that claims, lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or agreements, or other matters will not have a material adverse effect on the Corporation's consolidated financial position, results of operations or liquidity; and statements concerning projections, predictions, expectations, estimates or forecasts as to the Corporation's and its subsidiaries' business, financial and operational results, and future economic performance, statements of management's goals and objectives and other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management's good faith belief with respect to future events, and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

Important factors that could cause such differences include, but are not limited to, whether the Corporation and its subsidiaries are fully successful in implementing their financial and operational initiatives; industry competition, conditions, performance and consolidation; legislative and/or regulatory developments, including possible enactment of initiatives to re-regulate the rail business; natural events such as severe weather, floods and earthquakes; the effects of adverse general economic conditions, both within the United States and globally; changes in fuel prices; changes in labor costs; labor stoppages; and the outcome of claims and litigation.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk of the Company's Annual Report on Form 10-K for the year ended December 31, 1999. Disclosure concerning market risk-sensitive instruments is set forth in Note 4 to the

Consolidated Financial Statements included in Item 1 of Part I of this Report and is incorporated herein by reference.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

SURFACE TRANSPORTATION BOARD MATTERS

As previously reported, in May 2000 the Surface Transportation Board ("STB") dismissed a complaint filed with the STB by the Western Coal Traffic League ("WCTL") alleging that the Railroad improperly accounted for certain costs associated with the acquisition of SP and service difficulties in its 1997 annual report filed with the STB. On June 1, 2000 the WCTL petitioned the STB for a rehearing. The Railroad filed its reply on June 21, 2000, arguing that the STB's decision was correct.

Also as previously reported, in May 2000 the STB served a decision in a complaint filed by FMC challenging the Railroad's tariff rates on 16 different movements. The decision found rates on 15 of the movements were excessive. On June 1, 2000, the Railroad petitioned for reconsideration, alleging that multiple errors caused the decision to understate costs and therefore prescribe rates where not jurisdictionally permitted or prescribe lower rates than warranted. FMC has replied to the Petition. The Railroad and FMC have each filed a petition for review of the decision in the United States Circuit Court of Appeals for the D.C. Circuit.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

10(a) - UPC 2000 Directors Stock Plan (Incorporated by reference to Exhibit 99 to UPC's Current Report on Form 8-K filed March 9, 2000.)

10(b) - The 1988 Stock Option and Restricted Stock Plan of UPC, as amended as of May 25, 2000.

10(c) - The 1993 Stock Option and Retention Stock Plan of UPC, as amended as of May 25, 2000.

12(a) - Computation of ratio of earnings to fixed charges for the Three Months Ended June 30, 2000.

12(b) - Computation of ratio of earnings to fixed charges for the Six Months Ended June 30, 2000.

27 - Financial data schedule.

(b) REPORTS ON FORM 8-K

On April 20, 2000, UPC filed a Current Report on Form 8-K announcing UPC's financial results for the first quarter of 2000.

On July 7, 2000, UPC filed a Current Report on Form 8-K announcing developments in certain litigation.

On July 27, 2000, UPC filed a Current Report on Form 8-K announcing UPC's financial results for the second quarter of 2000.

SIGNATURE

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

Dated: August 14, 2000

UNION PACIFIC CORPORATION
(Registrant)

By /s/ Richard J. Putz

Richard J. Putz
Vice President and Controller
(Chief Accounting Officer and Duly
Authorized Officer)

UNION PACIFIC CORPORATION
EXHIBIT INDEX

Exhibit No.	Description
10(b)	The 1988 Stock Option and Restricted Stock Plan of UPC, as amended as of May 25, 2000.
10(c)	The 1993 Stock Option and Retention Stock Plan of UPC, as amended as of May 25, 2000.
12(a)	Computation of ratio of earnings to fixed charges for the Three Months Ended June 30, 2000.
12(b)	Computation of ratio of earnings to fixed charges for the Six Months Ended June 30, 2000.
27	Financial data schedule.

EXHIBIT 10(b)

1988

STOCK OPTION AND RESTRICTED STOCK PLAN

OF

UNION PACIFIC CORPORATION

(EFFECTIVE APRIL 15, 1988 -
AS AMENDED SEPTEMBER 26, 1991, FEBRUARY 1, 1992,
APRIL 24, 1997, NOVEMBER 20, 1997,
SEPTEMBER 24, 1998 AND MAY 25, 2000)

1988 STOCK OPTION AND RESTRICTED STOCK PLAN OF UNION PACIFIC CORPORATION

1. PURPOSE.

The purpose of the 1988 Stock Option and Restricted Stock Plan of Union Pacific Corporation (the "Plan") is to promote the interests of Union Pacific Corporation (the "Company") and its shareholders by strengthening its ability to attract and retain officers and key employees in the employ of the Company or of any subsidiary of the Company by furnishing additional incentives whereby such present and future officers and key employees may be encouraged to acquire, or to increase their acquisition of, the Company's common stock, thus maintaining their personal interest in the Company's continued success and progress. The Plan provides for the grant of non-qualified stock options, incentive stock options, stock appreciation rights and shares of Company common stock restricted in accordance with the provisions of Section 8 below ("Restricted Shares"), all in accordance with the terms and conditions set forth below. Unless otherwise required by the context, the term "option" shall refer to non-qualified options, incentive stock options and stock appreciation rights.

2. ADMINISTRATION.

The Plan shall be administered by a Stock Option Committee (the "Committee"), to be designated by the Board of Directors of the Company and to be comprised of not less than three members of the Board of Directors who are not eligible to participate under the Plan. Members of the Committee shall be appointed from time to time by the Board of Directors for such terms as it shall determine, and may be removed by the Board at any time with or without cause. The Committee shall have complete authority to construe and interpret the Plan, to establish, amend and rescind appropriate rules and regulations relating to the Plan, to select persons eligible to participate in the Plan, to grant options and Restricted Shares thereunder, to administer the Plan, to make recommendations to the Board, and to take all such steps and make all such determinations in connection with the Plan and the options and Restricted Shares granted thereunder as it may deem necessary or advisable. All determinations of the Committee shall be by a majority of its members, and its determinations shall be final. Each member of the Committee, while serving as such, shall be considered to be acting in his capacity as a Director of the Company. Each eligible employee (as defined below) to whom an option or Restricted Shares is granted is hereinafter referred to as the "Optionee" or the "Participant", respectively. The granting of an option or Restricted Shares pursuant to the Plan shall take place when the Committee by resolution, written consent or other appropriate action determines to grant such an option to an Optionee at a particular price or such Restricted Shares to a Participant. Each Option or grant of Restricted Shares shall, if required by the Committee, be evidenced by a written agreement to be duly executed and delivered by or on behalf of the Company and the Optionee or Participant, respectively, and contain provisions not inconsistent with the Plan.

