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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

OR

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

For the transition period from _____ to _____

Commission File Number 1-6075

UNION PACIFIC CORPORATION

(Exact name of registrant as specified in its charter)

UTAH

(State or other jurisdiction of
incorporation or organization)

13-2626465

(I.R.S. Employer
Identification No.)

1400 DOUGLAS STREET, OMAHA, NEBRASKA

(Address of principal executive offices)

68179

(Zip Code)

(402) 544-5000

(Registrant's telephone number, including area code)

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

Yes No

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

Yes No

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

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

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

Yes No

As of October 16, 2009, there were 504,549,218 shares of the Registrant's Common Stock outstanding.

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PART I. FINANCIAL INFORMATION**Item 1. Condensed Consolidated Financial Statements****Condensed Consolidated Statements of Income (Unaudited)***Union Pacific Corporation and Subsidiary Companies**Millions, Except Per Share Amounts,
for the Three Months Ended September 30,*

	<i>2009</i>	<i>2008</i>
Operating revenues:		
Freight revenues	\$ 3,471	\$ 4,630
Other revenues	200	216
Total operating revenues	3,671	4,846
Operating expenses:		
Compensation and benefits	999	1,123
Fuel	466	1,135
Purchased services and materials	403	481
Depreciation	367	348
Equipment and other rents	290	326
Other	179	218
Total operating expenses	2,704	3,631
Operating income	967	1,215
Other income (note 6)	14	23
Interest expense	(156)	(130)
Income before income taxes	825	1,108
Income taxes	(308)	(405)
Net income	\$ 517	\$ 703
Share and Per Share (note 8):		
Earnings per share – basic	\$ 1.03	\$ 1.39
Earnings per share – diluted	\$ 1.02	\$ 1.38
Weighted average number of shares – basic	503.1	506.6
Weighted average number of shares – diluted	507.0	511.3
Dividends declared per share	\$ 0.27	\$ 0.27

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

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

<i>Millions, Except Per Share Amounts, for the Nine Months Ended September 30,</i>	2009	2008
Operating revenues:		
Freight revenues	\$ 9,832	\$ 13,038
Other revenues	557	646
Total operating revenues	10,389	13,684
Operating expenses:		
Compensation and benefits	3,045	3,356
Fuel	1,222	3,251
Purchased services and materials	1,193	1,444
Depreciation	1,067	1,034
Equipment and other rents	914	1,006
Other	558	659
Total operating expenses	7,999	10,750
Operating income	2,390	2,934
Other income (note 6)	172	67
Interest expense	(447)	(384)
Income before income taxes	2,115	2,617
Income taxes	(768)	(940)
Net income	\$ 1,347	\$ 1,677
Share and Per Share (note 8):		
Earnings per share – basic	\$ 2.68	\$ 3.27
Earnings per share – diluted	\$ 2.67	\$ 3.24
Weighted average number of shares – basic	502.9	513.1
Weighted average number of shares – diluted	505.4	517.8
Dividends declared per share	\$ 0.81	\$ 0.71

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

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

<i>Millions of Dollars</i>	<i>Sep. 30,</i> <i>2009</i>	<i>Dec. 31,</i> <i>2008</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,435	\$ 1,249
Accounts receivable, net	727	594
Materials and supplies	490	450
Current deferred income taxes	299	276
Other current assets	266	244
Total current assets	3,217	2,813
Investments	1,013	974
Net properties (note 10)	37,122	35,701
Other assets	337	234
Total assets	\$41,689	\$39,722
Liabilities and Common Shareholders' Equity		
Current liabilities:		
Accounts payable and other current liabilities (note 11)	\$ 2,575	\$ 2,560
Debt due within one year (note 13)	173	320
Total current liabilities	2,748	2,880
Debt due after one year (note 13)	9,620	8,607
Deferred income taxes	10,595	10,282
Other long-term liabilities	2,297	2,506
Commitments and contingencies (note 14)		
Total liabilities	25,260	24,275
Common shareholders' equity:		
Common shares, \$2.50 par value, 800,000,000 authorized; 553,505,843 and 552,775,812 issued; 504,534,252 and 503,225,705 outstanding, respectively	1,384	1,382
Paid-in-surplus	3,960	3,949
Retained earnings	14,752	13,813
Treasury stock	(2,954)	(2,993)
Accumulated other comprehensive loss (note 9)	(713)	(704)
Total common shareholders' equity	16,429	15,447
Total liabilities and common shareholders' equity	\$41,689	\$39,722

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

[Table of Contents](#)**Condensed Consolidated Statements of Cash Flows (Unaudited)***Union Pacific Corporation and Subsidiary Companies**Millions of Dollars,**for the Nine Months Ended September 30,*

	2009	2008
Operating Activities		
Net income	\$ 1,347	\$ 1,677
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	1,067	1,034
Deferred income taxes and unrecognized tax benefits	314	325
Net gain on non-operating asset dispositions	(138)	(30)
Other operating activities, net	(188)	148
Changes in current assets and liabilities:		
Accounts receivable, net	(133)	(228)
Materials and supplies	(40)	(116)
Other current assets	(22)	35
Accounts payable and other current liabilities	15	193
Cash provided by operating activities	2,222	3,038
Investing Activities		
Capital investments	(1,831)	(2,017)
Proceeds from asset sales	154	73
Acquisition of equipment pending financing	(100)	(386)
Proceeds from sale of assets financed	-	386
Other investing activities, net	36	(65)
Cash used in investing activities	(1,741)	(2,009)
Financing Activities		
Debt issued	843	1,340
Common share repurchases (note 15)	-	(1,410)
Debt repaid	(826)	(735)
Dividends paid	(408)	(344)
Other financing activities, net	96	99
Cash used in financing activities	(295)	(1,050)
Net change in cash and cash equivalents	186	(21)
Cash and cash equivalents at beginning of year	1,249	878
Cash and cash equivalents at end of period	\$ 1,435	\$ 857
Supplemental Cash Flow Information		
Non-cash investing and financing activities:		
Capital lease financings	\$ 742	\$ 175
Cash dividends declared but not yet paid	132	132
Capital investments accrued but not yet paid	78	100
Settlement of current liabilities for debt	14	-
Cash paid for:		
Interest, net of amounts capitalized	\$ (487)	\$ (414)
Income taxes	(273)	(344)

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

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

Union Pacific Corporation and Subsidiary Companies

<i>Millions</i>	<i>Common Shares</i>	<i>Treasury Shares</i>	<i>Common Shares</i>	<i>Paid-in-Surplus</i>	<i>Retained Earnings</i>	<i>Treasury Stock</i>	<i>AOCI [a]</i>	<i>Total</i>
Balance at December 31, 2007 (note 2)	552.3	(30.6)	\$1,381	\$3,926	\$11,976	\$(1,624)	\$ (74)	\$15,585
Comprehensive income:								
Net income			-	-	1,677	-	-	1,677
Other comp. income			-	-	-	-	6	6
Total comp. income (note 9)			-	-	1,677	-	6	1,683
Conversion, stock option exercises, forfeitures, and other	0.5	3.0	1	11	-	147	-	159
Share repurchases (note 15)	-	(18.8)	-	-	-	(1,328)	-	(1,328)
Cash dividends declared (\$0.71 per share)	-	-	-	-	(364)	-	-	(364)
Balance at September 30, 2008	552.8	(46.4)	\$1,382	\$3,937	\$13,289	\$(2,805)	\$(68)	\$15,735
Balance at December 31, 2008	552.8	(49.6)	\$1,382	\$3,949	\$13,813	\$(2,993)	\$(704)	\$15,447
Comprehensive income:								
Net income			-	-	1,347	-	-	1,347
Other comp. loss			-	-	-	-	(9)	(9)
Total comp. income/(loss) (note 9)			-	-	1,347	-	(9)	1,338
Conversion, stock option exercises, forfeitures, and other	0.7	0.6	2	11	-	39	-	52
Cash dividends declared (\$0.81 per share)	-	-	-	-	(408)	-	-	(408)
Balance at September 30, 2009	553.5	(49.0)	\$1,384	\$3,960	\$14,752	\$(2,954)	\$(713)	\$16,429

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

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

UNION PACIFIC CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

1. Basis of Presentation – Our Condensed Consolidated Financial Statements are unaudited and reflect all adjustments (consisting only of normal and recurring adjustments) that are, in the opinion of management, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Our Consolidated Statement of Financial Position at December 31, 2008, is derived from audited financial statements. This Quarterly Report on Form 10-Q should be read in conjunction with our Consolidated Financial Statements and notes thereto contained in our 2008 Annual Report on Form 10-K. The results of operations for the nine months ended September 30, 2009, are not necessarily indicative of the results for the entire year ending December 31, 2009.

We evaluated the effects of all subsequent events through October 22, 2009, the date of this report, which is concurrent with the date we file this report with the U.S. Securities and Exchange Commission (SEC).

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

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

<i>Millions of Dollars</i>	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Agricultural	\$ 649	\$ 848	\$ 1,928	\$ 2,382
Automotive	227	324	552	1,039
Chemicals	551	659	1,563	1,916
Energy	831	1,051	2,353	2,827
Industrial Products	557	906	1,634	2,556
Intermodal	656	842	1,802	2,318
Total freight revenues	\$ 3,471	\$ 4,630	\$ 9,832	\$ 13,038
Other revenues	200	216	557	646
Total operating revenues	\$ 3,671	\$ 4,846	\$ 10,389	\$ 13,684

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

<i>Millions of Dollars</i>	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Stock-based compensation, before tax:				
Stock options	\$ 4	\$ 6	\$ 14	\$ 18
Retention awards	13	11	27	30
Total stock-based compensation, before tax	\$ 17	\$ 17	\$ 41	\$ 48
Total stock-based compensation, after tax	\$ 10	\$ 11	\$ 25	\$ 30
Excess tax benefits from equity compensation plans	\$ 2	\$ 12	\$ 5	\$ 52

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

<i>Weighted-Average Assumptions</i>	<i>Nine Months Ended</i>	
	<i>September 30,</i>	
	<i>2009</i>	<i>2008</i>
Risk-free interest rate	1.9%	2.8%
Dividend yield	2.3%	1.4%
Expected life (years)	5.1	5.3
Volatility	31.3%	22.2%
Weighted-average grant-date fair value of options granted	\$ 11.33	\$ 13.35

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

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A summary of stock option activity during the nine months ended September 30, 2009 is presented below:

	Shares (thous.)	Weighted- Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (millions)
Outstanding at January 1, 2009	11,983	\$ 40.81	5.6 yrs.	\$ 108
Granted	1,865	47.28	N/A	N/A
Exercised	(511)	34.16	N/A	N/A
Forfeited or expired	(14)	56.49	N/A	N/A
Outstanding at September 30, 2009	13,323	\$ 41.95	5.5 yrs.	\$ 225
Vested or expected to vest at September 30, 2009	13,224	\$ 41.88	5.5 yrs.	\$ 224
Options exercisable at September 30, 2009	9,999	\$ 38.63	4.5 yrs.	\$ 199

Stock options are granted at the closing price on the date of grant, have ten-year contractual terms, and vest no later than three years from the date of grant. None of the stock options outstanding at September 30, 2009 are subject to performance or market-based vesting conditions.

At September 30, 2009, there was \$27 million of unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted-average period of 1.4 years. Additional information regarding stock option exercises appears in the table below:

<i>Millions of Dollars</i>	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i> <i>2009</i>	<i>September 30,</i> <i>2008</i>	<i>September 30,</i> <i>2009</i>	<i>September 30,</i> <i>2008</i>
Intrinsic value of stock options exercised	\$ 7	\$ 38	\$ 11	\$ 163
Cash received from option exercises	12	17	18	79
Treasury shares repurchased for employee payroll taxes	(3)	(3)	(3)	(28)
Tax benefit realized from option exercises	2	14	4	61
Aggregate grant-date fair value of stock options vested	-	-	29	21

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

Changes in our retention awards during the nine months ended September 30, 2009 were as follows:

	Shares (thous.)	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2009	2,015	\$ 49.39
Granted	980	47.28
Vested	(230)	32.01
Forfeited	(32)	51.55
Nonvested at September 30, 2009	2,733	\$ 50.08

Retention awards are granted at no cost to the employee or non-employee director and vest over periods lasting up to four years. At September 30, 2009, there was \$72 million of total unrecognized compensation expense related to nonvested retention awards, which is expected to be recognized over a weighted-average period of 2.1 years.

Performance Retention Awards – In February 2009, our Board of Directors approved performance stock unit grants. Other than different performance targets, the basic terms of these performance stock units are identical to those granted in January 2007 and 2008, including using annual return on invested capital (ROIC) as the performance measure. Additionally, a change was made to an underlying assumption used in connection with calculating a component of ROIC. The discount rate used in both the numerator and denominator when calculating the present value of our future operating lease payments may fluctuate to reflect changes to interest rates and our financing costs. Stock units awarded to selected employees under these grants are subject to continued employment for 37 months and the attainment of certain levels of ROIC. We expense the fair value of the units that are probable of being earned based on our forecasted ROIC over the 3-year performance period. We measure the fair value of these performance stock units based upon the closing price of the underlying common stock as of the date of grant, reduced by the present value of estimated future dividends. Dividend equivalents are paid to participants only after the units are earned.

The assumptions used to calculate the present value of estimated future dividends related to the February 2009 grant were as follows:

	2009
Dividend per share per quarter	\$ 0.27
Risk-free interest rate at date of grant	1.9%

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Changes in our performance retention awards during the nine months ended September 30, 2009 were as follows:

	Shares (thous.)	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2009	873	\$ 50.70
Granted	449	47.28
Vested	(240)	43.23
Forfeited	(20)	53.75
Nonvested at September 30, 2009	1,062	\$ 50.88

At September 30, 2009, there was \$26 million of total unrecognized compensation expense related to nonvested performance retention awards, which is expected to be recognized over a weighted-average period of 1.5 years. A portion of this expense is subject to achievement of the ROIC levels established for the performance stock unit grants.

5. Retirement Plans

Pension and Other Postretirement Benefits

Pension Plans – We provide defined benefit retirement income to eligible non-union employees through qualified and non-qualified (supplemental) pension plans. Qualified and non-qualified pension benefits are based on years of service and the highest compensation during the latest years of employment, with specific reductions made for early retirements.

Other Postretirement Benefits (OPEB) – We provide defined contribution medical and life insurance benefits for eligible retirees. These benefits are funded as medical claims and life insurance premiums are paid.

Expense

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

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The components of our net periodic pension cost were as follows:

<i>Millions of Dollars</i>	<i>Pension</i>			
	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Service cost	\$ 10	\$ 8	\$ 29	\$ 26
Interest cost	35	35	104	101
Expected return on plan assets	(39)	(38)	(120)	(114)
Amortization of:				
Prior service cost	1	1	4	4
Actuarial loss	9	3	22	6
Net periodic benefit cost	\$ 16	\$ 9	\$ 39	\$ 23

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

<i>Millions of Dollars</i>	<i>OPEB</i>			
	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Service cost	\$ -	\$ -	\$ 2	\$ 2
Interest cost	2	7	15	17
Amortization of:				
Prior service credit	(14)	(9)	(31)	(26)
Actuarial loss	2	5	10	8
Net periodic benefit cost/(benefit)	\$ (10)	\$ 3	\$ (4)	\$ 1

Cash Contributions

For the nine months ended September 30, 2009, we have made \$205 million of cash contributions to the qualified pension plan. Any additional contributions made in the fourth quarter will be based on cash generated from operations and financial market considerations. All contributions made to the qualified pension plan during the nine months ended September 30, 2009 were voluntary and were made with cash generated from operations.

[Table of Contents](#)**6. Other Income** – Other income included the following:

<i>Millions of Dollars</i>	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>2009</i>	<i>September 30, 2008</i>	<i>2009</i>	<i>September 30, 2008</i>
Rental income	\$ 17	\$ 23	\$ 56	\$ 67
Net gain on non-operating asset dispositions	6	11	138	30
Interest income	1	4	5	16
Sale of receivables fees	(2)	(5)	(7)	(17)
Non-operating environmental costs and other	(8)	(10)	(20)	(29)
Total	\$ 14	\$ 23	\$ 172	\$ 67

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

7. Income Taxes – Internal Revenue Service (IRS) examinations have been completed and settled for all years prior to 1999, and the statute of limitations bars any additional tax assessments. Some interest calculations remain open back to 1986. The IRS has completed its examinations and issued notices of deficiency for tax years 1999 through 2006. We disagree with many of their proposed adjustments, and we are at IRS Appeals for these years. Additionally, several state tax authorities are examining our state income tax returns for tax years 2000 through 2006.

At September 30, 2009, our liability for unrecognized tax benefits was \$50 million, of which we classified a net receivable of \$8 million as current, primarily in anticipation of interest refunds we expect to receive within the next 12 months.