3. ELIGIBILITY.

To be eligible for selection by the Committee to participate in the Plan an individual must be an officer or key employee of the Company, or of any subsidiary of the Company, as of the date on which the Committee grants to such individual an option or Restricted Shares (hereinafter collectively referred to as "eligible employees"). Those Directors who are not full-time salaried officers or employees shall not be eligible. Subject to the provisions of this Plan, options or Restricted Shares may be granted to eligible employees in such number and at such times during the term of this Plan as the Committee shall determine, the Committee taking into account the duties of the respective employees, their present and potential contributions to the success of the

Company, and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan.

4. STOCK SUBJECT TO THE PLAN.

Subject to the provisions of Section 10 hereof, the maximum number and kind of shares as to which options or Restricted Shares may at any time be granted under the Plan are 8,400,000 shares of common stock of the Company of the par value of $2.50 per share ("Common Stock") of which shares no more than 400,000 shares of Common Stock may be issued as grants of Restricted Shares under the Plan. Shares of Common Stock subject to options or granted as Restricted Shares under the Plan may, in the discretion of the Board of Directors of the Company, be either authorized but unissued shares or shares previously issued and reacquired by the Company. Upon the expiration, termination or cancellation (in whole or in part) of unexercised options, shares of Common Stock subject thereto shall again be available for option or grant as Restricted Shares under the Plan. Shares of Common Stock covered by an option, or portion thereof, which is surrendered upon the exercise of a stock appreciation right, shall thereafter be unavailable for option or grant as Restricted Shares under the Plan. Upon the forfeiture (in whole or in part) of a grant of Restricted Shares, the shares of Common Stock subject to such forfeiture shall again be available for option or grant as Restricted Shares under the Plan.

5. TERMS AND CONDITIONS OF NON-QUALIFIED OPTIONS.

All non-qualified options under the Plan shall be granted subject to the following terms and conditions:

(a) Option Price. The option price per share with respect to each option shall be determined by the Committee but shall not be less than 100% of the fair market value of the Common Stock on the date the option is granted, such fair market value to be determined in accordance with the procedures to be established by the Committee.

(b) Duration of Options. Options shall be exercisable at such times and under such conditions as set forth in the written agreement evidencing such option, but in no event shall any option be exercisable subsequent to the tenth anniversary of the date on which the option is granted.

(c) Exercise of Option. The shares of Common Stock covered by an option may not be purchased prior to the first anniversary of the date on which the option is granted (unless the Committee shall determine otherwise), or such longer period as the Committee may determine in a particular case, 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. Any shares not purchased on the applicable installment date may 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. Shares of Common Stock purchased under options shall, at the time of purchase, be paid for in full. All, or any portion, of the option exercise price may, at the discretion of the Committee, be paid by the surrender to the Company, at the time of exercise, of shares of previously acquired Common Stock owned by the Optionee, to the extent that such payment does not require the surrender of a fractional share of such previously acquired Common Stock. In addition, to the extent permitted by the Committee, the option exercise price may be paid by authorizing the Company to withhold Common Stock otherwise issuable upon exercise of the option. Such shares previously acquired or shares withheld to pay the option exercise price shall be valued at fair market value on the date the option is exercised in accordance with the procedures to be established by the Committee. No shares shall be issued or delivered until full payment therefor has been made. A holder of an option shall have none of the rights of a stockholder until the shares of Common Stock are issued to him. If an amount is payable by an Optionee to the Company under applicable income tax laws in connection with the exercise of non-qualified options, the Committee may, in its discretion and subject to such rules as it may adopt, permit the Optionee to make such payment, in whole or in part, by electing to authorize the Company to withhold or accept shares of Common Stock having a fair market value equal to the amount to be paid under such income tax laws.

(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 of Common Stock which may be purchased thereunder including restrictions on the transferability of such shares acquired through the exercise of such option. Without limiting the generality of the foregoing, the Committee may impose conditions restricting absolutely the transferability of shares acquired through the exercise of options for such periods as the Committee may determine and, further, that in the event the Optionee's employment by the Company or a subsidiary terminates during the period in which such shares are non-transferable, the Optionee shall be required to sell such shares back to the Company at such price as the Committee may specify in the option.

(f) Purchase for Investment. The Committee shall have the right to require that each Optionee or other person who shall exercise an option under the Plan, and each person into whose name shares of Common Stock shall be issued, pursuant to the exercise of an option, jointly with that of any Optionee, represent and agree that any and all shares of Common Stock of the Company purchased pursuant to such option will be purchased for investment and not with a view to the distribution or resale thereof or that such shares will not be sold except in accordance with such restrictions or limitations as may be set forth in the written agreement granting such option; provided, however, that the foregoing provisions of this subparagraph (f) shall be inoperative during any period of time when the Company has obtained all necessary or advisable approvals from any governmental agency and has completed all necessary or advisable registrations or other qualification of shares of Common Stock as to which options may from time to time be granted, all as contemplated by Section 9 hereof.

(g) Non-Transferability of Options. During an Optionee's lifetime, the option may be exercised only by him. Options shall not be transferable, except for exercise by the Optionee's legal representatives or beneficiaries.

(h) Termination of Employment. Upon the termination of an Optionee's employment, for any reason other than death, then, except as provided below, the option shall be exercisable only as to those shares of Common Stock which were then subject to the exercise of such option (unless the Committee shall determine in a specific case that particular limitations and restrictions under the Plan shall not apply) and such option shall expire according to the following schedule:

(i) Retirement. Option shall expire, unless exercised, five (5) years after the Optionee's retirement from the Company or any subsidiary of the Company under the provisions of the Company's or a subsidiary's pension plans.

(ii) Disability. Option shall expire, unless exercised, five (5) years after the date the Optionee is eligible to receive disability benefits under the provisions of the Company's or a subsidiary's long-term disability plan.

(iii) Disposition of Business. In the case of a termination resulting from 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, the option shall expire, unless exercised, five (5) years after the date of termination;

(iv) Force Reduction Program. In the case of 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, at the later of (A) three (3) years from the date of termination, or (B) the earlier of (x) three (3) years from the date the option becomes exercisable and (y) five (5) years from the date of termination.

(v) All Other Terminations. Option shall expire, unless exercised, three (3) months after the date of such termination.

(vi) Gross Misconduct. Option shall expire upon receipt by Optionee of the notice of termination if he is terminated for deliberate, willful or gross misconduct as determined by the Company.

(i) Death of Optionee. Upon the death of an Optionee during his period of employment, his option shall be exercisable only as to those shares of Common Stock which were subject to the exercise of such option at the time of his death (unless the Committee shall determine in a specific case that particular limitations and restrictions under the Plan shall not apply) and such option shall expire, unless exercised by his legal representatives or beneficiaries, five (5) years after the date of his death.

(j) The Committee may permit an Optionee to elect to defer receipt of all or part of the Common Stock issuable upon the exercise of an option, pursuant to rules and regulations adopted by the Committee. The Committee may permit the payment of cash in lieu of Common Stock upon payment of the deferred amount.

In no event, however, shall any option be exercisable pursuant to Sections 5(h) and (i) subsequent to the tenth anniversary of the date on which it is granted.

6. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS.

(a) General. The Committee may also grant a stock appreciation right in connection with a non-qualified option, either at the time of grant or by amendment. Such stock appreciation right shall cover the same shares covered by such option (or such lesser number of shares of Common Stock as the Committee may determine) and shall, except for the provisions of Section 5(d) hereof, be subject to the same terms and conditions as the related non-qualified option.

(b) Exercise and Payment. Each stock appreciation right shall entitle the Optionee to surrender to the Company unexercised the related option, or any portion thereof, and to receive from the Company in exchange therefor an amount equal to the excess of the fair market value of one share of Common Stock over the option price per share times the number of shares covered by the option, or portion thereof, which is surrendered. Payment shall be made in shares of Common Stock valued at fair market value, or in cash, or partly in shares and partly in cash, all as shall be determined by the Committee. The fair market value shall be the value determined in accordance with procedures established by the Committee. Stock appreciation rights may be exercised from time to time upon actual receipt by the Company of written notice stating the number of shares of Common Stock with respect to which the stock appreciation right is being exercised. No fractional shares shall be issued but instead cash shall be paid for a fraction or, if the Committee should so determine, the number of shares shall be rounded downward to the next whole share. If an amount is payable by an Optionee to the Company under applicable income tax laws in connection with exercises of stock appreciation rights, the Committee may, in its discretion and subject to such rules as it may adopt, permit the Optionee to make such payment, in whole or in part, by electing to authorize the Company to withhold or accept shares of Common Stock having a fair market value equal to the amount to be paid under such income tax laws.

(c) Restrictions. The obligation of the Company to satisfy any stock appreciation right exercised by an Optionee subject to Section 16 of the Securities Exchange Act of 1934, as amended, shall be conditioned upon the prior receipt by the Company of an opinion of counsel to the Company that any such satisfaction will not create an obligation on the part of such Optionee pursuant to Section 16(b) of such Act to reimburse the Company for any statutory profit which might be held to result from such satisfaction.

7. TERMS AND CONDITIONS OF INCENTIVE STOCK OPTIONS.

(a) General. The Committee may also grant incentive stock options as defined under section 422A of the Internal Revenue Code of 1986, as amended (the "Code"). All incentive stock options issued under the Plan shall, except for the provisions of Sections 5(h) and (i) and Section 6 hereof, be subject to the same terms and conditions as the non-qualified options granted under the Plan provided that the third sentence of Section 5(d) shall not apply to incentive stock options granted prior to February 1, 1992. In addition, incentive stock options shall be subject to the conditions of Sections 7(b), (c) and (d).

(b) Limitation of Exercise. The aggregate fair market value (determined as of the date the incentive stock option is granted) of the shares of stock with respect to which incentive stock options are exercisable for the first time by such Optionee during any calendar year, under this Plan or any other stock option plans adopted by the Company, its Subsidiaries or any predecessor companies thereof, shall not exceed $100,000.

(c) Termination of Employment. Upon the termination of an Optionee's employment, for any reason other than death, his incentive stock option shall be exercisable only as to those shares of Common Stock which were then subject to the exercise of such option (unless the Committee shall determine in a specific case that particular limitations and restrictions under the Plan shall not apply), and such option shall expire as an incentive stock option (but shall remain a non-qualified option exercisable pursuant to the terms of Section 5 hereof less the time period already elapsed under such Section), according to the following schedule:

(i) Retirement. An incentive stock option shall expire, unless exercised, three (3) months after the Optionee's retirement from the Company or any Subsidiary of the Company under the provisions of the Company's or a subsidiary's pension plans.

(ii) Disability. In the case of an Optionee who is disabled within the meaning of section 22(e)(3) of the Code, an incentive stock option shall expire, unless exercised, twelve (12) months after the date the Optionee terminates employment or the date the Optionee is eligible to receive disability benefits under the provisions of the Company's or a subsidiary's long-term disability plan, whichever is earlier.

(iii) Gross Misconduct. An incentive stock option shall expire upon receipt by an Optionee of the notice of termination if he is terminated for deliberate, willful or gross misconduct as determined by the Company.

(iv) All Other Terminations. An incentive stock option shall expire, unless exercised, three (3) months after the date of such termination.

In the case of incentive stock options granted after April 24, 1997, the Committee may extend the period during which an incentive stock option may be exercised as a non-qualified stock option to up to three (3) years from the date of a termination not due to retirement, disability or gross misconduct or, if later, three (3) years from the date the option becomes exercisable but not more than five years after the date of such a termination.

(d) Death of Optionee. Upon the death of an Optionee during his period of employment, his incentive stock option shall be exercisable as an incentive stock option only as to those shares of Common Stock which were subject to the exercise of such option at the time of his death (unless the Committee shall determine in a specific case that particular limitations and restrictions under the Plan shall not apply), and such option shall expire, unless exercised by his legal representatives or beneficiaries, five (5) years after the date of his death.

In no event, however, shall any incentive stock option be exercisable pursuant to Sections 7(c) and (d) subsequent to the tenth anniversary of the date on which it was granted.

8. TERMS AND CONDITIONS OF RESTRICTED SHARES.

(a) General. With respect to each grant of Restricted Shares under the Plan, the Committee, in its sole discretion, shall determine the period during which the restrictions set forth in Section 8(b) shall apply to such Restricted Shares (the "Restricted Period"). The Restricted Period shall not be less than 36 nor more than 60 consecutive months commencing with the first day of the month in which the Restricted Shares are granted. Subject to the provisions of Section 8(c), a grant of Restricted Shares shall be effective for the Restricted Period and may not be revoked. Approved leaves of absence of one year or less shall not be deemed terminations or interruptions in continuous service under this Section 8. Leaves of absence of more than one year will be deemed to be terminations under this Section unless the Committee determines otherwise.