In February of 2009, California enacted legislation that changed how corporate taxpayers determine the amount of their income subject to California tax. The change reduced our deferred tax expense by \$14 million in the first quarter of 2009.

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8. Earnings Per Share

The following table provides a reconciliation between basic and diluted earnings per share for the three and nine months ended September 30:

<i>Millions, Except Per Share Amounts</i>	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Net income	\$ 517	\$ 703	\$ 1,347	\$ 1,677
Weighted-average number of shares outstanding:				
Basic	503.1	506.6	502.9	513.1
Dilutive effect of stock options	2.5	3.6	1.3	3.7
Dilutive effect of retention shares and units	1.4	1.1	1.2	1.0
Diluted	507.0	511.3	505.4	517.8
Earnings per share – basic	\$ 1.03	\$ 1.39	\$ 2.68	\$ 3.27
Earnings per share – diluted	\$ 1.02	\$ 1.38	\$ 2.67	\$ 3.24
Stock options excluded as their inclusion would be antidilutive	2.1	-	5.7	0.5

9. Comprehensive Income/(Loss) – Comprehensive income/(loss) was as follows:

<i>Millions of Dollars</i>	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Net income	\$ 517	\$ 703	\$ 1,347	\$ 1,677
Other comprehensive income/(loss):				
Defined benefit plans	-	-	(11)	(4)
Foreign currency translation	1	1	2	10
Derivatives	-	-	-	-
Total other comprehensive income/(loss) [a]	1	1	(9)	6
Total comprehensive income	\$ 518	\$ 704	\$ 1,338	\$ 1,683

[a] Net of deferred taxes of \$1 million and \$2 million during the three and nine months ended September 30, 2009, respectively, and \$1 million and \$7 million during the three and nine months ended September 30, 2008, respectively.

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

<i>Millions of Dollars</i>	<i>Sep. 30, 2009</i>	<i>Dec. 31, 2008</i>
Defined benefit plans	\$ (670)	\$ (659)
Foreign currency translation	(39)	(41)
Derivatives	(4)	(4)
Total	\$ (713)	\$ (704)

10. Properties

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

<i>Millions of Dollars, Except Percentages</i>	<i>Sep. 30, 2009</i>	<i>Dec. 31, 2008</i>	<i>Depreciation Rate for 2009</i>
Land	\$ 4,857	\$ 4,861	N/A
Road:			
Rail and other track material [a]	11,824	11,366	3.6%
Ties	7,170	6,827	2.7%
Ballast	3,812	3,635	2.9%
Other [b]	12,873	12,520	2.4%
Total Road	35,679	34,348	2.9%
Equipment:			
Locomotives	6,052	5,157	4.9%
Freight cars	1,950	1,985	4.2%
Work equipment and other	163	158	3.6%
Total Equipment	8,165	7,300	4.7%
Technology and other	510	468	12.1%
Construction in progress	835	938	N/A
Total properties	\$ 50,046	\$ 47,915	N/A
Accumulated depreciation	(12,924)	(12,214)	N/A
Net properties	\$ 37,122	\$ 35,701	N/A

[a] Includes a weighted-average composite rate for rail in high-density traffic corridors, which is depreciated primarily on the basis of use as measured in gross ton-miles.

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

[Table of Contents](#)**11. Accounts Payable and Other Current Liabilities**

<i>Millions of Dollars</i>	<i>Sep. 30, 2009</i>	<i>Dec. 31, 2008</i>
Accounts payable	\$ 615	\$ 629
Accrued casualty costs	382	390
Income and other taxes	373	207
Accrued wages and vacation	350	367
Dividends and interest	282	328
Equipment rents payable	92	93
Other	481	546
Total accounts payable and other current liabilities	\$ 2,575	\$ 2,560

12. Financial Instruments

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

Market and Credit Risk – We address market risk related to derivative financial instruments by selecting instruments with value fluctuations that highly correlate with the underlying hedged item. We manage credit risk related to derivative financial instruments, which is minimal, by requiring high credit standards for counterparties and periodic settlements. At September 30, 2009 and December 31, 2008, we were not required to provide collateral, nor had we received collateral, relating to our hedging activities.

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

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

Swaps allow us to convert debt from fixed rates to variable rates and thereby hedge the risk of changes in the debt's fair value attributable to the changes in interest rates. We account for swaps as fair value

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hedges using the short-cut method as required by the Derivatives and Hedging Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC); therefore, we do not record any ineffectiveness within our Condensed Consolidated Financial Statements.

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

<i>Millions of Dollars, Except Percentages</i>	<i>Sep. 30, 2009</i>	<i>Dec. 31, 2008</i>
Amount of debt hedged	\$ 250	\$ 250
Percentage of total debt portfolio	3%	3%
Gross fair value asset position	\$ 17	\$ 19

We determined the fair value of our interest rate derivative based upon current fair values as quoted by recognized dealers. As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, we recognized the fair value as a Level 2 valuation. A Level 2 valuation is defined as observable market-based inputs or unobservable inputs that are corroborated by market data.

Interest Rate Cash Flow Hedges – We report changes in the fair value of cash flow hedges in accumulated other comprehensive income/loss until the hedged item affects earnings. At September 30, 2009 and December 31, 2008, we had reductions of \$4 million recorded as an accumulated other comprehensive income/loss that is being amortized on a straight-line basis through September 30, 2014. As of September 30, 2009 and December 31, 2008, we had no interest rate cash flow hedges outstanding.

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

<i>Millions of Dollars</i>	<i>Sep. 30, 2009</i>	<i>Sep. 30, 2008</i>
Decrease in interest expense from interest rate hedging	\$ 6	\$ 2
Decrease in fuel expense from fuel derivatives	-	1
Increase in pre-tax income	\$ 6	\$ 3

Fair Value of Debt Instruments – The fair value of our short- and long-term debt was estimated using quoted market prices, where available, or current borrowing rates. At September 30, 2009, the fair value of total debt was \$11.1 billion, approximately \$1.3 billion more than the carrying value. At December 31, 2008, the fair value of total debt was \$8.7 billion, approximately \$247 million less than the carrying value. At September 30, 2009 and December 31, 2008, approximately \$320 million of fixed-rate debt securities contained call provisions that allowed us to retire the debt instruments prior to final maturity, with the payment of fixed call premiums, or in certain cases, at par.

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Sale of Receivables – The Railroad transfers most of its accounts receivable to Union Pacific Receivables, Inc. (UPRI), a bankruptcy-remote subsidiary, as part of a sale of receivables facility. UPRI sells, without recourse on a 364-day revolving basis, an undivided interest in such accounts receivable to investors. The total capacity to sell undivided interests to investors under the facility was \$600 million and \$700 million at September 30, 2009 and December 31, 2008, respectively. The value of the outstanding undivided interest held by investors under the facility was \$400 million and \$584 million at September 30, 2009 and December 31, 2008, respectively. During the nine months ended September 30, 2009, UPRI reduced the outstanding undivided interest held by investors due to a decrease in available receivables. The value of the outstanding undivided interest held by investors is not included in our Condensed Consolidated Financial Statements. The value of the undivided interest held by investors was supported by \$921 million and \$1,015 million of accounts receivable held by UPRI at September 30, 2009 and December 31, 2008, respectively. At September 30, 2009 and December 31, 2008, the value of the interest retained by UPRI was \$521 million and \$431 million, respectively. This retained interest is included in accounts receivable in our Condensed Consolidated Financial Statements. The interest sold to investors is sold at carrying value, which approximates fair value, and there is no gain or loss recognized from the transaction.

The value of the outstanding undivided interest held by investors could fluctuate based upon the availability of eligible receivables and is directly affected by changing business volumes and credit risks, including default and dilution. If default or dilution ratios increase one percent, the value of the outstanding undivided interest held by investors would not change as of September 30, 2009. Should our credit rating fall below investment grade, the value of the outstanding undivided interest held by investors would be reduced, and, in certain cases, the investors would have the right to discontinue the facility.

The Railroad services the sold receivables; however, the Railroad does not recognize any servicing asset or liability as the servicing fees adequately compensate the Railroad for these responsibilities. The Railroad collected approximately \$3.4 billion and \$4.7 billion during the three months ended September 30, 2009 and 2008, respectively, and \$10.1 billion and \$13.3 billion during the nine months ended September 30, 2009 and 2008, respectively. UPRI used certain of these proceeds to purchase new receivables under the facility.

The costs of the sale of receivables program are included in other income and were \$2 million and \$5 million for the three months ended September 30, 2009 and 2008, respectively, and \$7 million and \$17 million for the nine months ended September 30, 2009 and 2008, respectively. The costs include interest, program fees paid to banks, commercial paper issuing costs, and fees for unused commitment availability.

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

In August 2009, the sale of receivables facility was renewed for an additional 364-day period at comparable terms and conditions, although the capacity to sell undivided interests was reduced from \$700 million to \$600 million.

13. Debt

Credit Facilities – At September 30, 2009, we had \$1.9 billion of credit available under our revolving credit facility (the facility). The facility is designated for general corporate purposes and supports the issuance of commercial paper. We did not draw on the facility during the nine months ended September 30, 2009. Commitment fees and interest rates payable under the facility are similar to fees and rates

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available to comparably rated, investment-grade borrowers. The facility allows for borrowings at floating rates based on London Interbank Offered Rates, plus a spread, depending upon our senior unsecured debt ratings. The facility requires us to maintain a debt-to-net-worth coverage ratio as a condition to making a borrowing. At September 30, 2009 and December 31, 2008 (and at all times during the first, second, and third quarters), we were in compliance with this covenant.

The definition of debt used for purposes of calculating the debt-to-net-worth coverage ratio includes, among other things, certain credit arrangements, capital leases, guarantees and unfunded and vested pension benefits under Title IV of ERISA. At September 30, 2009, the debt-to-net-worth coverage ratio allowed us to carry up to \$33 billion of debt (as defined in the facility), and we had \$10.7 billion of debt (as defined in the facility) outstanding at that date. Under our current capital plans, we expect to continue to satisfy the debt-to-net-worth coverage ratio; however, many factors beyond our reasonable control could affect our ability to comply with this provision in the future. The facility does not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require us to post collateral. The facility also includes a \$75 million cross-default provision and a change-of-control provision. The term of the facility will expire in April 2012, and we currently intend to replace the facility with a substantially similar credit agreement on or before the expiration date, which is consistent with our past practices with respect to our credit facilities.

At September 30, 2009, we had no commercial paper outstanding. Outstanding commercial paper balances are supported by our revolving credit facility but do not reduce the amount of borrowings available under the facility. During the nine months ended September 30, 2009, we issued \$100 million of commercial paper and repaid \$200 million.

Shelf Registration Statement and Significant New Borrowings – Under our current shelf registration statement, we may issue, from time to time, any combination of debt securities, preferred stock, common stock, or warrants for debt securities or preferred stock in one or more offerings.

On February 20, 2009, we issued a total of \$750 million of unsecured fixed-rate notes under our shelf registration statement. We issued \$350 million of 5.125% notes due February 15, 2014 and \$400 million of 6.125% notes due February 15, 2020. The net proceeds from this offering are for general corporate purposes.

We have no immediate plans to issue equity securities; however, we will continue to explore opportunities to replace existing debt or access capital through issuances of debt securities under our shelf registration, and, therefore, we may issue additional debt securities at any time. At September 30, 2009, we had remaining authority from our Board of Directors to issue up to \$2.25 billion of debt securities under our shelf registration.

As of September 30, 2009 and December 31, 2008, we have reclassified as long-term debt approximately \$320 million and \$400 million, respectively, of debt due within one year that we intend to refinance. This reclassification reflects our ability and intent to refinance any short-term borrowings and certain current maturities of long-term debt on a long-term basis.

During the second quarter of 2009, we restructured lease agreements for 813 locomotives resulting in a change in lease classification from operating to capital. As part of the restructuring arrangements, we received \$87 million in cash consideration. We recorded capital lease assets of approximately \$742 million and related capital lease obligations totaling approximately \$843 million. Included in our capital lease obligations is the \$87 million in cash consideration and \$14 million of accrued operating lease

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payables that were reclassified as part of our capital lease obligations. Capital lease obligations are reported in our Condensed Consolidated Statements of Financial Position as debt.

On October 15, 2009, we entered into a capital lease agreement for 44 locomotives with a total equipment cost of \$100 million. The lessor purchased the 44 locomotives from the Corporation and subsequently leased the locomotives back to the Railroad. These capital lease obligations will be reported in our Consolidated Statements of Financial Position as debt at December 31, 2009.

14. Commitments and Contingencies

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

Personal Injury – The cost of personal injuries to employees and others related to our activities is charged to expense based on estimates of the ultimate cost and number of incidents each year. We use third-party actuaries to assist us in measuring the expense and liability, including unasserted claims. The Federal Employers' Liability Act (FELA) governs compensation for work-related accidents. Under FELA, damages are assessed based on a finding of fault through litigation or out-of-court settlements. We offer a comprehensive variety of services and rehabilitation programs for employees who are injured at work.

Our personal injury liability is discounted to present value using applicable U.S. Treasury rates. Approximately 86% of the recorded liability related to asserted claims, and approximately 14% related to unasserted claims at September 30, 2009. Cost estimates can vary over time due to evolving trends in litigation.

Our personal injury liability activity was as follows:

<i>Millions of Dollars</i>	<i>Nine Months Ended</i>	
	<i>2009</i>	<i>September 30, 2008</i>
Beginning balance	\$ 621	\$ 593
Accruals	99	162
Payments	(126)	(123)
Ending balance at September 30	\$ 594	\$ 632
Current portion, ending balance at September 30	\$ 185	\$ 204

Asbestos – We are a defendant in a number of lawsuits in which current and former employees and other parties allege exposure to asbestos. Additionally, we have received claims for asbestos exposure that have not been litigated. The claims and lawsuits (collectively referred to as “claims”) allege occupational illness resulting from exposure to asbestos-containing products. In most cases, the claimants do not have

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credible medical evidence of physical impairment resulting from the alleged exposures. Additionally, most claims filed against us do not specify an amount of alleged damages.

Our asbestos-related liability activity was as follows:

<i>Millions of Dollars</i>	<i>Nine Months Ended</i>	
	<i>2009</i>	<i>2008</i>
Beginning balance	\$ 213	\$ 265
Accruals	-	-
Payments	(8)	(9)
Ending balance at September 30	\$ 205	\$ 256
Current portion, ending balance at September 30	\$ 12	\$ 11

We have insurance coverage for a portion of the costs incurred to resolve asbestos-related claims, and we have recognized an asset for estimated insurance recoveries at September 30, 2009 and December 31, 2008.

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

Environmental Costs – We are subject to federal, state, and local environmental laws and regulations. We identified 318 sites at which we are or may be liable for remediation costs associated with alleged contamination or for violations of environmental requirements. This includes 32 sites that are the subject of actions taken by the U.S. government, 17 of which are currently on the Superfund National Priorities List. Certain federal legislation imposes joint and several liability for the remediation of identified sites; consequently, our ultimate environmental liability may include costs relating to activities of other parties, in addition to costs relating to our own activities at each site.

When an environmental issue has been identified with respect to property owned, leased, or otherwise used in our business, we and our consultants perform environmental assessments on the property. We expense the cost of the assessments as incurred. We accrue the cost of remediation where our obligation is probable and such costs can be reasonably estimated. We do not discount our environmental liabilities when the timing of the anticipated cash payments is not fixed or readily determinable. At September 30, 2009, approximately 13% of our environmental liability was discounted at 3.59%, while approximately 13% of our environmental liability was discounted at 3.53% at December 31, 2008.

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Our environmental liability activity was as follows:

<i>Millions of Dollars</i>	<i>Nine Months Ended</i>	
	<i>September 30,</i>	
	<i>2009</i>	<i>2008</i>
Beginning balance	\$ 209	\$ 209
Accruals	26	34
Payments	(35)	(35)
Ending balance at September 30	\$ 200	\$ 208
Current portion, ending balance at September 30	\$ 60	\$ 58

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

Guarantees – At September 30, 2009, we were contingently liable for \$423 million in guarantees. We have recorded a liability of \$4 million for the fair value of these obligations as of both September 30, 2009, and December 31, 2008. We entered into these contingent guarantees in the normal course of business, and they include guaranteed obligations related to our headquarters building, equipment financings, and affiliated operations. The final guarantee expires in 2022. We are not aware of any existing event of default that would require us to satisfy these guarantees. We do not expect that these guarantees will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

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

15. Share Repurchase Program – On January 30, 2007, our Board of Directors authorized the repurchase of up to 40 million shares of Union Pacific Corporation common stock through the end of 2009. On May 1, 2008, our Board of Directors authorized the repurchase of an additional 40 million common shares by March 31, 2011. Management’s assessments of market conditions and other pertinent facts guide the timing and volume of all repurchases. During the nine months ended September 30, 2009, we did not repurchase shares under this program. During the three and nine months ended September 30, 2008, we repurchased approximately 5.9 million and 18.8 million shares, respectively, under this program at an aggregate purchase price of approximately \$445 million and \$1,328 million, respectively.

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Repurchased shares are recorded in treasury stock at cost, which includes any applicable commissions and fees.

16. Accounting Pronouncements – In June 2009, the FASB issued Statement No. 166, *Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140* (FAS 166). On and after the effective date of FAS 166, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities (as defined under previous accounting standards) should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. FAS 166 must be applied as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. We are in the process of evaluating the impact FAS 166 may have on our consolidated financial position, results of operations, and cash flow.

In June 2009, the FASB issued Statement No. 167, *Amendments to FASB Interpretation No. 46(R)* (FAS 167). FAS 167 retains the scope of Interpretation 46(R), *Consolidation of Variable Interest Entities*, with the addition of entities previously considered qualifying special-purpose entities, as the concept of these entities was eliminated in FASB Statement No. 166, *Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140*. FAS 167 shall be effective as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. We are in the process of evaluating the impact FAS 167 may have on our consolidated financial position, results of operations, and cash flow.

In June 2009, the FASB issued Statement No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162* (FAS 168). The Codification will become the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of FAS 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. FAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of FAS 168 did not affect our consolidated financial position, results of operations, or cash flows.

In May 2009, the FASB issued Statement No. 165, *Subsequent Events* (FAS 165) (codified as FASB ASC 855-10-50). FAS 165 establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. FAS 165 was effective for interim or annual financial periods ending after June 15, 2009. The adoption of FAS 165 did not affect our consolidated financial position, results of operations, or cash flows.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (codified as FASB ASC 820-10-50). This FSP amends FASB Statement No. 107, to require disclosures about fair values of financial instruments for interim reporting periods as well as in annual financial statements. The FSP also amends APB Opinion No. 28 to require those disclosures in summarized financial information at interim reporting periods. This FSP was effective for interim reporting periods ending after June 15, 2009. The adoption of this FSP did not affect our consolidated financial position, results of operations, or cash flows.

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 Nine Months Ended September 30, 2009 Compared to
Three and Nine Months Ended September 30, 2008**

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

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

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

Available Information

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

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

Critical Accounting Policies and Estimates

We base our discussion and analysis of our financial condition and results of operations upon our Condensed Consolidated Financial Statements. The preparation of these financial statements requires

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estimation and judgment that affect the reported amounts of revenues, expenses, assets, and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. If these estimates differ materially from actual results, the impact on the Condensed Consolidated Financial Statements may be material. Our critical accounting policies are available in Item 7 of our 2008 Annual Report on Form 10-K. There have not been any significant changes with respect to these policies during the first nine months of 2009.

RESULTS OF OPERATIONS

Quarterly Summary

We reported earnings of \$1.02 per diluted share on net income of \$517 million in the third quarter of 2009 compared to earnings of \$1.38 per diluted share on net income of \$703 million for the third quarter of 2008. Year-to-date, net income was \$1.3 billion versus \$1.7 billion for the same period in 2008. Freight revenues (excluding fuel surcharges) declined \$569 million in the third quarter compared to the same period of 2008 driven by a 15% reduction in volume levels. Economic conditions continued to impact demand for our services across most market sectors. Hurricanes Gustav and Ike, which hit the Gulf Coast area in September 2008, impacted third quarter 2008 business levels, thus favorably affecting year-over-year volume comparisons for the quarter.

Consistent with the second quarter, we continued Corporation-wide efforts to improve efficiency and reduce costs, in addition to adjusting our resources to reflect demand levels. As of September 30, 2009, we have stored approximately 1,800 road locomotives and 53,500 freight cars. Additionally, these demand-driven resource adjustments and our productivity initiatives combined to reduce our workforce by 11% compared to the third quarter 2008. These actions coupled with continued pricing gains, improved productivity, and lower fuel prices partially offset the impact of the volume decline.

Operationally, we improved network fluidity versus the third quarter of 2008. As reported to the Association of American Railroads (AAR), average train speed improved 16% during the third quarter of 2009 compared to 2008. Lower volume levels, network management initiatives, and continued focus on enhancing terminal processing all contributed to the improvement.

Operating Revenues

<i>Millions of Dollars</i>	<i>Three Months Ended</i>			<i>Nine Months Ended</i>		
	<i>September 30,</i>		<i>%</i>	<i>September 30,</i>		<i>%</i>
	<i>2009</i>	<i>2008</i>	<i>Change</i>	<i>2009</i>	<i>2008</i>	<i>Change</i>
Freight revenues	\$ 3,471	\$ 4,630	(25)%	\$ 9,832	\$ 13,038	(25)%
Other revenues	200	216	(7)	557	646	(14)
Total	\$ 3,671	\$ 4,846	(24)%	\$ 10,389	\$ 13,684	(24)%

Freight revenues are revenues generated by transporting freight or other materials from our six commodity groups. Freight revenues vary with volume (carloads) and average revenue per car (ARC). ARC is driven by changes in price, traffic mix, and fuel surcharges. As a result of contractual obligations with some of our customers, we have provided incentives for meeting or exceeding specified cumulative volumes or shipping to and from specific locations, which we record as a reduction to freight revenues

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based on the actual or projected future shipments. We recognize freight revenues on a percentage-of-completion basis as freight moves from origin to destination. We allocate freight revenues between reporting periods based on the relative transit time in each reporting period and recognize expenses as we incur them.

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

Freight revenues and volume levels for all six commodity groups decreased during the third quarter and year-to-date period of 2009, reflecting adverse economic conditions. We experienced the largest declines in automotive and industrial products. Lower fuel surcharges due to lower fuel prices also reduced freight revenues in the third quarter and year-to-date period of 2009 compared to 2008. ARC decreased 12% and 7% during the third quarter and year-to-date period driven by lower fuel cost recoveries, which were partially offset by core pricing gains. Fuel cost recoveries include fuel surcharge revenue and the impact of resetting the base fuel price for certain traffic, which is described below in more detail.

Our fuel surcharge programs (excluding index-based contract escalators that contain some provision for fuel) generated \$160 million and \$391 million in freight revenues in the third quarter and year-to-date period of 2009, compared to \$750 million and \$1.8 billion in the same periods of 2008, respectively. Declines in both fuel prices and volume levels drove the lower fuel surcharge amounts in both periods. Additionally, fuel surcharge revenue is not entirely comparable to prior periods due to implementation of new mileage-based fuel surcharge programs. In April 2007, we converted regulated traffic, which represents approximately 20% of our current revenue base, to mileage-based fuel surcharge programs. In addition, we continue to convert portions of our non-regulated traffic to mileage-based fuel surcharge programs. We also reset the base fuel price at which the new mileage-based fuel surcharges take effect. The resetting of the fuel price at which the fuel surcharge begins, in conjunction with rebasing the affected transportation rates to include a portion of what had been in the fuel surcharge, did not materially change our freight revenue as higher base rates offset lower fuel surcharge revenue.

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

<i>Freight Revenues</i> <i>Millions of Dollars</i>	<i>Three Months Ended</i> <i>September 30,</i>			<i>Nine Months Ended</i> <i>September 30,</i>		
	<i>2009</i>	<i>2008</i>	<i>%</i> <i>Change</i>	<i>2009</i>	<i>2008</i>	<i>%</i> <i>Change</i>
Agricultural	\$ 649	\$ 848	(23)%	\$ 1,928	\$ 2,382	(19)%
Automotive	227	324	(30)	552	1,039	(47)
Chemicals	551	659	(16)	1,563	1,916	(18)
Energy	831	1,051	(21)	2,353	2,827	(17)
Industrial Products	557	906	(39)	1,634	2,556	(36)
Intermodal	656	842	(22)	1,802	2,318	(22)
Total	\$ 3,471	\$ 4,630	(25)%	\$ 9,832	\$ 13,038	(25)%

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<i>Revenue Carloads</i> <i>Thousands</i>	<i>Three Months Ended</i>			<i>Nine Months Ended</i>		
	<i>September 30,</i>		<i>%</i>	<i>September 30,</i>		<i>%</i>
	2009	2008	Change	2009	2008	Change
Agricultural	215	243	(12)%	630	719	(12)%
Automotive	124	153	(19)	314	517	(39)
Chemicals	202	224	(10)	570	690	(17)
Energy	531	615	(14)	1,522	1,758	(13)
Industrial Products	235	329	(29)	686	979	(30)
Intermodal	728	834	(13)	2,012	2,441	(18)
Total	2,035	2,398	(15)%	5,734	7,104	(19)%

<i>Average Revenue per Car</i>	<i>Three Months Ended</i>			<i>Nine Months Ended</i>		
	<i>September 30,</i>		<i>%</i>	<i>September 30,</i>		<i>%</i>
	2009	2008	Change	2009	2008	Change
Agricultural	\$ 3,026	\$ 3,486	(13)%	\$ 3,062	\$ 3,314	(8)%
Automotive	1,827	2,114	(14)	1,759	2,010	(12)
Chemicals	2,730	2,951	(7)	2,742	2,778	(1)
Energy	1,564	1,709	(8)	1,546	1,608	(4)
Industrial Products	2,367	2,747	(14)	2,381	2,609	(9)
Intermodal	901	1,010	(11)	896	950	(6)
Average	\$ 1,706	\$ 1,931	(12)%	\$ 1,715	\$ 1,835	(7)%

Agricultural Products – Lower volume and fuel surcharges decreased agricultural freight revenue in the third quarter and nine-month period of 2009 versus 2008. Price improvements partially offset these declines. Declines in export and domestic markets lowered shipments of corn and feed grains by 15% and 21% in the third quarter and year-to-date period of 2009 compared to 2008. Lower worldwide demand also reduced export shipments of wheat and food grains in the third quarter and year-to-date period of 2009 compared to the same periods of 2008.

Automotive – A 28% and 6% decline in shipments of finished vehicles and auto parts, respectively, combined with lower fuel surcharges reduced freight revenue in the third quarter of 2009 compared to 2008. Year-to-date, shipments of finished vehicles and auto parts declined 45% and 31%, respectively, compared to 2008 due to the impact of economic conditions that led to weaker sales and reduced vehicle production. Although the federal Car Allowance Rebate System program (aka “cash for clunkers”) helped stimulate vehicle sales and shipments in the third quarter of 2009, production cuts and soft demand more than offset the program’s benefits.

Chemicals – Reduced volume levels and fuel surcharges decreased freight revenue from chemical shipments in the third quarter and nine-month period of 2009 versus the same periods of 2008. Pricing improvements partially offset these declines. Weak market conditions reduced shipments of liquid and dry chemicals in the third quarter and year-to-date period of 2009 compared to 2008, with volume levels down 11% and 21%, respectively. In addition, high inventories, production curtailments, and delayed purchases combined to reduce fertilizer shipments in the third quarter and nine-month period of 2009 by 24% and 34%, respectively. Additionally, business interruptions resulting from Hurricanes Gustav and

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Ike lowered volume levels in the third quarter of 2008, contributing to a more favorable year-over-year comparison.

Energy – Lower volume and fuel surcharges reduced freight revenue from energy shipments in the third quarter and year-to-date period of 2009 versus the same periods of 2008. Price increases partially offset these declines. Shipments from the Southern Powder River Basin of Wyoming (SPRB) and the Colorado and Utah mines decreased 13% and 22%, respectively, in the third quarter of 2009 compared to 2008. Year-to-date, shipments from the SPRB and the Colorado and Utah mines were down 13% and 27%, respectively, compared to 2008. Higher coal inventories and continued weakness in the economy resulted in reduced demand at our utility customers, resulting in lower volumes. Production problems at the Colorado and Utah mines and the loss of SPRB customer contracts also contributed to the volume declines.

Industrial Products – Reduced volume and fuel surcharges resulted in lower freight revenue from industrial products shipments in the third quarter and nine-month period of 2009 versus the same periods of 2008. Price improvements partially offset these declines. Weak demand and inventory reductions resulting from the economic downturn drove a 57% decline in steel shipments in both the third quarter and nine-month period of 2009 compared to 2008. The continued weakness in the housing market, surplus production, and overall market uncertainty resulted in lower lumber, paper, and newsprint shipments in the third quarter and year-to-date period of 2009 versus 2008. In addition, cement and stone shipments declined in both periods due to both high inventories and weak commercial and residential construction activity.

Intermodal – Decreased volumes and fuel surcharges reduced freight revenue from intermodal shipments in the third quarter and year-to-date period of 2009 versus the same periods of 2008, partially offset by pricing gains. Volume from international traffic decreased 25% and 28%, respectively, in the third quarter and nine-month period of 2009 compared to 2008, reflecting the recessionary economy, continued weak imports from Asia, and diversions to non-UPRR served ports. Additionally, continued weakness in the domestic housing and automotive sectors translated into weak demand in large sectors of the international intermodal market, which also contributed to the volume declines. Conversely, domestic traffic increased 9% and 1%, respectively, in the third quarter and nine-month period of 2009 compared to 2008. A new contract with an existing customer, which included additional shipments, was executed in the second quarter of 2009 and more than offset the impact of weak market conditions in the third quarter 2009.

Mexico Business – Each of our commodity groups include revenue from shipments to and from Mexico. Revenue from Mexico business decreased 28% in the third quarter of 2009 versus 2008 to \$302 million. Volume declined in five of our six commodity groups, down 15% in the third quarter of 2009, driven by a 30% reduction in industrial products shipments and an 18% decline in both agricultural and intermodal shipments. Year-to-date, revenue decreased 30% versus 2008 to \$859 million, driven by volume declines of 24% versus 2008.

Operating Expenses

<i>Millions of Dollars</i>	<i>Three Months Ended</i>			<i>Nine Months Ended</i>		
	<i>September 30,</i>		<i>%</i>	<i>September 30,</i>		<i>%</i>
	<i>2009</i>	<i>2008</i>	<i>Change</i>	<i>2009</i>	<i>2008</i>	<i>Change</i>
Compensation and benefits	\$ 999	\$ 1,123	(11)%	\$ 3,045	\$ 3,356	(9)%
Fuel	466	1,135	(59)	1,222	3,251	(62)
Purchased services and materials	403	481	(16)	1,193	1,444	(17)
Depreciation	367	348	5	1,067	1,034	3
Equipment and other rents	290	326	(11)	914	1,006	(9)
Other	179	218	(18)	558	659	(15)
Total	\$ 2,704	\$ 3,631	(26)%	\$ 7,999	\$ 10,750	(26)%

Operating expenses decreased \$927 million and \$2.8 billion in the third quarter and nine-month period of 2009 versus the comparable periods in 2008. Our fuel price per gallon declined 49% and 51% during the third quarter and year-to-date period, decreasing operating expenses by \$442 million and \$1.2 billion, compared to 2008. Cost savings from lower volume, productivity improvements, and better resource utilization also decreased operating expenses in both periods. In addition, lower casualty expense primarily driven by improved trends in safety performance decreased operating expenses in the year-to-date period. Conversely, wage and benefit inflation partially offset these reductions.

Compensation and Benefits – Compensation and benefits include wages, payroll taxes, health and welfare costs, pension costs, other postretirement benefits, and incentive costs. Lower volume and productivity initiatives led to 11% and 10% declines in our workforce in the third quarter and year-to-date period of 2009 compared to 2008, saving \$150 million and \$406 million, respectively. Conversely, general wage and benefit inflation increased expenses in the third quarter and year-to-date period, partially offsetting these savings.

Fuel – Fuel includes locomotive fuel and gasoline for highway and non-highway vehicles and heavy equipment. Lower diesel fuel prices, which averaged \$1.87 and \$1.65 per gallon (including taxes and transportation costs) in the third quarter and nine-month period of 2009 compared to \$3.70 and \$3.36 per gallon in the same periods in 2008, reduced expenses by \$442 million and \$1.2 billion. Volume, as measured by gross ton-miles, decreased 17% and 19% in the third quarter and nine-month period versus 2008, lowering expenses by \$180 million and \$592 million, respectively, compared to 2008. Our fuel consumption rate improved 2% and 5% in the third quarter and nine-month period, respectively, resulting in \$23 million and \$134 million of cost savings versus 2008. Newer, more fuel efficient locomotives; increased use of distributed locomotive power; our fuel conservation programs; and improved network operations drove the improvement.