(b) Restrictions. At the time of grant of Restricted Shares to a Participant, a certificate representing the number of shares of Common Stock granted shall be registered in his name but shall be held by the Company for the account of the Participant. 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 receive dividends and the right to vote such Restricted Shares, subject to the following restrictions: (i) subject to Section 8(c) hereof, the Participant shall not be entitled to delivery of the stock certificate until the expiration of the Restricted Period; (ii) none of the Restricted Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period; and (iii) 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 unless the Participant remains in the continuous employment of the Company or a Subsidiary for the entire Restricted Period in relation to which such Restricted Shares were granted, except as provided by Section 8(c) hereof. Any shares of Common Stock received as a result of a transaction listed in Section 10 hereof shall be subject to the same restrictions as such Restricted Shares unless the Committee shall determine otherwise.

(c) Termination of Employment.

(i) Disability and Retirement. If a Participant ceases to be an employee of the Company or a subsidiary prior to the end of a Restricted Period by reason of disability (as defined in Section 5(h)(ii) hereof) or retirement (as defined in Section 5(h)(i) hereof), the number of Restricted Shares granted to such Participant for such Restricted Period shall be reduced in proportion to the Restricted Period (determined on a monthly basis) remaining after the Participant ceases to be an employee and all restrictions on such reduced number of shares shall lapse. A certificate for such shares shall be delivered to the Participant in accordance with the provisions of Section 8(d) hereof. The Committee may, if it deems appropriate, direct that the Participant receive a greater number of shares of Common Stock free of all restrictions but not exceeding the number of Restricted Shares then subject to the restrictions of Section 8(b).

(ii) Death. If a Participant ceases to be an employee prior to the end of a Restricted Period by reason of death, the Restricted Shares granted to such participant shall immediately vest in his beneficiary or estate and all restrictions applicable to such shares shall lapse. A certificate for such shares shall be delivered to the Participant's beneficiary or estate in accordance with the provisions of Section 8(d) hereof.

(iii) All Other Terminations. If a Participant ceases to be an employee prior to the end of a Restricted Period for any reason other than death, disability or retirement, the Participant shall immediately forfeit all Restricted Shares then subject to the restrictions of Section 8(b) hereof 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 Restricted Shares then subject to the restrictions of Section 8(b) and all restrictions applicable to such retained shares shall lapse. A certificate for such retained shares shall be delivered to the Participant in accordance with the provisions of Section 8(d) hereof.

(d) Payment of Restricted Shares. At the end of the Restricted Period or at such earlier time as provided for in Section 8(c) hereof or as the Committee may determine, 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 or estate, as the case may be. The Company shall not be required to deliver any fractional share of Common Stock but shall pay, in lieu thereof, the fair market value (measured as of the date the restrictions lapse) of such fractional share to the Participant or his beneficiary or estate, as the case may be. If an amount is payable by a Participant to the Company under applicable income tax laws in connection with the lapse of such restrictions, the Committee may, in its discretion and subject to such rules as it may adopt, permit the Participant to make such payment, in whole or in part, by electing to authorize the Company to transfer to the Company Restricted Shares otherwise deliverable to the Participant having a fair market value equal to the amount to be paid under such income tax laws.

9. REGULATORY APPROVALS AND LISTING.

The Company shall not be required to issue any certificate or certificates for shares of Common Stock upon the exercise of an option or a stock appreciation right or the vesting of Restricted Shares granted under the Plan prior to (i) the obtaining of any approval from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable, (ii) the admission of such shares to listing on any stock exchange on which the Common Stock may then be listed, and (iii) 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 shall, in its sole discretion, determine to be necessary or advisable.

10. ADJUSTMENT IN EVENT OF CHANGES IN CAPITALIZATION.

In the event of a recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation, rights offering, separation, reorganization or liquidation, or any other change in the corporate structure or shares of the Company, the Board of Directors of the Company, upon recommendation of the Committee, may make such equitable adjustments, designed to protect against dilution, as it may deem appropriate in the number and kind of shares authorized by the Plan thereby and in the option price and, with respect to grants of Restricted Shares, in the number and kind of shares covered thereby.

11. TERM OF PLAN.

No non-qualified option, incentive stock option, stock appreciation right or Restricted Shares shall be granted pursuant to this Plan after April 14, 1998, but non-qualified options, incentive stock options, stock appreciation rights and grants of Restricted Shares theretofore granted may extend beyond that date and the terms and conditions of this Plan shall continue to apply thereto and to shares of Common Stock acquired upon exercise of such options or stock appreciation rights.

12. TERMINATION OR AMENDMENT OF THE PLAN.

The Board of Directors may at any time terminate the Plan with respect to any shares of the Company not at the time subject to option or the provisions of Section 8, and may from time to time alter or amend the Plan or any part thereof (including, but without limiting the generality of the foregoing, any amendment deemed necessary to ensure that the Company may obtain any regulatory approval, referred to in clause (i) of Section 9 hereof), provided that no change in any option or Restricted Shares theretofore granted may be made which would impair the rights of an Optionee or a Participant, respectively, without the consent of such Optionee or Participant and, further, that without the approval of stockholders, no alteration or amendment may be made which would (i) increase the maximum number of shares of Common Stock subject to the Plan as set forth in Section 4 (except by operation of Section 10), (ii) extend the term of the Plan or extend the term of options granted thereunder to beyond the tenth anniversary of the date of grant, (iii) reduce the option price at which options may be granted, or (iv) change the class of eligible employees who may receive options or Restricted Shares under the Plan. The Committee may amend the Plan to extend the exercise period following an Optionee's termination of an option granted prior to September 24, 1998, but not beyond (i) in the case of a termination resulting from the disposition by the Company of all or a part of its interest in, or the discontinuance of the business of, a subsidiary, division or other business unit of the Company, five years from the date of termination and (ii) in the case of all other terminations, not more than three years from the date of termination, or, if later, three years from the date the option becomes exercisable but not more than five years after the date of such termination.

13. EFFECTIVE DATE OF PLAN.

The Plan shall become effective April 15, 1988 upon approval of the shareholders of the Company.

EXHIBIT 10(c)

1993

STOCK OPTION AND RETENTION STOCK PLAN

OF

UNION PACIFIC CORPORATION

(EFFECTIVE APRIL 16, 1993 -
AS AMENDED SEPTEMBER 30, 1993,
JULY 28, 1994, APRIL 24, 1997, NOVEMBER 20, 1997,
SEPTEMBER 24, 1998, MAY 27, 1999
AND MAY 25, 2000)

1993 STOCK OPTION AND RETENTION STOCK PLAN OF UNION PACIFIC CORPORATION

1. PURPOSE

The purpose of the 1993 Stock Option and Retention Stock Plan of Union Pacific Corporation is to promote and closely align the interests of employees of Union Pacific Corporation and its shareholders by providing stock 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.

2. DEFINITIONS

The following terms shall have the following meanings:

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

"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 Retention Shares or Stock Units pursuant to the Plan.

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

"Board" means the Board of Directors of the Company.

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

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

"Common Stock" means the Common Stock, par value $2.50 per share, of the Company.

"Company" means Union Pacific Corporation, a Utah corporation, or any successor corporation.

"Option" means each non-qualified stock option, incentive stock option and stock appreciation right granted under the Plan.

"Optionee" means any employee of the Company or a Subsidiary (including directors who are also such employees) who is granted an Option under the Plan.

"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.

"Plan" means this 1993 Stock Option and Retention Stock Plan, as amended from time to time.

"Retention Shares" means shares of Common Stock subject to an Award granted under the Plan.

"Restriction Period" means the period defined in Section 9(a).

"Stock Unit" means the right to receive in the future a share of Common Stock.

"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 10.

"Unit Vesting Condition" means any condition to the vesting of Stock Units established by the Committee pursuant to Section 10.

"Vesting Condition" means any condition to the vesting of Retention Shares established by the Committee pursuant to Section 9.

3. ADMINISTRATION

The Plan shall be administered by the Committee, which shall be comprised of not less than three members of the Board, none of whom shall be employees of the Company or any Subsidiary. The Committee shall (i) grant Options to Optionees and make Awards of Retention Shares and Stock Units to Participants, and (ii) determine the terms and conditions of such Options and Awards of Retention Shares and Stock Units, all in accordance with the provisions of the Plan. The Committee shall have full authority to construe and interpret the Plan, to establish, amend and rescind rules and regulations relating to the Plan, to administer the Plan, and to take all such steps and make all such determinations in connection with the Plan and Options and Awards granted thereunder as it may deem necessary or advisable. Each Option and grant of Retention Shares or Stock Units shall, if required by the Committee, be evidenced by an agreement to be executed by the Company and the Optionee or Participant, respectively, and contain provisions not inconsistent with the Plan. All determinations of the Committee shall be by a majority of its members and shall be evidenced by resolution, written consent or other appropriate action, and the Committee's determinations shall be final. Each member of the Committee, while serving as such, shall be considered to be acting in his or her capacity as a director of the Company.

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. In granting Options or Awards of Retention Shares or Stock Units to eligible employees, the Committee shall take into account the duties of the respective employees, their present and potential contributions to the success of the Company or a Subsidiary, and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan.

5. STOCK SUBJECT TO THE PLAN

Subject to the provisions of Section 13 hereof, the maximum number and kind of shares as to which Options, or Retention Shares or Stock Units may at any time be granted under the Plan are 16 million shares of Common Stock. Shares of Common Stock subject to Options or Awards under the Plan may be either authorized but unissued shares or shares previously issued and reacquired by the Company. Upon the expiration, termination or cancellation (in whole or in part) of unexercised Options, shares of Common Stock subject thereto shall again be available for option or grant as Retention Shares or Stock Units under the Plan. Shares of Common Stock covered by an Option, or portion thereof, which is surrendered upon the exercise of a stock appreciation right, shall thereafter be unavailable for option or grant as Retention Shares or Stock Units under the Plan. Upon the forfeiture (in whole or in part) of a grant of Retention Shares or Stock Units, the shares of Common Stock subject to such forfeiture shall again be available for option or grant as Retention Shares or Stock Units under the Plan if no dividends have been paid on the forfeited shares, and otherwise shall be unavailable for such an option or grant.

6. TERMS AND CONDITIONS OF NON-QUALIFIED OPTIONS

All non-qualified options under the Plan shall be granted subject to the following terms and conditions:

a. Option Price. The option price per share with respect to each option shall be determined by the Committee but shall not be less than 100% of the fair market value of the Common Stock on the date the option is granted, such fair market value to be determined in accordance with the procedures to be established by the Committee.

b. Duration of Options. Options shall be exercisable at such time or times and under such conditions as set forth in the written agreement evidencing such option, but in no event shall any option be exercisable subsequent to the tenth anniversary of the date on which the option is granted.

c. Exercise of Option. Except as provided in Section 6(h), 6(i) or Section 8(c) or 8(d), the shares of Common Stock covered by an option may not be purchased prior to the first anniversary of the date on which the option is granted (unless the Committee shall determine otherwise), or such longer period or periods, and subject to such conditions, as the Committee may determine, but thereafter may be purchased at one time or in such installments over the balance of the option period as may be provided in the option. 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. Shares of Common Stock purchased under options shall, at the time of purchase, be paid for in full. All, or any portion, of the option exercise price may, at the discretion of the Committee, be paid by the surrender to the Company, at the time of exercise, of shares of previously acquired Common Stock owned by the Optionee, to the extent that such payment does not require the surrender of a fractional share of such previously acquired Common Stock. In addition, to the extent permitted by the Committee, the option exercise price may be paid by authorizing the Company to withhold Common Stock otherwise issuable on exercise of the option. Such shares previously acquired or shares withheld to pay the option exercise price shall be valued at fair market value on the date the option is exercised in accordance with the procedures to be established by the Committee. A holder of an option shall have none of the rights of a stockholder until the shares of Common Stock are issued to him or her. If an amount is payable by an Optionee to the Company or a Subsidiary under applicable withholding tax laws in connection with the exercise of non-qualified options, the Committee may, in its discretion and subject to such rules as it may adopt, permit the Optionee to make such payment, in whole or in part, by electing to authorize the Company to withhold or accept shares of Common Stock having a fair market value equal to the amount to be paid under such withholding tax laws.

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 of Common Stock that may be purchased thereunder including restrictions on the transferability of such shares acquired through the exercise of such option. 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 Optionee by the Company or a Subsidiary, as the Committee may determine.

f. Purchase for Investment. The Committee shall have the right to require that each Optionee or other person who shall exercise an option under the Plan represent and agree that any shares of Common Stock purchased pursuant to such option will be purchased for investment and not with a view to the distribution or resale thereof or that such shares will not be sold except in accordance with such restrictions or limitations as may be set forth in the written agreement granting such option.

g. Non-Transferability of Options. During an Optionee's lifetime, the option may be exercised only by the Optionee. Options shall not be transferable, except for exercise by the Optionee's legal representatives or heirs.

h. Termination of Employment. Upon the termination of an Optionee's employment for any reason other than death, then, except as provided below, the option shall be exercisable only as to those shares of Common Stock which were then subject to the exercise of such option (provided that the Committee may determine that particular limitations and restrictions under the Plan shall not apply) and such option shall expire according to the following schedule (unless the Committee shall provide for shorter periods at the time the option is granted):

(i) Retirement. Option shall expire, unless exercised, five (5) years after the Optionee's retirement from the Company or any Subsidiary under the provisions of the Company's or a Subsidiary's pension plan.