Purchased Services and Materials – Purchased services and materials expense includes the costs of services purchased from outside contractors; materials used to maintain the Railroad's lines, structures, and equipment; costs of operating facilities jointly used by UPRR and other railroads; transportation and lodging for train crew employees; trucking and contracting costs for intermodal containers; leased automobile maintenance expenses; and tools and supplies. Contract services expense (including equipment maintenance) decreased \$36 million in the third quarter of 2009 versus 2008 due to lower volume levels and a favorable year-over-year comparison due to expenses resulting from the September 2008 hurricanes. In addition, lower volume levels drove cost reductions of \$13 million in transportation and lodging costs and \$6 million in expenses associated with operating jointly owned facilities in the third

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quarter of 2009 versus 2008. Year-to-date, contract services expense (including equipment maintenance), transportation and lodging costs, and expenses associated with operating jointly owned facilities decreased \$135 million, \$46 million and \$24 million, respectively, versus the same period of 2008. In addition, we performed fewer locomotive and freight car repairs as a result of lower volumes and having portions these fleets stored, which reduced related materials expenses by \$27 million and \$58 million during the third quarter and year-to-date period of 2009 versus 2008. Clean-up and restoration expenses related to the January 2008 Cascade mudslide, June 2008 Midwest flooding, and September 2008 hurricanes also increased expenses in the nine-month period of 2008, creating a favorable year-over-year comparison.

Depreciation – The majority of depreciation relates to road property, including rail, ties, ballast, and other track material. A higher depreciable asset base, reflecting higher capital spending in recent years, increased depreciation expense in the third quarter and year-to-date period of 2009. Lower depreciation rates for rail and other track material offset most of the increase. The lower rates, which became effective January 1, 2009, resulted from longer asset lives as determined by service life studies and reduced track usage (based on lower gross ton-miles). Costs also increased \$15 million and \$20 million, respectively, in the third quarter and year-to-date period of 2009 due to the restructuring of equipment leases (see further discussion in this Item 2 under Liquidity and Capital Resources – Financing Activities).

Equipment and Other Rents – Equipment and other rents expense primarily includes rental expense that the Railroad pays for freight cars owned by other railroads or private companies; freight car, intermodal, and locomotive leases; other specialty equipment leases; and office and other rentals. Fewer shipments of industrial products and intermodal containers primarily contributed to the \$14 million and \$62 million reductions in our short-term freight car rental expense in the third quarter and nine-month period of 2009 versus 2008. In addition, the restructuring of equipment leases reduced locomotive lease expense by \$22 million and \$30 million in the third quarter and nine-month period of 2009 compared to 2008 (see further discussion in this Item 2 under Liquidity and Capital Resources – Financing Activities). Lower lease expense for freight cars, intermodal containers, and fleet vehicles also decreased costs in both periods.

Other – Other expenses include personal injury, freight and property damage, insurance, environmental, bad debt, state and local taxes, utilities, telephone and cellular, employee travel, computer software, and other general expenses. Other costs were lower in the third quarter and nine-month period of 2009 compared to 2008, driven by a decrease in expenses for freight and property damages, employee travel, and utilities. In addition, a lower receivable reserve requirement due to improved collection rates drove lower bad debt expense in the third quarter of 2009 compared to 2008. Other costs were also lower in the nine-month period of 2009 compared to 2008 driven by a reduction in personal injury expense. We completed actuarial studies in both the second quarter 2009 and 2008, which resulted in a net reduction of \$38 million in personal injury expense in the year-to-date period versus 2008, reflecting improvements in our safety experience and lower estimated costs to resolve claims. Conversely, higher property taxes partially offset these lower costs in the third quarter and year-to-date period of 2009 versus 2008.

Non-Operating Items

<i>Millions of Dollars</i>	<i>Three Months Ended</i>			<i>Nine Months Ended</i>		
	<i>September 30,</i>		<i>%</i>	<i>September 30,</i>		<i>%</i>
	<i>2009</i>	<i>2008</i>	<i>Change</i>	<i>2009</i>	<i>2008</i>	<i>Change</i>
Other income	\$ 14	\$ 23	(39)%	\$ 172	\$ 67	157%
Interest expense	(156)	(130)	20	(447)	(384)	16
Income taxes	(308)	(405)	(24)	(768)	(940)	(18)

Other Income – Other income decreased in the third quarter of 2009 compared to 2008 due to less gains from real estate sales, reduced rental and licensing income, and lower returns on cash investments, reflecting lower interest rates. Lower interest expense on our sale of receivables program, resulting from lower interest rates and a lower outstanding balance, partially offset these increases. Conversely, other income increased in the year-to-date period primarily due to higher gains from real estate sales, which included the \$116 million pre-tax gain from a land sale to the Regional Transportation District (RTD) in Colorado.

Interest Expense – Interest expense increased in the third quarter and year-to-date period of 2009 versus 2008 due to higher weighted-average debt levels. In the third quarter, the weighted-average debt level was \$9.9 billion (including the restructuring of equipment leases in May of 2009), compared to \$8.4 billion in 2008. Year-to-date, the weighted-average debt level was \$9.5 billion compared to \$8.2 billion in 2008. Our effective interest rate was 6.3% in both the third quarter and year-to-date period of 2009, compared to 6.2% and 6.3% in the third quarter and nine-month period of 2008.

Income Taxes – Income taxes were lower in the third quarter and year-to-date period of 2009 compared to 2008, driven by lower pre-tax income. Our effective tax rates for the third quarter and year-to-date period of 2009 were 37.3% and 36.3%, compared to 36.6% and 35.9% for the corresponding periods of 2008.

OTHER OPERATING/PERFORMANCE AND FINANCIAL STATISTICS

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

Operating/Performance Statistics

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2009	2008	% Change	2009	2008	% Change
Average train speed (miles per hour)	27.4	23.7	16 %	27.3	22.9	19 %
Average terminal dwell time (hours)	24.5	24.4	- %	24.4	24.7	(1)%
Average rail car inventory (thousands)	281.5	300.4	(6)%	283.2	303.3	(7)%
Gross ton-miles (billions)	218.8	262.4	(17)%	626.2	776.7	(19)%
Revenue ton-miles (billions)	124.0	145.8	(15)%	355.7	427.4	(17)%
Operating ratio	73.7	74.9	(1.2) pts	77.0	78.6	(1.6) pts
Employees (average)	43,248	48,324	(11)%	43,989	48,697	(10)%
Customer satisfaction index	88	83	5 pts	87	82	5 pts

Average Train Speed – Average train speed is calculated by dividing train miles by hours operated on our main lines between terminals. Lower volume levels, ongoing network management initiatives, and productivity improvements contributed to 16% and 19% improvements in average train speed during the third quarter and nine-month period of 2009 compared to 2008.

Average Terminal Dwell Time – Average terminal dwell time is the average time that a rail car spends at our terminals. Lower average terminal dwell time improves asset utilization and service. Average terminal dwell time was flat in the third quarter and improved 1% during the year-to-date period of 2009 compared to 2008. Lower volumes combined with initiatives to more timely deliver rail cars to our interchange partners and customers improved dwell time in the year-to-date period.

Gross and Revenue Ton-Miles – Gross ton-miles are calculated by multiplying the weight of loaded or empty freight cars by the number of miles hauled. Revenue ton-miles are calculated by multiplying the weight of freight by the number of tariff miles. Gross and revenue-ton-miles decreased 17% and 15% in the third quarter of 2009 compared to 2008 due to a 15% decrease in carloads. Year-to-date, gross and revenue-ton-miles decreased 19% and 17% compared to 2008, due to a 19% decrease in carloads. Commodity mix changes (notably automotive shipments, which were 39% lower in the year-to-date period of 2009 compared to 2008) drove the difference in declines between gross ton-miles and revenue ton-miles.

Operating Ratio – Operating ratio is defined as our operating expense as a percentage of operating revenues. Our operating ratio improved 1.2 points to 73.7% in the third quarter of 2009 compared to 2008 and 1.6 points to 77.0% in the nine-month period of 2009 versus 2008. Price increases, lower fuel prices, network management initiatives, and improved productivity drove the improvements and more than offset the impact of the significant volume declines.

Employees – Productivity initiatives and lower volumes reduced employee levels 11% and 10% throughout the Company in the third quarter and nine-month period of 2009 versus 2008. Fewer train and engine personnel due to lower volumes and network initiatives, combined with improved productivity within the support organizations, contributed to the lower full-time equivalent force levels.

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Customer Satisfaction Index – The customer satisfaction survey asks customers to rate how satisfied they are with our performance over the last 12 months on a variety of attributes. A higher score indicates higher customer satisfaction. The improvements in survey results for the third quarter and year-to-date period of 2009 generally reflect customer recognition of our service.

Debt to Capital / Adjusted Debt to Capital

	<i>Sep. 30,</i>	<i>Dec. 31,</i>
	<i>2009</i>	<i>2008</i>
<i>Millions of Dollars, Except Percentages</i>		
Debt (a)	\$ 9,793	\$ 8,927
Equity	16,429	15,447
Capital (b)	\$ 26,222	\$ 24,374
Debt to capital (a/b)	37.3%	36.6%

	<i>Sep. 30,</i>	<i>Dec. 31,</i>
	<i>2009</i>	<i>2008</i>
<i>Millions of Dollars, Except Percentages</i>		
Debt	\$ 9,793	\$ 8,927
Net present value of operating leases	3,604	3,690
Value of sold receivables	400	584
Unfunded pension and OPEB	733	733
Adjusted debt (a)	\$ 14,530	\$ 13,934
Equity	16,429	15,447
Adjusted capital (b)	\$ 30,959	\$ 29,381
Adjusted debt to capital (a/b)	46.9%	47.4%

Adjusted debt to capital is a non-GAAP financial measure under SEC Regulation G and Item 10 of SEC Regulation S-K. We believe this measure is important to management and investors in evaluating the total amount of leverage in our capital structure, including off-balance sheet lease obligations, which we generally incur in connection with financing the acquisition of locomotives and freight cars and certain facilities. Operating leases were discounted using 6.3% at September 30, 2009 and 8.0% at December 31, 2008. The lower discount rate reflects changes to interest rates and our current financing costs. We monitor the ratio of adjusted debt to capital as we manage our capital structure to balance cost-effective and efficient access to the capital markets with the Corporation's overall cost of capital. Adjusted debt to capital should be considered in addition to, rather than as a substitute for, debt to capital. The tables above provide a reconciliation from debt to capital to adjusted debt to capital.

LIQUIDITY AND CAPITAL RESOURCES**Financial Condition**

<i>Cash Flows</i> <i>Millions of Dollars</i>	<i>Nine Months Ended</i> <i>September 30,</i>	
	2009	2008
Cash provided by operating activities	\$ 2,222	\$ 3,038
Cash used in investing activities	(1,741)	(2,009)
Cash used in financing activities	(295)	(1,050)
Net change in cash and cash equivalents	\$ 186	\$ (21)

Cash Provided by Operating Activities – Lower net income in the first nine months of 2009, higher voluntary pension contributions of \$205 million, a reduction in the outstanding balance of our accounts receivable securitization program of \$184 million, and changes to, and timing of, working capital combined to decrease cash provided by operating activities compared to 2008.

Cash Used in Investing Activities – Lower capital investments and higher proceeds from asset sales drove the decrease in cash used in investing activities, partially offset by an increase from 2008 of the number of locomotives purchased but pending financing.

The table below details cash capital investment:

<i>Millions of Dollars</i>	<i>Nine Months Ended</i> <i>September 30,</i>	
	2009	2008
Road infrastructure	\$ 1,289	\$ 1,320
Locomotives and freight cars	255	127
Capacity and commercial facilities	215	476
Technology and other	72	94
Total	\$ 1,831	\$ 2,017

Cash Used in Financing Activities – Cash used in financing activities decreased in the first nine months of 2009 versus 2008 due to a decrease of \$1.4 billion in the repurchase of common shares, partially offset by lower new debt issuances of \$497 million, by higher debt repayments of \$91 million, and increased dividends. In addition, the restructuring of equipment leases resulted in receipt of \$87 million in cash consideration, further contributing to the decrease (see further discussion in this Item 2 under Liquidity and Capital Resources – Financing Activities).

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Free Cash Flow – Free cash flow is a non-GAAP financial measure under SEC Regulation G. We believe free cash flow is important to management and investors in evaluating our financial performance and measures our ability to generate cash without incurring additional external financings. Free cash flow should be considered in addition to, rather than as a substitute for, cash provided by operating activities. The table below reconciles cash provided by operating activities (GAAP measure) to free cash flow (non-GAAP measure).

<i>Millions of Dollars</i>	<i>Nine Months Ended</i>	
	<i>September 30,</i>	
	<i>2009</i>	<i>2008</i>
Cash provided by operating activities	\$ 2,222	\$ 3,038
Cash used in investing activities	(1,741)	(2,009)
Dividends paid	(408)	(344)
Free cash flow	\$ 73	\$ 685

Capital Plan

In April 2009, we reduced our projection for capital expenditures for the year to approximately \$2.6 billion from \$2.8 billion in response to economic conditions and lower revenue. These capital investments may be further adjusted up or down in response to business conditions or regulatory or other developments. In response to rail safety legislation that mandates installation of positive train control by the end of 2015, we are currently planning on allocating approximately \$200 million of our 2010 capital expenditures on the implementation of positive train control.

Financing Activities

Credit Facilities – At September 30, 2009, we had \$1.9 billion of credit available under our revolving credit facility (the facility). The facility is designated for general corporate purposes and supports the issuance of commercial paper. We did not draw on the facility during the nine months ended September 30, 2009. Commitment fees and interest rates payable under the facility are similar to fees and rates available to comparably rated, investment-grade borrowers. The facility allows for borrowings at floating rates based on London Interbank Offered Rates, plus a spread, depending upon our senior unsecured debt ratings. The facility requires us to maintain a debt-to-net-worth coverage ratio as a condition to making a borrowing. At September 30, 2009 and December 31, 2008 (and at all times during the first, second, and third quarters), we were in compliance with this covenant.

The definition of debt used for purposes of calculating the debt-to-net-worth coverage ratio includes, among other things, certain credit arrangements, capital leases, guarantees and unfunded and vested pension benefits under Title IV of ERISA. At September 30, 2009, the debt-to-net-worth coverage ratio allowed us to carry up to \$33 billion of debt (as defined in the facility), and we had \$10.7 billion of debt (as defined in the facility) outstanding at that date. Under our current capital plans, we expect to continue to satisfy the debt-to-net-worth coverage ratio; however, many factors beyond our reasonable control could affect our ability to comply with this provision in the future. The facility does not include any other financial restrictions, credit rating triggers (other than rating-dependent pricing), or any other provision that could require us to post collateral. The facility also includes a \$75 million cross-default provision and a change-of-control provision. The term of the facility will expire in April 2012, and we currently intend to replace the facility with a substantially similar credit agreement on or before the expiration date, which is consistent with our past practices with respect to our credit facilities.

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At September 30, 2009, we had no commercial paper outstanding. Outstanding commercial paper balances are supported by our revolving credit facility but do not reduce the amount of borrowings available under the facility. During the nine months ended September 30, 2009, we issued \$100 million of commercial paper and repaid \$200 million.

Shelf Registration Statement and Significant New Borrowings – Under our current shelf registration statement, we may issue, from time to time, any combination of debt securities, preferred stock, common stock, or warrants for debt securities or preferred stock in one or more offerings.

On February 20, 2009, we issued a total of \$750 million of unsecured fixed-rate notes under our shelf registration statement. We issued \$350 million of 5.125% notes due February 15, 2014 and \$400 million of 6.125% notes due February 15, 2020. The net proceeds from this offering are for general corporate purposes.

We have no immediate plans to issue equity securities; however, we will continue to explore opportunities to replace existing debt or access capital through issuances of debt securities under our shelf registration, and, therefore, we may issue additional debt securities at any time. At September 30, 2009, we had remaining authority from our Board of Directors to issue up to \$2.25 billion of debt securities under our shelf registration.

As of September 30, 2009 and December 31, 2008, we have reclassified as long-term debt approximately \$320 million and \$400 million, respectively, of debt due within one year that we intend to refinance. This reclassification reflects our ability and intent to refinance any short-term borrowings and certain current maturities of long-term debt on a long-term basis.

During the second quarter of 2009, we restructured lease agreements for 813 locomotives resulting in a change in lease classification from operating to capital. As part of the restructuring arrangements, we received \$87 million in cash consideration. We recorded capital lease assets of approximately \$742 million and related capital lease obligations totaling approximately \$843 million. Included in our capital lease obligations is the \$87 million in cash consideration and \$14 million of accrued operating lease payables that were reclassified as part of our capital lease obligations. Capital lease obligations are reported in our Condensed Consolidated Statements of Financial Position as debt.

On October 15, 2009, we entered into a capital lease agreement for 44 locomotives with a total equipment cost of \$100 million. The lessor purchased the 44 locomotives from the Corporation and subsequently leased the locomotives back to the Railroad. These capital lease obligations will be reported in our Consolidated Statements of Financial Position as debt at December 31, 2009.

Share Repurchase Program – On January 30, 2007, our Board of Directors authorized the repurchase of up to 40 million shares of Union Pacific Corporation common stock through the end of 2009. On May 1, 2008, our Board of Directors authorized the repurchase of an additional 40 million common shares by March 31, 2011. Management's assessments of market conditions and other pertinent facts guide the timing and volume of all repurchases. During the nine months ended September 30, 2009, we did not repurchase shares under this program. During the three and nine months ended September 30, 2008, we repurchased approximately 5.9 million and 18.8 million shares, respectively, under this program at an aggregate purchase price of approximately \$445 million and \$1,328 million, respectively. Repurchased shares are recorded in treasury stock at cost, which includes any applicable commissions and fees.