(ii) Disability. Any holding period required by Section 6(c) shall automatically be deemed to be satisfied and Option shall expire, unless exercised, five (5) years after the date the Optionee is eligible to receive disability benefits under the provisions of the Company's or a Subsidiary's long-term disability plan.

(iii) Disposition of Business. In the case of a termination resulting from the disposition by the Company or any of its Subsidiaries of all or a part of its interest in, or the discontinuance of a business of, a subsidiary, division or other business unit, unvested options shall not be forfeited, but any holding period required by Section 6(c) shall be satisfied in accordance with its original schedule (including any holding period associated with an option that becomes a non-qualified option in accordance with Section 8(c)) and Option shall expire, unless exercised, five (5) years after the date of termination;

(iv) Force Reduction Program. In the case of a termination (other than retirement) resulting from a force reduction program instituted by the Company or any of its Subsidiaries, unvested options shall not be forfeited, but any holding period required by Section 6(c) shall be satisfied in accordance with its original schedule (including any holding period associated with an option that becomes a non-qualified option in accordance with Section 8(c)), and the Option shall expire, unless exercised, at the later of (A) three (3) years from the date of termination, or (B) the earlier of (x) three (3) years from the date the option becomes exercisable and (y) five (5) years from the date of termination;

(v) Gross Misconduct. Option shall expire upon receipt by the Optionee of the notice of termination if he or she is terminated for deliberate, willful or gross misconduct as determined by the Company.

(vi) All Other Terminations. Option shall expire, unless exercised, three (3) months after the date of such termination.

i. Death of Optionee. Upon the death of an Optionee during his or her period of employment, the option shall be exercisable only as to those shares of Common Stock which were subject to the exercise of such option at the time of his or her death, provided that (i) any holding period required by Section 6(c) shall automatically be deemed to be satisfied and (ii) the Committee may determine that particular limitations and restrictions under the Plan shall not apply, and such option shall expire, unless exercised by the Optionee's legal representatives or heirs, five (5) years after the date of death (unless the Committee shall provide for a shorter period at the time the option is granted).

j. Deferral. The Committee may permit an Optionee to elect to defer receipt of all or part of the Common Stock issuable upon the exercise of an option, pursuant to rules and regulations adopted by the Committee. The Committee may not permit the payment of cash in lieu of Common Stock upon payment of the deferred amount.

In no event, however, shall any option be exercisable pursuant to Sections 6(h) or (i) subsequent to the tenth anniversary of the date on which it is granted.

7. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS

a. General. The Committee may also grant a stock appreciation right in connection with a non-qualified option, either at the time of grant or by amendment. Such stock appreciation right shall cover the same shares covered by such option (or such lesser number of shares of Common Stock as the Committee may determine) and shall, except for the provisions of Section 6(d) hereof, be subject to the same terms and conditions as the related non-qualified option.

b. Exercise and Payment. Each stock appreciation right shall entitle the Optionee to surrender to the Company unexercised the related option, or any portion thereof, and to receive from the Company in exchange therefor an amount equal to the excess of the fair market value of one share of Common Stock over the option price per share times the number of shares covered by the option, or portion thereof, which is surrendered. Payment shall be made in shares of Common Stock valued at fair market value, or in cash, or partly in shares and partly in cash, all as shall be determined by the Committee. The fair market value shall be the value determined in accordance with procedures established by the Committee. Stock appreciation rights may be exercised from time to time upon actual receipt by the Company of written notice stating the number of shares of Common Stock with respect to which the stock appreciation right is being exercised, provided that if a stock appreciation right expires unexercised, it shall be deemed exercised on the expiration date if any amount would be payable with respect thereto. No fractional shares shall be issued but instead cash shall be paid for a fraction or, if the Committee should so determine, the number of shares shall be rounded downward to the next whole share. If an amount is payable by an Optionee to the Company or a Subsidiary under applicable withholding tax laws in connection with the exercise of stock appreciation rights, the Committee may, in its discretion and subject to such rules as it may adopt, permit the Optionee to make such payment, in whole or in part, by electing to authorize the Company to withhold or accept shares of Common Stock having a fair market value equal to the amount to be paid under such withholding tax laws.

c. Restrictions. The obligation of the Company to satisfy any stock appreciation right exercised by an Optionee subject to Section 16 of the Act shall be conditioned upon the prior receipt by the Company of an opinion of counsel to the Company that any such satisfaction will not create an obligation on the part of such Optionee pursuant to Section 16(b) of the Act to reimburse the Company for any statutory profit which might be held to result from such satisfaction.

8. TERMS AND CONDITIONS OF INCENTIVE STOCK OPTIONS.

a. General. The Committee may also grant incentive stock options as defined under section 422 of the Code. All incentive stock options issued under the Plan shall, except for the provisions of Sections 6(h) and (i) and Section 7 hereof, be subject to the same terms and conditions as the non-qualified options granted under the Plan. In addition, incentive stock options shall be subject to the conditions of Sections 8(b), (c), (d) and (e).

b. Limitation of Exercise. The aggregate fair market value (determined as of the date the incentive stock option is granted) of the shares of stock with respect to which incentive stock options are exercisable for the first time by such Optionee during any calendar year, under this Plan or any other stock option plans adopted by the Company, its Subsidiaries or any predecessor companies thereof, shall not exceed $100,000. If any incentive stock options become exercisable in any year in excess of the $100,000 limitation, options representing such excess shall become non-qualified options exercisable pursuant to the terms of Section 6 hereof and shall not be exercisable as incentive stock options.

c. Termination of Employment. Upon the termination of an Optionee's employment, for any reason other than death, his or her incentive stock option shall be exercisable only as to those shares of Common Stock which were then subject to the exercise of such option except as provided below (provided that the Committee may determine that particular limitations and restrictions under the Plan shall not apply) and such option shall expire as an incentive stock option according to the following schedule (unless the Committee shall provide for shorter periods at the time the incentive stock option is granted) but shall, in all cases other than 8(c)(iii) and 8(c)(iv), at the end of the period referred to below become a non-qualified option exercisable pursuant to the terms of Section 6 hereof (including Sections 6(h) and (i)) less the period already elapsed under such Section:

(i) Retirement. An incentive stock option shall expire, unless exercised, three (3) months after the Optionee's retirement from the Company or any Subsidiary under the provisions of the Company's or a Subsidiary's pension plan.

(ii) Disability. In the case of an Optionee who is disabled within the meaning of section 22(e)(3) of the Code, any holding period required by Section 6(c) shall automatically be deemed to be satisfied and an incentive stock option shall expire, unless exercised, one (1) year after the earlier of the date the Optionee terminates employment or the date the Optionee is eligible to receive disability benefits under the provisions of the Company's or a Subsidiary's long-term disability plan.

(iii) Gross Misconduct. An incentive stock option shall expire upon receipt by the Optionee of the notice of termination if he or she is terminated for deliberate, willful or gross misconduct as determined by the Company.

(iv) All Other Terminations. An incentive stock option shall expire, unless exercised, three (3) months after the date of such termination.

d. Incentive Stock Options Granted On and After May 25, 2000. In the case of an incentive stock option granted on or after May 25, 2000, the following additional provisions shall apply:

(i) Disposition of Business. In the case of a termination resulting from the disposition by the Company or any of its Subsidiaries of all or a part of its interest in, or the discontinuance of a business of, a subsidiary, division or other business unit, unvested options shall not be forfeited, but any holding period required by Section 6(c) shall be satisfied in accordance with its original schedule and the Option shall expire, unless exercised, three (3) months after the date of termination, but shall at the end of such three month period become a non-qualified option exercisable pursuant to the terms of Section 6 hereof (including Section 6(h)(iii), less the period already elapsed hereunder);

(ii) Force Reduction Program. In the case of a termination (other than retirement) resulting from a force reduction program instituted by the Company or any of its Subsidiaries, unvested options shall not be forfeited but any holding period required by Section 6(c) shall be satisfied in accordance with its original schedule, and the Option shall expire, unless exercised, three (3) months after the date of termination, but shall at the end of such three (3) month period become a non-qualified option exercisable pursuant to the terms of Section 6 hereof (including Section 6(h)(iv), less the period already elapsed hereunder).

e. Additional Provisions Regarding Certain Incentive Stock Options Granted Before May 25, 2000. In the case of an incentive stock option granted before May 25, 2000, the following additional provisions shall apply:

(i) Disposition of Business. In the case of incentive stock options granted after September 24, 1998 and before May 25, 2000, in the event that a termination results from the disposition by the Company of all or a part of its interest in, or the discontinuance of the business of, a subsidiary, division or other business unit of the Company, the Committee may extend the period during which an incentive stock option may be exercised as a non-qualified option to up to five (5) years from the date of such termination.

(ii) Other Terminations. In the case of incentive stock options granted after April 24, 1997 and before May 25, 2000, the Committee may extend the period during which an incentive stock option may be exercised as a non-qualified stock option to up to three (3) years from the date of a termination not due to retirement, disability or gross misconduct or, if later, three (3) years from the date the option becomes exercisable but not more than five years after the date of such termination.

f. Death of Optionee. Upon the death of an Optionee during his or her period of employment, the incentive stock option shall be exercisable as an incentive stock option only as to those shares of Common Stock which were subject to the exercise of such option at the time of death, provided that (i) any holding period required by Section 6(c) shall automatically be deemed to be satisfied, and (ii) the Committee may determine that particular limitations and restrictions under the Plan shall not apply, and such option shall expire, unless exercised by the Optionee's legal representatives or heirs, five (5) years after the date of death (unless the Committee shall provide for a shorter period at the time the option is granted).

g. Leave of Absence. A leave of absence, whether or not an Approved Leave of Absence, shall be deemed a termination of employment for purposes of Section 8.

In no event, however, shall any incentive stock option be exercisable pursuant to Sections 8(c) or (d) subsequent to the tenth anniversary of the date on which it was granted.

9. TERMS AND CONDITIONS OF AWARDS OF RETENTION STOCK

a. General. Retention Shares may be granted only 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. 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 9(b) shall apply, provided that in no event, other than as provided in Section 9(c) or in the next sentence, shall such restrictions terminate prior to 3 years after the date of grant (the "Restriction Period"), and may also specify any other terms or conditions to the right of the Participant to receive such Retention Shares ("Vesting Conditions"). The Committee may determine in its sole discretion to waive any or all of such restrictions prior to end of the Restriction Period or the satisfaction of any Vesting Condition. Subject to Section 9(c) and any such Vesting Condition, a grant of Retention Shares shall be effective for the Restriction Period and may not be revoked.

b. Restrictions. At the time of grant of Retention Shares to a Participant, a certificate representing the number of shares of Common Stock 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 stockholder 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: (i) subject to Section 9(c), the Participant shall not be entitled to delivery of the stock certificate until the expiration of the Restriction Period and the satisfaction of any Vesting Conditions; (ii) 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 (iii) all of the Retention Shares shall be forfeited and all rights of the Participant to such Retention Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company or a Subsidiary for the entire Restriction Period, except as provided by Sections 9(a) and 9(c), and any applicable Vesting Conditions have been satisfied. Any shares of Common Stock or other securities or property received as a result of a transaction listed in Section 13 shall be subject to the same restrictions as such Retention Shares unless the Committee shall determine otherwise.

c. Termination of Employment.

(i) Disability and Retirement. Unless the Committee shall determine otherwise at the time of grant of Retention Shares, if (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period, by reason of disability under the provisions of the Company's or a Subsidiary's long-term disability plan or retirement under the provisions of the Company's or a Subsidiary's pension plan either (i) at age 65 or (ii) prior to age 65 at the request of the Company or a Subsidiary, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest and all restrictions applicable to such shares shall lapse. A certificate for such shares shall be delivered to the Participant in accordance with the provisions of Section 9(d).

(ii) Death. Unless the Committee shall determine otherwise at the time of grant of Retention Shares, if (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period by reason of death, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest in his or her Beneficiary, and all restrictions applicable to such shares shall lapse. A certificate for such shares shall be delivered to the Participant's Beneficiary in accordance with the provisions of Section 9(d).

(iii) All Other Terminations. If a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period for any reason other than death, disability or retirement as provided in Section 9(c)(i) and (ii), the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 9(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 9(b) and all restrictions applicable to such retained shares shall lapse. A certificate for such retained shares shall be delivered to the Participant in accordance with the provisions of Section 9(d).

(iv) Vesting Conditions. Unless the Committee shall determine otherwise at the time of grant of Retention Shares, if a Participant ceases to be an employee of the Company for any reason prior to the satisfaction of any Vesting Conditions, the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 9(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 9(b) and all restrictions applicable to such retained shares shall lapse. A certificate for such retained shares shall be delivered to the Participant in accordance with the provisions of Section 9(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 9(c) or as the Committee, in its sole discretion, may otherwise determine, all restrictions applicable to the Retention Shares shall lapse, and a stock certificate for a number of shares of Common Stock 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. If an amount is payable by a Participant to the Company or a Subsidiary under applicable withholding tax laws in connection with the lapse of such restrictions, the Committee, in its sole discretion, may permit the Participant to make such payment, in whole or in part, by authorizing the Company to transfer to the Company Retention Shares otherwise deliverable to the Participant having a fair market value equal to the amount to be paid under such withholding tax laws.

e. Deferral. The Committee may permit a Participant to elect to defer receipt of all or part of any Retention Shares that would otherwise be delivered, pursuant to rules and regulations adopted by the Committee. The Committee may permit the payment of cash in lieu of Common Stock upon payment of the deferred amount.