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

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

The following tables identify material obligations and commitments as of September 30, 2009:

<i>Contractual Obligations</i> Millions of Dollars	Total	Oct. 1	Payments Due by Dec. 31,					After 2013	Other
		through Dec. 31, 2009	2010	2011	2012	2013			
Debt [a]	\$ 12,733	\$ 87	\$ 846	\$ 896	\$ 1,106	\$ 969	\$ 8,829	\$ -	
Operating leases	5,206	72	539	527	449	397	3,222	-	
Capital lease obligations [b]	2,892	46	281	280	239	246	1,800	-	
Purchase obligations [c]	2,871	148	384	327	238	247	1,495	32	
Other postretirement benefits [d]	434	10	43	45	45	47	244	-	
Income tax contingencies [e]	50	1	(9)	-	-	-	-	58	
Total contractual obligations	\$ 24,186	\$ 364	\$ 2,084	\$ 2,075	\$ 2,077	\$ 1,906	\$ 15,590	\$ 90	

[a] Excludes capital lease obligations of \$1,989 million, unamortized discount of \$(111) million, and market value adjustments of \$17 million for debt with qualifying hedges that are recorded as liabilities on the Condensed Consolidated Statements of Financial Position. Includes an interest component of \$4,835 million.

[b] Represents total obligations, including an interest component of \$903 million.

[c] Includes locomotive maintenance contracts; purchase commitments for ties, ballast, and rail; and agreements to purchase other goods and services. For amounts where we can not reasonably estimate the year of settlement, they are reflected in the Other column.

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

[e] Reflects the liability for income tax contingencies, including interest and penalties, recorded as of September 30, 2009. Where we can reasonably estimate the years in which these liabilities may be settled, this is shown in the table. For amounts where we can not reasonably estimate the year of settlement, they are reflected in the Other column.

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Other Commercial Commitments Millions of Dollars	Total	Oct. 1	Amount of Commitment Expiration by Dec. 31,					After
		through Dec. 31, 2009	2010	2011	2012	2013	2013	
Credit facilities [a]	\$ 1,900	\$ -	\$ -	\$ -	\$ 1,900	\$ -	\$ -	
Sale of receivables [b]	600	-	600	-	-	-	-	
Guarantees [c]	423	2	33	77	24	8	279	
Standby letters of credit [d]	22	7	15	-	-	-	-	
Total commercial commitments	\$ 2,945	\$ 9	\$ 648	\$ 77	\$ 1,924	\$ 8	\$ 279	

[a] None of the credit facility was used as of September 30, 2009.

[b] \$400 million of the sale of receivables program was utilized at September 30, 2009. The full program matures in August 2010.

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

[d] None of the letters of credit were drawn upon as of September 30, 2009.

Sale of Receivables – The Railroad transfers most of its accounts receivable to Union Pacific Receivables, Inc. (UPRI), a bankruptcy-remote subsidiary, as part of a sale of receivables facility. UPRI sells, without recourse on a 364-day revolving basis, an undivided interest in such accounts receivable to investors. The total capacity to sell undivided interests to investors under the facility was \$600 million and \$700 million at September 30, 2009 and December 31, 2008, respectively. The value of the outstanding undivided interest held by investors under the facility was \$400 million and \$584 million at September 30, 2009 and December 31, 2008, respectively. During the nine months ended September 30, 2009, UPRI reduced the outstanding undivided interest held by investors due to a decrease in available receivables. The value of the outstanding undivided interest held by investors is not included in our Condensed Consolidated Financial Statements. The value of the undivided interest held by investors was supported by \$921 million and \$1,015 million of accounts receivable held by UPRI at September 30, 2009 and December 31, 2008, respectively. At September 30, 2009 and December 31, 2008, the value of the interest retained by UPRI was \$521 million and \$431 million, respectively. This retained interest is included in accounts receivable in our Condensed Consolidated Financial Statements. The interest sold to investors is sold at carrying value, which approximates fair value, and there is no gain or loss recognized from the transaction.

The value of the outstanding undivided interest held by investors could fluctuate based upon the availability of eligible receivables and is directly affected by changing business volumes and credit risks, including default and dilution. If default or dilution ratios increase one percent, the value of the outstanding undivided interest held by investors would not change as of September 30, 2009. Should our credit rating fall below investment grade, the value of the outstanding undivided interest held by investors would be reduced, and, in certain cases, the investors would have the right to discontinue the facility.

The Railroad services the sold receivables; however, the Railroad does not recognize any servicing asset or liability as the servicing fees adequately compensate the Railroad for these responsibilities. The Railroad collected approximately \$3.4 billion and \$4.7 billion during the three months ended September 30, 2009 and 2008, respectively, and \$10.1 billion and \$13.3 billion during the nine months ended September 30, 2009 and 2008, respectively. UPRI used certain of these proceeds to purchase new receivables under the facility.

The costs of the sale of receivables program are included in other income and were \$2 million and \$5 million for the three months ended September 30, 2009 and 2008, respectively, and \$7 million and \$17

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million for the nine months ended September 30, 2009 and 2008, respectively. The costs include interest, program fees paid to banks, commercial paper issuing costs, and fees for unused commitment availability.

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

In August 2009, the sale of receivables facility was renewed for an additional 364-day period at comparable terms and conditions, although the capacity to sell undivided interests was reduced from \$700 million to \$600 million.

OTHER MATTERS

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

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

Accounting Pronouncements – In June 2009, the Financial Accounting Standards Board (FASB) issued Statement No. 166, *Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140* (FAS 166). On and after the effective date of FAS 166, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities (as defined under previous accounting standards) should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. FAS 166 must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. We are in the process of evaluating the impact FAS 166 may have on our consolidated financial position, results of operations, and cash flow.

In June 2009, the FASB issued Statement No. 167, *Amendments to FASB Interpretation No. 46(R)* (FAS 167). FAS 167 retains the scope of Interpretation 46(R), *Consolidation of Variable Interest Entities*, with the addition of entities previously considered qualifying special-purpose entities, as the concept of these entities was eliminated in FASB Statement No. 166, *Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140*. FAS 167 shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. We are in the process of evaluating the impact FAS 167 may have on our consolidated financial position, results of operations, and cash flow.

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In June 2009, the FASB issued Statement No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162* (FAS 168). The Codification will become the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of FAS 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. FAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of FAS 168 did not affect our consolidated financial position, results of operations, or cash flows.

In May 2009, the FASB issued Statement No. 165, *Subsequent Events* (FAS 165) (codified as FASB Accounting Standards Codification (ASC) 855-10-50). FAS 165 establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. FAS 165 was effective for interim or annual financial periods ending after June 15, 2009. The adoption of FAS 165 did not affect our consolidated financial position, results of operations, or cash flows.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (codified as FASB ASC 820-10-50). This FSP amends FASB Statement No. 107, to require disclosures about fair values of financial instruments for interim reporting periods as well as in annual financial statements. The FSP also amends APB Opinion No. 28 to require those disclosures in summarized financial information at interim reporting periods. This FSP was effective for interim reporting periods ending after June 15, 2009. The adoption of this FSP did not affect our consolidated financial position, results of operations, or cash flows.

CAUTIONARY INFORMATION

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

Forward-looking statements and information reflect the good faith consideration by management of currently available information, and may be based on underlying assumptions believed to be reasonable under the circumstances. However, such information and assumptions (and, therefore, such forward-

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looking statements and information) are or may be subject to variables or unknown or unforeseeable events or circumstances over which management has little or no influence or control. The Risk Factors in Item 1A of our 2008 Annual Report on Form 10-K, filed on February 6, 2009, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements, and this report (including this Item 2) should be read in conjunction with these Risk Factors. To the extent circumstances require or we deem it otherwise necessary, we will update or amend these risk factors in a Form 10-Q or Form 8-K. Information regarding new risk factors or material changes to our risk factors, if any, is set forth in Item 1A of Part II of this report. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times that, or by which, such performance or results will be achieved. Forward-looking information is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the Quantitative and Qualitative Disclosures About Market Risk previously disclosed in our 2008 Annual Report on Form 10-K.

Item 4. Controls and Procedures

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in legal proceedings, claims, and litigation that occur in connection

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with our business. We routinely assess our liabilities and contingencies in connection with these matters based upon the latest available information and, when necessary, we seek input from our third-party advisors when making these assessments. Consistent with SEC rules and requirements, we describe below material pending legal proceedings (other than ordinary routine litigation incidental to our business), material proceedings known to be contemplated by governmental authorities, other proceedings arising under federal, state, or local environmental laws and regulations (including governmental proceedings involving potential fines, penalties, or other monetary sanctions in excess of \$100,000) and such other pending matters that we may determine to be appropriate.

Environmental Matters

As we reported in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, the Railroad received notice from the Army Corps of Engineers (the Corps) that, during its construction efforts to restore service to the Caliente Subdivision after severe flooding in January 2005, the Railroad may have exceeded its authority under emergency authorizations and permits issued by the Corps. Subsequently, the Corps referred the matter to the EPA. On August 6, 2009, the Railroad entered into a Consent Decree with the United States and agreed to resolve all of the government's remaining claims concerning this matter. Under the terms of the Consent Decree, the Railroad will pay a civil penalty of \$800,000. Additionally, the Railroad will pay the sum of \$98,000 to the Tri-County Weed Program (Nevada) for weed eradication, as compensatory mitigation for the disturbance of alleged jurisdictional areas during the Railroad's restoration of its rail line which are not otherwise addressed under the Consent Decree. The Railroad also agreed to perform certain site restoration activities, virtually all of which have been completed, and will monitor and maintain restored vegetation and stream functions for a period of between 5 and 7 years. The Court entered the Consent Decree on September 24, 2009.

As we reported in our Annual Report on Form 10-K for 2005, the EPA considers the Railroad a potentially responsible party for the Omaha Lead Site. The Omaha Lead Site consists of approximately 25 square miles of residential property in the eastern part of Omaha, Nebraska, allegedly impacted by air emissions from two former lead smelters/refineries. One refinery was operated by ASARCO. The EPA identified the Railroad as a potentially responsible party because more than 60 years ago the Railroad owned land that was leased to ASARCO. The Railroad disputes both the legal and technical basis of the EPA's allegations. It has nonetheless engaged in extensive negotiations with the EPA. These negotiations reached an apparent impasse. The EPA issued a Unilateral Administrative Order with an effective date of December 16, 2005, directing the Railroad to implement an interim remedy at the site at an estimated cost of \$50 million. Failure to comply with the order without just cause could subject the Railroad to penalties of up to \$32,500 per day and triple the EPA's costs in performing the work. The Railroad believes it has just cause not to comply with the order, but it offered to perform some of the work specified in the order as a compromise. To date, the EPA has rejected all of the Railroad's offers to settle or resolve this matter. The Railroad will vigorously contest liability and the imposition of any penalties. On August 5, 2009, the Railroad received a Special Notice Letter from EPA directing us to perform environmental remediation at approximately 9,000 yards in Omaha and to take other remedial measures as part of a final remedy. The Railroad continues to contest its purported liability for these costs but has submitted an offer to the EPA to attempt to negotiate a resolution of the matter.

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

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Other Matters

None.

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in our 2008 Annual Report on Form 10-K.

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

Purchases of Equity Securities – The following table presents common stock repurchases during each month for the third quarter of 2009:

<i>Period</i>	<i>Total Number of Shares Purchased [a]</i>	<i>Average Price Paid Per Share</i>	<i>Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program [b]</i>	<i>Maximum Number of Shares That May Yet Be Purchased Under the Plan or Program [b]</i>
Jul. 1 through Jul. 31	6,116	\$ 58.17	-	32,577,090
Aug. 1 through Aug. 31	13,231	60.73	-	32,577,090
Sep. 1 through Sep. 30	12,086	63.12	-	32,577,090
Total	31,433	\$ 61.15	-	N/A

[a] Total number of shares purchased during the quarter includes 31,433 shares delivered or attested to UPC by employees to pay stock option exercise prices, satisfy excess tax withholding obligations for stock option exercises or vesting of retention units, and pay withholding obligations for vesting of retention shares.

[b] On January 30, 2007, our Board of Directors authorized us to repurchase up to 40 million shares of our common stock through December 31, 2009. These repurchases may be made on the open market or through other transactions. Our management has sole discretion with respect to determining the timing and amount of these transactions. On May 1, 2008, our Board of Directors authorized additional repurchases of up to 40 million shares of our common stock through March 31, 2011.

Dividend Restrictions – Our revolving credit facility includes a debt-to-net worth covenant that, under certain circumstances, restricts the payment of cash dividends to our shareholders. The amount of retained earnings available for dividends was \$11.1 billion and \$10.5 billion at September 30, 2009 and December 31, 2008, respectively.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

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Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
<u>Filed with this Statement</u>	
10	Union Pacific Corporation 2004 Stock Incentive Plan, originally effective as of April 16, 2004, as amended, effective as of September 23, 2009.
12(a)	Ratio of Earnings to Fixed Charges for the Three Months Ended September 30, 2009 and 2008.
12(b)	Ratio of Earnings to Fixed Charges for the Nine Months Ended September 30, 2009 and 2008.
31(a)	Certifications Pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - James R. Young.
31(b)	Certifications Pursuant to Rule 13a-14(a), of the Exchange Act, as Adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Robert M. Knight, Jr.
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - James R. Young and Robert M. Knight, Jr.
101	Extensible Business Reporting Language (XBRL) documents submitted electronically: 101.INS (XBRL Instance Document), 101.SCH (XBRL Taxonomy Extension Schema Document), 101.CAL (XBRL Calculation Linkbase Document), 101.LAB (XBRL Taxonomy Label Linkbase Document), 101.DEF (XBRL Taxonomy Definition Linkbase Document) and 101.PRE (XBRL Taxonomy Presentation Linkbase Document). The following financial and related information from Union Pacific Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (filed with the SEC on October 22, 2009), is formatted in XBRL and submitted electronically herewith: (i) Condensed Consolidated Statements of Income (unaudited) for the three and nine month periods ending September 30, 2009 and 2008, (ii) Condensed Consolidated Statements of Financial Position (unaudited) at September 30, 2009 and December 31, 2008, (iii) Condensed Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2009 and 2008, (iv) Condensed Consolidated Statements of Changes in Common Shareholders' Equity (unaudited) for the nine months ended September 30, 2009 and 2008, and (v) the Notes to the Condensed Consolidated Financial Statements (unaudited), tagged as blocks of text.
<u>Incorporated by Reference</u>	
3(a)	By-Laws of UPC, as amended, effective May 14, 2009, are incorporated herein by reference to Exhibit 3.2 to the Corporation's Current Report on Form 8-K dated May 15, 2009.

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3(b) Revised Articles of Incorporation of UPC, as amended through May 1, 2008, are incorporated herein by reference to Exhibit 3(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.

SIGNATURES

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

Dated: October 22, 2009

UNION PACIFIC CORPORATION
(Registrant)

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

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

**UNION PACIFIC CORPORATION
2004 STOCK INCENTIVE PLAN**

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

UNION PACIFIC CORPORATION
2004 STOCK INCENTIVE PLAN

1. PURPOSE

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

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

2. DEFINITIONS

The following terms shall have the following meanings:

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

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

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

"Approved Leave of Absence" means a leave of absence of definite length approved by the Senior Vice President—Human Resources of the Company, or by any other officer of the Company to whom the Committee delegates such authority.

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

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

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

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

"Change in Control" means the occurrence of any one of the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Person” shall have the meaning given in Section 3(a)(9) of the Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Unit Vesting Condition” means any condition to the vesting of Stock Units established by the Committee pursuant to Section 9.

“Vesting Condition” means any condition to the vesting of Retention Shares established by the Committee pursuant to Section 8.

3. ADMINISTRATION

a. Composition of Committee. This Plan shall be administered by the Compensation and Benefits Committee of the Board (the “Committee”), as appointed from time to time by the Board. The Board shall fill vacancies on, and from time to time may remove or add members to, the Committee. The Committee shall act pursuant to a majority vote or unanimous written consent. The Board, in its sole discretion, may exercise any authority of the Committee under this Plan in lieu of the Committee’s exercise thereof and in such instances references herein to the Committee shall refer to the Board. The Committee shall consist of two or more directors each of whom is a “non-employee director” (as such term is defined in Rule 16b-3 promulgated under the Act, as such Rule may be amended from time to time) and an “outside director” (as such term is defined under Section 162(m) of the Code). The Committee may designate the Senior Vice President-Human Resources of the Company or other Company employees to assist the Committee in the administration of the Plan, and may grant authority to such persons to execute agreements or other documents evidencing Awards or Achievement Award Shares made under this Plan or other documents entered into under this Plan on behalf of the Committee or the Company.

b. Powers of the Committee. Subject to the express provisions and limitations set forth in this Plan, the Committee shall be authorized and empowered to do all things necessary or desirable, in its sole discretion, in connection with the administration of this Plan, including, without limitation, the following:

- (i) to prescribe, amend and rescind rules and regulations relating to this Plan and to define terms not otherwise defined herein;
- (ii) to determine which persons are Participants, to which of such Participants, if any, Awards shall be granted hereunder and the timing of any such Awards, and to grant Awards;
- (iii) to grant Awards to Participants and determine the terms and conditions thereof, including the number of Shares subject to Awards and the exercise or purchase price of such Shares and the circumstances under which Awards become exercisable or vested or are forfeited or expire, which terms may but need not be conditioned upon the passage of time, continued employment, the satisfaction of performance criteria, the occurrence of certain events (including events which the Board or the Committee determine constitute a Change in Control), or other factors;
- (iv) to establish and verify the extent of satisfaction of any performance goals or other conditions applicable to the grant, issuance, exercisability, vesting and/or ability to retain any Award;
- (v) to prescribe and amend the terms of the agreements or other documents evidencing Awards made under this Plan (which need not be identical) and the terms of or form of any document or notice required to be delivered to the Company by Participants under this Plan;

(vi) to determine whether, and the extent to which, adjustments are required pursuant to Section 14;

(vii) to interpret and construe this Plan, any rules and regulations under this Plan and the terms and conditions of any Award granted hereunder, and to make exceptions to any such provisions in good faith and for the benefit of the Company;

(viii) to make all other determinations deemed necessary or advisable for the administration of this Plan; and

(ix) Notwithstanding anything in this Plan to the contrary, with respect to any Award that is “deferred compensation” under Code section 409A, the Committee shall exercise its discretion in a manner that causes such Awards to be compliant with the requirements of such Code section.

c. Determinations of the Committee. All decisions, determinations and interpretations by the Committee regarding this Plan shall be final and binding on all Participants and Beneficiaries. The Committee shall consider such factors as it deems relevant to making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any director, officer or employee of the Company and such attorneys, consultants and accountants as it may select.

d. Delegations to Subcommittees. The Committee may delegate to one or more separate committees (any such committee a “Subcommittee”) composed of one or more directors of the Company (who may but need not be members of the Committee) the ability to grant Awards and take the other actions described in Section 3(b) with respect to non-executive employees, and such actions shall be treated for purposes of Section 3(c) as if taken by the Committee.

4. ELIGIBILITY

To be eligible for selection by the Committee to participate in the Plan an individual must be an employee of the Company or a Subsidiary. Directors who are not full-time salaried employees shall not be eligible. The Committee may grant Awards of Options, Stock Appreciation Rights, Retention Shares, Stock Units or Incentive Bonuses to eligible employees.

5. STOCK SUBJECT TO THIS PLAN

a. Aggregate Limits. The aggregate number of Shares of the Company’s Common Stock that shall be available for grant under this Plan shall be 21,000,000, plus any Shares subject to awards made under Prior Plans that are outstanding on the effective date of this Plan and become available pursuant to Section 5(c). Any Shares granted as Options or Stock Appreciation Rights shall be counted against this limit as one (1) Share for every one (1) Share granted. Any Shares granted as Awards other than Options or Stock Appreciation Rights shall be counted against this limit as one and four-tenths (1.4) Shares for every one (1) Share granted. The aggregate number of Shares available for grant under this Plan and the number of Shares subject to outstanding Awards shall be subject to adjustment as provided in Section 13. In addition, the aggregate number of Shares available for grant under this Plan shall not be reduced

by Shares subject to Awards granted upon the assumption of or in substitution for awards granted by a business or entity that is acquired by, or whose assets are acquired by, the Company. The Shares issued pursuant to Awards granted under this Plan may be Shares that either were reacquired by the Company, including Shares purchased in the open market, or authorized but unissued Shares.

b. Tax Code Limits. The aggregate number of Shares that may be granted as Options or Stock Appreciation Rights under this Plan during any consecutive 36-month period to any one Participant shall not exceed 3,000,000. The aggregate number of Shares that may be granted as Retention Shares or Stock Units under this Plan during any consecutive 36-month period to any one Participant shall not exceed 750,000. Notwithstanding anything to the contrary in this Plan, the foregoing limitations shall be subject to adjustment under Section 14, but only to the extent that such adjustment will not affect the status of any Award intended to qualify as “performance-based compensation” under Section 162(m) of the Code. The foregoing limitations shall not apply to the extent that they are no longer required in order for compensation in connection with Awards under this Plan to be treated as “performance-based compensation” under Section 162(m) of the Code.

c. Share Add-Backs. For purposes of this Section 5, the aggregate number of Shares available for Awards under this Plan at any time shall not be reduced by (i) Shares subject to Awards that have been canceled, expired, forfeited or settled in cash, (ii) Shares subject to Awards that have been retained by the Company in payment or satisfaction of the purchase price or tax withholding obligation of an Award, or (iii) Shares subject to Awards that otherwise do not result in the issuance of Shares in connection with payment or settlement of an Award. Any Shares that again become available for grant pursuant to clauses (i) through (iii) of this Section 5(c) shall be added back as one (1) Share if such Shares were subject to Options or Stock Appreciation Rights and as one and four-tenths (1.4) Shares if such Shares were subject to Awards other than Options and Stock Appreciation Rights. In addition, Shares that have been delivered (either actually or constructively by attestation) to the Company in payment or satisfaction of the purchase price or tax withholding obligation of an Award or an award under any of the Prior Plans and Shares repurchased in the open market with Option Proceeds from Awards or awards under any of the Prior Plans shall be available for Awards under this Plan; provided, however, that the increase in the aggregate number of Shares available for grant pursuant to the repurchase of Shares with Option Proceeds shall not be greater than the amount of such proceeds divided by the Fair Market Value of a Share on the date of exercise of the option giving rise to such proceeds. Shares subject to awards made under Prior Plans that do not result in the issuance of Shares for the reasons listed in clauses (i) through (iii) of this Section 5(c) shall be available for grant under this Plan. Each Share that again becomes available for grant in connection with awards under Prior Plans shall be added back as one (1) Share.

6. TERMS AND CONDITIONS OF OPTIONS

The Committee may grant an Option or provide for the grant of an Option, either from time to time in the discretion of the Committee or automatically upon the occurrence of specified events, including, without limitation, the achievement of performance goals, the satisfaction of an event or condition within the control of the recipient of the Award or within the control of others. All Options under the Plan shall be granted subject to the following terms and conditions:

a. Exercise Price. The exercise price per Share with respect to each Option shall be determined by the Committee but shall not be less than 100% of the Fair Market Value of the Common Stock on the date the Option is granted, provided, however, that the exercise price per share with respect to an Option that is granted in connection with a merger, stock exchange, or other acquisition as a substitute or replacement award for options held by optionees of the acquired entity may be less than 100% of Fair Market Value on the date the Option is granted as long as it is equal to or greater than the fair market value of the substitute or replacement award at its date of grant.

b. Duration. The Committee shall establish the term of an Option, provided that in no event shall any Option be exercisable subsequent to the tenth anniversary of the date on which it is granted.

c. Exercise. Except as provided in Section 6(g), the Shares covered by an Option may not be purchased prior to the first anniversary of the date on which the Option is awarded, or such longer period or periods, and subject to such conditions, as the Committee may determine, but thereafter may be purchased at one time or in such installments over the balance of the option period as may be provided in the Option Document. Any Shares not purchased on the applicable installment date may, unless the Committee shall have determined otherwise, be purchased thereafter at any time prior to the final expiration of the Option. To the extent that the right to purchase Shares has accrued thereunder, Options may be exercised from time to time by notice to the Company stating the number of Shares with respect to which the Option is being exercised.

d. Payment. Except as set forth herein, Shares purchased under Options shall, at the time of purchase, be paid for in full in cash. All, or any portion, of the option price may, at the discretion of the Committee, be paid (i) under an arrangement with the Stock Administrator where payment is made pursuant to an irrevocable direction to the Stock Administrator to deliver all or part of the proceeds from the sale of Shares issuable under the Option to the Company or (ii) by the surrender (either actually or constructively by attestation) to the Company, at the time of exercise, of Shares of previously acquired Common Stock owned by the Participant, to the extent that such payment does not require the surrender of a fractional share of such previously acquired Common Stock or (iii) by authorizing the Company to withhold Common Stock otherwise issuable on exercise of the Option. Such Shares previously acquired and used to pay the option price shall be valued at Fair Market Value on the date the Option is exercised or as otherwise determined in accordance with the procedures to be established by the Committee. A Participant shall have none of the rights of a shareholder until the Shares are issued to him or her.

e. Restrictions. The Committee shall determine, with respect to each Option, the nature and extent of the restrictions, if any, to be imposed on the Shares that may be purchased thereunder. Without limiting the generality of the foregoing, the Committee may impose conditions restricting absolutely or conditionally the transferability of Shares acquired through the exercise of Options for such periods, and subject to such conditions, including continued employment of the Participant by the Company or a Subsidiary, as the Committee may determine.

f. Non-Transferability of Options. During a Participant's lifetime, Options may be exercised only by the Participant and shall not be transferable, except for exercise by the Participant's Beneficiaries following a Participant's death or as otherwise authorized by the Committee.

g. Termination of Employment. Unless the Committee shall determine otherwise, upon the termination of a Participant's employment for any reason and except as provided in clause (ii), (iii) or (vi) below, Options shall expire immediately as to those Shares for which they were not then exercisable, and as to the remaining Shares for which the Options were exercisable at the time of such termination of employment, such Options shall expire on the earlier of the expiration of the term of the Options or according to the following schedule:

(i) **Retirement.** If a Participant ceases to be an employee of the Company or a Subsidiary by reason of retirement under the provisions of the Company's or a Subsidiary's pension plan, the Options shall expire, unless exercised, five (5) years after such termination of employment.

(ii) **Death or Disability.** If (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of the holding period required by Section 6(c) by reason of death or disability under the provisions of the Company's or a Subsidiary's long-term disability plan, and (B) upon such termination all conditions to exercisability of the Options required pursuant to Section 6(c) other than such holding period have been satisfied, the holding period required pursuant to Section 6(c) shall automatically be deemed to have been satisfied, and the Options shall expire, unless exercised by the Participant, or if such termination was as a result of Participant's death, by Participant's legal representatives or heirs, five (5) years after such termination of employment.

(iii) **Disposition of Business.** Subject to Section 6(g)(vi) with respect to a Change in Control of the Company, in the case of a termination that is deemed to occur upon the disposition by the Company or any of its Subsidiaries of all or a part of its interest in, or the discontinuance of a business of, a Subsidiary, division or other business unit, (A) if an Option is unexercisable because the holding period or other conditions required by Section 6(c) have not been satisfied in accordance with their original schedule, such Option shall not be forfeited automatically, but the holding period or other conditions required by Section 6(c) shall continue in accordance with their original schedule and the Option shall expire, unless exercised, five (5) years after the date of such termination and (B) if an Option is exercisable, the exercise period of the Option shall expire, unless exercised, five (5) years after the date of such termination;

(iv) **Force Reduction Program.** Subject to Section 6(g)(vi), in the case of a termination (other than retirement) resulting from a force reduction program instituted by the Company or any of its Subsidiaries, the Option shall expire, unless exercised, three (3) years from the date of termination.

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

(vi) **Change in Control.** Notwithstanding anything to the contrary in this Section 6(g), unless the Committee shall expressly provide otherwise in the Option Document at the time of grant, in the event a Participant's employment is involuntarily terminated by the Company or any of its Subsidiaries (other than termination as a result of disability or gross misconduct, but including a termination described in subsection (iii) and (iv) above) within (2) years following a Change in Control, any holding period or other condition required pursuant to Section 6(c) shall automatically be deemed to have been satisfied, the Options shall become fully vested and exercisable, and the Options shall remain exercisable for a period of three (3) years following such termination (or five (5) years following such termination in the case of a termination described in Subsection (i), (ii) or (iii) above) but in no event after the expiration of the term of the Option.

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

h. Option Document. Each Option Document shall contain provisions regarding (i) the number of Shares that may be issued upon exercise of the Option, (ii) the purchase price of the Shares and the means of payment for the Shares, (iii) the term of the Option, (iv) such terms and conditions on the vesting and/or exercisability of an Option, (v) restrictions on the transfer of the Option and forfeiture provisions and (vi) such further terms and conditions, in each case not inconsistent with this Plan as may be determined from time to time by the Committee.

i. No Option Repricing. Without the approval of shareholders, the Company shall not reprice any Options, except for adjustments under Section 14 as determined by the Committee. For purposes of this Plan, the term "reprice" shall mean lowering the exercise price of previously awarded Options within the meaning of Item 402(i) under Securities and Exchange Commission Regulation S-K, and shall also include any transactions deemed "repricings" under the relevant rules of the New York Stock Exchange. Notwithstanding the foregoing, in no event shall the Company take action to reprice any Option which constitutes (i) a modification of a stock right within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(B) so as to constitute the grant of a new stock right, (ii) an extension of a stock right, including the addition of a feature for the deferral of compensation within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(C), or (iii) an impermissible acceleration of a payment date or a subsequent deferral of a stock right subject to Code Section 409A within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(E).

7. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS

A "Stock Appreciation Right" means a right that entitles the Participant to receive, in cash or Shares (as determined by the Committee), value equal to or otherwise based on the excess of, (i) the Fair Market Value of a specified number of Shares at the time of exercise over (ii) the exercise price of the right, as established by the Committee on the date of grant. Stock Appreciation Rights may be granted to Participants either alone ("freestanding") or in addition to or in tandem with other Awards granted under the Plan and may, but need not, relate to a specific Option granted under Section 6. The provisions of Stock Appreciation Rights need not be the same with respect to each grant or each recipient. Any Stock Appreciation Right granted in

tandem with an Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. All Stock Appreciation Rights under the Plan shall be granted subject to the same terms and conditions applicable to Options as set forth in Section 6, including without limitation the terms and conditions set forth in Sections 6(a), 6(b) and 6(c) relating to option price, duration and exercise conditions; provided, however, that Stock Appreciation Rights granted in tandem with a previously granted Option shall have the terms and conditions of such Option. Subject to the provisions of Section 6, the Committee may impose such other conditions or restrictions on any Stock Appreciation Right as it shall deem appropriate. Stock Appreciation Rights may be settled in Shares or cash as determined by the Committee.

8. TERMS AND CONDITIONS OF AWARDS OF RETENTION SHARES

a. General. Retention Shares may be granted to reward the attainment of individual, Company or Subsidiary goals, or to attract or retain officers or other employees of the Company or any Subsidiary, and shall be granted subject to the attainment of performance goals unless the Committee shall determine otherwise. The Committee may specify that the grant, vesting or retention of any or all Retention Shares is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code, provided that the performance criteria for the grant, vesting or retention of any such Retention Shares shall be a measure based on one or more Qualifying Performance Criteria selected by the Committee and specified at the time the Retention Shares are granted. The Committee shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any Retention Shares that are intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code.

b. Restrictions.

(i) **Restriction Period and Vesting Conditions.** With respect to each grant of Retention Shares under the Plan, the Committee shall determine the period or periods, including any conditions for determining such period or periods, during which the restrictions set forth in Section 8(b) shall apply, provided that in no event, other than as provided in Section 8(c), shall such restrictions terminate prior to three (3) years after the date of grant (the “Restriction Period”), and the Committee may also specify any other terms or conditions, including the attainment of performance goals, to the right of the Participant to receive such Retention Shares (“Vesting Conditions”). Subject to Section 8(c) and any such Vesting Condition, a grant of Retention Shares shall be effective for the Restriction Period and may not be revoked; provided, however, in the event of a Change in Control of the Company (i) with respect to Retention Shares (other than Retention Shares granted pursuant to any future long term incentive plan (“LTP”)), the Restriction Period shall end with respect to that number of such Retention Shares calculated by multiplying the total number of such Retention Shares by the fraction obtained by dividing the number of full months from the commencement of such Restriction Period through the date of such Change in Control by the total number of months contained in such Restriction Period (determined without regard to this proviso), and (ii) any Retention Shares granted to such Participant pursuant to an LTP shall be subject to the terms of the applicable agreement issued under an LTP. In the event a

payment becomes due, the Committee may, in its sole discretion, elect to make such payment either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

(ii) **Rights in Retention Shares.** At the time of grant of Retention Shares to a Participant, an electronic account representing the number of Shares granted shall be registered in the Participant's name but shall be held by the Company for his or her account. The Participant shall have the entire beneficial ownership interest in, and all rights and privileges of a shareholder as to, such Retention Shares, including the right to vote such Retention Shares and, unless the Committee shall determine otherwise, the right to receive dividends thereon, subject to the following restrictions, except as provided by Sections 8(b) and 8(c): (A) the Participant shall not be entitled to delivery of the Shares until the expiration of the Restriction Period and the satisfaction of any Vesting Conditions; (B) none of the Retention Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restriction Period or prior to the satisfaction of any Vesting Conditions; and (C) all of the Retention Shares shall be forfeited and all rights of the Participant to such Retention Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company or a Subsidiary for the entire Restriction Period and any applicable Vesting Conditions have been satisfied. Any Shares or other securities or property received as a result of a transaction listed in Section 14 shall be subject to the same restrictions as such Retention Shares unless the Committee shall determine otherwise.