10. STOCK UNITS

The Committee may also grant Awards of Stock Units under the Plan. The vesting of Awards of Stock Units shall be subject to the requirement that a Participant continue employment with the Company or a Subsidiary for a certain period of no less than three years (the "Unit Restriction Period"), and may be subject to the satisfaction of other conditions or contingencies ("Unit Vesting Condition"), in order for a Participant to receive payment of such Award, as established by the Committee at the time of the Award. The Committee may determine in its sole discretion to waive any such requirement, condition or contingency. Awards of Stock Units shall be payable in shares of Common Stock. The Committee may permit a Participant to elect to defer receipt of payment of all or part of any Award of Stock Units pursuant to rules and regulations adopted by the Committee. Unless the Committee provides otherwise at the time an Award of Stock Units to a Participant is made, the provisions of Section 9(c) of the Plan relating to the vesting and forfeiture of Retention Stock upon termination of employment shall apply to any termination of employment by such Participant during the Unit Restricted Period or prior to the satisfaction of any Unit Vesting Condition for such Award.

11. DIVIDENDS AND DIVIDEND EQUIVALENTS

Any Option or Award of Stock Units may provide the Participant with the right to receive dividend payments or dividend equivalent payments on the Common Stock subject to the Option or Award, whether or not such Option or Award has been exercised or is vested. Such payments may be made in cash or may be credited to a Participant's account and later settled in cash or 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.

12. REGULATORY APPROVALS AND LISTING

The Company shall not be required to issue to an Optionee, Participant or a Beneficiary, as the case may be, any certificate for any shares of Common Stock upon exercise of an option or for any Retention Shares granted under the Plan or to make any payment with respect to any Stock Unit granted under the Plan prior to (i) the obtaining of any approval from any governmental agency which the Company, in its sole discretion, shall determine to be necessary or advisable, (ii) the admission of such shares to listing on any stock exchange on which the Common Stock may then be listed, and (iii) the completion of any registration or other qualification of such shares or units 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. ADJUSTMENT IN EVENT OF CHANGES IN CAPITALIZATION

In the event of a recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation, rights offering, separation, spin-off, reorganization or liquidation, or any other change in the corporate structure or shares of the Company, the Board, upon recommendation of the Committee, may make such equitable adjustments as it may deem appropriate in the number and kind of shares and Stock Units authorized by the Plan, in the option price of outstanding Options, and in the number and kind of shares, Stock Units or other securities or property subject to Options or covered by outstanding Awards.

14. TERM OF THE PLAN

No Options, or Retention Shares or Stock Units shall be granted pursuant to the Plan after April 16, 2003, but grants of Options, or Retention Shares or Stock Units theretofore granted may extend beyond that date and the terms and conditions of the Plan shall continue to apply thereto.

15. TERMINATION OR AMENDMENT OF THE PLAN

The Board may at any time terminate the Plan with respect to any shares of Common Stock or Stock Units not at that time subject to outstanding Options or Awards, and may from time to time alter or amend the Plan or any part thereof (including, but without limiting the generality of the foregoing, any amendment deemed necessary to ensure that the Company may obtain any approval referred to in Section 12 or to ensure that the grant of Options or Awards, the exercise of Options, the payment of Retention Shares or the payment with respect to Stock Units or any other provision of the Plan complies with Section 16(b) of the Act), provided that no change with respect to any Options, Retention Shares or Stock Units theretofore granted may be made which would impair the rights of an Optionee or Participant without the consent of such Optionee or Participant and, further, that without the approval of stockholders, no alteration or amendment may be made which would (i) increase the maximum number of shares of Common Stock and Stock Units subject to the Plan as set forth in Section 5 (except by operation of Section 13), (ii) extend the term of the Plan or (iii) change the class of eligible persons who may receive Options or Awards of Retention Shares or Stock Units under the Plan. The Committee may amend the Plan to extend the exercise period following an optionee's termination of an option granted prior to September 24, 1998, but not beyond: (i) in the case of a termination resulting from the disposition by the Company of all or a part of its interest in, or the discontinuance of the business of, a subsidiary, division or other business unit of the Company, five years from the date of termination and (ii) in the case of all other terminations, not more than three years from the date of termination, or, if later, three years from the date the option becomes exercisable, but not more than five years after the date of such termination.

16. LEAVE OF ABSENCE

Unless the Committee shall determine otherwise, a leave of absence other than an Approved Leave of Absence shall be deemed a termination of employment for purposes of the Plan. An Approved Leave of Absence shall not be deemed a termination of employment for purposes of the Plan (except for purposes of Section 8), but the period of such 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).

17. GENERAL PROVISIONS

a. Neither the Plan nor the grant of any Option or 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 the Plan, any Optionee or Participant whenever in the sole discretion of the Company or a Subsidiary, as the case may be, its interest may so require.

b. 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, without regard to conflict of laws doctrine.

18. EFFECTIVE DATE

The Plan shall become effective upon approval of the stockholders of the Company.

EXHIBIT 12(a)

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(UNAUDITED)

Millions of Dollars Except Ratios	Three Months Ended June 30, 2000	Three Months Ended June 30, 1999
Earnings:		
Net Income	$ 244	$ 194
Undistributed equity earnings	(13)	(10)
Total	231	184
Income taxes	142	87
Fixed charges:		
Interest expense including amortization of debt discount	180	184
Portion of rentals representing an interest factor	42	46
Total fixed charges	222	230
Earnings available for fixed charges	$ 595	$ 501
Ratio of earnings to fixed charges (Note 8)	2.7	2.2

EXHIBIT 12(b)

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(UNAUDITED)

	Six Months Ended June 30,	
Millions of Dollars Except Ratios	2000	1999
Earnings		
Net income	$ 429	$ 323
Undistributed equity earnings	60	(19)
Total	489	304
Income Taxes	247	159
Fixed Charges:		
Interest expense including amortization of debt discount	362	370
Portion of rentals representing an interest factor	86	92
Total fixed charges	448	462
Earnings Available for Fixed Charges	$ 1,184	$ 925
Ratio of earnings to fixed charges (Note 8)	2.6	2.0

1,000,000
6-MOS
DEC-31-2000
JAN-01-2000
JUN-30-2000
72
0
569
0
324
1,194
34,964
7,139
30,202
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362
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247
429
0
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0
429
1.74
1.70