If the grant of Retention Shares includes a right to receive dividends, the payment of dividends with respect to Retention Shares shall be made, on and after the date of grant without regard to whether the Participant has satisfied the Restriction Period and Vesting Condition requirements, and shall be paid (prior to vesting and delivery of the Retention Shares) within thirty (30) days of the date such dividends are declared.

c. Termination of Employment. Unless the Committee shall determine otherwise, upon the termination of a Participant's employment, Retention Shares shall be treated as provided below:

(i) **Retirement.** If (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period, by reason of retirement under the provisions of the Company's or a Subsidiary's pension plan at or after actual age 65, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest and all restrictions applicable to such Retention Shares shall lapse. The Shares shall be delivered to the Participant in accordance with the provisions of Section 8(d).

(ii) **Death or Disability.** If (A) a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period by reason of death or disability under the provisions of the Company's or a Subsidiary's long-term disability plan, and (B) all Vesting Conditions have been satisfied, the Retention Shares granted to such Participant shall immediately vest for the Participant or in his or her Beneficiary, as

the case may be, and all restrictions applicable to such Retention Shares shall lapse. The Shares shall be delivered to the Participant's Beneficiary in accordance with the provisions of Section 8(d).

(iii) **Vesting Conditions.** If a Participant ceases to be an employee of the Company or a Subsidiary for any reason prior to the satisfaction of any Vesting Conditions (other than as a result of a Change in Control as described in subsection (iv) below), the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 8(b) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant whose employment has so terminated to retain any or all of the Retention Shares then subject to the restrictions of Section 8(b) and all restrictions applicable to such Retention Shares shall lapse. The Shares shall be delivered to the Participant in accordance with the provisions of Section 8(d).

(iv) **Change in Control.** Notwithstanding anything to the contrary in this Section 8(c), unless the Committee shall expressly provide otherwise in the document(s) evidencing Retention Shares at the time of grant, in the event a Participant's employment is involuntarily terminated by the Company or any of its Subsidiaries (other than a termination as a result of gross misconduct, but including a termination described in subsection (i) and (ii) above) within two (2) years following a Change in Control, the remaining restrictions with respect to Retention Shares, Original Retention Shares and Premium Retention Shares, including any remaining Restriction Period, or Vesting Conditions, shall lapse and the Committee may, in its sole discretion, elect to satisfy its obligations either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

(v) **All Other Terminations.** If a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Restriction Period for any reason other than death, disability or retirement at or after actual age 65 as provided in Section 8(c)(i) and (ii) or a termination pursuant to Section 8(c)(iv), the Participant shall immediately forfeit all Retention Shares then subject to the restrictions of Section 8(b) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant whose employment has so terminated to retain any or all of the Retention Shares to the extent that the Restriction Period set forth in Section 8(b) has been satisfied and all Vesting Conditions applicable to such Retention Shares shall lapse the Shares shall be delivered to the Participant in accordance with the provisions of Section 8(d).

d. Payment of Retention Shares. At the end of the Restriction Period and after all Vesting Conditions have been satisfied, or at such earlier time as provided for in Section 8(c), all restrictions applicable to the Retention Shares shall lapse, and the Shares equal to the number of Retention Shares, free of all restrictions, shall be delivered to the Participant or his or her Beneficiary, as the case may be, within thirty (30) days of the date all such restrictions applicable to the Retention Shares lapsed.

9. STOCK UNITS

a. Grant of Stock Units. The Committee may also grant Awards of Stock Units under the Plan. With respect to each grant of Stock Units, the Committee shall determine the period or periods, including any conditions for determining such period or periods, during which any restrictions on vesting shall apply, provided that in no event, except as otherwise provided in Sections 9(c), 9(d) or 9(e), shall such period or periods be less than three (3) years (the “Unit Restriction Period”). The Committee may also make any Award of Stock Units subject to the satisfaction of other conditions, including the attainment of performance goals, or contingencies (“Unit Vesting Condition”), in order for a Participant to receive payment of such Stock Unit Award, which shall be established by the Committee at the time of the Stock Unit Award. The Committee may specify that the grant, vesting or retention of any or all Stock Units is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code, provided that the performance criteria for the grant, vesting or retention of any such Stock Units shall be a measure based on one or more Qualifying Performance Criteria selected by the Committee and specified at the time the Stock Units are granted. The Committee shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any Stock Units that are intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code. Awards of Stock Units shall be payable in Shares or cash as determined by the Committee. For any Stock Unit Award which is intended to satisfy the requirements for “performance-based compensation” under section 162(m) of the Code, no such Award shall be considered vested unless and until the Qualifying Performance Criteria and Unit Restriction Period (as may be modified in Subsections 9(c), (d) or (e)) have been satisfied.

(i) Affect of Unit Restriction Period. Except as provided by Section 9(c), (d) or (e), (A) the Participant shall not be entitled to payment of the Stock Units until the expiration of the Unit Restriction Period and the satisfaction of any Unit Vesting Conditions; (B) none of the Stock Units may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Unit Restriction Period or prior to the satisfaction of any Unit Vesting Conditions; and (C) all of the Stock Units shall be forfeited and all rights of the Participant to such Stock Units shall terminate without future obligation on the part of the Company or a Subsidiary unless the Participant remains in the continuous employment of the Company or a Subsidiary for the entire Unit Restriction Period and any applicable Unit Vesting Conditions have been satisfied. If the number of a Participant’s Stock Units are adjusted as the result of a transaction listed in Section 14, such adjusted Stock Units shall be subject to the same restrictions as had applied prior to such adjustment, unless the Committee shall determine otherwise consistent with the requirements of that Section.

(ii) **Dividend Equivalents.** If the award of Stock Units includes a right to receive dividend equivalents, the payment of such dividend equivalents shall be as provided for in the agreement describing the Stock Unit Award, subject to Section 12 hereof; provided that such right to receive dividend equivalents conforms to the requirements of Section 409A of the Code and the regulations thereunder, and shall be deemed modified to the extent necessary to conform to such requirements.

b. Deferral. A Participant may elect to defer receipt of payment of an Award of Stock Units pursuant to the terms of the Deferred Compensation Plan of Union Pacific Corporation with respect to the SIP.

c. Separation from Service. Unless the Committee provides otherwise at the time an Award of Stock Units to a Participant is made, Stock Units shall be treated as provided below:

(i) **Death or Disability.**

(A) If a Participant has a Separation from Service prior to the end of a Unit Restriction Period by reason of death and all Unit Vesting Conditions have been satisfied, the Stock Units granted to such Participant shall immediately vest in his or her Beneficiary, and all restrictions applicable to such Stock Units shall lapse. The Stock Unit Award shall be paid to the Participant's Beneficiary within thirty (30) days of the Participant's death.

(B) If a Participant ceases to be an employee of the Company or a Subsidiary prior to the end of a Unit Restriction Period by reason of disability under the provisions of the Company's or a Subsidiary's long-term disability plan, and all Unit Vesting Conditions have been satisfied, the Stock Units granted to such Participant shall immediately vest for the Participant and all restrictions applicable to such Stock Units shall lapse and, in the event such Participant did not make a deferral election with respect to such Stock Unit, it shall be paid as follows:

(1) in the event the Participant has not attained Retirement Status before qualifying for long-term disability benefits under the Company's or a Subsidiary's long-term disability plan, then such Stock Unit shall be paid to the Participant within thirty (30) days of such Participant's qualifying for long-term disability under the Company's or Subsidiary's long-term disability plan; and

(2) in the event the Participant has attained Retirement Status before qualifying for long-term disability benefits under the Company's or a Subsidiary's long-term disability plan: (X) if such Stock Unit is nonetheless "deferred compensation" under Code Section 409A, then such Stock Unit shall be paid in accordance with Subsection 9(f)(iii); or (Y) if such Stock Unit is not "deferred compensation" under Code Section 409A, such Stock Unit shall be paid to the Participant within thirty (30) days of such Participant's qualifying for long-term disability under the Company's or Subsidiary's long-term disability plan.

(ii) **Unit Vesting Conditions.** If a Participant has a Separation from Service with the Company or a Subsidiary for any reason prior to the satisfaction of any Unit Vesting Conditions (other than as a result of a Change in Control as described in subsection (d)(ii) below), the Participant shall immediately forfeit all Stock Units then subject to the restrictions of Subsection 9(a) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant who has had a Separation from Service to retain any or all of the Stock Units then subject to the restrictions of Subsection 9(a) and all restrictions applicable to such Stock Units shall lapse. The Stock Unit Award shall be paid in accordance with provisions of Subsection 9(f).

(iii) **All Other Separations from Service.** If a Participant has a Separation from Service prior to the end of a Unit Restriction Period for any reason other than (A) a Separation from Service after attaining Retirement Status described in subsection 9(e) below, (B) a Separation from Service described in subsection (c)(i) above, or (C) a Separation from Service pursuant to Section 9(d)(ii), the Participant shall immediately forfeit all Stock Units then subject to the restrictions of Section 9(a) in accordance with the provisions thereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant who has a Separation from Service to retain any or all of the Stock Units to the extent that the Unit Restriction Period set forth in Section 9(a) has been satisfied and all Unit Vesting Conditions applicable to such Stock Units shall lapse. The Stock Unit Award shall be paid in accordance with provisions of Subsection 9(f).

d. Change in Control.

(i) In the event of a Change in Control of the Company (i) with respect to Stock Units (other than Stock Units granted pursuant to any current or future long term incentive plan ("LTP")), the Unit Restriction Period shall end with respect to that number of such Stock Units calculated by multiplying the total number of such Stock Units by the fraction obtained by dividing the number of full months from the commencement of such Unit Restriction Period through the date of such Change in Control by the total number of months contained in such Unit Restriction Period (determined without regard to this proviso), and (ii) any Stock Units granted to such Participant pursuant to an LTP shall be subject to the terms of the applicable agreement issued under an LTP. In the event a Stock Unit becomes payable under this subparagraph (d)(i) and the Participant did not make a deferral election with respect to such Stock Unit, such Stock Unit shall be paid as follows:

(A) in the event the Participant has not attained Retirement Status before the date on which the Change in Control occurs, then such Stock Unit shall be paid to the Participant within thirty (30) days of the date on which the Change in Control occurs; and

(B) in the event the Participant has attained Retirement Status before the date on which the Change in Control occurs: (X) if such Stock Unit is nonetheless “deferred compensation” under Code Section 409A, then such Stock Unit Award shall be paid in accordance with Subsection 9(f)(iii); or (Y) if such Stock Unit is not “deferred compensation” under Code Section 409A, then such Stock Unit shall be paid to the Participant within thirty (30) days of the date on which the Change in Control occurs.

The Committee may, in its sole discretion, elect to make such payment either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

(ii) Notwithstanding anything to the contrary in Section 9(c), unless the Committee shall expressly provide otherwise in the document(s) evidencing Stock Unit Awards at the time of grant, in the event a Participant has an involuntary Separation from Service from the Company or any of its Subsidiaries (other than a Separation from Service as a result of gross misconduct, but including a Separation from Service after attaining Retirement Status described in subsection 9(e) below and a Separation from Service described in subsection (c)(i) above) within two (2) years following a Change in Control, the remaining restrictions with respect to Stock Units, including any remaining Unit Restriction Period, or Unit Vesting Conditions, shall lapse. Unless the Participant made a deferral election with respect to such Stock Units, the Stock Units shall be paid within thirty (30) days of the Participant’s Separation from Service, subject to Subsection 9(f)(iv). The Committee may, in its sole discretion, elect to satisfy its obligations either in cash, in Shares, in shares of equity securities of the entity (or its parent) resulting from such Change in Control or in any combination of the foregoing.

e. Attainment of Retirement Status. Unless the Committee provides otherwise at the time an Award of Stock Units to a Participant is made:

(i) In the event a Participant attains Age 65 Retirement Status while in the employ of the Company or a Subsidiary, the Unit Restriction Period with respect to the applicable Stock Units granted to such Participant shall be deemed satisfied on the date Age 65 Retirement Status is attained.

(ii) In the event a Participant attains 60/10 Retirement Status while in the employ of the Company or a Subsidiary, the Unit Restriction Period with respect to the applicable Stock Unit grant shall be deemed satisfied as provided in accordance with the terms of the 2006 Stock Unit Agreement and 2006 Long Term Plan Stock Unit Agreement, each dated January 26, 2006, as amended from time to time and/or the 2007 Stock Unit Agreement and 2007 Long Term Plan Stock Unit Agreement, each dated January 30, 2007 as amended from time to time, as applicable.

(ii) Assuming and to the extent that any Unit Vesting Conditions have been satisfied, payment of the Stock Units for which Retirement Status has been attained in accordance with subparagraphs 9(e)(i) or 9(e)(ii) shall be made in accordance with Subsection 9(f).

f. Payment. Except as otherwise provided in Subsections 9(c) or 9(d), payment of Stock Unit Awards shall be made as follows:

(i) **Payment if Stock Unit Award Not Deferred Compensation.** If the Participant has not elected to defer payment of a Stock Unit Award and the Stock Unit Award is not otherwise “deferred compensation” under Code Section 409A (“Non-409A Stock Unit Award”):

(A) the Non-409A Stock Unit Award will be paid as soon as practicable following the date the Unit Restriction Period has been satisfied and all Unit Vesting Conditions have been satisfied, but in no event later than two and one-half (2 1/2) months following the end of the calendar year that includes the date that all such restrictions applicable to the Non-409A Stock Unit Award lapsed.

(B) Notwithstanding the foregoing, if the Participant has attained Retirement Status during the Unit Restriction Period for such Non-409A Stock Unit Award, but remains employed, the Stock Unit Award shall, assuming all Unit Vesting Conditions have been satisfied, be paid within thirty (30) days of the earlier of (A) the Participant’s Separation from Service or (B) the date the Unit Restriction Period would have otherwise ended, but for the application of the special rules in Subsection 9(e).

(ii) **Payment if deferred.** If the Participant has elected to defer payment of the Stock Unit Award, then the Award will (provided the Unit Restriction Period has been satisfied and all Unit Vesting Conditions have been satisfied) be paid in accordance with the Participant’s deferral consistent with the terms of the Deferred Compensation Plan of Union Pacific Corporation.

(iii) **Payment if Stock Unit Award Is Deferred Compensation.** If the Participant has not made a deferral election with respect to a Stock Unit Award but such Stock Unit Award is nevertheless “deferred compensation” under Code Section 409A and assuming the Unit Restriction Period has been satisfied and all Unit Vesting Conditions have been satisfied, such Stock Unit Award shall be paid within thirty (30) days of the earlier of (A) the Participant’s Separation from Service or (B) the date the Unit Restriction Period would have otherwise ended but for the application of the special rules in Subsections 9(c), 9(d) or 9(e), as applicable, subject to the Specified Employee Restriction described in Section 9(f)(iv).

(iv) **Specified Employee Restriction.** Notwithstanding anything in this Plan to the contrary, no payment of a Stock Unit that is “deferred compensation” under Code Section 409A triggered by Separation from Service shall be made to a “specified employee” (as determined in accordance with a uniform policy adopted by the Company with respect to all arrangements subject to Section 409A of the Code maintained by the Company and its Affiliated Companies) until six (6) months plus one day following such specified employee’s Separation from Service (the “Specified Employee Restriction”); provided, however, in the event of the specified employee’s death before the date a Stock Unit Award payable under this Section 9 is paid, this provision shall not prevent payment of such Stock Unit Award at the time otherwise prescribed in this Section 9.

10. TERMS AND CONDITIONS OF INCENTIVE BONUSES

Each Incentive Bonus Award will confer upon the Participant the opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a performance period established by the Committee.

a. Incentive Bonus Document. Each Incentive Bonus Document shall contain provisions regarding (i) the target and maximum amount payable to the Participant as an Incentive Bonus, (ii) the performance criteria and level of achievement versus these criteria that shall determine the amount of such payment, (iii) the term of the performance period as to which performance shall be measured for determining the amount of any payment, (iv) the timing of any payment earned by virtue of performance, (v) restrictions on the alienation or transfer of the Incentive Bonus prior to actual payment, (vi) forfeiture provisions and (vii) such further terms and conditions, in each case not inconsistent with this Plan, as may be determined from time to time by the Committee.

b. Performance Criteria. The Committee shall establish the performance criteria and level of achievement versus these criteria that shall determine the target and maximum amount payable under an Incentive Bonus Award, which criteria may be based on financial performance and/or personal performance evaluations. The maximum amount payable as an Incentive Bonus may be a multiple of the target amount payable. The maximum amount payable as an Incentive Bonus under this Plan during any calendar year to any one Participant shall not exceed \$10 million unless such limitation is no longer required under Section 162(m) of the Code. The Committee may specify the percentage of the target Incentive Bonus that is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code, provided that the performance criteria for any portion of an Incentive Bonus that is intended by the Committee to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code shall be a measure based on one or more Qualifying Performance Criteria selected by the Committee and specified at the time the Incentive Bonus Award is granted. The Committee shall certify the extent to which any Qualifying Performance Criteria has been satisfied, and the amount payable as a result thereof, prior to payment of any Incentive Bonus that is intended to satisfy the requirements for “performance-based compensation” under Section 162(m) of the Code.

c. Timing and Form of Payment. The Committee shall determine the timing of payment of any Incentive Bonus; provided, however, that Incentive Bonuses shall be paid to the Participant as soon as practicable following the satisfaction of the performance criteria (including the satisfaction of any Qualifying Performance Criteria as certified by the Committee) and/or performance period as set forth in the Incentive Bonus Document (the “Performance End Date”), but in no event later than two and one-half (2 1/2) months following the end of the calendar year that includes the Performance End Date. An Incentive Bonus may be payable in Shares or in cash. Any Incentive Bonus that is paid in cash shall not affect the number of Shares otherwise available for issuance under this Plan.

(i) **Deferrals.** A Participant may elect to defer receipt of payment of all or part of any Incentive Bonus pursuant to the terms of the Deferred Compensation Plan of Union Pacific Compensation with respect to the SIP.

d. Discretionary Adjustments. Notwithstanding satisfaction of any performance goals, the amount paid under an Incentive Bonus Award on account of either financial performance or personal performance evaluations may be reduced by the Committee on the basis of such further considerations as the Committee shall determine.

11. ACHIEVEMENT AWARD SHARES

The Committee may, in its sole discretion, grant Achievement Award Shares to employees who are non-executive employees to reward specific and unique achievements that exceed normal job expectations. Subject to Section 4, the Committee may determine and designate from time to time those non-executive employees who will be granted Achievement Award Shares. Shares granted under this Section 11 shall not be subject to a vesting or holding period, unless the Committee provides otherwise at the time of grant. The total number of Shares to be awarded under this Section 11 shall not exceed 200,000 Shares, and in any calendar year no employee may be granted more than 50 Shares (or such other number as the Committee may determine).

12. DIVIDENDS AND DIVIDEND EQUIVALENTS

Any Award, other than an Option or Stock Appreciation Right, may provide the Participant with the right to receive dividend payments or dividend equivalent payments on the Common Stock subject to the Award, whether or not such Award has been exercised or is vested. Except as described in subsection (a), such payments shall be made in cash or Shares on the payment date established by the Board for the underlying dividends. Such payments may be subject to such conditions and contingencies as the Committee may establish, provided however, that such payments shall in all events satisfy the “short-term deferral” exception to Code Section 409A described in Treas. Reg. § 1.409A-(a)(4).

a. If Stock Units are Deferred. Notwithstanding the foregoing, if a Participant elects to defer receipt of payment of an Award of Stock Units pursuant to the terms of the Deferred Compensation Plan of Union Pacific Corporation (the “Deferred Compensation Plan”), dividend equivalents with respect to such deferred Stock Unit Award which relate to dividends paid on and after the date of the deferral of such Stock Unit Award (i.e., the date that the Stock Unit Award would have been payable to the Participant under this Plan had such amount not been deferred under the Deferred Compensation Plan) shall be reinvested as part of the Award Account under the Deferred Compensation Plan, and shall be deferred for payment at the same time as the Award Account is paid under the terms of the Deferred Compensation Plan.

13. REGULATORY APPROVALS AND LISTING

The Company shall not be required to issue to a Participant or a Beneficiary, as the case may be, any certificate for any Shares upon exercise of an Option or Stock Appreciation Right or for any Retention Shares granted under this Plan or to make any payment with respect to any Incentive Bonus or Stock Unit granted under this Plan prior to (a) the obtaining of any approval from any governmental agency which the Company, in its sole discretion, shall determine to be necessary or advisable, (b) the admission of such Shares to listing on any stock exchange on which the Common Stock may then be listed, and (c) the completion of any registration or other

qualification of such Shares under any state or federal law or rulings or regulations of any governmental body which the Company, in its sole discretion, shall determine to be necessary or advisable.

14. CHANGES IN CAPITAL STRUCTURE

a. Corporate Actions Unimpaired. The existence of outstanding Awards (including any Options) shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, exchanges, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issuance of Shares or other securities or subscription rights thereto, or any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Shares or other securities of the Company or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. Further, except as expressly provided herein or by the Committee, (i) the issuance by the Company of shares of stock or any class of securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, (ii) the payment of a dividend in property other than Shares, or (iii) the occurrence of any similar transaction, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to Options or other Awards theretofore granted or the purchase price per Share, unless the Committee shall determine, in its sole discretion, that an adjustment is necessary to provide equitable treatment to a Participant.

b. Adjustments Upon Certain Events. If the outstanding Shares or other securities of the Company, or both, for which the Award is then exercisable or as to which the Award is to be settled shall at any time be changed or exchanged by declaration of a stock dividend, stock split, combination of shares, extraordinary dividend of cash and/or assets, recapitalization, or reorganization, the Committee may, and if such event occurs after a Change of Control, the Committee shall, appropriately and equitably adjust the number and kind of Shares or other securities which are subject to this Plan or subject to any Awards theretofore granted, and the exercise or settlement prices of such Awards, so as to maintain the proportionate number of Shares or other securities without changing the aggregate exercise or settlement price. The Committee's adjustment shall be effective and binding for all purposes of this Plan, provided that no such adjustment shall constitute (i) a modification of a stock right within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(B) so as to constitute the grant of a new stock right, (ii) an extension of a stock right, including the addition of any feature for the deferral of compensation within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(C), or (iii) an impermissible acceleration of a payment date or a subsequent deferral of a stock right subject to Code Section 409A within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(v)(E). Furthermore, no adjustment as the result of a change in capitalization shall cause the exercise price to be less than the Fair Market Value of such shares (as adjusted to reflect the change in capitalization) on the date of grant, and any adjustment as the result of the substitution of a new stock right or the assumption of an outstanding stock right pursuant to a corporate transaction shall satisfy the conditions described in Treas. Reg. Section 1.409A-1(b)(5)(v)(D).

15. QUALIFYING PERFORMANCE CRITERIA

For purposes of this Plan, the term “Qualifying Performance Criteria” shall mean any one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Subsidiary, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years’ results or to a designated comparison group, in each case as specified by the Committee in the Award: (a) cash flow (before or after dividends), (b) earnings per share (including earnings before interest, taxes, depreciation and amortization), (c) stock price, (d) return on equity, (e) total shareholder return, (f) return on capital (including return on total capital or return on invested capital), (g) return on assets or net assets, (h) market capitalization, (i) total enterprise value (market capitalization plus debt), (j) economic value added, (k) debt leverage (debt to capital), (l) revenue, (m) income or net income, (n) operating income, (o) operating profit or net operating profit, (p) operating margin or profit margin, (q) return on operating revenue, (r) cash from operations, (s) operating ratio, (t) commodity or operating revenue, (u) market share, (v) customer service index, (w) service delivery index, (x) productivity and (y) safety. To the extent consistent with Section 162(m) of the Code, the Committee may appropriately adjust any evaluation of performance under a Qualifying Performance Criteria to exclude any of the following events that occurs during a performance period: (z) asset write-downs, (aa) litigation, claims, judgments or settlements, (bb) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (cc) accruals for reorganization and restructuring programs and (dd) any extraordinary, unusual or non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management’s discussion and analysis of financial condition and results of operations appearing in the Company’s Annual Report to shareholders for the applicable year.

16. TANDEM STOCK OR CASH RIGHTS

Either at the time an Award is granted or by subsequent action, the Committee may, but need not, provide that an Award shall contain as a term thereof, a right, either in tandem with the other rights under the Award or as an alternative thereto, of the Participant to receive, without payment to the Company, a number of Shares, cash or a combination thereof, the amount of which is determined by reference to the value of the Award; provided, however, that no such tandem stock or cash rights shall be made in connection with an Option or Stock Appreciation Right.

17. TAXES

a. Withholding Requirements. The Committee may make such provisions or impose such conditions as it may deem appropriate for the withholding or payment by a Participant or Beneficiary of any taxes that the Committee determines are required in connection with the grant, vesting, exercise, payment or settlement of any Award under this Plan, and a Participant’s or Beneficiary’s rights in any Award and in any Shares or other benefits thereunder shall be subject to satisfaction of such conditions.

b. Payment of Withholding Taxes. Notwithstanding the terms of Section 17(a), the Committee may provide in the agreement or other document evidencing an Award or otherwise that all or any portion of the taxes required to be withheld or, if and to the extent permitted by the Committee, desired to be paid by the Participant, in connection with the exercise, vesting, settlement or transfer of any Award may be paid by withholding Shares otherwise issuable or subject to such Award, or by the Participant's delivering previously acquired Shares (either actually or constructively by attestation), in each case having a Fair Market Value equal to the amount required or elected to be withheld or paid, or by the Stock Administrator paying such amount pursuant to an irrevocable commitment by the Stock Administrator to deliver to the Company proceeds from the sale of the Shares issuable under the Award. Any such election is subject to such conditions or procedures as may be established by the Committee and may be subject to approval by the Committee.

18. TRANSFERABILITY

Unless the agreement or other document evidencing an Award (or an amendment thereto authorized by the Committee) expressly states that the Award is transferable as provided hereunder, no Award granted under this Plan, nor any interest in such Award, may be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner prior to the vesting or lapse of any and all restrictions applicable thereto, other than by will or the laws of descent and distribution. Further, any Stock Units deferred under Section 9, or Incentive Bonuses deferred under Section 10(c) shall not be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner.

19. TERM OF THIS PLAN

No Awards shall be granted pursuant to the Plan after April 16, 2014, but any Award theretofore granted may extend beyond that date and the terms and conditions of this Plan shall continue to apply thereto.

20. TERMINATION OR AMENDMENT OF THIS PLAN

The Board may amend, alter or discontinue the Plan and the Board or the Committee may to the extent permitted by the Plan amend any agreement or other document evidencing an Award made under this Plan but, except as provided pursuant to the anti-dilution adjustment provisions of Section 14(b), no such amendment shall, without the approval of the shareholders of the Company:

- (a) increase the maximum number of Shares for which Awards may be granted under this Plan;
- (b) reduce the price at which Options may be granted below the price provided for in Section 6(a);
- (c) reduce the option price of outstanding Options;
- (d) extend the term of this Plan;

- (e) change the class of persons eligible to be Participants;
- (f) add a new type of award to this Plan; or
- (g) increase the individual maximum limits in Sections 5(b) and 10(b).

The Board may amend, alter or discontinue the Plan and the Board or the Committee may to the extent permitted by the Plan amend any agreement evidencing an Award made under this Plan, but no amendment or alteration shall be made which would impair the rights of any Participant, without such Participant's consent, under any Award theretofore granted, provided that no such consent shall be required if the Committee determines in its sole discretion and prior to the date of any Change in Control that such amendment or alteration either (i) is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation or to meet the requirements of any accounting standard, or (ii) is not reasonably likely to significantly diminish the benefits provided under such Award, or that any such diminishment has been adequately compensated.

21. LEAVE OF ABSENCE

Except as is necessary to comply with Code Section 409A, unless the Committee shall determine otherwise, a leave of absence other than an Approved Leave of Absence shall be deemed a termination of employment for purposes of this Plan. An Approved Leave of Absence shall not be deemed a termination of employment for purposes of this Plan, but the period of such Approved Leave of Absence shall not be counted toward satisfaction of any Restriction Period or Unit Restriction Period or any holding period described in Section 6(c).

22. GENERAL PROVISIONS

a. Employment At Will. Neither the Plan nor the grant of any Award nor any action by the Company, any Subsidiary or the Committee shall be held or construed to confer upon any person any right to be continued in the employ of the Company or a Subsidiary. The Company and each Subsidiary expressly reserve the right to discharge, without liability but subject to his or her rights under this Plan, any Participant whenever in the sole discretion of the Company or a Subsidiary, as the case may be, its interest may so require.

b. Governing Law. This Plan and any agreements or other documents hereunder shall be interpreted and construed in accordance with the laws of the State of Utah and applicable federal law. The Committee may provide that any dispute as to any Award shall be presented and determined in such forum as the Committee may specify, including through binding arbitration. Any reference in this Plan or in the agreement or other document evidencing any Award to a provision of law or to a rule or regulation shall be deemed to include any successor law, rule or regulation of similar effect or applicability.

c. Resale or Transfer of Shares. The Committee may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Shares received in connection with an Award, including without limitation (i) restrictions under an insider trading policy, (ii) restrictions designed to delay and/or coordinate the timing and manner of sales by the

Participant and other participants and (iii) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

23. NON-EXCLUSIVITY OF PLAN

Neither the adoption of this Plan by the Board nor the submission of this Plan to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable, including without limitation, the granting of stock options, stock appreciation rights, restricted stock, stock units or incentive bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

24. COMPLIANCE WITH OTHER LAWS AND REGULATIONS

This Plan, the grant and exercise of Awards thereunder, and the obligation of the Company to sell, issue or deliver Shares under such Awards, shall be subject to all applicable federal, state and local laws, rules and regulations and to such approvals by any governmental or regulatory agency as may be required. The Company shall not be required to register in a Participant's name or deliver any Shares prior to the completion of any registration or qualification of such Shares under any federal, state or local law or any ruling or regulation of any government body which the Committee shall determine to be necessary or advisable. This Plan is intended to constitute an unfunded arrangement for a select group of management and other key employees. No Option shall be exercisable unless a registration statement with respect to the Option is effective or the Company has determined that such registration is unnecessary. Unless the Awards and Shares covered by this Plan have been registered under the Securities Act of 1933, as amended, or the Company has determined that such registration is unnecessary, each person receiving an Award and/or Shares pursuant to any Award may be required by the Company to give a representation in writing that such person is acquiring such Shares for his or her own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof.

25. LIABILITY OF COMPANY

The Company and any Affiliate which is in existence or hereafter comes into existence shall not be liable to a Participant or other persons as to: (a) the non-issuance or sale of Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder; and (b) any tax consequence expected, but not realized, by any Participant or other person due to the receipt, exercise or settlement of any Option or other Award granted hereunder.

26. EFFECTIVE DATE

The Plan became effective on the Original Effective Date.

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

<i>Millions of Dollars, Except for Ratios</i>	<i>Three Months Ended</i>	
	<i>2009</i>	<i>2008</i>
<i>September 30,</i>		
Fixed charges:		
Interest expense including amortization of debt discount	\$ 156	\$ 130
Portion of rentals representing an interest factor	35	54
Total fixed charges	\$ 191	\$ 184
Earnings available for fixed charges:		
Net income	\$ 517	\$ 703
Equity earnings net of distributions	(12)	(14)
Income taxes	308	405
Fixed charges	191	184
Earnings available for fixed charges	\$ 1,004	\$ 1,278
Ratio of earnings to fixed charges	5.3	6.9

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

<i>Millions of Dollars, Except for Ratios</i>	<i>Nine Months Ended</i>	
	<i>2009</i>	<i>2008</i>
Fixed charges:		
Interest expense including amortization of debt discount	\$ 447	\$ 384
Portion of rentals representing an interest factor	118	168
Total fixed charges	\$ 565	\$ 552
Earnings available for fixed charges:		
Net income	\$ 1,347	\$ 1,677
Equity earnings net of distributions	(25)	(40)
Income taxes	768	940
Fixed charges	565	552
Earnings available for fixed charges	\$ 2,655	\$ 3,129
Ratio of earnings to fixed charges	4.7	5.7

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, James R. Young, certify that:

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

Date: October 22, 2009

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

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

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

Date: October 22, 2009

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

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

In connection with the accompanying quarterly report of Union Pacific Corporation (the Corporation) on Form 10-Q for the period ending September 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, James R. Young, Chairman, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

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

October 22, 2009

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

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

In connection with the accompanying quarterly report of Union Pacific Corporation (the Corporation) on Form 10-Q for the period ending September 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Robert M. Knight, Jr., Executive Vice President - Finance and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

By: /s/ Robert M. Knight, Jr.
Robert M. Knight, Jr.
Executive Vice President - Finance and
Chief Financial Officer
Union Pacific Corporation

October 22, 2009

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